



CITY COUNCIL

Finance Committee

Meeting Report Monday, June 2, 2008

Committee Members Attending: J. Waltman, Chair, M. Baez

Others Attending: V. Spencer, D. Cituk, R. Hottenstein, M. Mayfield, M. Vind, L. Kelleher,

Mr. Waltman called the Finance Committee meeting to order at 6:00 pm.

RECOMMENDATIONS FROM FINANCIAL SOLUTIONS

Mr. Vind stated that the list of recommendations made to the administration would be distributed by the end of the week.

DEBT RESTRUCTURING PROPOSAL

Mr. Vind explained that this is to reduce current debt service requirements and avoid the debt service spikes between 2008 and 2016 by refunding \$48,660,000 of existing debt. The restructuring would refund portions of the 2002 General Obligation Bonds, the 2005 General Obligation Notes, and the 2006 Pension Obligations Bonds. He explained due to the City's inability to get bond insurance the new bond package, 2008 C bonds, will be issued in a variable rate mode due to the City's inability to obtain bond insurance. Financial Solutions is currently seeking a letter of credit from a financial institution to replace the bond insurance. He stated that municipal bond insurance companies will not issue insurance to the City until the financial conditions of the City improve. The value of the 2008 C Bonds is approximately \$52,520,000.

Mr. Cituk objected to the proposed restructuring as the transaction will extend the City's debt and increase the City's debt load by \$60,000,000. Mr. Vind countered that although the debt load will be increased the debt payment will be reduced going forward and will become level through the term of the debt.

Mr. Vind stated that the restructuring would level the City's debt requirement payment to an annual of \$14.8 million through 2033. He stated that annual savings will be realized between 2008 and 2016. The cost to complete the debt service restructuring is approximately \$6.8 million.

Mr. Vind stated that the 2008 C Bond ordinance, would need to be introduced at the June 23rd Regular Meeting of Council and be enacted at the July 14th Regular Meeting of Council. In addition Financial S&Lutions would prepare a draft Swap Resolution authorizing with termination of the existing basis swap in the connection with the 2005 notes, and the execution of the variable to fixed the swapped 2006 Notes for the 2008 C Bonds. The interest rate management plan would be drafted to govern the Swap Portfolio of the City. The Swap Resolution and interest rate management plan will need to be adopted at the July 14th Regular Meeting of Council. The July 14th would allow the swap to close sometime in August.

Mr. Waltman stated that at this point would like to review the City's annual debt service applications shown in principal payments and interest payments. He noted Council's general opposition to the other suggestions. He added that the tax increase is looking questionable as similar increases and reductions were proposed by the Administration in previous budgets cycles.

Mr. Cituk expressed the belief that a adoption of the 2008 C Bonds will be a huge mistake. Mr. Vind countered that the transaction would save the City approximately \$20,000,000 over the life of the debt. Mr. Hottenstein stated that without the Bond refinancing Council and the Administration would have to fund an additional \$7.5 million. Mr. Vind agreed that without the approval of this transaction one or the other three components would have to grow.

Mr. Waltman stressed need for a combination of all four recommendations to reduce expenses and increase revenue. He suggested that the Administration continue to work to find additional methods to increase revenue.

Mr. Waltman suggested continued discussion and review of the requested material at the June 14th Budget Summit.

Mr. Fuhs reminded all that the action steps suggested only allow the City to meet its obligations over a 3 year period. He noted the need to find an effective way to address the \$68 million question beyond this three year window.

Mr. Waltman suggested that the Administration prepare a menu of budget options that can be used to build consensus with Council early on. He noted the dangers of waiting until October to take these steps.

Mr. Vind reminded the Committee that the restructuring document will need to be enacted prior to the end of September.

BLUE RIBBON PANEL

Mr. Waltman suggested that Finance Committee meet with the Water Authority to discuss financial opportunities.

Mr. Waltman and Mr. Hottenstein suggested that a Blue Ribbon Panel be appointed by the Administration and Council to provide advisory opinions on the Comprehensive Plan presented at the Budget Summit in the overall financial state of the City. A 7 to 9 member panel is suggested. Mr. Hottenstein stated that Administration has already approached Paul Roedel, former Chairman of Carpenter Technology about chairing the panel. The Finance Committee agreed with the appointment of Mr. Roedel.

Mr. Waltman suggested defining the panel objectives at the upcoming Budget Summit. Mr. Hottenstein noted that the Blue Ribbon panel used by the School District worked with key state and federal legislators to obtain assistance for the School District.

BUDGET ISSUES

Mr. Waltman expressed the need to make Budget decisions over the summer months before the budget is presented in October. He expressed the belief that a combination of some actions and steps recommended at Budget Summit along with identifying other revenue opportunities and refining City Operations can yield a positive result.

Mr. Waltman noted the need to identify a method to crimp the growth of exempt properties within the City of Reading.

The Committee noted the need to address the reassessment of residential properties, review and increase use fees, consider regional assets, etc. It was suggested that the Administration and Council work together to define a list of specific goals.

Ms. Baez moved, seconded my Mr. Waltman, to adjourn the Finance Committee meeting.

Respectfully submitted by,

Linda Kelleher
City Clerk

Recap of Follow Up Issues

- Introduction of Debt Restructuring Ordinance – July 14 M. Vind
- City's Annual Debt Service, including Principle & Interest Payments– R. Hottenstein
- Menu of Budget options & impact (include estimate of fees increased prior to June 1st) – R. Hottenstein
- Preparation of 5-10 year Financial Plan – R. Hottenstein
- Creation of Blue Ribbon Panel Resolution – L. Kelleher
- Appointments to Blue Ribbon Panel – R. Hottenstein, L. Kelleher
- Reduce growth of exempt properties