COMMITTEE of the WHOLE

CITY COUNCIL

MINUTES
February 2, 2009
5:00 P.M.

COUNCIL MEMBERS PRESENT:

V. Spencer, S. Fuhs, D. Sterner, M. Baez, J. Waltman

OTHERS IN ATTENDANCE:

L. Kelleher, S. Katzenmoyer, C. Younger, C. Kanezo, R. Hottenstein, D. Cituk, T. McMahon, M. Vind

Mr. Spencer, President of Council, called the Committee of the Whole meeting to order at 5:15 p.m.

I. Blue Ribbon Panel

Mr. Spencer questioned the members who will be appointed by the Administration. Mr. McMahon stated that he is appointing Kevin Murphy, Kevin Barnhardt, Karen Miller and Gust Zogas. Two of these appointees are City residents.

Mr. Spencer questioned what the Panel would be addressing. Mayor McMahon suggested giving the Panel background information and allowing them to get to work. Mr. Hottenstein stated that Commissioner Barnhardt was selected for the regionalization issue and Karen Miller was selected for her work with the State government.

Mr. Spencer stated that Council would be naming five members to the Panel. He requested additional suggestions of members. Mr. Waltman reminded Council of the preliminary list generated from past suggestions.

Mr. Spencer questioned union representation on the Panel. Ms. Kelleher stated that Council had not decided on this issue. Mr. Waltman stated that the Panel should also include minority representation.

Mr. Spencer noted that the body of Council needs to decide who it will name to the Panel. He stated that the Panel needs to be educated on the financial concerns of

Council. Mr. Sterner stated his belief that the concerns are general and no special expertise is necessary.

Mr. Waltman stated that the Panel needs to know its function. He questioned if the Finance Committee members would be involved. Mayor McMahon did not oppose the possibility of Committee involvement.

Mr. Fuhs stated that the initial drive of this Panel was by Council. He noted the need for additional discussion. Mr. Waltman stated his belief that the Panel could be given background information, Council's list of concerns and a request for continual feedback to keep the Panel focused.

Mr. Spencer requested Councilors make additional suggestions for members to Ms. Kelleher by February 9.

II. Bond Swap Amendment Proposal

Mr. Vind stated that this is not a new swap but an amendment to an existing swap of the series 2002 bonds. He reviewed this opportunity.

Mr. Waltman stated that this is a true hedge. He questioned if this would allow flexibility if bad market conditions occur. Mr. Vind reviewed the risks associated with the amendment.

Mr. Vind stated that the tax risk would be the new risk to the City. This component is not included in the current bond. This would become a risk only if tax exempt debt regulations change. He stated that since the City's return would be greater than 100%, this would decrease the tax risks to the City.

Mr. Waltman questioned the best timing for this amendment. Mr. Vind stated that a resolution would need to be passed. He stated that the resolution can state that the amendment only occur if certain market conditions exist. He stated that the current rates have been holding since mid December.

Mr. Waltman questioned if this amendment would cost the City $50,000 to change the hedge. Mr. Vind stated that this was correct but would be a better hedge with a better rate.

Mr. Fuhs questioned what caused the market rate to fall from 106% to 103%. Mr. Vind explained that this situation has never occurred in the market before. He stated that many bonds are being converted to take advantage of the situation and the rate decreased based on supply and demand. He stated his belief that this situation would not exist for much longer.

Mr. Sterner questioned why there was such a short window since the bonds do not come due until 2012. Mr. Vind stated that the City can wait to take action but that these conditions may not continue.

Mr. Waltman questioned Mr. Vind's comfort level with this amendment. Mr. Vind stated that the City would receive a better hedge by amending the bond. He stated

that this is a rare opportunity. He recommended the City take advantage of this opportunity as long as Council is comfortable with the tax risk issue.

Mayor McMahon asked for an explanation of the tax risk. Mr. Vind stated that currently the City does not have a tax risk. He stated that the risk of a decrease of tax rates caused by investors not investing in tax exempt bonds may cause tax laws to change. He again stated that since the City would be receiving a return of greater than 100%, even with the tax risk the City would benefit from this amendment. He stated that there has been talk of a national flat tax but no action has been taken. He stated his belief that as the federal government has borrowed trillions of dollars that will need to be paid back, that this tax will not be implemented.

Mr. Spencer requested that the bond swap amendment be added to the Council agenda for their February 9 meeting. Mr. Vind stated that he would be unable to attend that meeting but that Mr. Edleman would attend to answer any additional questions.

The meeting adjourned at 6:10 pm.

Respectfully Submitted

By:_____
Linda A. Kelleher, City Clerk