

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, OCTOBER 30, 2007**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, October 30, 2007, commencing at 7:05 a.m.

A. ROLL CALL

Present: Council Members – Hansen, Hitchcock, Katzakian, Mounce, and Mayor Johnson

Absent: Council Members – None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. TOPIC(S)

B-1 "Presentation of Various Elements of 2007 Wastewater Certificates of Participation for up to \$35 Million"

City Manager King briefly introduced the subject matter of wastewater system revenue certificates of participation and the members of the financing team.

Consultant Eileen Gallagher provided a PowerPoint presentation regarding the wastewater certificates of participation and related financing. Specific topics of discussion included an overview of the 2007 financing including security, ratings and bond insurance, interest rate trends, financing details, financing team, approvals requested, wrap up, and next steps.

In response to Council Member Hansen, Ms. Gallagher stated reserves can be handled in a few different ways because the insurance is providing multiple bid options to address security and cash reserves.

In response to Council Member Hitchcock, Ms. Gallagher confirmed that the approximate reserve amount is \$2.6 million.

In response to Council Member Hitchcock, Ms. Gallagher stated that, by lowering the principal, the issuance costs that are variable will be lower.

In response to Mayor Johnson, Ms. Gallagher stated there is a strong chance that the federal government will lower interest rates again and the future should be positive. She also explained that the pricing over 30 years involves serial maturities and longer term bonds on the end so that the City can enjoy a benefit in lower costs and interest rates.

In response to Council Member Hitchcock, Ms. Gallagher stated the interest rate is fixed in the beginning and monthly debt service remains relatively the same for six months.

In response to Council Member Hitchcock, Ms. Gallagher stated the prepayment provisions are not set in stone, but it is customary to have bonds callable in ten years time and it is anticipated this will be the case for the current issue. She stated the previous financing had a sliding scale and the payment is approximately 1.5%.

In response to Mayor Johnson, Ms. Gallagher stated the A- stable rating is good and the highlights are a stable customer base with diversity in customers and the economy, as well as some understanding of the environmental litigation and stable growth control.

In response to Council Member Hitchcock, Ms. Gallagher stated the proposed financing is a standard and strong financing for wastewater with no unusual circumstances. City Attorney Schwabauer stated the low interest rate is standard, not contingent, and the bonds can be sold to a variety of investors. He stated there is nothing unique about the financing.

City Manager King provided a brief overview of the difference between issuing certificates of participation through a stand-alone financing corporation and issuing revenue bonds through a financing authority, with the latter being a bit advantageous in saving a step in the overall process.

In response to Council Member Hitchcock, Mr. Schwabauer stated creating a financing authority can be looked into.

In response to Council Member Hansen, Mr. Krueger stated the rate increase from a few years ago, the debt service requirements, and this issue should cover the related costs without a need for an additional increase. Mr. Krueger stated there may be a need to come back to Council at a later date regarding the unanticipated costs associated with the transmission lines.

In response to Council Member Hansen, Mr. Prima stated the 2003-04 total was approximately \$30 million, \$10 million will be refunded, and about \$50 million will be financed.

Discussion ensued between Council Member Hitchcock and City Manager King regarding debt service, cash reserves, alternatives associated with using a surety in lieu of cash reserves, trends regarding the same, and the option of doing a mixed reserve.

In response to Mayor Johnson, Ms. Gallagher stated the timeline will not be affected greatly if the Council desires to take a bit more time to determine if it would like to use a surety or cash reserve.

In response to Council Member Hansen, Mr. Krueger stated that, from an administrative standpoint, the surety is better because of the heavy tracking element associated with cash reserves. He also stated a cash reserve would be shown as restricted and unusable.

In response to Mayor Johnson, Ms. Gallagher stated there is an AAA related backing for both the insurance and the bonds.

City Manager King stated that, while Fitch did give the City a bump in ratings, it also put some consideration into the environmental litigation and the payment of some related costs from the water and wastewater funds. Mr. King stated the matter will come before the City Council on November 7 and the policy issue to be decided appears to be whether a surety or cash reserve should be utilized.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:00 a.m.

ATTEST:

Randi Johl
City Clerk