MEMORANDUM

TO: Michael G. Herring, City Administrator

FROM: Lori Helle, Director of Finance and Administration

DATE: February 8, 2008

SUBJECT: Special meeting - Finance and Administration Committee

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The Finance and Administration Committee met on Monday, February 4, 2008. Those in attendance included: Chairperson Bruce Geiger, Ward II; Councilmember Jane Durrell, Ward I; Councilmember Dan Hurt, Ward III; Councilmember Connie Fults, Ward IV; City Administrator Mike Herring; and, Director of Finance and Administration Lori Helle. Also in attendance were: Financial Advisor Michelle Bock; Councilmembers Barry Flachsbart, Ward I, Lee Erickson, Ward II, Mike Casey, Ward III and Bob Nation, Ward IV.

The meeting was called to order by Chairperson Geiger at 5:03 p.m.

1. Approval of Minutes—November 14, 2007

Councilmember Fults motioned to approve the minutes from November 14, 2007. Councilmember Durrell seconded and the motion passed 4-0.

2. Discuss Refinancing the 1998 GO Parks Bond

Chairperson Geiger said that refinancing the 1998 G.O. Park Bond would benefit the City by allowing the City to save a significant amount of interest, due to securing a lower interest rate. The structure of the savings is open for discussion, but if the City waits, then the City may miss out on future interest savings. The Net Present Value (NPV) is estimated to be approximately $300,000, no matter how the "savings" are structured.

Councilmember Dan Hurt asked what the effect would be, if the City waits at least one month? He noted that if the current rates went lower, there would be additional savings.

Finance Advisor Michelle Bock stated that even though short-term rates are decreasing, it does not necessary mean long-term bond rates will decrease to the same degree. Short-term rates are not related to long-term bonds. If rates were to fall another 25 basis points next month, then it would be worth waiting, but there is no guarantee.

Chairperson Geiger stated that waiting a month might mean lower rates, but it still might be a "wash", when compared to the amount of savings that would be lost, by not completing a refinancing this month.

Ms. Bock stated that the bonds will mature in 2015 and there are no other call options available, because there are only seven (7) years left.

Councilmember Connie Fults asked how long the refinancing process will take to complete?

Ms. Bock stated that it takes two (2) weeks from the sale of the bonds, which is tentatively scheduled for February 20, 2008.

City Administrator Mike Herring asked Michelle to explain both the Resolution and Ordinance that were placed on the meeting Agenda, for consideration by City Council, later that same evening.

Ms. Bock stated that the Resolution would authorize the sale and the Ordinance sets up the framework for the bonds. She also pointed out that she was recommending a competitive sale, which, in her opinion, would benefit the City because of current market conditions. The bid opening (tentatively scheduled for 10AM on 2/20) has to be the morning of a Council meeting so that the City Council can approve the sale on the same day.

Councilmember Jane Durrell believes the City should take the opportunity it has now and not gamble with interest rates decreasing even more.

Chairperson Geiger stated that an affirmative vote, at tonight's meeting, would authorize Ms Bock to proceed with the sale on 2/20. He stated that he was comfortable with the savings now and thought it would be best to allow Ms. Bock to move forward. Chairperson Geiger made a motion to approve moving forward, as proposed, with the sale of the bonds to occur 2/20/08; Councilmember Durrell seconded the motion. Councilmember Hurt stated that he would be making a motion to amend the motion, at the Council meeting, to postpone the bond sale until March 17, 2008. The motion was approved by a vote of 4-0.

Chairperson Geiger then noted that Staff had identified three alternatives for the interest "savings" and that the Committee needed to recommend which approach to take. After discussing the options further with Staff, he recommended the "upfront" savings, since that option would, in his opinion, offer the greatest benefit to the residents, in terms of a possible reduction to the property tax rate, from its current level of $.06/$100 of assessed valuation

Chairperson Geiger made a motion to recommend the "upfront" savings alternative; Councilmember Fults seconded the motion. Discussion followed.

Councilmember Mike Casey asked Ms. Bock to explain the difference between her original recommendation for "deferred" savings, versus the "upfront" alternative?

Ms. Bock stated that all savings options were good for the City. The "deferred" savings alternative would result in greater total savings, over the remaining life of the bonds, but the "upfront" savings would allow the City to realize the savings sooner. In each

instance, it appeared that the option would exist for the City to possibly reduce its current property tax rate.

Councilmember Fults commented that City Council had kept the property tax rate, at the current level, this past year, in order to build reserves within the "debt service fund". Mr. Herring commented that the TIF closure is also having an impact upon this situation, by adding a significant amount of total assessed valuation to the City's "bottom line". Coupled with the "upfront" interest savings alternative, being proposed, it now appeared that the City could lower it property tax rate and still maintain a proper "debt service fund".

Councilmember Bob Nation stated that the City would be saving the residents more in the long run with the "deferred" savings, but any of the savings would be good for the City.

Councilmember Barry Flachsbart commented that the "upfront" savings would benefit Chesterfield residents who had been paying the property tax, since its inception, especially if the property tax could now be lowered, as a result. He cautioned, however, against lowering the property tax rate too much, in the first year, and then having to raise the rate, again, in the second year. There was general consensus, among all the members of the Committee, to avoid that scenario.

Chairperson Geiger reminded everyone that whether or not to lower the current property tax rate was not something that the Committee could/should address at this time. It was, however, his contention that the "upfront" savings alternative would position the City most favorably, in terms of a possible property tax reduction.

Chairperson Geiger asked Ms. Bock to explain why the City wasn't refinancing any of the City's other bond issues. She responded by noting that, as the City's Financial Advisor, she works with Ms. Helle to routinely review the City's existing debt, with hopes of identifying opportunities like this. She noted that the City had refinanced two bond issues already, but, for a number of reasons, the remaining bond issues simply would not benefit from refinancing, at this time. Ms. Bock committed to continued monitoring the City's debt.

Chairperson Geiger then called for a vote on the original motion to recommend that City Council approve the "upfront" savings alternative. The motion was approved by a vote of 4-0.

3. Adjournment

The meeting was adjourned at 6:43 p.m.