

RESOLUTION NO. CCLII (252)

A RESOLUTION FOR APPROVAL OF SALE OF WARRANTS BY NEGOTIATED SALE TO FINANCE LOCAL IMPROVEMENT DISTRICT PROJECTS.

WHEREAS, the City Staff has prepared a report on the above captioned subject which is attached hereto as Exhibit A, and

WHEREAS, the City Council has duly considered the subject and the recommendation(s) contained in the staff report, and

WHEREAS, interested parties, if any, have had an opportunity to be heard on the subject,

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Wilsonville does hereby adopt the staff report attached hereto as Exhibit A, with the recommendation(s) contained therein and further instructs that action appropriate to the recommendation(s) be taken.

ADOPTED by the City Council of the City of Wilsonville at a regular meeting thereof this 21st day of June, 1982 and filed with the Wilsonville City Recorder this same day.

  
WILLIAM G. LOWRIE, Mayor

ATTEST:

  
DEANNA J. THOM, City Recorder

CITY OF WILSONVILLE

# MEMO

June 21, 1982

DATE

TO: Mayor and City Council

FROM: Daniel O. Potter, City Administrator

SUBJECT: Approval of Sale of Warrants by Negotiated Sale  
to Finance Local Improvement District Projects

Heretofore the staff has reported on a possible method of selling warrants by negotiated sale to finance Local Improvement District projects. These projects are LID #4 Kinsman Road, and LID #6 Wilsonville/Boeckman Creek Bridge Crossing.

At a special meeting of the Council, held June 15, 1982, Rebecca Marshall, of the firm of Clements & Marshall, Financial Counsel, made a presentation which augmented the staff report, after which she answered the specific questions on the processes and procedures which might be used to market improvement warrants using the services of a financial consultant and achieving the sale through traders as was briefly explained in the attached memorandum dated May 21, 1982.

Following the presentation by Ms. Marshall and the discussion which followed, it was moved, seconded and passed, that the Council follow the negotiated sale process as outlined by Mr. Potter's memo (dated May 21st) and explained by Ms. Marshall, and authorize the City Administrator and Mayor Lowrie to proceed to obtain the services of a financial consultant.

Following the enactment of the motion it was agreed that the motion and reference to the May 21, 1982, memorandum involved the retention of the financial consultant, the engagement of the traders, and the completion of the sale of the warrants.

Respectfully submitted,



Daniel O. Potter

DOP/fr

Attachment

CITY OF WILSONVILLE  
**MEMO**

June 7, 1982

DATE

TO: Mayor and City Council  
FROM: Daniel O. Potter, City Administrator  
SUBJECT: Sale of Warrants for Improvement Projects

Under date of May 21, 1982, I corresponded with you in regards to a prospective warrant sale to finance LID #4 Kinsman Road, and LID #6 Wilsonville Road/Boeckman Creek Bridge Crossing. I attach a copy of this communication. I have had no further information regarding the process of the sale, and the probable result.

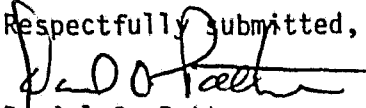
I have had additional information from the U. S. National Bank who indicate they believe a negotiated sale would save 1% to 2% after all costs were paid for a financial consultant and for the traders who would market the warrants. The U. S. National Bank would also require an opinion from Bond Counsel. Also, the U. S. National Bank has indicated that they would purchase the warrants for their own account if for some reason they did not sell in the negotiated sale.

Representatives of the First Interstate Bank or the U. S. National Bank would be pleased to meet with the Council to explain the negotiated sale process in detail. Current estimates on the projects are as follows:

Kinsman Road LID #4	
TOTAL Cost Estimate	<u>\$ 856,000</u>
Wilsonville Road/Boeckman Creek	
Bridge Crossing LID #6	
Total Cost Estimates	\$1,400,000
Less Clackamas County FAS	<u>440,000</u>
TOTAL	\$ 960,000
Total LID #4 and LID #6	\$1,816,000
Plus 15% Contingency	<u>272,400</u>
TOTAL Cost - Both Projects	\$2,088,400

I need your instructions on how you wish the staff to proceed.

Respectfully Submitted,

  
Daniel O. Potter

DOP/fr  
Attachment

CITY OF WILSONVILLE

# MEMO

May 21, 1982

DATE

TO: Mayor Lowrie  
Councilman Harris  
Councilman Ludlow  
Councilman Stark  
Councilman Vlahos

FROM: Daniel O. Potter, City Administrator

SUBJECT: Warrants for Improvement Projects

You have asked the staff to review the possibility of using improvement warrants to finance LID #4, Kingman Road, and LID #6, the Wilsonville Road/Boeckman Creek Bridge crossing.

We have made information on these projects available to the local offices of the First Interstate Bank and the U.S. National Bank. We also asked the Oregon Bank, who indicated they were not interested in participating.

Our information from First Interstate is that they would consider the purchase of warrants as they have in the past. They, however, do not plan the purchase of warrants as the highest investment opportunity due to their short term. No interest rate has been quoted but the general indication is it would be close to the prime rate.

Rebecca Marshall from First Interstate Bond Department has made an alternative suggestion that could meet our needs, and at the same time could reduce the interest rate. She suggests that we market the warrants through a negotiated sale, and make the warrants available to traders for sale to individuals who are particularly looking for short term investments with a specific call date, probably not less than one year. Using this process it is possible to reduce the interest rate. Ms. Marshall had examples of cities and counties who had proceeded in this manner and who had reduced their costs from 1 1/2% to, in one case, 5%.

The process that Ms. Marshall proposes is somewhat more complicated than the sale of warrants in the normal manner. Since the warrants will be traded, it will require that we develop information on the city, and on the specific project so investor questions may be answered. Essentially this requires the same general type of information as a bond issue, but not quite as detailed.

Mayor Lowrie  
Councilman Harris  
Councilman Ludlow  
Councilman Stark  
Councilman Vlahos  
May 21, 1982  
Page 2

It will also be necessary to retain a financial consultant to assist in the preparation of the financial information, and to work with the staff and the traders to insure that the city's interests are preserved.

Consideration will also have to be given to delegating someone as the city's representative, in that to develop a market for the warrants, at the lowest interest rate possible, we will have to work with the consultant, and the traders. It will be impossible to do this if we have to wait for the normal and regular Council meetings for discussion.

There is another interesting aspect to the negotiated sale of warrants. This is, funds realized from the sale are not subject to the federal arbitrage rules. This means that funds realized from the sale of warrants can be invested, and can earn interest which could assist the project, the city, or both.

I am providing this information in this letter form so you will all have a chance to consider the subject. Essentially, the elements for consideration would be:

1. Sale of warrants at negotiated sale through traders with warrants not to be redeemed prior to some specific time.
2. Retaining financial consultant.
3. Naming a Council member, or staff member, as city representative.
4. The opportunity to earn interest on funds generated by the sale of warrants, thus reducing the costs.
5. The possibility of selling warrants for both LID #4 and LID #6 at the same time.

I will continue to keep you informed on this issue. My own belief is, in these economic times we will have difficulty in negotiating the sale of warrants as we have in the past at a reasonable interest rate. For this reason the negotiated sale would appear to be most logical. The negotiated sale is more work, more involved, but less costly overall.

Respectfully submitted,

Daniel O. Potter

DOP/fr