



GOODHUE COUNTY BUDGET COMMITTEE
MINUTES
Administration Conference Room
April 27, 2004
11:00 a.m.

Present: Robert Noah, Roseanne Grosso, Brad Johnson, Amy Hove, David Hamilton and Andrea Benck.

C/Noah called the meeting to order

1. Jail Bonds Refinance Presentation.

a. Springstead & Associates. Bob Thistle was present and stated that basically there are two questions. How to do the financing and when to do the financing. If this is looked as a negotiating table, you are competing to get the bonds sold and get the best rate. Basically there are two participants. The issuer and the investor. The bond council's role is to give a legal opinion to the investor. Mr. Thistle stated that they bid on two things, the interest rate and the discount. Today, most municipal bonds are being sold to insurance companies and to mutual funds, thus their sales efforts are much less than they used to be. This drives down the rates they offer.

The 2nd process is negotiating the sale participants. Mr. Thistle stated that Northland Securities likes to be both the underwriter and the financial advisor. In reality, he felt that was a legal conflict of interest. The investor wants something different than the seller wants. Mr. Thistle felt that Northland has brought in a suggestion to the county to try to get communities to negotiate directly with them and cut out the middle man.

Mr. Thistle presented an analysis on the courts bonds and the jail bonds for both 2004 and 2005. Springstead looks at it not just for the savings, but also the cost of issuance, and the arbitrage problem. Both of the bond issues are being proposed to be called one and two years prior to their call date. As a result, you will end up subsidizing interest.

Mr. Thistle pointed out the present value (PV) savings and the future value (FV) savings as well as the cost of negative arbitrage in each situation. He felt that there was no necessarily correct decision. He felt that the board would need to decide if you want Northland in as a sole underwriter to work with Springstead. Springstead would negotiate with Northland if that was what the board would like them to do. Mr. Thistle felt that it was a bargaining table and what the county did not want to do was to have someone sitting on both side of the table.

Mr. Thistle had no strong feelings either way of what to do, however, he stressed that the board consider the negative arbitrage factor. He also noted that we are heading into the construction

season and that creates higher interest rates. Typically they come back down. The advantage of the higher interest rates was the smaller arbitrage cost.

C/Noah asked if the payment figure is taken into consideration in Mr. Thistle's numbers. Mr. Thistle agreed that was a factor. He suggested that they could begin the process and then wait to see what happens with the market.

C/Noah pointed out that whenever there is a savings, they as commissioners owe it to their taxpayers to take advantage of it.

b. Northland Securities. George Eilertson and Bill Fahey made a presentation on behalf of Northland Securities. They pointed out that Northland Securities was actually made up of numerous smaller firms and as a result, they have a lot of experience at the table. They look at the traditional public sale, the negotiated bond sale and the auction. One other difference was that Northland Securities was the underwriter as well. They work with several other counties and they continue to add new ones to the list.

Mr. Eilertson pointed out that when this issue was first discussed with Mr. Johnson the rates were much more attractive then they are today. The decrease in rates back in March was due to the report on jobs. Rates have since increased based on the construction season beginning.

What they looked at on the bonds was blending the two together and converting them to one general bond. They have done this with other counties. Mr. Eilertson distributed a preliminary refunding analysis detailing the figures involved in using both the bank-qualified and the non bank-qualified option. He noted that the statutory requirement on an advance refunding is to achieve a net present value savings percentage of at least 3%. In the case of the Jail bonds only the bank-qualified option came in at a percentage greater then 3%. When looking at the courts bonds, both options came in over 3%.

C/Noah pointed out that the bonds issued right now are through the Economic Development Authority and asked if that made a difference. Mr. Fahey stated that they are issued through the EDA however, they are county debt. Mr. Hamilton stated that he would like to have an opinion on that issue in writing.

C/Noah asked if the negative arbitrage was taken into consideration in the savings. Mr. Eilertson stated that it is a net figure including costs and arbitrage fees.

Mr. Eilertson stated that one approach the county could take would be to set a savings figure that the county would like them to meet. There is no cost to the county in the event that the rates go up and they end up not doing anything for the county.

Mr. Johnson asked if the net includes all costs. Mr. Fahey stated that it was net savings. The one reason why they were leaning toward the negotiated approach was that they were not sure where the market was going. Historically, in the spring, more bonds are coming to market, but not as many buyers. That may force rates up.

The budget committee recommended that staff talk with Mr. Springstead and verify the numbers and explore the potential for refinancing for savings.

2. 1st Quarter Reports. Mr. Hamilton reported that included in everyone's packet was the 1st quarter reports. The budget is right on track for this time of the year. Barbara Lerschen will be attending the next management team meeting to discuss the quarterly report she created.

3. Budget Adjustment Request. Ms. Skipton reported that the last plat book the County SWCD produced was in 1999. Land ownership and development have changed over the last five years to warrant another publication. Plat books are a very important part of rural counties activities. The majority of the County departments use this resource on a daily basis. The Planning Commission and the Board of Adjustments use it as a resource for nearly every request made to them. The public also uses this book on a daily basis. Ms. Skipton's request was to transfer \$19,000 from the Land Use Management Reserve to account 19-127-6278.

Ms. Skipton stated that they have a contractor who would setup the system and the cost would be approximately \$19,000.

C/Johnson asked if that included production costs. Ms. Skipton stated that this was basically the software to get to that point.

C/Noah recognized that there was a possible conflict of interest. C/Grosso agreed to recommend to the board that \$19,000 be transferred into account 19-127-627.