CITY OF WAUWATOSA
7725 WEST NORTH AVENUE
WAUWATOSA, WISCONSIN 53213
Telephone: (414) 479-8917
Fax: (414) 479-8989
Web Site: www.wauwatosa.net

SPECIAL BUDGET & FINANCE COMMITTEE MEETING
Tuesday, October 21, 2008
Committee Room #2

PRESENT: Alds. Donegan, Ewerdt, Jay, Krol, Maher, Organ, Purins, Walsh – 8

ALSO PRESENT: Alds. Meaux, Birschel; J. Archambo, City Admin.; A. Kesner, City Atty.; R. Braier, Finance Dir.; K. Rusch, Admin. Intern

Ald. Maher as Chair called the meeting to order at 6:32 p.m.

Issuance of $2,000,000 General Obligation Promissory Notes

Mr. Braier introduced Mr. Paul Thompson from Hutchison, Shockey, Ehrley. Mr. Thompson reported that they were able to hold the bonds to a 4% interest rate over two years. He added that some school districts have held one-year short term notes and have had a problem with a lack of sales. He noted the Bond Buyer Index (BBI) graph which showed a progression from a 1978 high of 14.4% to a low in 1994 of 4.82%. He noted that there were a number of interest rate spikes in between. State law allows for the borrowing of short term notes at low interest rates. The next set of notes will be borrowed when appropriate with the same final maturity in 2010 if rates are reasonable. He stressed that every time interest rates spike they come down within a two-year period.

Mr. Thompson noted that there is a liquidity problem. Banks are big buyers of municipal bonds. When banks are making money, they buy municipal bonds because they don't have to pay taxes on the purchase. Despite the big spike in interest rates in the last four weeks, he noted that Wauwatosa is able to borrow at the interest rate because of the city's Aaa Rating.

> Moved by Ald. Krol, seconded by Ald. Jay to recommend approval of the Issuance of $2,000,000 General Obligation Promissory Notes and the Issuance and Sale of $2,000,000 Note Anticipation Notes in anticipation thereof --

Ald. Jay asked about cities that have been successful in selling their bonds. Mr. Thompson responded that Sun Prairie and Shorewood rejected bids because the interest rates were too high. He is starting to see some settling in the market because of the steps that the government has taken. He added that the city does not have the adjustments to make that have been made in cities like Sun Prairie and Shorewood.

Ald. Walsh noted that borrowing $2 million over two years will cost $160,000. Mr. Braier stressed that the debt service will pay that back and will be covered for 2009.

Ald. Maher asked if it was possible that the city won't have any buyers. Mr. Thompson assured the committee that the $2 million will all be sold. Ald. Maher noted that the city's Aaa Rating has been a part of its stability. He added that credit analysis will focus on the city's investment management and liquidity. He noted that the Moody's report raised some concerns about the city's budgeting practices. Mr. Braier responded that Moody's looked more in depth at the investment the city held at the end of the year.

He added that the city collects taxes for other entities not just for the city and they have to turn over the money to the other entities very quickly.

Vote on the motion was Ayes: 8

The meeting adjourned at 6:57 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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