

**MINUTES OF THE COUNCIL OF THE TOWN OF SILVER CITY
SPECIAL COUNCIL MEETING
Grant County Administration Center, 1400 Hwy 180, Silver City, NM
August 15, 2011, 9:00 A.M.**

Present:

James R. Marshall, Mayor
Cynthia A. Bettison, District 1
Jamie K. Thomson, District 2
Jose A. Ray, Jr., District 3
Michael S. Morones, District 4

Also Present:

Alex C. Brown, Town Manager-Finance Director
Ann L. Mackie, Town Clerk

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE – Mayor Marshall called the meeting to order at 9:00 a.m., and Councilor Thomson read the Town’s Mission Statement.

2. Approval / Disapproval of Bid 11/12-2: Gabby Hayes replacement well. Manager Brown said the Town received 1 bid from Nambe Pueblo Healthcare Services, LLC in the amount of \$849,560.00 plus gross receipts taxes for a total of \$912,215.05. He said it was staff's recommendation to award the bid to Nambe, and the Town would have to come up with approximately \$70,000 above what remained in the loan that was acquired to do the construction of the well. He commented further on the loan, how the Town was saving \$70,000 on the loan itself, and that the money was budgeted for the construction. Mayor Marshall asked about Additive Alternate 1, and Manager Brown said it would be done in-house by Town staff. Councilor Bettison made a motion to approve Bid 11/12-2 per staff's recommendation. Councilor Ray seconded the motion. There was further discussion. All were in favor, motion passed.

3. Approval / Disapproval of Ordinance No. 1181: an Ordinance amending Town Ordinance No. 722 passed, adopted and approved by the governing body of the Town of Silver City, NM, on August 30, 1984, relating to the imposition of an increment of municipal gross receipts tax. Manager Brown said it was the second reading of Ordinance No. 1181 to change a portion of adopted gross receipts taxes adopted with Ordinance No. 722 that dedicated it to the payment of bonds. He introduced the Town's bonding attorney, Chris Muirhead of Modrall, Sperling, Roehl, Harris & Sisk, P.A. Mr. Muirhead distributed a copy of the ordinance with changes to Section 1 and 2. He described the changes and there was further discussion. Councilor Bettison made a motion to approve Ordinance No. 1181 and she read the title paragraph of Ordinance No. 1181 but replaced "the fourth increment" with "an increment", and changed Section 1, line 3, and Section 2, line 2, to replace "the fourth increment" with "an increment", and changed the date that the ordinance was passed, approved, and adopted to August 15, 2011. Councilor Morones seconded the motion as stated. There was no other discussion. A roll call vote was taken with the following results: Councilor Bettison - aye; Councilor Thomson - aye; Councilor Ray - aye; and Councilor Morones - aye. Motion passed.

4. Presentation of bonding process and schedule by Mark Valenzuela of George K. Baum & Co., and Chris Muirhead of Modral, Sperling, Roehl, Harris & Sisk, P.A. Mark Valenzuela, representative of the investment banking firm of George K. Baum & Company, commented that the company assisted communities in accessing the capital market so they could sell bonds for the purpose of bringing capital back to the community to build projects. He distributed a presentation booklet and described the firm and the bonding process. He said the Town would establish a bond rating during the bonding process and that the 1/8 increment of gross receipts tax, that was adopted in Ordinance No. 1181, would pay for the annual payment of bonds that would be issued and paid for over 20 years. He said the \$5,000,000 of new money from the proceeds would be used to build new capital projects in the community. He stated that investors that would buy bonds would want to see financial statements and disclosures on a routine basis. He commented on how issuing debt or bonds every 3 to 4 years would provide a cycle of new capital every few years to build projects. Mr. Valenzuela encouraged the Town Council and Manager Brown to dedicate the State's share of gross receipts taxes to the bonds to pledge it as a security to show investors that there would be a stronger backing to the bonds than the 1/8 increment of gross receipts tax. He said the Town would have an opportunity to refinance any

existing debt in order to take advantage of lower interest rates, the refunding bonds would not extend the debt in any way, and the timeline to pay off the debt would not change. He stated the Town's bond rating would probably come in as an "A" with Standard and Poor's or an "A2" with Moody's, and that it was a very good bond rating. He said that it would mean that the Town was a superior credit and had the ability and wherewithal to take on the debt, but was subject to economic downturns, and the revenue base was not as diverse as a city like Albuquerque. He commented on how refinancing existing debt would have a cash flow savings for the Town of approximately \$120,000 or \$16,500 annually.

There was further discussion between the Council, Manager Brown, Mr. Valenzuela, Mayor Marshall, and Mr. Muirhead. Mr. Valenzuela described the Series 2011A for \$5,000,000 to be used for capital improvements throughout the community, and the Series 2011B bonds for \$1,200,000 for refunding existing debts to create positive cash flow savings. Mr. Chris Muirhead discussed the financing schedule and the upcoming parameters ordinance which would be a bond ordinance that would be the legal obligation that laid out what the project was, in general terms, and pledged the revenues that would be used to repay the bonds. He said that after the parameters ordinance was adopted it would start the 30 day protest period which was critical under the Municipal Revenue Bond Act. He described the process of developing the Preliminary Official Statement that would relate to the marketing; disclosure and overview of the Town in general; the area; economic base; audit information; an overview of the bond covenants; etc. He stated that doing the dual pledge of the 1/8 increment of gross receipts tax and the State's share of gross receipts taxes would expose both revenue streams as protection for the bond holder. He said the structure and the sizing of the transaction would be done in a way that the Town anticipated only needing the municipal gross receipts tax, and if there were a significant drop-off in revenues, the Town needed to be clear that by doing the dual pledge the Town was exposing the State's share of gross receipts tax to be tapped. He said the dual pledge would increase the credit quality of the Town's bonds. He discussed how the Town Council would need to approve the bond pricing terms with a resolution that would lay out the maturities, interest rate, and debt service; how the Official Statement would follow; and that it would close on or about October 26, 2011, and the monies would be available on that date. He said the entire process would take 60 to 90 days.

Manager Brown stated the annual payment of \$380,000 for the bond issuance was 4.5% of the total gross receipts taxes for the previous year so it would not be a huge risk if the economy turned down. He said the State's share of gross receipts tax was about 32% of the total annual gross receipts tax revenues. Mr. Muirhead said that pledging the State's share would expose the entire 32%, but if they only pledged the municipal gross receipts tax they would just expose 4.5%. There was further discussion.

Councilor Bettison made a motion for a short break at 10:06 a.m. Councilor Ray seconded the motion. All were in favor, motion passed. Mayor Marshall called the meeting back to order at 10:18 a.m.

5. Approval / Disapproval of Resolution No. 2011-30: Declaring the intent of the Town Council of the Town of Silver City, New Mexico, to consider for adoption an ordinance authorizing issuance of the Town of Silver City, New Mexico, gross receipts tax improvement and refunding revenue bonds, Series 2011, for the purpose to (1) finance acquisition and construction of certain capital improvements for the benefit of the Town and its residents, and (2) to refinance, pay and discharge certain outstanding debt of the Town; engaging certain professionals to act on behalf of the Town in relation to issuance of the bonds; and directing the Town Manager and Town Clerk to take necessary action in connection with issuance of the bonds. Chris Muirhead, of Modral, Sperling, Roehl, Harris & Sisk, P.A., distributed a copy of the Resolution with a change in Section 2 on page 2 to change the first sentence that said George K. Baum & Company would act as the financial advisor to the Town and to correct it to say George K. Baum & Company would act as the underwriter for the Town. He said the Resolution was a chance for the Council to say they wanted to move forward, but it was not binding that they had to proceed with the bond issuance. He said the clearest description of projects would be itemized as options in the Preliminary Official Statement. Mayor Marshall stated that he intended to have a work session in September with the Council and the public so they could start breaking down the project list and refining it. There was further discussion. Mayor Marshall stated that the whole process that had been laid out was to allow the Town to pick up the fault that the State dropped in the capital outlay process and to address the Town's own issues. He commented on a discussion with the Council on the State's Constitutional issues where it gave provisions for local governments to address the life, safety, and health of

its citizens and that it implored the Legislature to empower local governments more so than not. He said this Resolution was right in line with that, and they were taking the same argument with it as they did with the fireworks issue. He said the Constitution of this State implored the Legislature to empower local governments, but they had not kept up with their end of the deal where they collected taxes and historically sent them back to the local governments, and that they currently did not. He said the Town had to develop a system to make sure it could maintain its viability as a community. He said the process and the Resolution set them on that course and they would be in much better shape and would be able to address the quality of life issues that were so important to the region, and it would make up for the gaps that they did not have, as far as industry. Councilor Bettison made a motion to approve Resolution No. 2011-30. Councilor Morones seconded the motion as stated. There was no further discussion. A roll call vote was taken with the following results: Councilor Bettison - aye; Councilor Thomson - aye; Councilor Ray - aye; and Councilor Morones - aye. Motion passed.

6. ADJOURNMENT – Councilor Ray made a motion to adjourn at 10:27 a.m. Councilor Bettison seconded the motion. All were in favor. Motion passed.

/s/

James R. Marshall, Mayor

Attest:

/s/

Ann L. Mackie, Town Clerk