

**CITY COUNCIL OF EDGEWATER
SPECIAL MEETING
NOVEMBER 2, 2009
5:00 P.M.
COUNCIL CHAMBERS**

MINUTES

1. CALL TO ORDER

Vice Mayor Rhodes called the Special Meeting to order at 5:00 p.m. in the Council Chambers.

ROLL CALL

Mayor Michael Thomas	Excused
Councilwoman Debra Rogers	Excused
Councilwoman Gigi Bennington	Present
Vice Mayor Harriet Rhodes	Present
Councilman Ted Cooper	Present
City Manager Tracey Barlow	Present
City Clerk Bonnie Wenzel	Present
Assistant City Attorney Michael Ciocchetti	Present

INVOCATION, PLEDGE OF ALLEGIANCE

There was a silent invocation and pledge of allegiance to the Flag.

2. APPROVAL OF MINUTES

There were no Minutes to be approved at this time.

3. PRESENTATIONS/PROCLAMATIONS/PLAQUES/CERTIFICATES/DONATIONS

There were no Presentations at this time.

4. CITIZEN COMMENTS

There were no Citizen Comments at this time.

5. APPROVAL OR CHANGES/MODIFICATIONS TO THE AGENDA

There were no Changes/Modifications to be made to the agenda.

6. CITY COUNCIL REPORTS

Councilwoman Bennington had nothing at this time.

Vice Mayor Rhodes had nothing at this time.

Councilman Cooper had nothing at this time.

7. CONSENT AGENDA

There were no items to be discussed on the Consent Agenda at this time.

8. PUBLIC HEARINGS, ORDINANCES AND RESOLUTIONS

There were no Public Hearings, Ordinances or Resolutions to be discussed at this time.

9. BOARD APPOINTMENTS

There were no Board Appointments at this time.

10. OTHER BUSINESS

- A. Authorization for the Mayor to execute the Commitment Letter with Wachovia for the Series 1991 and Series 1993 Revenue Bonds

City Manager Barlow made a staff presentation.

Mark Galvin, First Southwest Company, commented on looking at the Water & Sewer Issue for years. They are in a situation right now that with the current interest rates working with Wachovia is to be able to have a chance to refund this particular transaction and get significant debt service savings and the savings would be spread over the life of the issue. He then commented on the structure and matching the current debt service which has 12 years remaining on it. He spoke of cashing in the current debt service reserve and paying down the City's debt by using reserve accounts that they wouldn't be able to use until twelve years, use it now to be able to get the cash flow savings associated with the financing. He then commented on the way the proposal was structured and the options the bank has provided for them. He also commented on the summary of the outstanding debt of the City and the savings to the City by refinancing. He recommended the City move

forward with this transaction and that they go with Option 2 to have more flexibility in the future.

Councilman Cooper asked if the \$42,000 would be attributed to Option 1 or Option 2 regardless. Mr. Galvin informed him it would cost them approximately \$6,000 more per year over seven years if they decided to go with Option 2. As far as the savings numbers, they incorporate the interest rate, the actual savings.

Councilwoman Bennington stated at the lower rate, the 3.4 it says it may result in a prepayment fee. They didn't say it would, they said it may. Mr. Galvin informed her that was correct. He further explained there may or may not be a prepayment penalty associated. When they are ready to refinance the City's debt, based upon the interest rates at that time. If interest rates were higher there would be no prepayment penalty. If interest rates were lower there would be a prepayment penalty. If interest rates were lower they could take advantage of that without a prepayment penalty by paying the extra \$6,00 per year up front. Councilwoman Bennington stated on the 3.53. Mr. Galvin informed her that was right. Councilwoman Bennington asked on the 3.40 he doesn't know what the prepayment penalty would be if the interest rates go lower. Mr. Galvin informed her to a certain point both are going to go the same for the first four years. If it turns out the interest rates go down there will be a prepayment penalty but it won't be as much on Option 2. Councilwoman Bennington stated Mr. Galvin was recommended Option 2 but to her she would rather take the chance with Option 1.

Finance Director McKinney stated their goal would be at the end of four years, let's assume the interest rates are 2.9. In four years to five years they want to be able to come back to Council and refinance and lock it in for the remaining eight years. Let's make an assumption that prepayment penalty is \$60,000. Over four years they have now only paid \$24,000 in extra interest. It is better for them financially to pay a little increased interest so they can refinance with no penalty, no call provisions, etc. in four years. Councilwoman Bennington stated her understanding is that the reason they are recommending Option 2 is because of the way the financing is right now and the plan that is in place is that in four years they are estimating the interest rates will be low enough that they will want to refinance this and by doing this at the

higher rate they will actually save a lot more money. Finance Director McKinney stated yes. City Manager Barlow stated that was their goal.

Councilwoman Bennington stated on the full twelve years, is there any possibility before the 12 years is up that they could pay this debt off. Mr. Galvin explained that was one of the benefits of Option 2. By paying a slightly higher rate now, if they decide they want to prepay it, that increases that the amount of that cost to prepay is a lot less.

Councilwoman Bennington stated so if they go with Option 2 and for some reason their finances are better and things pick up, the economy picks up, can they pay extra on the principal with no penalty. Mr. Galvin stated if interest rates go up and they want to prepay there shouldn't be a prepayment penalty at all during the first four years. After the first four years even if interest rates are low they can prepay.

Councilwoman Rhodes stated they are assuming that in four years interest rates are going to be lower. Mr. Galvin stated that was correct. They don't know what the interest rates are going to be in four years. Obviously as they start getting closer towards maturity of that twelve years like CD's interest rates on the short end are traditionally lower.

Mr. Galvin then commented on other reasons why they were recommending Option 2 and it not being strictly for debt service savings.

Councilwoman Rhodes stated but either way they are looking at a prepayment penalty. It's a matter of the size of the prepayment penalty. Mr. Galvin explained if interest rates go up during the period of time left on the bond, then there is no prepayment under any option. If interest rates go down there is a prepayment penalty because the bank is expecting that income and they are taking away from it.

Councilwoman Rhodes stated let's say interest rates go down. At either interest rate, they will have a prepayment penalty, it will just depend upon the size of it. City Manager Barlow stated at the five-year mark if interest rates are down there is no prepayment under Option 2. There is a prepayment penalty under Option 1 if interest

rates are up at the five-year mark, anything after four years. Councilwoman Rhodes stated then they couldn't pay this off for four years anyway without a prepayment penalty. Mr. Galvin stated unless interest rates go up.

City Manager Barlow pointed out that staff also recommended Option 2. They want that opportunity after that four-year mark.

Councilwoman Rhodes stated the premium wouldn't be less and that they were just going to pay it ahead of time. Mr. Galvin explained how the four-year option penalty would be less than the seven-year option because they would have to guarantee someone income for seven years verses guaranteeing four.

Councilwoman Rhodes had a problem with paying for things before they get them and that is essentially what this is. Mr. Galvin informed they are paying for flexibility. The interest rates in the proposal were indicative rates at the timing which Wachovia submitted the proposal. The actual interest rates will change.

Councilman Cooper asked Mr. Galvin if he was able to crunch the numbers that after the seven years when they add it to the \$6,000 what that percentage actually will be on the note for the balance of five years. Mr. Galvin stated at the end of seven years they would negotiate whatever the rate would be at that point. Councilman Cooper asked if the \$6,000 would still be applied to that rate. Mr. Galvin explained at that point it is whatever the rate is because they would only have four more years left so more than likely they wouldn't have a call provision on any of those things anyway.

Councilwoman Bennington made a motion to accept Option 2.

City Manager Barlow informed her what he needed was a motion to authorize the Mayor to execute the Commitment Letter with Wachovia for the Series 1991 and Series 1993 Bonds and selection of Option #2.

Councilwoman Bennington stated so moved, second by Councilman Cooper.

The MOTION CARRIED 3-0.

11. OFFICER REPORTS

A. City Clerk

City Clerk Wenzel had nothing at this time.

B. City Attorney

Assistant City Attorney Ciocchetti had nothing at this time.

C. City Manager

City Manager Barlow reminded the Council of the ParkTowne event the City was co-sponsoring with the Chamber at 5:00 p.m. on Thursday, the Business to Business Expo.

12. CITIZEN COMMENTS

There were no Citizen Comments at this time.

13. ADJOURNMENT

There being no further business to discuss, Councilwoman Bennington moved to adjourn. The meeting adjourned at 5:26 p.m.

Minutes submitted by:

Lisa Bloomer

Attest:

APPROVED:

City of Edgewater, Florida

Bonnie Wenzel, City Clerk

Michael L. Thomas, Mayor