

**MEETING OF THE FINANCE COMMITTEE**

**November 21, 2005**

A meeting of the Finance Committee was held at the Murdock Administration Center, Room 229, Port Charlotte, Florida. The following members were present: Chairman Sara J. Devos, Commissioner Matthew D. DeBoer, County Administrator Bruce D. Loucks, Clerk of the Circuit Court Barbara T. Scott, County Attorney Janette S. Knowlton, and Chief Deputy Board Services Tommy Q. White. Others in attendance were Budget Officer Ray Sandroock, County Finance Director Ann Navan, Utilities Director David G. Schlobohm, Utilities Financial Manager Debra Smith, Assistant County Administrator Roger Baltz, Assistant County Attorney Marty Burton, Supervisor of Minutes Diane Nice, and Deputy Clerk Gail Manley.

**1. Call to Order**

**Chairman Devos** called the meeting to order at **10:38 A.M.**

**2. Introductions**

**Chairman Devos** requested introductions and the following attendees introduced themselves: Clerk of the Court Barbara T. Scott, County Administrator Bruce D. Loucks, Assistant County Administrator Roger Baltz, Assistant County Attorney Marty Burton, County Attorney Janette S. Knowlton, Commissioner Matthew D. DeBoer, County Finance Director Ann Navan, Budget Officer Ray Sandroock, Utilities Director David G. Schlobohm, and Utilities Financial Manager Debra Smith.

**3. Approval of Finance Committee Minutes - December 3, 2003**

**CHAIRMAN DEVOS MOVED APPROVAL OF THE DECEMBER 3, 2003 FINANCE COMMITTEE MINUTES, SECONDED BY MEMBER WHITE AND DECLARED UNANIMOUS.**

4. Discussion of Peace River/Manasota Regional Water Supply Authority Financing

**Member White** explained normally there are Finance Committee meetings to make recommendations to the Board on financing issues; in this situation Charlotte County does not have specific financing, but Commissioner Cummings must go to the next Water Authority meeting and vote on the Water Authority financing, of which Charlotte County has almost 30%; and it is appropriate before the November 22, 2005 Board of County Commissioners Regular Meeting to have direction on how to vote on the Water Authority financing. **Member White** explained financing of the expansion, refunding of the bond issue, payback of the Charlotte County amount, and the payback of the short-term loan with Bank of America will be about \$130 Million and scenario one is recommended for the Authority and Charlotte County. **Commissioner DeBoer** asked for clarification. **Member White** reported the Water Authority is borrowing \$130 Million under one bond issue of which the construction part is approximately \$80 Million; the construction period is over 18 months, maybe 30 plus months. **Member White** pointed out issues on why is all of the money needed up front instead of two bond issues and why buy an insurance policy for the debt service reserve instead of funding and borrowing extra money. **Member White** advised the four scenarios consist of one bond issue without the reserves, one bond issue with the reserve, two bond issues without the reserves, and two bond issues with the reserves; all of the documents received in the last few days analyze these scenarios; and the ultimate recommendation, for many reasons, is scenario number one. **Member White** expressed the belief that Sarasota County has also decided on scenario one; he considered various reasons not to pursue scenario one and has not been able to conclude differently; and reiterated the recommendation for scenario one. **Member White** recalled concerns about spending construction money over a three-year period but it has been deemed that five years can be taken and it would not affect the tax ability. **Commissioner DeBoer** expressed concern about this being given to members on such short notice. **Member White** advised paperwork started drifting in about a week ago; the Water Authority staff had forged ahead without any involvement of the County Utility or Finance staffs. **Member Loucks** stated Sarasota brought this issue up with the Water Authority Board, the Water Authority Board got the information the day before the meeting, said it would not do

anything about it, and that is when Charlotte County became aware of it. **Member Loucks** recalled Sarasota told the Water Authority they were not going to jump on Board because they had not been in the loop, they would attempt to finance its portion, and hand the Authority a check; at that time the Authority did what it should have done from the beginning; involve all Members in the various scenarios and obtain input from everyone; and it now has come back to the original proposal. **Member Knowlton** said Charlotte County's involvement occurred within the last two weeks. **Member Loucks** reported the \$3.3 Million oversized payment on the County books needs to be addressed and brought back to the Finance Committee in the future for recommendations to the Board. **Member Loucks** explained options include placing the \$3.3 Million into a rate-stabilization account to reduce rates for rate payers, pre-pay some of the debt to the Authority, capital expenditures, or another aspect in the system. **Member Loucks** stated a decision is not necessary today but soon. **Member White** informed the Members that the Water Authority expects to do their bond issue in December. **Member White** read into the record that the recommendation is for the Water Authority to move forward with financing using scenario one, which is one bond with an insurance policy to fund the debt-service reserve. **MEMBER WHITE MOVED TO APPROVE THE RECOMMENDATION, SECONDED BY MEMBER LOUCKS.** **Chairman Devos** announced the recommendation would be placed on the November 22, 2005 Regular Meeting Agenda. **Member Loucks** added the Finance Committee's recommendation goes to the Board of County Commissioners for action and Commissioner Cummings' vote at the next Authority meeting, this meeting was expedited because the Water Authority meeting is December 7, 2005 and the next Board meeting is December 13, 2005. **CALL ON THE MOTION: MOTION CARRIED 5:1 WITH COMMISSIONER DEBOER OPPOSING THE MOTION.** **Commissioner DeBoer** reiterated concerns about the lack of sufficient time. **Member White** stated he should have updated **Commissioner DeBoer** last week. **Member Scott** asked if packets would be distributed before the November 22, 2005 Board meeting. **Member White** responded affirmatively. **Chairman Devos** added the paperwork was received on November 16, 2005 at 4:49 PM. **Member Loucks** estimated the impact to ratepayers at about \$1.25 per month. David G. Schlobohm, Utilities Director, clarified the impact would be \$.90/\$1.00 to the ratepayers and he would be prepared to explain this at the Board meeting. **Member Loucks** advised Administration would initiate the goldenrod.

5. Discussion of Future Financing

Charlotte County Utilities

**Chairman Devos** indicated a discussion is needed about future financing of several large projects coming online. **Member White** stated Charlotte County Utilities projected capital shows financing of approximately \$20 Million and \$26 million in the five-year capital projection. Mr. Schlobohm explained the need to expand several wastewater plants and Utilities is searching for alternative water sources for which financing also will be needed. **Member White** requested the time line. Mr. Schlobohm advised currently the Rotonda plant is being expanded under the terms of a Consent Order and the Burnt Store plant will need to be expanded very soon. **Member White** pointed out utility financing is the easiest because there is a solid revenue source, bonds and utilities are rated regularly, and coverage must be maintained with suppliers. **Chairman Devos** asked for verification that capital projects would amount to approximately \$26 Million but only \$20 Million is being requested. Debra Smith, Utilities Financial Manager, stated there is \$26 Million in the Utilities' CIP for the East Port plant expansion which is anticipated to be moved up from the 2009 scheduled date and other expansions are anticipated to be moved up based on needs. Mr. Schlobohm advised wastewater is close to capacity and there is a need to expand the East Port plant sooner than anticipated. Ms. Smith reported the \$26 Million in the CIP is allocated to the East Port plant expansion; another \$10 Million is needed for the Rotonda plant as well as an additional amount for the Burnt Store plant for a total needed of about \$35 Million to \$40 Million. Mr. Schlobohm explained, due to terms in the Consent Order, the Rotonda plant is on a faster track and must be done in two phases on an expedited basis; the first expansion must be done next year with the second expansion immediately thereafter; and the Burnt Store plant would be a little behind but still done rapidly. **Chairman Devos** requested confirmation that the funding for the East Port expansion is in place but borrowing will be necessary for Rotonda and Burnt Store plants. Mr. Schlobohm advised the East Port project would be a little further out and \$35 to \$40 Million is the total needed for East Port, Rotonda and Burnt Store projects. **Chairman Devos** confirmed \$20 Million is needed in the immediate future. Ms. Smith clarified \$20 Million to \$26 Million. Mr. Schlobohm reported construction costs continue to escalate and

construction would be done expedited to mitigate the costs. **Chairman Devos** inquired if it was conceivable to do the East Port expansion at the same time as Rotonda. Mr. Schlobohm said it is conceivable because the design for East Port is complete and only needs re-certification. **Member White** indicated one financing would be easier. **Chairman Devos** concluded it would be less costly to do both expansions at one time. Mr. Schlobohm agreed it would be expensive but the costs would not get any cheaper; stated East Port is a significant expansion at 6 mgd because it would double the current 6 mgd capacity; and Utilities would look at doing the expansions at the same time. **Member White** asked if that financing would require a rate increase. Mr. Schlobohm reported a five-year rate study is under way.

#### Murdock Village

**Member White** announced \$81 Million is committed, all short-term financing; it is not feasible to continue extending the short-term financing; some bonds need to be sold to pay off the net short-term debt after developer funds are received; the developer should be contacted to determine the amount of money that will be brought in by the developer in order to calculate the revenue that will be produced over time and consider a permanent bond issue with good credit backing; and the project should stand alone based upon developer potential. **Member White** stated the County had to commit non-ad valorem revenues in order to borrow the \$81 Million; this type of commitment reduces the short-term borrowing ability for other County needs; and recommended the \$81 Million be financed long term, as a stand alone with no non-ad valorem revenues, so the County can move forward with other business. **Member Loucks** estimated that might occur within the next six or seven months. **Member White** advised the loan would probably need to be renewed one more time for a year, sometime next summer or fall, since a bond issue would not be accomplished before that time. Ray Sandrock, Budget Officer, reported Real Estate Services Director Paul Payette is working on a final number and there is a good possibility that additional funding will be necessary because the \$81 Million is for the first 9 of the 10 phases. **Member White** indicated there could be a problem if there is a need to borrow more short-term financing, especially if funds are borrowed for Public Works programs.

**Other Future Borrowing Needs**

Mr. Sandrock stated MSBU work programs are paid back through assessments each year and the plan was to borrow \$15.6 Million short-term this year but most are ten-year reimbursement programs with some five-year reimbursement programs. **Member White** pointed out that stretches the limit of the County's ability to borrow. **Chairman Devos** indicated the \$15.6 Million is for MSBU projects and inquired about other projects coming online, such as the jail. **Member Loucks** said ad valorem revenues would be used for the jail but there will be a timing issue since the jail is to be fully funded from the four-year increase in the millage rate; the jail is in the design process now and funds will be needed in about a year to start construction; and even with cash available, the CIP cannot cover those costs until the additional ad valorem revenues are collected. Mr. Sandrock said this year is okay for the projects coming online (fire stations and the jail) but next year some short-term borrowing had been planned to get over the four-year period. **Chairman Devos** announced the Aqui Esta project would totally be cut since it was going to be funded from anticipated reimbursements from the Florida Department of Transportation and road project budgets are being reduced by \$25 Million. **Member Loucks** expressed uncertainty regarding the impact that would have on the Aqui Esta project because there is a three-party agreement between the State, City of Punta Gorda, and Charlotte County to fund the project and reimbursement by the State; 30% of the plans are completed; stated the design is almost 50% complete; two other projects, which are not yet underway, will be affected; and Public Works Director Thomas O'Kane will address this issue at the November 22, 2005 Board meeting. **Chairman Devos** requested other future borrowing needs. Mr. Sandrock explained the Public Works Complex is one item; a dollar amount is not known yet but this item will come along within the next year or two; and there is a need to do some site planning with the School Board. **Member Loucks** indicated no conversations have taken place regarding payment methods. **Chairman Devos** recalled a lengthy discussion on the Public Safety Building. **Member White** pointed out normally financial advisors and/or bond counsel members are present for these meetings, but there was no need for them to attend because there was no present County financing arrangements to discuss.

**6. Adjournment**

MEMBER WHITE MOVED TO ADJOURN, SECONDED BY MEMBER LOUCKS AND  
DECLARED UNANIMOUS.

MEETING ADJOURNED: 11:10 A.M.

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Sara J. Devos  
Chairman

ATTEST:

BARBARA T. SCOTT, CLERK  
OF THE CIRCUIT COURT AND  
EX-OFFICIO TO THE BOARD  
OF COUNTY COMMISSIONERS

By \_\_\_\_\_  
Deputy Clerk

djn/gm