

**MEETING OF THE FINANCE COMMITTEE**

**March 3, 2008**

A meeting of the Finance Committee was held at the Murdock Administration Center, Room B-106, Port Charlotte, Florida. The following were present: Chairman Thomas D'Aprile, Commissioner Thomas G. Moore, Clerk of the Circuit Court Barbara T. Scott, County Administrator Bruce D. Loucks, County Attorney Janette S. Knowlton, and Chief Deputy Board Services Tommy Q. White. Others in attendance were Budget Director Raymond Sandrock, Assistant Budget Director Linda Carr, Budget Fiscal Supervisor Cari Branco, Finance Director Ann Navan, Environmental and Extension Services Director James Thomson, Natural Resources Manager Andy Stevens, Utilities Director Jeff Pearson, Assistant Utilities Director Teresa Kesner, Utilities Financial Manager Debra Smith, Assistant County Attorney Marty Burton, Assistant County Administrator Roger Baltz, Minutes Supervisor Diane Nice, County Financial Advisor First Southwest Company Gary Akers, and Bond Counsel Nabors, Giblin & Nickerson Tom Giblin.

**1. Call to Order**

**Chairman D'Aprile** called the meeting to order at **2:05 P.M.**

**2. Introductions**

**Chairman D'Aprile** introduced Committee Members, the Financial Advisor, Bond Counsel, and indicated other attendees are known to each other.

**3. Approval of Finance Committee Minutes - August 14, 2006**

**MEMBER SCOTT MOVED APPROVAL OF THE AUGUST 14, 2006 FINANCE COMMITTEE MINUTES, SECONDED BY MEMBER WHITE AND DECLARED UNANIMOUS.**

**4. Conservation Charlotte Financing Status**

**Member White** recalled voters approved .2 mills for the acquisition of environmentally sensitive lands, proposals have been researched on options to borrow monies against the .2 mill

revenues that will be collected over the next 20 years to maximize purchases at the lowest possible costs; commented on complications over the last 12 months with taxation as a result of the Amendment recently approved and plunging valuations creating difficulties in getting bond insurance due to the bond market e.g. selling bonds and reduced bond ratings; explained a Request for Proposal (RFP) was done to 10 banks for the lowest rate on this bond issue for the maximum amount of borrowing based on the County's projected revenue stream; original projections about two years ago were about a 3% increase but the first year beyond the base year would be about a 10% decrease and the second year may be flat; the worst case scenario would be that the funds raised from the .2 mills would not be sufficient to service the debt; and introduced Gary Akers to explain the proposals. **Member Loucks** requested a clarification of the \$14 million commitment. **Member White** stated that is the amount already expended. Environmental and Extension Services Director James Thomson explained negotiations are underway with seven property owners and the negotiated prices will be brought to the Board in March or first meeting in April for a decision on the acquisitions. **Member Loucks** concluded this is the total obligation at this point. Mr. Akers distributed and outlined the options listed on the Analysis of the Four Responses to the RFP including Banc of America Public Capital Corporation with proceeds, net of Bank cost, amounting to \$49,737,888.57; Bank of America at \$50,289,449.69; Branch Banking & Trust Company (BB&T) at \$51,642,100.82 based on projections for the next two years and prior to pay off of the commercial paper loan; and Sun Trust Equipment Leasing & Finance Corporation at \$50,606,335.64 under Option A and \$50,398,790.08 under Option B. **Chairman D'Aprile** requested Mr. Akers' recommendation. Mr. Akers recommended the BB&T option with an acceptable callable, prepayment premium of 1% within the first 10 years and .5% after 10 years and stated the rate is locked for 45 days. **Member White** agreed with the recommendation for BB&T and explained the summary reflects the proceeds minus the money already spent and the \$37.5 million available to be spent on additional purchases. Bond Counsel Giblin advised the bond proceeds would need to be spent within three years. Mr. Akers explained FSA is only bond insurer not on credit watch since their premiums are, in some cases, reaching 1% or 100 basis points compared to some prior ones at 18 basis points; this would be a sizeable bond insurance premium

and they wanted 140 coverage which would substantially reduce the County's proceeds. **Chairman D'Aprile** requested the anticipated annual tax revenue. **Member White** provided updated projections. Mr. Akers explained this is actually based on rates and projections for the first two years and in 2008 the projection was \$4.7 million in collections and subsequent years leveled out at \$3.685 million through 2026 with a subsequent short period of debt service that would use tax collections in 2026/27 and suggested action in order to eliminate a shortfall and not be able to pay debt service out of that levy. **Member Loucks** questioned the amount, if the Board approves the purchase of the seven properties. Mr. Thomson indicated the purchase of two or three of properties would exceed. **Member Loucks** indicated the total amount could be borrowed but all of it must be spent within three years. **Member Loucks** expressed the assumption that the interest rate would fluctuate and questioned locking in closing costs up front. **Member White** stated additional costs would be incurred for multiple borrowings after the 45-day period. Mr. Akers stated an interest rate lock might be purchased but the interest rate could be negotiated and the rate today is at 5%+. **Mr. Giblin** advised the 45 days would run from February 22, 2008. **Member Loucks** stated the entire amount cannot be spent in the 35<sup>th</sup> month and certain amounts must be expended throughout the three-year period. **Member White** explained debt service is necessary to assess the .2 mills or carryover for next year should be used to reduce that year's debt service. Mr. Giblin clarified the debt service levy must be expended in this year or used as a credit in the next year and levies are done generally at a 95% collection rate. **Member White** stated it would be very difficult to levy .2 mills every year. Mr. Giblin reported any surplus would be used to match debt service. Mr. Akers suggested making it due September 1, 2008. Mr. Giblin recalled discussions with Department of Revenue (DOR) about putting surplus outside of the rollback rate to the extent of setting aside the excess monies as a credit in the next tax year in terms of what is levied. **Member White** questioned the potential of expending the funds soon amongst the seven properties rather than over a long term. **Member Moore** questioned when the acquisitions will be brought to the Board. Mr. Thomson indicated negotiated contracts should be brought to the Board in April and suggested purchasing one large tract and two smaller tracts with \$37 million. **Member White** stated the

properties could be purchased during the three-year period e.g. borrow \$51 million and pay off the three purchases already approved. Mr. Akers added, if sufficient revenue growth occurs, it may be feasible to do a second bond issue. **Chairman D'Aprile** concluded a total would be \$94 million for a \$51 million loan. **Member White** recommended the item be set on the March 11, 2008 agenda. **Chairman D'Aprile** questioned the necessity of borrowing the funds to purchase properties already in the hopper and purchasing lands now because property values are low versus waiting to see how collections are going and then purchase the properties. **MEMBER WHITE MOVED APPROVAL FOR THE FINANCE COMMITTEE TO RECOMMEND THE BOARD ACCEPT THE RECOMMENDATION OF THE COUNTY FINANCIAL ADVISOR, FIRST SOUTHWEST COMPANY, TO ACCEPT THE LOAN PROPOSAL FROM BB&T THAT PRODUCES THE GREATEST NET PROCEEDS FOR THE CONSERVATION CHARLOTTE PROGRAM AT THE LOWEST COST.** **Member Loucks** reported the millage rate would have to be reduced due to recent Legislative action if there is not sufficient debt service. **Member White** stated the referendum was to assess millage to pay off debt not to assess millage to acquire land. **MEMBER MOORE SECONDED THE MOTION. CALL ON THE MOTION: DECLARED UNANIMOUS.**

##### 5. Public Works - Financing Update and Timeline

**Member White** distributed a handout prepared by Public Works Fiscal Manager Marty Simone; corrected the topic to Public Works ~~MSTU/MSBU~~ Financing Update and Time Line; explained the Potential Borrowings of about \$60 million originally projected for 2008/09 for the Midway Widening and Winchester Phase III projects have been pushed back until the next fiscal year; there is a small borrowing for Alligator Creek for this July; \$5.2 million of which \$4.5 million will be for Englewood East Paving Phase III and \$774,000 for Gulf Cove Waterway work will be needed within the next 30 to 60 days; he will commence the borrowing process now under the Commercial Paper Loan Program and an item will be brought to the Board probably in April; in October, there may some smaller borrowings for Pirate Harbor dredging but they may be pushed back; and overall about \$60 million will be needed in the next fiscal year. Mr. Loucks recalled Southwest Florida Water Management District (SWFWMD) has requested water retention be redone on the Midway project that has been divided into phases and the phases that have been

permitted can be worked on now while staff works to procure permits on the remaining phases. **Member White** concluded no action is needed at this time. **Member Moore** requested the time line for the Winchester project. **Member Loucks** stated early in Fiscal Year 2009. **Member White** pointed out it could be in calendar year 2008 after October.

**6. Murdock Village Financing Update**

**Member White** summarized the outstanding loans of \$5 million from the Florida Local Government Finance Commission with a tax exempt rate of approximately 4% that matures December 4, 2012 and \$88,300,000 of consolidated borrowings from Bank of America with a taxable rate of 5.83% that will probably be brought back in May to get a better rate. **Member Loucks** suggested other sources may be available to pay down some of it up front and borrow less than the full amount. **Member White** reported \$12,200,000 from the General Fund has been loaned to Murdock Village, there is an open ended maturity date and that amount will grow by \$5 million due to the interest payment; the Current Estimated Daily Interest Incurred is \$16,710; and \$3 million of Sales Tax Revenues has been expended as seed money.

**7. Utility Financing Update**

- Statute of Bond insurance due to ratings downgrade of insurers
- New financing needs and timeline
- Refinancing opportunities
- Other proposals re: Swap Rate Switch
- Commercial Paper Loans renewal (matures 12/08)  
Approximately \$9,000,000

**Member White** stated the County has always bought bond insurance but now the insurance on utility bonds has been down rated by both rating agencies and it is necessary to fund Reserves to be in compliance with bond covenants. **Member Loucks** questioned the potential to finding other bond insurers. Mr. Akers estimated that it would be 99.9% certain of not finding another bond insurer; explained the first alternative would be cash funding over a five-year period and the second option would be a AA

Letter of Credit; he has spoken to Bank of America and they have come back with a proposal that may not be a good one because they would not accept only utility revenues; the County has FSA as the bond insurer on the 2003 utility bond issue; and opined NDI may consider it but they are not trading on the same levels as FSA. **Member Loucks** opined finding another insurer may not be an option and it may be necessary to shift funding from capital projects or another source within the budget, raise rates, or a combination of the two. **Member White** stated there is a five-year time frame and the market may reverse. **Member Moore** requested a detailed explanation. **Member Loucks** explained within the five-year period, the County must have \$10 million as a deposit in an account restricted for debt payments because the insurance on bonds has been down graded; the total is \$13 million and the County already has \$3 million on deposit; the options include taking existing revenues within the system by deleting capital projects, reducing operating costs, etc. to create \$2 million each of the five years; to increase rates; or a combination of the two e.g. a slight rate increase with funds from within the system; and opined the options will include the second and third options. **Member Loucks** pointed out problems may be eliminated if financial positions of insurers change within the five-year period. Mr. Pearson commented on significant savings in bids including the Charlotte Harbor Community Redevelopment Area (CRA) project for about \$1.4 million, profit margins for construction companies are very low in order to keep people working, and opined there is a potential to save \$10 million in budgeted construction costs. Mr. Pearson questioned if that would count towards the \$10 million. **Member White** stated the \$10 million in cash would be necessary.

Mr. Akers stated some of the cash needs would occur in early 2009. **Member Loucks** reported that would be for road projects and this would be for Utilities. Ms. Smith distributed a handout that reflects projected borrowing needs after staff and rate consultant reviews that indicate bond compliance with no rate increase; the \$2 million is built into the plan; reported uncertainties exist on costs relating to the Peace River plant; there is a cash balance as of this time; and depending on the timeline for projects, the \$8.8 million probably would be needed near the end of the fiscal year. **Member White** advised these construction projects are being done with borrowed money. Ms.

Smith stated the projects would be funded out of connection and impact fees and the \$2 million will be paid out of rates and Operations and Maintenance funds.

**Member White** explained the standard for refinancing bonds has always been a 3% savings but there are no refinancing opportunities available at this time. Mr. Akers stated the 1998 bond issue is callable October 1, 2008, he will continue to evaluate the market, and explained the lack of buyers in the market place. **Member Loucks** requested the rate on the 1998 bond. Mr. Akers recalled 5+% and estimated a current 1% savings. **Member Loucks** pointed out the insurance market is in turmoil now. **Member White** explained one Swaption still exists and it would cost about \$7 million to terminate it, the County is paid the former BMA rate but Bank of America would pay about \$2 million if the County would switch from the old BMA rate index which is not taxable to the rating that is taxable. Mr. Akers concurred; stated another option exists that might lower the County's rate by 35 interest points; there would be tax risks; currently there is a gap between the BMA index that is higher at 101 than the LIBOR index; the market is not giving up anything for tax exemptions; the value of the Swaption is about \$7.9 million; if the County entered into this transaction, it would automatically increase by \$2 million but it would basically be borrowing that \$2 million; and concluded the County's bonds are performing well today.

Ms. Smith stated a commercial paper loan will mature the end of December this year and suggested a roll over. **Member White** explained the interest rate may be lower in December and pointed out the current rate is well into the 3% range.

#### 8. State Board of Administration Local Government Investment Pool Update

**Member White** explained the County's balance in Fund A is about \$114 million in Fund A and \$15 million in Fund B for a total of \$129 million and the County may withdraw \$35 million; this is based on \$5 million in Fund B becoming liquid that was shifted to Fund A and the remaining \$30 million comes from the SDA increasing the amount of allowable withdrawals from 15% to 37%; the County took the first 15% withdrawal or \$18 million; the

County has not taken the remainder but it is earning about 3%; hopefully, the liquidity percentage of Fund A will increase from 37% to 50% by the end of March or first of April and near 100% by the end of the year. **Member White** commented on the daily analysis of Fund B investments, the Certificates of Deposit for Countrywide matured in January and were paid off with interest and that liquidated one-fourth of the \$2 billion and the remainder investments in Fund B are earning interest. **Member Loucks** questioned taking the funds and reinvesting them. **Member White** commented on risks associated with investing the funds with Bear Sterns Investment Company, Bank of America, or another reputable company and stated he is not anxious to pull out \$14 million and invest it elsewhere. **Member White** reported a group of counties is evaluating alternatives for numerous situations; advised the County has not lost any monies in the SBA to date; the potential is possible in Fund B if the investments liquidate for less than par then everyone in that Fund will share in the loss; there is no US Government guarantee; the State, the Cabinet, and the Legislature were overseers of the SBA; and questioned the remedies for counties and governments regarding loss payments.

Mr. Giblin stated his firm has been contacted by three counties, three school boards, a couple cities, and Citizens Insurance Company that had \$2.5 billion at the SBA; he has suggested to the group to hire independent consultants to secure information and evaluate possible damages and lawsuits for budgetary purposes; the Florida House has retained an individual to do a study; hopefully her evaluation will be available in the next two weeks; and recommended Charlotte County evaluate the proposal either individually or collectively with other impacted governments and make a decision. Mr. Giblin stated a tort action suing the State would be difficult based on sovereign immunity; although it is premature, a better action would be to sue the four broker dealers that sold these securities based on legal theories that the broker dealers have liability to the SBA and local governments. **Member Moore** stated the biggest problem is the unknown and it important to take time for these types of conversations. **Member White** stated, as a result of a recent advisory meeting, he learned the SBA issued a bid and hired Philadelphia, Pennsylvania firm Federated as investment advisor. Mr. Giblin suggested waiting until the evaluation is available

for review to place values on the securities. **Member White** stated problems at the SBA level were created as a result of uncertainties about liquidity from governments that had every penny invested in the SBA; opined selling prior to maturity and liquidating at a loss is not good money management and it happened to the SBA; the County's investment portfolio is diversified and does not have a liquidity crisis; and reported the City of North Port recently paid over \$500,000 in penalties to get its money out of SBA. Mr. Giblin reported the Florida Association of Counties and Florida Association of Court Clerks are trying to do a money-market account that would be controlled by both Associations.

9. Other Items - None

10. Adjournment - 3:15 PM

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Chairman

ATTEST:

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

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