

**MINUTES OF THE SPECIAL MEETING OF THE BOARD OF CITY
COMMISSIONERS FOR THE CITY OF PORT ST. JOE, FLORIDA, HELD
IN THE COMMISSION CHAMBERS AT CITY HALL, December 1, 2010
AT 5:00 P.M.**

The following were present: Mayor Magidson, Commissioners Buzzett, Johnson, Stephens and Gingell. City Manager Charlie Weston, Attorney Tom Gibson and City Clerk Jim Anderson were also present.

Mayor Magidson noted that the purpose of the Special Meeting today is to discuss the condition of the City's Bonds.

Mr. Weston indicated that with our Variable Rate Bonds we have had some ups and downs. Our Interest was at 1.150% at the beginning of November with interest payments in the range of \$15K to \$18K per month. As of November 25th our interest rate increased to 4.00%

Ralph Celon from Morgan Keegan, Jason Breth and George Smith from Bryant, Miller & Olive and Ralph Roberson and Michael McKinney from Roberson and Associates were all in attendance.

Mr. Celon has seen a tremendous improvement in the financial stability of the City as far as he is concerned. The Variable Rate Bonds have been good to the City except for a few weeks. Regions Bank has been downgraded two times recently. In his opinion, the Bank is solid but the perception is here. The end result is the City's paper can't be sold. The City is facing 4.00% interest rates plus a 1.00% letter of credit fee. All of the bonds have been tendered and resold. The projection is that the market will not get better any time soon. Mr. Celon is nervous for the City and recommends converting the Bonds to a five year fixed rate loan with Regions Bank. The deal with Regions is not concrete, once the City agrees to the terms; Regions Credit Committee will need to approve the loan. He feels that Regions will approve the loan at 3.25%. One of the requirements will be for the City to deposit \$500k in a Money Market Account with Regions Bank that

could be utilized in an emergency situation. Regions will also charge an origination

Fee of \$75K.

Due to new banking regulations, most banks can currently fund bank qualified loan up to \$30M. After January 1, 2011 banks will be capped at \$10M.

Commissioner Johnson asked, "Can the bond holder start redeeming their bonds during the redemption period?"

Mr. Celon responded, "Yes."

Commissioner Johnson asked, "If we pass the Resolution, when will the call for the Bonds go out?"

Mr. Celon responded, "It should be done by December 5, 2010 with the loan closing on the 28th, 29th or 30th."

Commissioner Johnson asked, "What if we send the notice out before we have a commitment from Regions Bank?"

Mr. Smith responded, "We will send a Committal Letter."

Mr. Celon noted that the fees for the loan started at \$200K and have been reduced to \$27,500 BMO, \$75,400 Regions, \$25K Morgan Keegan, \$20K Regions Attorney & \$7,500 City Attorney. The total cost of the loan will be \$155,400.

Mr. Weston noted that the finance committee is exploring ways to pay the finance charges out of pocket.

Mr. Celon indicated that the loan doesn't have a pre-payment penalty.

Mayor Magidson noted that the requirement to place \$500K with Regions in a Money Market Account has strings attached to it and is currently earning .035% today.

Mr. Celon noted that the \$500K in the Money Market Account could be used in an emergency situation but can't be used for general operating purposes.

Commissioner Johnson noted that the loan will give us five years to get our house in order. Hopefully, we can refinance the loan in three years. We need to review our options every six months and get into a long term program and try to incorporate the Headworks and Sprayfield project into the loan.

Mr. Celon indicated that he will continue to monitor the City's options. The market looks at history.

Commissioner Johnson noted that the finance committee supports a five year loan not to exceed \$16.5 M.

Mr. Smith indicated that the loan maturity will be no later than 2015 with an interest rate not to exceed 3.25%. The only other charge will be the escrow redemption in early January 2011 with the loan closing at the end of December 2010. He also indicated that we could put in a clause to call the mandatory tender if it is cheaper.

Mr. Celon prefers not to call the mandatory tender.

Commissioner Stephens asked, "Is this something that can be done at a later date?"

Mr. Smith responded, "No, the first week in January 2011.

Mayor Magidson questions the maturity date being December 1, 2015 v/s five years from the closing date.

Mr. Smith responded, "That would be a decision for Regions Bank." He also noted that Resolution 2010-013 should allow you to do anything that Regions would allow. We work for the City and look out for your interest.

Commissioner Johnson noted that we are only pledging revenue.

Mr. Smith reviewed section 7A. If the tax bracket changes Regions will want the City to pay the difference under Federal Law. If the loan turns out to be taxable or the tax code changes they would also want the City to pay the difference. In my option, they are not taxable.

Commissioner Buzzett would like to commend Commissioner Johnson and the finance for doing such a good job in a short period of time.

Commissioner Stephens noted that it's nice to have someone like Commissioner Johnson on the Board that has banking experience.

Commissioner Johnson indicated that no one saw this situation on the horizon. If Regions funds the loan at 3.25% for five years, we need to refinance in three years if possible. We can't go out for a RFP and get a loan funded in thirty days.

Mayor Magidson asked, "Who downgraded Regions Bank?"

Mr. Celon responded all three reporting agencies. He doesn't feel that Regions is going under, but it will be a long time before Regions status is upgraded.

Commissioner Buzzett asked Mr. Weston to assure us we can scrape up the money for the payments.

Mayor Magidson noted that we will have to utilize our reserves based on the Utility Rate Study.

Mr. Weston indicated that it was a good thing that we did the Utility Rate Study. There could be an issue for the 1st two years with a shortfall of approx. \$100K. We may need to tap into our reserves and he wants to make sure that everyone understands this. We also need to reevaluate the information from our rate study every six months.

Motion by Commissioner Buzzett, 2nd by Commissioner Stephens, to approve Resolution 2010-013 as presented by Bryant, Miller & Olive. All in Favor; Motion carried 5-0.


Commissioner Johnson hopes that everyone understands the Finance Committee recommends using reserves instead of rolling the finance charges into the loan. We also need to be responsive if Mr. Weston needs to call a meeting, thirty days is a short period of time to close the loan.

Motion by Commissioner Stephens, 2nd by Commissioner Gingell, to adjourn at 6:01 P.M.

Approved this 4th day of January 2011.



Mayor Magidson



Jim Anderson, City Clerk