

**CITY OF DELTONA, FLORIDA
EXECUTIVE SESSION
AND WORKSHOP MEETING
MONDAY, JULY 22, 2013**

A Workshop Meeting of the Deltona City Commission was held on Monday, July 22, 2013 in the City of Deltona's 2nd Floor Conference Room at 2345 Providence Blvd. Deltona, Florida.

1. CALL TO ORDER:

The meeting was called to order at 5:04 p.m. by Mayor John Masiarczyk, Sr.

2. ROLL CALL:

Mayor	John Masiarczyk	Present
Vice Mayor	Zenaida Denizac	Present (5:25 p.m.)
Commissioner	Webster Barnaby	Present
Commissioner	Heidi Herzberg	Present
Commissioner	Fred Lowry	Present (5:17 p.m.)
Commissioner	Chris Nabicht	Present
Commissioner	Nancy Schleicher	Present
Acting City Manager	William D. Denny	Present
City Attorney	Becky R. H. Vose	Present
Deputy City Clerk	Mitch Honaker	Present

Also Present: Finance Director Robert Clinger; Deputy Fire Chief Robert Rogers; and Building and Enforcement Services Director/Acting Deputy City Manager Dale Baker.

3. PLEDGE TO THE FLAG:

4. BUSINESS:

A. Executive Session - City Manager requests that the City Commission provide advice concerning the proposed Collective Bargaining Agreement between the City and I.A.F.F., Local 2913 (Firefighters Union).

Mayor Masiarczyk announced the commencement of the Executive Session with an estimated length of 30 minutes. He announced the names of each Commissioner in attendance along with William D. Denny, Acting City Manager, and Deputy Fire Chief Robert Rogers.

Mayor Masiarczyk closed the session to the public at 5:10 p.m. and asked everyone else in the room who he did not announce to exit the room at this time.

Commissioner Lowry arrived at 5:17 p.m.

Vice Mayor Denizac arrived at 5:25 p.m.

B. Discussion of Refunding of the 2003 Bond Issue and Swaption Termination Agreement.

Acting City Manager Dave Denny stated that a few weeks ago the Commission discussed a portion of the City water supply system in the vicinity of Doyle Road just East of Providence Boulevard as having Trihalomethane (THM) levels measuring about 97 ppb instead of 80 ppb, and that since then a public engineer has come up with a fix for the problem. The fix has to be moved from outside the City's five (5) year Capital Improvement Plan (CIP) to inside of the five (5) year CIP. This information has to be divulged to people that would be purchasing City stocks, which has been done. He also stated that the cost to fix the problem is \$4.5 million dollars, that the CIP had been changed, and that the overall CIP budget would not be much more than it was before. Mr. Denny also stated that the change to the CIP budget was provided to Burton and Associates who stated that the change should not have an immediate effect on rates but that it may in the future.

Mark Galvin, First Southwest Senior Vice President presented a PowerPoint presentation on the City's Swaption loan.

Mr. Galvin stated that the purpose of the presentation was to discuss the City's current Interest Rate Swap (Swaption) options relating to the City's Utility System Revenue Bonds, Series 2003, the Swaption termination date being exercised on October 1, 2013, and to review the City's options which were discussed previously on October 22, 2012. He stated that tonight would be a great opportunity to discuss the financing and what the City would need to do next.

The Commission and staff discussed the history of the City's Swaption, the annual debt service of \$5.6 million dollars per year, the City's rating of A1 and A+, the City's estimated Swaption termination payment of approximately 16.5 million dollars, locking in the interest rate, the City's 3.2 million dollar original loan, the debt service reserve fund, bond insurance being downgraded, and the Swaption termination payment due date of October 1, 2013.

The Commission and staff discussed three (3) options pertaining to Swaption; Option One (1) being to terminate the Swaption and use existing cash reserves to pay the termination payment; Option Two (2) being to exercise the Swaption with the Series 2003 Bonds being refunded with a variable rate debt; and Option Three (3) being to terminate the Swaption and incorporate the termination payment into a fixed refunding of the Series 2003 bonds.

The Commission and staff discussed the mathematical formula to achieve the derivative termination payment of \$16.5 million dollars, converting to fixed rate bonds, the financing plan steps that the City has taken so far, Deltona's Fitch surveillance rating of A+, the contract Swaption rate of 4.77%, and the remaining steps in the City's Financing Plan.

The Commission and staff discussed August 19, 2013 as being the last date for the Commission to review and approve a bond resolution plan, the Commission's last legal Swaption action as a board, and August 19, 2013 as being the date that the Commission would authorize the Mayor and Acting City Manager to approve the final interest rate.

Also discussed was negotiating a lower final termination payment, locking in the City's debt service, the Treasury interest rate, varying changes in the market that affect bonds the City can underwrite, negotiating a fair market deal for the City, the Commission's fiduciary responsibility to the City's residents, reverting to traditional fixed rate bonds, balancing interest rates, reviewing the loan language in the City Charter, the feasibility of developing a City of Deltona policy prohibiting derivatives and non-traditional financing, reviewing the Charter verbiage pertaining to the City borrowing money, and the City's current debt policy.

After discussion, the Commission concurred that Mark Galvin, First Southwest Senior Vice President would present the paperwork for review and signature to terminate the Swaption and incorporate the termination payment into a fixed rate refunding of the Series 2003 bonds.

The Commission and staff reviewed calendars and discussed the best dates, times and locations to reconvene the Executive Session.

After discussion, the Commission concurred to reconvene the Executive Session on Thursday, July 25, 2013 at 9:30 a.m. in the second floor conference room.

5. CITY MANAGER COMMENTS:

6. ADJOURNMENT:

There being no further business the meeting adjourned at 7:50 p.m.

Mitch Honaker, Deputy City Clerk