

MINUTES OF THE SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD  
WEDNESDAY, NOVEMBER 5, 1986, AT 5:00 P.M., SECOND FLOOR OF MUNICIPAL  
ADMINISTRATION BUILDING, KISSIMMEE, FLORIDA.

Present at the meeting were Chairman VanMeter, Vice-Chairman Hord, Secretary Bobroff, Assistant Secretary Jones, Director Price, Director Gant, Attorney Brinson, General Manager Welsh, Recording Secretary Fitzgerald.

Chairman VanMeter called the meeting to order at 5:00 p.m.

Mr. Welsh began by explaining the purpose of the meeting. Director Bobroff asked if it was necessary to have a formal call of the meeting read into the record. This was discussed, with Chairman VanMeter explaining that he called the meeting and therefore did not require a written request. He explained that if three other members wanted to have a meeting it would have to be put in writing. Attorney Brinson referred to the Bylaws, Article II, Section 1, Special Meetings, which states: "Special meetings of the Authority shall be called by the Chairman or by the Secretary or upon the written request of any three members of the Authority or by the consensus of the Authority present at the time of scheduling such meeting.

Toby Wagner, Southeastern Municipal Bonds, financial advisor to the Authority, addressed the Board. He distributed material containing various computer runs which had been prepared by Merrill Lynch. He stated that he and KUA staff had reviewed these reports consisting of five (5) different scenarios. The reason for being here tonight is that we are very close to the targeted savings which has been discussed in the past of 3.5 million dollar present value savings. Under scenario 1, current market rates today, the present value savings is \$3,227,739. There is a little bit of negative arbitrage. With no negative arbitrage we would be right on the target of 3.5 million, as shown on scenario 2. The remaining three (3) scenarios show the sensitivity of going out to a present value (PV) savings of as much as 5.775 million, or a PV as a percent of the bonds being refunded of 10%. In talking of savings of 3.5 million, we were talking in terms of 58% to 6% savings as a percent of the bonds being refunded. He continued by explaining that the municipal market has picked up and strengthened. He discussed the market and where he felt it would be in the next few weeks. Mr. Wagner answered questions from the Board and stressed that the financial team needed to know if the Board wished to stay with the 3.5 million dollar target or whether they wanted to continue riding the crest of an improved market. He feels we will get out of the negative arbitrage situation as it has improved substantially over the last couple weeks. What the team is recommending is that instead of having the direction which has been given of coming back to the Board automatically with a purchase contract when the 3.5 million target is hit, have more flexibility from a staff standpoint to work within a range of 3.5 million to 5 million dollars and come back to the Board as they see market conditions improving or deteriorating. It is felt by Mr. Wagner and Merrill Lynch that the 3.5 million could be reached very shortly but there is an opportunity beyond that amount which they feel should not be overlooked.

Mr. Welsh said present direction from the Board is that a purchase contract be brought to the Board when present value savings reached 3.5 million dollars. This would mean that a contract may be brought to the Board within a few days. Staff recommends that the Board alter previous direction to say that if the market achieves at least a 3.5 million present value savings you can bring a purchase contract but you don't have to bring a contract until a 5 million dollar target is reached. This would give the flexibility within the 3.5 million to 5 million dollars.

Melinda Wolfe, Merrill Lynch, stated their economists project right now that rates are going to hit their rock bottom in the third quarter of 1987. Municipal rates, particularly for AA rated bonds, would hit about 6% and then start trending upward. She continued to discuss the market and her feelings as to where it would go. The key is flexibility. She further detailed the market forecasting and answered questions from the Board.

James Schuster, Manager/Finance & Administration, addressed the Board giving the guidelines for savings. The minimum guideline has been approximately 5%, which is where we are as far as target is concerned. He feels we should take advantage of an opportunity that is apparently going to occur. He said it has been forecast for some time that there is going to be some kind of decline, particularly because of the after effects of the tax bill and the fact that there will be a lot less supply in the market. A recession in the first quarter of next year is forecast and presumably that will also have some impact on the interest rates in the downward sense. He feels there is an opportunity for present value savings in the neighborhood of 10%, and possibly more in the first or second quarter next year.

Motion was made by Director Bobroff and seconded by Director Hord that the Board revise direction given to staff to allow them to bring back a purchase contract anywhere in the range of 3.5 million to 5 million dollars net present value savings. Staff will attempt to achieve the maximum perceivable savings within this range and also must bring back a contract if the market develops to allow a 5 million dollar present value savings.

Motion Carried 5 - 0

The meeting was adjourned by Chairman VanMeter at 6:00 p.m.

  
Chairman

ATTEST:

  
Secretary