

**SPECIAL MEETING OF THE STUART CITY COMMISSION  
HELD ON JUNE 11, 2012  
AT 3:30 P.M. IN THE CITY COMMISSION CHAMBERS  
121 S.W. FLAGLER AVE.  
STUART, FLORIDA 34994**

**CITY COMMISSION**

**Mayor James A. Christie, Jr.  
Vice Mayor Eula R. Clarke  
Commissioner Troy A. McDonald  
Commissioner Kelli Glass Leighton (Absent)  
Commissioner Jeffrey A. Krauskopf**

**Also in attendance were:**

**City Manager, Paul J. Nicoletti  
City Attorney, Michael D. Durham  
City Clerk, Cheryl White (Absent)  
Deputy City Clerk Alice Lyons**

**Mayor Christie delivered the invocation, followed by the Pledge of Allegiance led by the Commission.**

**DISCUSSION & DELIBERATION**

**1. Fiscal Year 2012-2013 Fiscal Policy**

Dorothy Zaharako, Financial Services Director gave a brief overview of the proposed 2012-2013 Fiscal Policy. She highlighted some of the major areas of the policy. She also explained that the fiscal policy sets parameters for all the fund budgets of the City.

**MOTION: COMMISSIONER KRAUSKOPF; MOVED APPROVAL OF THE 2012-2013 FISCAL POLICY AS PRESENTED**

**SECOND: COMMISSIONER MCDONALD**

**ROLL CALL**

<b>COMMISSIONER MCDONALD</b>	<b>YES</b>	<b>MAYOR CHRISTIE</b>	<b>YES</b>
<b>VICE MAYOR CLARKE</b>	<b>YES</b>	<b>COMMISSIONER KRAUSKOPF</b>	<b>YES</b>

**2. Conduit Bond Funding Workshop.**

City Manager Nicoletti gave a brief overview of the conduit Bond Financing, and introduced Randy Clemons, of Bryant Miller & Olive.

Mr. Clemons came forward and explained conduit bonds to the public and City Commission. He stated the City would need to draft a policy and guidelines for approval. He explained the importance of the policy and guidelines, and it is to set precedent for everyone who may ask for the same type of bond financing.

He stated the risk associated with the city is more indirect that if there was a default on the bonds then the investors in the bonds would be looking to recoup their investments somehow. Often, usually that means they will be looking for a lawsuit and what we've seen in allot of the unrated transactions is, the approach is basically sue everyone in sight. That is not to say the city would have

liability but, you would have the cost expense, stress aggravation, and time involved in getting dismissed from the lawsuit.

Mayor Christie asked how that would affect the City's credit rating?

Mr. Clemons stated; "It should not affect your credit rating because it is not a city obligation as such, it is an obligation of the company, and the project. Your revenues are not obligated. There is some feeling that there is a risk of reputational damage to the City, and that there may be some carry over with respect to your revenue debt, of that reputational damage. That is impossible to quantify but it is a risk, and really hard to put your hands around the magnitude of that risk."

Commissioner McDonald asked if there were any cases where a municipality has done conduit bonding, the bond has failed and the court has found the municipality liable, and he also asked if there was insurance available to the City in this case.

Mr. Clemons noted there have been a few of those where there was securities fraud. He was not sure about an insurance policy to protect the city.

City Attorney Durham stated there may not be a policy to cover the loss, but possibly the defense cost. He noted that would be something the city would want to explore.

City Manager Nicoletti asked Mr. Clemons to explain how to minimize the risk so that it really doesn't impact the city.

Mr. Clemons pointed to the various mitigation clauses within the policy guidelines to minimize the risk.

Commissioner McDonald asked what would happen if the company builds the project, get it operational, and then they turn around and sell it?

Mr. Clemons stated many things could happen including restrictions including requiring the assumption of the debt. Mechanisms could be in place for subsequent purchasers as well.

Vice Mayor Clarke asked about the offering process and nominations.

Mr. Clemons stated that is a way to protect the city, in the way the bonds are offered to investors, and the criteria that we have set out here which are fairly common. He said he discussed this matter with the city's financial advisor, and this is what they would recommend as well.

Commissioner McDonald asked what type of public hearings would the city need to hold?

Mr. Clemons said that there would be special meetings held and advertised for any bond financing.

Vice Mayor Clarke asked if he was working with a city similar in size to Stuart with regards to a conduit bond?

He explained at this time they did not, but the concept is not uncommon. He mentioned they are working with special districts and a common route in financing these types of conduit bonds, but cities and counties do have the authority to do this.

Mayor Christie asked what kind of exposure the city would have, if any, if everything goes.....

Mr. Clemons stated the worst case scenario is if you start construction, and for some reason there is a melt down with a half built facility in your city, that is an eye sore and drag on property values. As I said, you would not be obligated to pay principle and interest. Some people argue there may be a, moral coercion or obligation of the commission to prop it up. That is not a legal obligation, you know like we issued this and what can we do to fix it. The other risk as I discussed are lawsuits or nebulas risk such as reputational damage, and some carry over impact to the pricing of your debt.

Vice Mayor Clarke said; so surely the City would be a conduit?

Mr. Clemons: Yes Ma'am. There is a clear statement on the face of the bonds, and in the disclosure documents, and in the contracts that states; This is not a general debt liability or obligation of the City of Stuart, and investors will never have the ability to levy ad valorem taxes, pay debt service on the bonds, and your revenues are not obligated to the payment of the bonds. He also spoke to the timing of the bonds, deadlines, and volume cap allocation received and approved by the public body and noticed 14 days in advance of the public hearing.

Commissioner Krauskopf stated that he will submit his questions in writing to Mr. Nicoletti to disperse them and very specific in details. Overall he did ask what is the reason an applicant would do this?

Mr. Clemons stated they would do this to finance at a tax exempt rate versus a taxable rate.

MOTION: COMMISSIONER MCDONALD; MOVED APPROVAL TO HAVE STAFF COME BACK AT THE NEXT MEETING WITH A FINAL FORM OF A PROPOSED POLICY FOR THE COMMISSION TO REVIEW TAKING IN ANY COMMENTS AND DISCUSSION THIS EVENING.

SECOND: VICE MAYOR CLARKE

Christopher Young, Chief Operating Officer for Living Well Lodges and represents the group that is asking to do conduit financing for the project at 1301 Palm Beach Road. He said they had a tepra notice published yesterday for a June 26, 2012 public hearing that met the legal criteria.

AMENDED MOTION: COMMISSIONER MCDONALD; MOVED APPROVAL TO HAVE STAFF COME BACK AT THE NEXT MEETING WITH A FINAL FORM OF A PROPOSED POLICY FOR THE COMMISSION TO REVIEW TAKING IN ANY COMMENTS AND DISCUSSION THIS EVENING AND TO HOLD THE HEARING ON JUNE 29, 2012 AT 9:00 AM.

SECOND: VICE MAYOR CLARKE

ROLL CALL

COMMISSIONER MCDONALD

YES

MAYOR CHRISTIE

YES

VICE MAYOR CLARKE

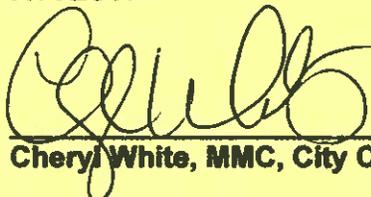
YES

COMMISSIONER KRAUSKOPF

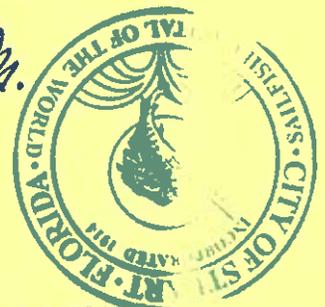
YES

**ADJOURNMENT : 4:43 P.M.**

ATTEST:

  
Cheryl White, MMC, City Clerk

  
James A. Christie Jr., Mayor



Minutes to be approved at the Regular Commission  
Meeting This 25th Day June, 2012