TOWN OF PALM BEACH

Office of The Town Clerk

MINUTES OF THE SPECIAL TOWN COUNCIL MEETING
HELD ON MARCH 31, 2006 @ 9:30 A.M.

I. CALL TO ORDER AND ROLL CALL

The Special Town Council Meeting of March 31, 2006, was called to order in the Town Council Chambers at 9:30 a.m., by Town Council President Denis P. Coleman. On roll call, the following elected officials were found to be present:

Mayor Jack McDonald
President Denis P. Coleman
President Pro Tem Richard M. Kleid
Council Member William J. Brooks
Council Member Susan Markin
Council Member Allen S. Wyett

Also present for all or a portion of the meeting were:

Town Manager Peter B. Elwell
Deputy Town Manager Thomas G. Bradford
Assistant Town Manager Sarah E. Hannah
Town Attorney John C. Randolph
James Bowser - Town Engineer
Paul Brazil - Public Works Director
Eric Brown - Public Works Assistant Director
Veronica Close - Director Planning, Zoning & Building
Charles Langley - Public Works Assistant Director
Jane Struder - Finance Director
Susan Eichhorn - Town Clerk

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II. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by President Coleman.

III. APPROVAL OF AGENDA

The Agenda was approved through motion of Council Member Wyett, seconded by President Pro Tem Kleid. On roll call, the motion carried unanimously.

IV. RELOCATION OF THE PLANNING, ZONING, AND BUILDING DEPARTMENT TO WEST PALM BEACH– PROPOSED LEASE TERMS

Town Manager Elwell referred to the memorandum from Assistant Town Manager Hannah, dated March 24, 2006, regarding the relocation of the Planning, Zoning and Building Department. Staff recommendation was to obtain authorization of the Town Council for the Town Manager to enter into a lease agreement with Bill Pearl of Pearl Properties, inc., for office space located at 1000 North Dixie Highway. The lease agreement was for one ten year term with two 5-year options, leasing 10,354 square feet of space, an indoor parking garage consisting of 11 parking spaces, 26 secured parking spaces for employees, and 15 parking spaces for department customers.

Mr. Elwell explained that the cost for the first year of the lease was estimated to be about $281,000, depending on the share of expenses, which was currently calculated to be $5 per square foot. Upon execution of the lease, the Town would pay the first month's rent and expenses, which would be $23,379, plus $25,000 in order to remove the unoccupied space from the market until the lease was started in January, for a total of $48,379 to be funded from the General Fund Contingency Account in this fiscal year.

Discussion took place, which included the following points:

- Obtaining both right of first refusal and right of option.
- Owning the property, rather than leasing.
- Cost estimate for renovation of the building prior to occupancy.
- Clarification of lease language referring to revocable lease.
- Clarification of proviso within the lease to sublet.
- Current square footage of PZ & B compared to leased square footage.
- The proposed computer system for PZ & B and consideration to staffing needs.
- Size of space being leased.
- Logistical separation of staff.

Mr. Elwell clarified that there was no intention to get into more space than was needed so that there would be growth and staff added in the future. He noted that in a stand alone facility, there were shared spaces, such as a conference room, a bathroom, etc., and other things that go into a proper facility.

In response to discussion regarding a purchase option for the property being considered for leasing, Mr. Elwell explained that the downside to purchase was that the property was a compound, and there was no intention of the owner to diluting their value by selling off pieces of the property. The owner may entertain negotiations for sale, however, it would be for the entire compound, so that the Town would need to be prepared to be a landlord, occupying a portion of the site, and having other tenants in the facility. In addition, the Town would then need to be prepared to make an investment greater on the front end to acquire the asset, than what had been discussed in terms of purchasing a facility or building a facility for PZ & B. The implications of that would need to be considered in terms of borrowing and managing the process properly. On the upside, proper management and good continuous occupancy of the building would generate some revenue to support the costs of operating the facility.

Mayor McDonald commented that whatever money was paid for rent to lease the property would be paid for by fees charged to users of PZ & B. If the fees were not used for that purpose, they may have to be reduced or eliminated.

Council Member Wyett noted that owning the property would also allow charges for costs of operating the property against PZ & B revenues.

In response to Council Member Brooks, regarding property on the west side of Dixie Hwy., Mr. Elwell replied that building was older and not in a good condition. A good portion of it was warehouse, and the expectation was that renovations could be done to that building for approximately one-million dollars. With a two million purchase price, and a one million dollar renovation, the facility would total three million dollars, which was very attractive, except that there would be additional costs to the Town unknown at this point, to provide sufficient parking that was close to the facility. The problem with that site was that the land available for parking was not sufficient to meet the entire parking need.

In response to President Pro Tem Kleid as to staff direction regarding whether to lease or to buy, Mr. Elwell clarified that staff was to look at both potential purchases and potential leases, with a desire to buy, if possible. There were no properties offered for purchase that were appropriate for the needs.

Council Member Wyett moved that the potential lease be rejected and requested that the Town Manager determine if the property could be bought by the Town; in lieu of that to re-open the idea of building.

Council Member Brooks commented that further information was needed on Town-owned property.

Council Member Wyett amended the motion to reject the lease, and to proceed to trying to buy the property.

Council Member Wyett noted that the appraised value of the Town owned land on the west side near the railroad tracks was appraised higher than the rectangular piece that adjoined Florida Crystals. He noted that he believed the most valuable piece of land in all of West Palm Beach was that rectangular piece.

Council Member Brooks seconded the motion.

President Pro Tem Kleid suggested that there be one motion to reject this particular lease, without addressing subsequent action.

Council Member Wyett amended his motion to reject the lease for property located at 1000 North Dixie Hwy. The amended motion was seconded by Council Member Brooks. On roll call, the motion carried unanimously.

Council Member Wyett moved that staff be instructed as follows:

- **to come back with purchase alternatives, including Town-owned property;**
- **that staff investigate the possibilities of the Town purchasing space for either sole occupancy or an occupant of a substantial portion of the space and the Town being in a landlord position;**
- **that the property on the west side of Dixie, with a two million dollar purchase price, also be re-evaluated;**
- **that the area of search include Clematis to Palm Beach Lakes, from the lake to the railroad tracks on Dixie; evaluation of construction costs for a building on any Town-owned properties.**

The motion was seconded by Councilman Brooks. On roll call, the motion carried unanimously.

V. UNDERGROUND UTILITIES- FINANCING OPTIONS

Deputy Town Manager Thomas Bradford addressed the Town Council, stating that it was the hope that the May 9, 2006, regular Town Council meeting would be a decisive meeting for financing and technical issues. He referred to his memorandum of March 24, 2006, regarding the finance options for burying utility lines. He highlighted the following issues:

- Although rough order of magnitude cost estimates had been provided [$49.8 million for primary service; $18.7 million for secondary service] those would not be all of the costs that would occur. For example, the Public Works Department would need another project engineer, however, that cost was not in the numbers presented, because personnel costs would not be financed.

- The question of primary and secondary service: primary service was service in the right-of-way or in an easement; secondary service was the line or lines that run from the primary service to a structure on one's property.

- The budgetary and taxpayer impact based on the different options provided. An attachment to the memorandum was provided that indicated the impact on debt service, the millage rate increase, and the impact per million dollars of taxable value per property owner.

- Depending upon the finance option, there may be a referendum required. If an option was chosen that would require a referendum, it must be kept in mind that there was an ordinance in place that may preclude holding a referendum on November 7, 2006.

- Tax deductibility for property owners – whether the option chosen could be written off on income tax returns.

Mr. Bradford explained that the presentation of Bond Counsel Rick Miller of Edwards, Angell, Palmer & Dodge, LLP, would look at the primary options that staff considered viable. Special taxing districts, or electric bill tariffs would not be discussed, however, staff and Mr. Miller would respond to any questions in that regard.

Rick Miller, Esq., addressed the Town Council, providing a power point presentation to address the alternatives that the Town Council may wish to consider to finance the underground utility project:

- Pay-As-You-Go

- General Obligation bonds

- Revenue Bonds
- Special Assessment Bonds

He reviewed the advantages and disadvantages of each financing alternative, noting that the Town may be well advised to consider a combined approach to finance the underground utility project:

- General Obligation Bonds - to finance all or a portion of the cost of the underground utility project in the primary service areas.
- Revenue bonds - to finance the remaining costs/cost overruns of the underground utility project in the primary service areas.
- Special Assessment Bonds - to finance the cost of the underground utility project in the secondary service areas (home hook-up to main line).

Mr. Miller explained that the revenue bond could be held in reserve if there was a bond referendum, and could be used without going back to the electorate to finish the project. That was an important resource for the Town, as the costs were never completely known in this type of financing.

Mr. Miller furnished the rationale behind the recommendations:

- A combined issuance of general obligation, revenue and special assessment bonds would spread the cost of the underground utility project equitably.
- Town financial resources would be leveraged without overburdening those resources.
- The Town would be able to use its superior credit rating to command the best possible interest rate for its general obligation bonds, thereby reducing overall project costs.
- The combined approach would afford the town the most flexibility to address cost overruns.

In response to President Pro Tem Kleid, Mr. Miller advised that the presentation was based on the entire project spread out over a number of years. Pay-as-you-go was an available opportunity, particularly if there were sufficient reserves or extra money. One of the reasons for dealing with the project up front in the case of general obligation bonds was that the interest rates were very good, and a referendum was required.

After discussion, regarding general obligation bonds, the combined approach to address the need for flexibility in dealing with cost overruns, education of citizens, connections for the homeowners being a tax deductible item.

Town Manager Elwell advised that the recommendation from bond counsel was that even though there would be an authorization in the general obligation bond referendum, there would be an authorization to a relatively higher number that would be the estimate of most of the cost, if not all of the known costs of the project at that time. The bonds would actually be issued incrementally, so there would be the opportunity for the Town Council to make choices during the process, if it was believed that it would be more advantageous to do a piece of it with pay-as-you-go or by issuing revenue bonds. There may come a time when all of the authorized general obligations were simply not issued. Regarding the duration of the bonding term, Mr. Elwell noted that the Town's investment in this infrastructure was only at the first time; after that, it would be owned and replaced by Florida Power & Light (FP &L). Since the Town would invest only once, the 30 year bond duration may be more advantageous in terms of spreading the debt out over more taxpayers.

In response to President Coleman, Mr. Bradford advised that FP & L has filed a tariff with the Public Service Commission (PSC); the Town and Jupiter Island had filed responses to the tariffs, and it was estimated that the whole matter should be concluded in late fall or early winter of 2006.

Council Member Wyett discussed the life of the project, the wiring itself, the transistor boxes, etc. He noted that a good piece of the installation was the piping and he suggested that a good opinion be obtained as to what the real useful life was, and the obligation of FP & L to replace. It would make a big difference to the taxpayer as to whether the financing was done over 20 years or over 30 years. He recommended that the general obligation bond be taken to the maximum level that was believed to be realistic.

President Coleman commented that an accurate number must be obtained; in addition, if the amortization schedule should mirror the useful life; he suggested that a falsely high number may affect the Town's credit rating, and it may have an impact on how people would vote.

Council Member Wyett requested that numbers be prepared that would indicate what the taxpayer was going to be paying FP & L on a non-deductible basis on their taxes, versus rejecting their 25% offer and have the Town financing the whole thing.

Council Member Wyett moved that the Town entertain general obligation bonds as the financing vehicle for the underground wiring system. The motion was seconded by Council Member Brooks.

In response to President Pro Tem Kleid, Town Manager Elwell advised that the bonds would be issued in separate increments over time, but the authorization would be for the full amount, to some degree. The declaration of the Town Council to use general obligation bonds as the tool would provide the information to staff to gear the calendar so that the particulars could be defined as work continued to put forth the ballot before the public.

Attorney Miller advised that the bond referendum would read not to exceed a principal amount of general obligation bonds, which could be issued over a period of time, in series, and the period would not even be specified.

Town Manager Elwell pointed out that the action today was very preliminary and merely declared the intent of the Town Council. Even once final action was taken later this year, and the Town went to a general obligation bond referendum in February 2007, with a relatively large number that was intended to cover most or all of the job, as the Town went along through the phases, the Town Council would make determinations as to whether to issue more of that general obligation debt, or whether to take a different course. The options for pay-as-you-go and revenue bonds would be retained as the project moves forward.

On roll call, the motion to utilize general obligation bonds as the financing vehicle for the underground wiring project, carried unanimously.

Council Member Wyett referred to the education of the public in regard to the project, and requested an opinion on whether the Town could spend money to promote the bond issue, and also to set up a liaison with the civic associations, to include the North End Property Owners Association of Palm Beach in order to start the education process relatively soon.

Council Member Wyett suggested that the secondary service issue be put aside for the moment, until a greater understanding was gained of costs and how many homes would be affected.

President Pro Tem Kleid commented that some homes already had underground wiring, and would therefore be charged twice; it seemed that the secondary service should be charged to the individual property owners.

Mayor McDonald commented that the people who had already undergrounded could possibly be excluded from the secondary costs.

Mr. Bradford replied that the costs were based on benefits, and if there was any work done on the property, even though they may have already done undergrounding, there would be some costs to bear.

Mayor McDonald commented that the program could be sold better if the taxpayer could deduct the costs on his taxes.

VI. ANY OTHER MATTERS

President Coleman noted that there was a letter received this morning from the North End Property Owners Association of Palm Beach, requesting responses to questions regarding the undergrounding of utility lines in Palm Beach. He suggested that a dialogue begin regarding the questions, responding to them with things that were known at this tine.

After a response was made by Mr. Bradford to the first question, regarding easements, Council Member Markin commented that the list of questions was very good, and all needed a concise and correct answer.

Deputy Town Manager Bradford advised that he intended to respond to the questions in writing, with specific, detailed answers.

Town Manager Elwell clarified that there would be an informative response in writing. If everyone could agree today that nothing responded to today would be the final word, but merely helpful conversation. A formal response would be made in writing.

President Coleman requested that the response be added to the Town website.

President Pro Tem Kleid commented that there may be a problem of misinformation in conducting an informative dialogue today, and suggested that a formal response was more appropriate.

President Coleman called for public comment. There was none.

VII. ADJOURNMENT

There being no further business, the Special Town Council Meeting of March 31, 2006, was adjourned at 11:40 a.m.

Denis P. Coleman
Town Council President

ATTEST:

Susan A. Eichhorn, Town Clerk

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