

CITY OF HARDEEVILLE
SPECIAL CITY COUNCIL MEETING
AND PUBLIC HEARINGS
MINUTES
AUGUST 14, 2008
5:00 PM

Present: Mayor Bronco Bostick, Mayor Pro-Tem Roy Powell, Council Members A. Brooks Willis and Michael Foskey, Assistant City Manager Jeff Slocum, Planning Director Brana Snowden, City Clerk Lori Pomarico and Media Assistant Andrew Cherry.

I. CALL TO ORDER

Mayor Bronco Bostick called the meeting to order at 5:00 p.m.

II. INVOCATION & PLEDGE OF ALLEGIANCE

Council Member Brooks Willis gave the invocation

III. PUBLIC PRESENTATIONS/COMMENTS (2 MINUTE TIME LIMIT)

There were no public presentations.

IV. OLD BUSINESS

A. SECOND READING OF AN ORDINANCE PROVIDING FOR THE ANNEXATION FOR THE PARCELS LOCATED ON HIGHWAY 170 TMP 079-00-00-006 AND 079-00-00-008 (+/-3.5 ACRES) (SOUTHCOAST FINANCIAL) (2008-8-7A)

PUBLIC COMMENT

Assistant City Manager Jeff Slocum deferred to Planning Director Brana Snowden. Ms. Snowden stated that there have been no changes since first reading.

There was no public comment. A motion was made by Mayor Pro Tem Powell to accept Ordinance No. 2008-8-7A at second reading. The motion received a proper second by Council Member Willis and carried unanimously.

B. SECOND READING OF AN ORDINANCE AMENDING THE OFFICIAL ZONING MAP OF THE HARDEEVILLE MUNICIPAL ZONING AND DEVELOPMENT ORDINANCE TO REZONE FROM RURAL PRESERVATION (RP) IN JASPER COUNTY TO GENERAL COMMERCIAL (GC) IN THE CITY OF HARDEEVILLE (SOUTHCOAST FINANCIAL) TMP 079-00-00-006 AND 079-00-00-008 (+/-3.5 ACRES) (2008-8-7B)

PUBLIC COMMENT

Assistant City Manager Jeff Slocum deferred to Planning Director Brana Snowden. Ms. Snowden stated that there have been no changes since first reading. The applicant is requesting General Commercial; area is surrounded by commercial zoning.

There was no public comment. A motion was made by Council Member Willis to accept Ordinance No. 2008-8-7B at second reading. The motion received a proper second by Mayor Pro Tem Powell and carried unanimously.

C. SECOND READING OF AN ORDINANCE OF THE MAYOR AND COUNCIL OF THE CITY OF HARDEEVILLE TO REQUEST A REFERENDUM AND BALLOT TO ALLOW SUNDAY ALCOHOL SALES (2008-8-7C) PUBLIC COMMENT

Assistant City Manager Jeff Slocum stated that this is the second reading of this ordinance to allow for a referendum to be placed on the ballot in November to allow for Sunday alcohol sales in restaurants only. There have been no changes since first reading.

There was no public comment. A motion was made by Council Member Foskey to accept Ordinance No. 2008-8-7C at second reading. The motion received a proper second by Mayor Pro Tem Powell and carried unanimously.

D. SECOND READING OF AN ORDINANCE AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN INSTRUMENTS RELATING TO THE ACQUISITION, USE, AND RENOVATION OF CERTAIN CITY FACILITIES; APPROVING THE FORMATION OF THE HARDEEVILLE PUBLIC FACILITIES CORPORATION; APPROVING THE ISSUANCE OF HARDEEVILLE PUBLIC FACILITIES CORPORATION INSTALLMENT PURCHASE REVENUE BONDS; CONSENTING TO THE FORM OF A TRUST AGREEMENT BETWEEN HARDEEVILLE PUBLIC FACILITIES CORPORATION AND THE CORPORATE TRUSTEE; THE LEASE OF CERTAIN REAL PROPERTY AND THE BUILDINGS AND OTHER SITE IMPROVEMENTS LOCATED THEREON BY THE CITY OF HARDEEVILLE, SOUTH CAROLINA TO HARDEEVILLE PUBLIC FACILITIES CORPORATION, INCLUDING AUTHORIZING THE EXECUTION AND DELIVERY OF A BASE LEASE AGREEMENT, BETWEEN CITY OF HARDEEVILLE AND HARDEEVILLE PUBLIC FACILITIES CORPORATION; AUTHORIZING THE EXECUTION AND DELIVERY OF A PUBLIC FACILITIES AND OCCUPANCY AGREEMENT BETWEEN CITY OF HARDEEVILLE AND HARDEEVILLE PUBLIC FACILITIES CORPORATION; AND OTHER MATTERS RELATING THERETO. (2008-5-1B) PUBLIC COMMENT

Assistant City Manager Jeff Slocum deferred to the City's bond counsel Sam Howell and Alan Linkous. Mr. Howell stated that they were here to present the second and final reading for the installment purchase bond ordinance for Council's consideration involving the financing of the Hargray Buildings and the refinancing of the municipal complex. Mr. Howell stated that the City has obtained a municipal bond rating from Moody's Investors Service of BAA2 for general credit and BAA3 for this bond issue. Mr. Alan Linkous distributed a report prepared by Moody's Investors to Council. Mr. Howell stated that this report is an independent analysis of the City's financial strength, the City's fiscal management and the prognosis of the future of Hardeeville. Mr. Howell stated that Moody's Investors is very pleased with the direction of the City government, and commented favorably on fiscal management in dealing with the budget and reserves.

Mr. Howell stated that the underwriter went to the bond market this week and as of today is prepared to buy the bonds. Mr. Linkous distributed to Council the preliminary official statement that was used by the underwriter to solicit sales of the bonds. The underwriter now has firm orders for the bonds and if it meets with Council's approval the underwriter will sign a purchase agreement with the City and close the bond issue next week.

Mr. Howell stated that interest rates are getting higher, banks are increasing requirements to buy bonds or make loans, and there is uncertainty about housing and credit markets which causes bond purchasers to have concerns about the continued development along the coast of South Carolina including Hardeeville. Mr. Howell stated that it is their recommendation to keep the various equipment lease purchase agreements in place which would cost the City less money than to refinance those with bonds. Mr. Howell referred to page one of the numbers provided by Alluvion Securities, stating that a bond issue of \$3,645,000 would be used to fund \$820,000 of the purchase of the Hargray Building, \$200,000 toward the cost of improvements and renovations to those buildings, and the refinancing of the municipal complex in the amount of \$2,109,767. A requirement of the rating agency was the establishment of a debt service reserve fund in the amount \$292,973 which will be set aside with the bond trustee at closing and will remain there until the last year of the bond issue. It can then be used in that last year toward the payment of the last year's debt service on these bonds. In the meantime, it is invested and the City gets the investment earnings to be used to help pay debt service on the bond issue.

Mr. Howell referred to page two of the report showing what the annual payments for the bonds would be over fifteen years.

Mr. Howell referred to page three which gives the interest rates on the bonds. Net Interest Cost (NIC) is 6.14...%, the effective fixed rate of borrowing the money over fifteen years. Mr. Howell stated that we are still historically in a low interest rate environment and recommends approval of the bond issue at this level.

Council Member Willis stated that Mr. Howell passed over the perception of the growth factor in his presentation, and wanted to know how the people in New York perceive this. Mr. Willis stated that the City is in a situation where there are approximately one half dozen or more major

residential developers that have purchased land and have made a substantial investment in this community, and there are also several commercial developers that are committed to do the same thing, which is a sizeable input that is already verified. Mr. Willis asked why wouldn't they put more emphasis or give us more credit for potential growth. Mr. Howell responded that the report notes and spells out all indications of recent and future growth in the community. Mr. Howell added that they are conservative fiscally, and although they see the growth of the tax base they are concerned because of the national housing market that Hardeeville may experience what many other communities are experiencing in terms of slow or no residential growth or possibly retraction of residential growth.

Mayor Pro Tem Powell questioned why we are refinancing the municipal building at a higher rate. Mr. Howell responded that the lease purchase financing that this building is currently under counts against the City's debt limit. This refinancing will be done to get this building out from under the City's 8% debt limit. Mr. Powell asked Assistant City Manager Slocum if we do not finance this building what is our debt limit. Mr. Slocum responded that with this building included in the debt limit, we are actually over our allowed debt limit.

Council Member Foskey stated that it is great that the City has a bond rating, and asked Mr. Slocum if we would get a better rating if the City has bond insurance. Mr. Slocum responded that for an issuance we would get a better rating with bond insurance, however, with this issuance they did not find somebody at this time that would issue the insurance. Mr. Howell added that the main concern with the bond insurance companies that looked at this is the small size of the community.

Council Member Foskey asked if in the future with some of the small bond issues would the public be able to purchase the bonds. Mr. Howell responded that the public would be able to purchase bonds and that the City was provided contact information of the underwriter.

Mayor Bostick asked how this would be a good deal for the other company if we are allowed to put this money in the bank and draw interest from it for us. Mr. Howell responded that the purpose of the debt service fund is if either the City suffered some kind of financial setback or if the City exercises legal right not to budget and walk away from the financing that the debt service reserve fund would be used to pay the bonds for one year. During that period of time the idea is that the bond trustee and bond holders would try to work out something new. The plan is that it will never be touched for fourteen years and in the fifteenth year be used to pay the debt service on the bonds.

Mayor Pro Tem Powell asked Mr. Slocum if the improvements are an estimate on the high end and would it be enough to situate both buildings how both departments need it and not have to come back to Council to ask for funds from any other budget. Mr. Slocum responded that this is very realistic and conservative making sure we can get it all done without cutting corners.

Mayor Bostick opened for public comment. Mr. Bill Horton had a question concerning the general obligation. Mr. Horton stated that it is his understanding that when the City did the

original financing on this building, somewhere around \$800,000 was financed under the general obligation bond which was well within the limits that were provided at that time, and to his knowledge, since that time there have been no other general obligation bond issues that were authorized by Council. Mr. Horton asked how we can be above our general obligation bond limit and have to incur this refinancing at a higher rate. Mr. Howell stated that historically only general obligation bonds counted against the 8% debt limit. However, back in the mid 1990's, the legislature wanted to see lease purchase financing for real estate and buildings cut back and said that any kind of lease purchase of a building or real property also counts against that 8% debt limit. Therefore, the lease purchase financing on this building would count against that 8% debt limit, but lease purchase financing for equipment, vehicles and the like does not count against the 8% debt limit.

A motion was made by Mayor Pro Tem Powell to accept Ordinance No. 2008-5-1B at second reading. The motion received a proper second by Council Member Foskey and carried unanimously.

V. PRESENTATION & APPROVAL OF THE MINUTES FROM THE
AUGUST 7, 2008 REGULAR CITY COUNCIL MEETING

A motion was made by Council Member Foskey to approve the August 7, 2008 Regular City Council Meeting Minutes. The motion received a proper second by Mayor Pro Tem Powell and carried unanimously.

Mayor Bostick stated at this time that there will be a City Council Meeting on August 21, 2008 for the installation of the new Council Member, Mr. Bill Horton.

VI. NEW BUSINESS

There were no new business items.

VII. ADJOURNMENT

A motion was made by Mayor Pro Tem Powell and seconded by Council Member Foskey to adjourn the meeting. The motion passed unanimously. The meeting adjourned at 5:33 p.m.

Lori Pomarico, City Clerk

Date

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