

Water and Sewer Committee Meeting
August 30, 2016
10:00 a.m.

The following were in attendance:

Bob Sandifer, Laurie Sanders, Jody Kleckley, Charles Kerekes, and Bob Renner, Committee Members; Iris Hill and Bob Doub, ex-officio.

Chairman Sandifer called the meeting to order. Charles Kerekes moved to approve the minutes of the August 5, 2016. Jody Kleckley seconded the motion which was unanimously approved.

Town Administrator Iris Hill presented information to the Committee for comments. Town Council will be addressing the information on project funding at the September meeting. A copy of the information is attached to these minutes. The information outlines three methods of funding: General Obligation (GO) Bonds, Revenue Bonds and Installment Purchase Revenue Bonds (IPR). General Obligation Bonds are used to borrow money up to 8% of the Town's assessments without going to a referendum. That means that the Town can borrow around \$4.5 million dollars. That borrowing capacity is there in case something catastrophic happens. For example, if a hurricane occurs, money can be borrowed via GO bonds to pay for whatever was destroyed. If the amount borrowed is above the 8% of the Town's assessment, it must go to a referendum. The Town has not used any of the GO bond borrowing capacity. The existing GO bond on Bay Creek Park was passed by referendum, so therefore does not count against the 8%. Revenue Bonds would be paid by increasing water rates. The use of Revenue Bonds does not require approval by referendum and can be approved by Council. IPR Bonds can be paid with an increase in property taxes or with revenue and do not require approval by referendum. The attachment shows different bond scenarios. Currently, American Engineering is working on a scenario using IPR/mixed bond on \$5.1 million.

Chairman Sandifer asked Administrator Hill what the advantages for the Town of the IPR. Administrator Hill stated there was no requirement of referendum for an IPR. Administrator Hill reminded the Committee that however the Council wants to go, whether it's GO, Revenue or IPR, the Town will have to be re-rated. Standard and Poors may change our AA+ bond rating or our A+ revenue rating. Chairman Sandifer asked if Administration/Council was looking for the Committee to make a recommendation as to funding option. Administrator Hill said that she was looking for input to relay to Council. Mr. Kerekes stated if Council decided to go to referendum and it was defeated again, more time would be wasted. Mr. Kleckley said that since the last referendum, costs had increased by \$250,000. If another six months is wasted, there will be more cost increase. Mr. Kerekes said that the Committee needs to also consider market conditions. Mr. Sanders asked if the Town decided on the GO bonds, wouldn't that lessen the incentive to conserve water? Mr. Sandifer said that general obligation bonds would not affect the amount of water used by the consumer. Revenue bonds would cause those that used the most water to pay the highest bill. Mr. Sanders asked if the debt service millage impact analyses were based on 4% or 6% tax rates. Administrator Hill said that she did not know but would find out. Bob Renner stated that his main concern was not the funding source, but that the project is completed. Mr. Kerekes said that if Council decides not to go to referendum and uses GO bonds that the borrowing capacity for emergencies would not exist. The Town would have exhausted its borrowing capacity for the water project and would have no "safety net." If Council does go to referendum and the project is green lighted from the property owners, the GO bond would not count against the Town and the "safety net" borrowing capacity would still be in play. Chairman Sandifer moved that it is the recommendation of the Water and Sewer Committee that Town Council pursue Revenue Bond funding

to pay for the water project. Mr. Kerekes seconded the motion, which was approved unanimously. To clarify, Mr. Sandifer reiterated, "Our position as a Committee is to indicate to Council that our preference is the revenue bond approach."

A discussion about whether or not to suggest a referendum followed. Mr. Sandifer stated it is Council's prerogative to ask for the property owners' input or not. Charles Kerekes moved to recommend that Council proceed without going to referendum. The motion was seconded by Bob Renner and approved unanimously. Mr. Sandifer stated, "It is mandatory, in my opinion, that all property owners, that it clearly be explained what kind of a pricing situation they're getting into." Administrator Hill asked for suggestions on how to accomplish that. The Committee suggested both a written and an electronic notification go out showing the current rates and the new rates so it is very clear how much each property owner would pay for the level of consumption.

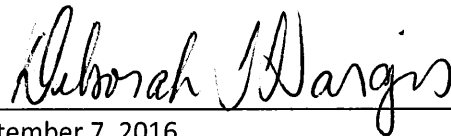
A conversation concerning the Town's credit followed. Mr. Sandifer asked if, after the Town "spends all our money for the (water) system and a hurricane comes along, and the system gets wiped out, we don't have a water system any more, we've still got the indebtedness of course, and we don't have the money to fix it." Administrator Hill said that the Town would still have the 8% under general obligation and if Council goes to referendum for general obligation, it doesn't count against the 8%.

Mr. Sandifer asked the Committee how they wanted to close the meeting. There were a few main questions that the Committee would like answered. One was a question of insurance. Specifically, how much additional insurance would be needed on the R/O plant to cover loss of use in the case of a major catastrophe? Another question was, under the GO bond, if there is a catastrophic event and the property is 50 – 60% wiped out, where is the money to come from to replace it?

Mr. Renner told the Committee he didn't think that fear of a catastrophic event should drive whether or not the water project moved forward. Mr. Sandifer agreed that there is a lot to be considered other than paying off the water plant cost.

Mr. Sanders moved to adjourn the meeting, seconded by Mr. Kerekes and approved unanimously.

APPROVED BY THE WATER AND SEWER COMMITTEE

A handwritten signature in cursive script, reading "Deborah Wargis", written over a horizontal line.

September 7, 2016