

MINUTES  
TOWN COUNCIL SPECIAL CALLED MEETING  
PROSPERITY, SC 29127

May 26, 2005  
6:00 PM

Council Members Attendance: Mayor Bruce Connelly, Councilmen Larry Spotts, G.W. Dawkins, Allen Gallman, Derek Underwood

General Attendance: Andrea Cantrell, Town Administrator; Attorney Henry Bufkin; Melissa Grubbs, Clerk/Treasurer; and Heather Hawkins, WKDK

Councilman Allen Gallman opened with prayer.

**Construction Contracts and Financing:** Mayor Connelly stated the purpose for this called meeting was to discuss financing of the projects and the second reading on both bond ordinances. He then turned the meeting over to Mr. Bufkin. Mr. Bufkin stated that the Town is at the point with these two projects to finalize the contracts and financing. He stated that he had spoken with Weathers Construction and is finalizing the contract. He stated that he has also spoken with Margaret Pope and she has presented the Town with the ordinances for the second readings. They have slight changes. He stated that he feels very comfortable with the figures that are listed right now to complete these projects. Depending on what the interest rate ends up being Council could choose to change the amount that they would like to borrow. He stated that if possible we would like to keep the debt load at around the same amount that has already been discussed and agreed upon. He stated that it is unclear what financial institution will be doing the financing for the Town. He stated that because this will be a public institution tax-free debt, there is a large market in Columbia for this type of borrowing. Attorney Pope had told him that the going interest rate for this type of loan is around 3.5%. This is less than what we were originally quoted by the local banks. He stated that there are other benefits to using a local bank and we have offered this back to them to allow them to reconsider the interest rate. He stated that he has not heard back from the local bank at this time. The Town is ready to borrow the money and Attorney Pope has told us that if it does not work out with a local bank then she can put in on the market in Columbia and take care of it relatively quickly.

Mr. Bufkin presented the Council with a financial breakdown (see attached) of the figures that the Town is looking at right now. He reviewed the figures with Council and pointed out the amounts that will be needed for the performance bonds also. He stated that when these projects were put out for proposals the Town requested that it be included in the proposal an amount for a performance bond. Weathers Construction did give the Town a specific amount for the performance bond. He stated that earlier it was thought that this would be an option but it has now been realized that it is mandatory to have the

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performance bond. It will be like an insurance policy that will guarantee if the contractor does not perform the work then there will be funds available to bring in and complete the project.

Mr. Bufkin explained the differences that have taken place in the Utility building project. He stated that originally the shed had an open back. It has now been changed to having a closed back for security purposes. The security fencing would have originally gone all the way around the building but this will not be needed now. He stated that it has also been upgraded from a pole building to an all steel building. These upgrades have increased this project slightly but it is felt that these upgrades are needed. Mayor Connelly pointed out that the price does include the bonds, fencing and radios.

Mr. Bufkin stated the proposed ordinance allows the second reading to include a General Obligation Bond of \$165,000.00 and a Utility Revenue Bond of \$430,000.00. He stated that something that Council needs to consider is instead of borrowing the \$430,000.00 they have the option of just borrowing \$385,000.00. If Council chooses the lesser amount then the remainder of the project will come from reserve funds. He stated that it really depends on the interest rates and how that will effect the payment.

Mr. Bufkin pointed out that the change to the Utility Revenue Bond ordinance is instead of selling the bond at \$430,000.00, a provision has been included that will allow an initial draw of the bond of less than \$430,000.00. The idea is to give Council the choice of taking additional funds from the reserves instead of borrowing it. He stated that if the interest rate ends up being lower than expected Council may choose to borrow the whole amount instead of pulling from the reserves because this would be in the best interest of the Town. This choice has been added to this ordinance to give Council option to make this decision after things get started. There is also still the option that the Town may be able to build this project for less than the proposed amount. The contractor has agreed to this and realizes that as the project proceeds there may be other ways to save money that have not been seen at this point. Ms. Cantrell stated that there has only been \$50,000.00 budgeted for the payment on the loan. Mr. Bufkin stated that this is a big move for the Town of Prosperity. He stated that he would like to see the funds taken out of reserves kept to a minimum.

Mr. Bufkin stated that he recommends that Council let the Town move forward with committing to Weathers Contracting, approve the ordinances tonight and authorize the Town Administrator to make the decision on funding. He stated that if any bank comes in with an interest rate close to 3.5% then we need the authority to move forward. Councilman Underwood questioned what interest rate would the Town accept from Capital Bank. Mr. Bufkin stated that it would be inappropriate to report that number until Capital Bank has made the Town an offer. He stated that they have been working well with the Town and we hope they will offer an interest rate that will be at the best interest of the Town.

Councilman Underwood questioned Section 6.02 under the General Obligation Bond. Mr. Bufkin stated that what this states is if the costs of the project exceeds what is authorized then this gives the Town Administrator the authority to use reserve funds up to

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\$75,000.00. Discussion followed regarding the upgrades to the projects. Mr. Bufkin stated that some of the upgrades, such as the back on the Utility building and the fencing, could be eliminated but he did not recommend this. Councilman Dawkins questioned if the information regarding the interest rates would come back up before Council prior to moving forward. Mr. Bufkin stated that they would not. He stated that Capital Bank had originally stated that they would provide financing at 5% but this was for a commercial loan. Now that we realize it has to be a bond, Attorney Pope has stated that she could place the bond immediately if the Town wants her to. Mr. Bufkin stated that the funds from the Utility Bond would be available within 24 to 48 hours. The General Obligation Bond will have a sixty-day delay. He stated that we would like to give Capital Bank a chance to give the Town an updated offer.

Councilman Spotts questioned the difference between a loan and a bond. Mr. Bufkin stated that any obligation that a Town takes for longer than a year is called a bond. He went on to explain different types of borrowing funds. He stated that Attorney Pope is capable of getting on the Town's behalf a bond that is placed in the bond market with the big national banks. Councilman Spotts questioned if these bonds would be sold to the public. Mr. Bufkin stated that it would not be sold to the public. He stated that because this was a smaller amount, one of the financial institutions would purchase this bond.

**Second Reading of Ordinance Authorizing the Issuance of Revenue Bond:**

A **MOTION** by Councilman Underwood to approve the second reading of the ordinance authorizing issuance of Revenue Bonds; Seconded by Councilman Gallman and so approved unanimously.

**Second Reading of Ordinance Authorizing the Issuance of General Obligation Bond:**

A **MOTION** by Councilman Gallman to approve the second reading of the ordinance authorizing the issuance of General Obligation Bonds; Seconded by Councilman Dawkins and so approved unanimously.

A **MOTION** by Councilman Underwood to adjourn the meeting at 6:40 pm; Seconded by Councilman Gallman and so approved unanimously.

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Melissa Grubbs  
Clerk/Treasurer