



City Council Special Called Meeting
Agenda

Mayor Sam Lee, Mayor Pro-Tempore Matthew King
Council members: Phil Clemmer, Anthony Cunningham, John Mahony, Michael Maier, Rose Ann Woods

Thursday, November 1, 2018

4:30 PM

Council Chambers

1. Call to order - Mayor, Sam Lee
2. Executive Session for the receipt of legal advice concerning the sanitary sewer system.

Upon returning to open session, Council may vote on items discussed in Executive Session.
3. Discussion with representatives of Parker Poe and First Tryon concerning project prioritization and financing.
4. R 2018-009 Authorizing an installment purchase plan of finance for certain capital projects in the city; and other related matters.
5. Adjourn

A RESOLUTION

AUTHORIZING AN INSTALLMENT PURCHASE PLAN OF FINANCE FOR CERTAIN CAPITAL PROJECTS IN THE CITY; AND OTHER RELATED MATTERS.

WHEREAS, it is the intent of the City Council (“Council”) of City of Fountain Inn, South Carolina (“City”), to examine innovative financing structures to complete projects within the City that give the City the most flexibility in repayment and provide needed amenities for the citizens of the City;

WHEREAS, the Council has identified several priority capital projects, including Woodside Park, that require immediate attention;

WHEREAS, the Council has requested the City Administrator to gather information about different financing options;

WHEREAS, among the options that provide the City with the greatest flexibility is the installment purchase plan of finance utilized by cities and counties across South Carolina to finance needed infrastructure and amenities;

WHEREAS, in order to undertake an installment purchase plan of finance it is necessary that a South Carolina nonprofit corporation (“Corporation”) be formed solely for the purpose of supporting the governmental mission and certain activities of the City;

WHEREAS, the Corporation must have an independent Board of Directors (“Board”) dedicated to the business of the Corporation and achieving the purposes of the City.

NOW, THEREFORE, BE IT RESOLVED by the Council, as the governing body of the City, in meeting duly assembled:

SECTION 1. Consent to and Approval of Corporation and Directors. The Council hereby consents to the creation of the Corporation. The Council acknowledges that the initial Directors of the Board are anticipated to be no more than three members. The City Administrator is hereby authorized to select the initial Directors.

SECTION 2. General Authorization. The Mayor and the City Clerk, the City Administrator, and the Chief Financial Officer, are each (acting individually) hereby authorized to execute and deliver whatever documents and take whatever actions as are required to comply with the terms thereof or otherwise to effect the intent of this Resolution.

SECTION 3. Financing Terms and Professionals. The City Administrator, with the advice and counsel of the City’s financial advisor, First Tryon Advisors, and Bond Counsel, Parker Poe Adams & Bernstein LLP, is hereby authorized to pursue due diligence on an installment purchase plan of finance. The terms of the plan and the legal documents to effectuate the plan shall be presented to Council at a future date for approval by Ordinance.

SECTION 4. Effective Date. This Resolution shall take effect immediately and shall be construed liberally to effect the intent of the Council.

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Done in meeting duly assembled: November 1, 2018.

CITY OF FOUNTAIN INN, SOUTH CAROLINA

Mayor

ATTEST

City Clerk

APPROVED AS TO FORM:

City Attorney

INSTALLMENT PURCHASE REVENUE BONDS

A. WHAT ARE INSTALLMENT PURCHASE REVENUE BONDS?

- Installment purchase revenue bonds are bonds issued by a nonprofit organization on behalf of a governmental entity.
- Depending on the capital assets to be financed, the installment purchase revenue bonds may be issued as tax-exempt debt similar to direct obligations of governmental entity

B. HOW DO INSTALLMENT PURCHASE REVENUE BONDS WORK?

- Typically, a new nonprofit corporation is created to support the governmental entity in the development and construction of the capital assets.
- The nonprofit corporation issues bonds for the purpose of constructing the capital assets. The nonprofit enters into contracts with the governmental entity providing that the governmental entity will (i) manage the construction of the capital assets on behalf of the nonprofit, and (ii) once the assets are constructed, the governmental entity will (a) lease the assets from the nonprofit, and (b) acquire incremental portions of the assets from the nonprofit over time.
- Capital assets are constructed on land owned by the governmental entity, and the local government leases the land to the nonprofit through a base lease.
- The annual lease and acquisition payments (also known as “installment payments”) made by the governmental entity to the nonprofit corporation are used by the nonprofit to make the debt service payments on the bonds.
- At the end of the financing (i.e. maturity of the bonds), the governmental entity will have made sufficient payments to the nonprofit to acquire the capital assets in full. The contracts (including the lease) will terminate and the governmental entity will own the assets.

C. WHY ISSUE INSTALLMENT PURCHASE REVENUE BONDS?

- Helps manage a governmental entities’ debt capacity.
 - Annual installment payments are subject to non-appropriation and therefore do not count against a governmental entities’ constitutional debt limit.
- Allows governmental entities to use any and all available revenue sources to make annual installment payments (*e.g.* revenue from economic development projects, multicounty parks, general fund, general obligation bonds, etc.).

D. PATH OF APPROVAL

- Governmental entity must approve by ordinance:
 - the nonprofit corporation,
 - the contracts to be entered into with the nonprofit corporation,
 - the acquisition and lease of the assets, and
 - if general obligation bonds are to be a source of the acquisition and lease payments, then the issuance of general obligation bonds.
- Nonprofit corporation must approve by corporate resolution:
 - issuance of bonds,
 - assets to be constructed, and
 - contracts to be entered into with governmental entity.

