



**City of Fountain Inn
Council Work Session Minutes
November 1, 2018 ~ 4:30 PM ~ Council Chambers**

The following members of City Council were in attendance: Mayor Sam Lee, Phil Clemmer, Anthony Cunningham, Matthew King, John Mahony, Michael Maier and Rose Ann Woods.

Others Present: Shawn Bell, David Holmes, Sandra Woods, Roger Case, Naomi Reed, Lori Cooper

Visitors: 7

Call to order - Mayor, Sam Lee

Mayor Lee asked for a motion to meet in 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.

Motion by Councilmember Mahony, second by Councilmember Cunningham to meet in Executive Session. The motion passed unanimously.

Back in regular session.

Mayor Lee stated no votes were taken while in executive session.

Discussion with representatives of Parker Poe and First Tryon concerning project prioritization and financing.

Tyler Traudt with First Tryon and Emily Luther with Parker Poe met with council to review the comprehensive planning model.

Mr. Traudt reviewed the following:

- Capital projects.
- Assumptions in paying for the projects.
- Can we afford the projects?
- The financing advantages and disadvantages.

Council Meeting
November 1, 2018

- Calendar time line for the next 120 days.

Council will have a workshop in the near future to prioritize the capital projects.

R 2018-009 Authorizing an installment purchase plan of finance for certain capital projects in the city; and other related matters.

Motion by Councilmember Maier, Second by Councilmember Clemmer to approve R 2018-009. The motion carried unanimously.

Adjourn

Motion by Councilmember King, second by Councilmember Cunningham to adjourn the meeting. The motion passed unanimously.



Sandra H. Woods, CMC
City Clerk



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DISCUSSION MATERIALS

City of Fountain Inn, South Carolina

November 1, 2018

Agenda

I. Overview of City's Projects

II. Financing Options

III. Next Steps

Projects Under Consideration

1	2	3	4	5	6	7	8	9	10	11	12
On/Off	Description	Amount	Timing (FY)	Fund / Revenue Source	Operations / Debt Service	Funding Type	Eight Percent / Referendum	Structure	Term	Principal Deferral	Rate
Off	Swamp Rabbit Trail (Phase I)	5,000,000	2023	General Fund	N/A	Cash					
Off	Swamp Rabbit Trail (Phase II)	5,000,000	2027	General Fund	Operations	Cash					
Off	New/Renovated City Hall	5,000,000	2025	General Fund	Operations	IPRB		Level D/S	20	0	5.00%
On	Woodside Park (GF)	3,200,000	2019	General Fund	Debt Service	IPRB		Level D/S	20	0	5.00%
On	Woodside Park (Gas Portion - Transfer in)	1,100,000	2019	General Fund	Debt Service	IPRB		Level D/S	20	0	5.00%
On	New Gas Tap	2,000,000	2020	Natural Gas Fund		Revenue Bond		Level D/S	20	0	5.00%
On	Jones to 418 Streetscape	3,000,000	2020	General Fund	Debt Service	IPRB		Level D/S	20	1	5.00%
On	PD Terry City Park Improvements	2,000,000	2020	General Fund	Debt Service	IPRB		Level D/S	20	1	5.00%
On	Gymnasium/Addition to Activity Center (Phase I)	338,446	2020	General Fund	Debt Service	IPRB		Level D/S	20	1	5.00%
On	Gymnasium/Addition to Activity Center (Phase II)	988,353	2020	General Fund	Debt Service	IPRB		Level D/S	20	1	5.00%
Off	Gymnasium/Addition to Activity Center (Phase III)	4,579,077	2020	General Fund	Debt Service	IPRB		Level D/S	20	1	5.00%
On	Wayfinding Signage	250,000	2019	General Fund	Operating	Cash					
Off	Sub Station III	1,750,000	2023	General Fund	Debt Service	G.O.		Level D/S	15	0	4.00%
Off	Ladder Truck	850,000	2019	General Fund	Operations	Lease Purchase		Level D/S	10	0	4.00%
On	418 Interchange Beautification	750,000	2020	General Fund	Debt Service	IPRB		Level D/S	20	1	5.00%
On	Pumper	450,000	2023	General Fund	Operations	Lease Purchase		Level D/S	10	0	4.00%
Off	Police Department Addition	400,000	2025	General Fund	Operations	G.O.	Eight Percent	Level D/S	20	0	4.00%
Off											
On	SCBA	180,000	2024	General Fund	Operations	Cash					
On	Rescue Truck	126,000	2021	General Fund	Operations	Cash					
On	Brush Truck	96,000	2024	General Fund	Operations	Cash					
On	Land (2 Acres)	90,000	2020	General Fund	Operations	Cash					
On	Radio	50,000	2025	General Fund	Operations	Cash					
On	Judicial Building Parking Lot Paving	50,000	2019	General Fund	Operations	Cash					
On	Police Parking Lot	40,000	2025	General Fund	Operations	Cash					
On	Pickup Truck	40,000	2021	General Fund	Operations	Cash					
On	Jaws of Life	30,000	2025	General Fund	Operations	Cash					
On	Judicial Building Awning	20,000	2019	General Fund	Operations	Cash					
On	Thermal Imaging Camera	15,000	2019	General Fund	Operations	Cash					
On	Police Camera System	10,000	2019	General Fund	Operations	Cash					
On	New Subdivisions	273,500	2019	Natural Gas Fund		Cash					
On	Mainline Extensions	125,000	2019	Natural Gas Fund		Cash					
On	Vehicle Replacement	50,495	2019	Natural Gas Fund		Cash					
On	Equipment	44,383	2019	Natural Gas Fund		Cash					
On	GIS Project	31,200	2019	Natural Gas Fund		Cash					
On	Industrial & Commercial	10,000	2019	Natural Gas Fund		Cash					
On	Amphitheatre and roof repair needs	400,000	2019	General Fund	Operations	Cash					
On	Vac Truck	375,000	2020	Sewer Fund		Cash					
On	Gravity Line (Debt)	400,000	2019	Sewer Fund		Revenue Bond		Level D/S	20	0	5.00%
On	Gravity Line (Cash)	500,000	2019	Sewer Fund		Cash					
On	Vehicle Replacement	250,000	2020	General Fund	Operations	Lease Purchase		Level D/S	5	0	5.00%
On	Vehicle Replacement	300,000	2025	General Fund	Operations	Lease Purchase		Level D/S	5	0	5.00%

Projects Under Consideration

PROJECT	AMOUNT	YEAR FUNDED	FUNDING SOURCE	FUNDING TYPE
Woodside Park (GF)	3,200,000	2019	General Fund	IPRB
Woodside Park (Gas Portion - Transfer in)	1,100,000	2019	Natural Gas Fund	IPRB
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Gravity Line (Cash)	500,000	2019	Sewer Fund	Cash

Assumptions Used in the Financial Model

Revenues:

- Throughout the financial model revenues are projected assuming zero percent growth.

Expenditures:

- Throughout the model non-debt related expenditures are projected assuming zero percent growth.
- Utility funds do not include non cash expenses such as depreciation and amortization.
- The table below summarizes further assumptions made to General Fund expenditures:

Expenditure	2018	2019	2020	2021
Streets and Sanitation	\$1,248,249	\$754,079	\$754,079	\$754,079
Budgeted Woodside Park Expense	\$0	\$300,000	\$0	\$0
Younts Center Support	\$200,000	\$200,000	\$200,000	\$0

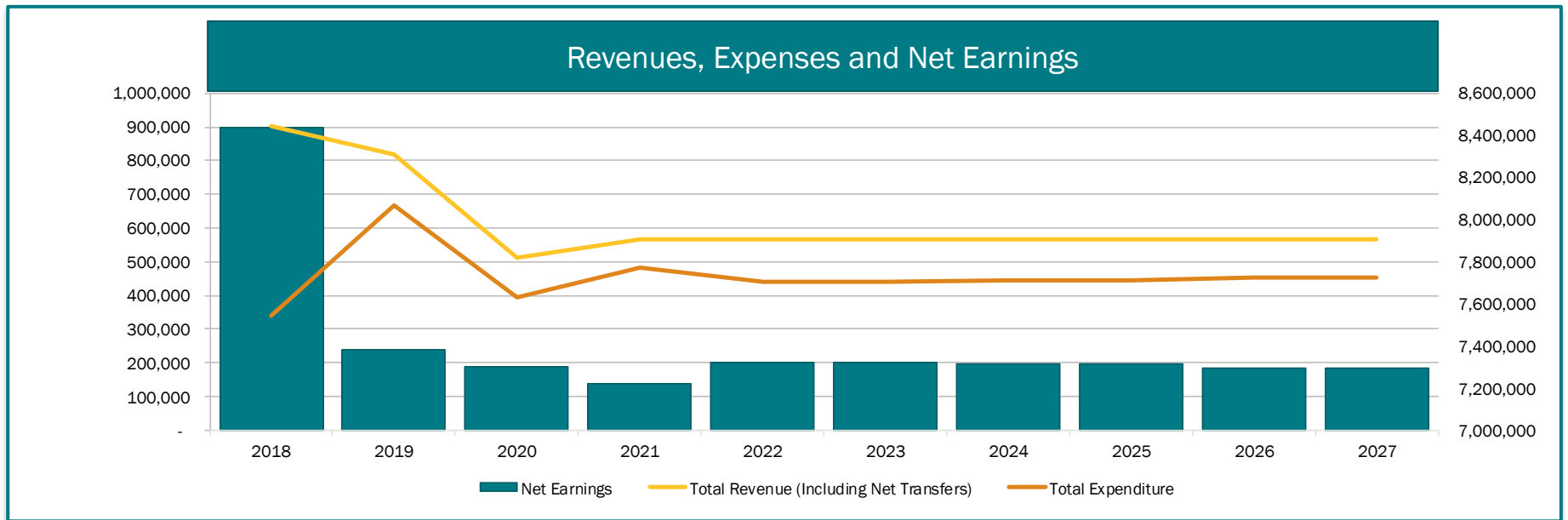
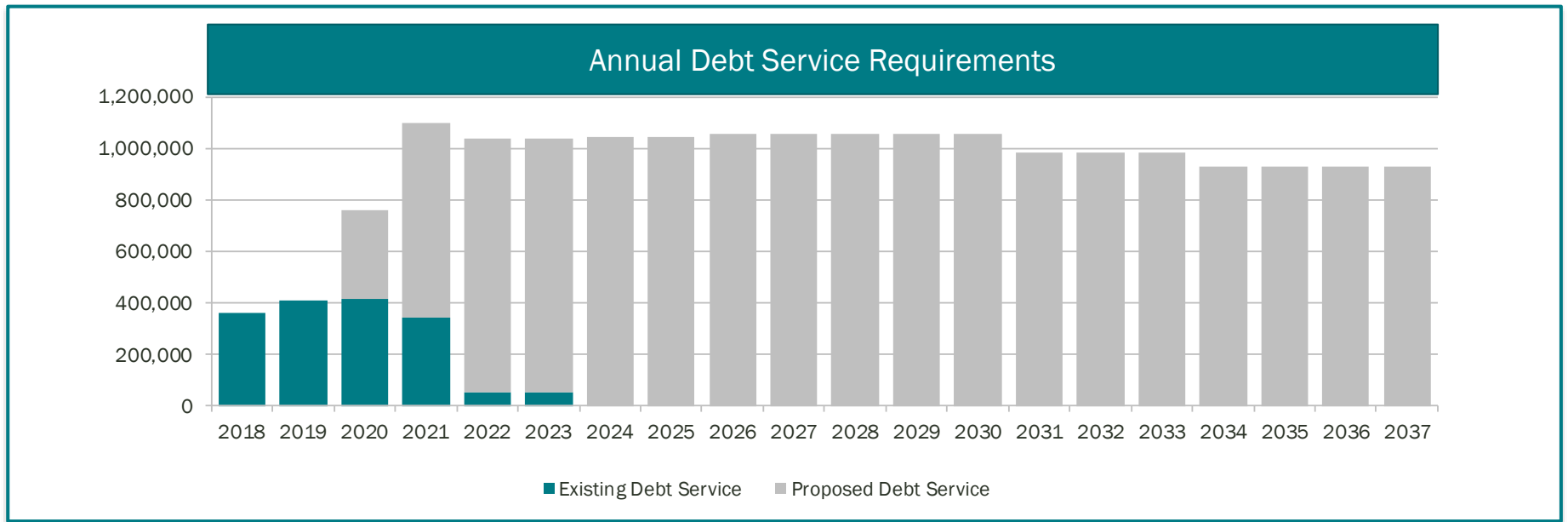
Transfers and other Financing Sources (Uses):

- Throughout the model transfers and other financing sources/uses are projected assuming zero percent growth.
- The table below summarizes further assumptions made regarding transfers to the General Fund:

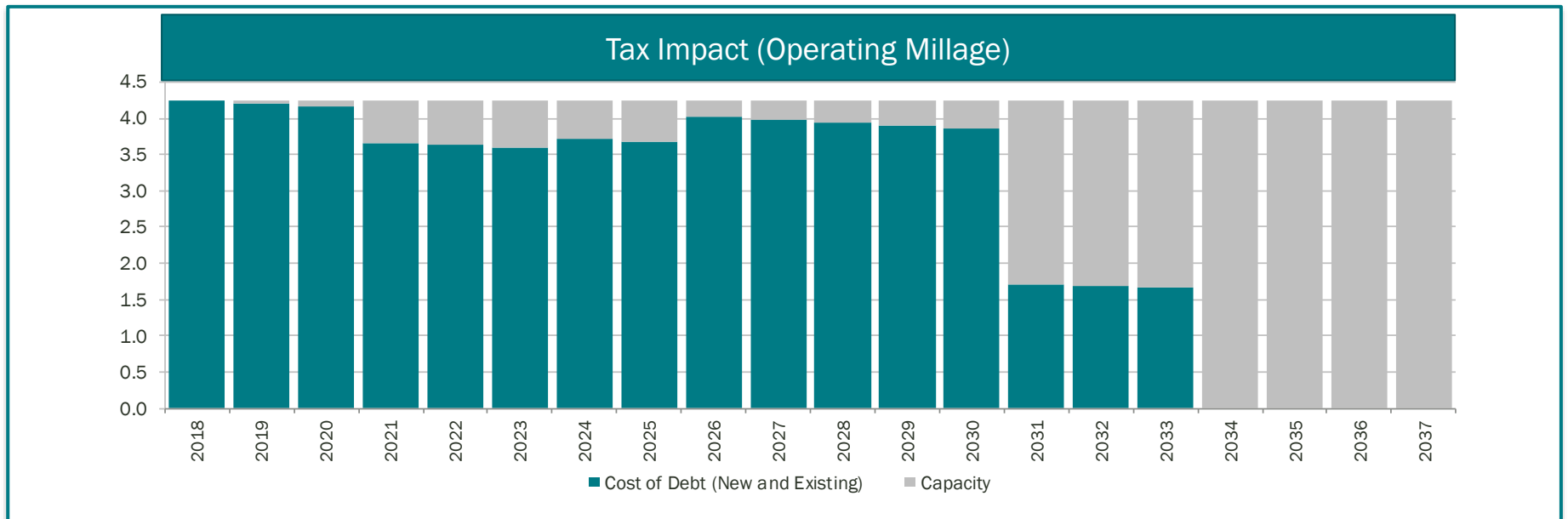
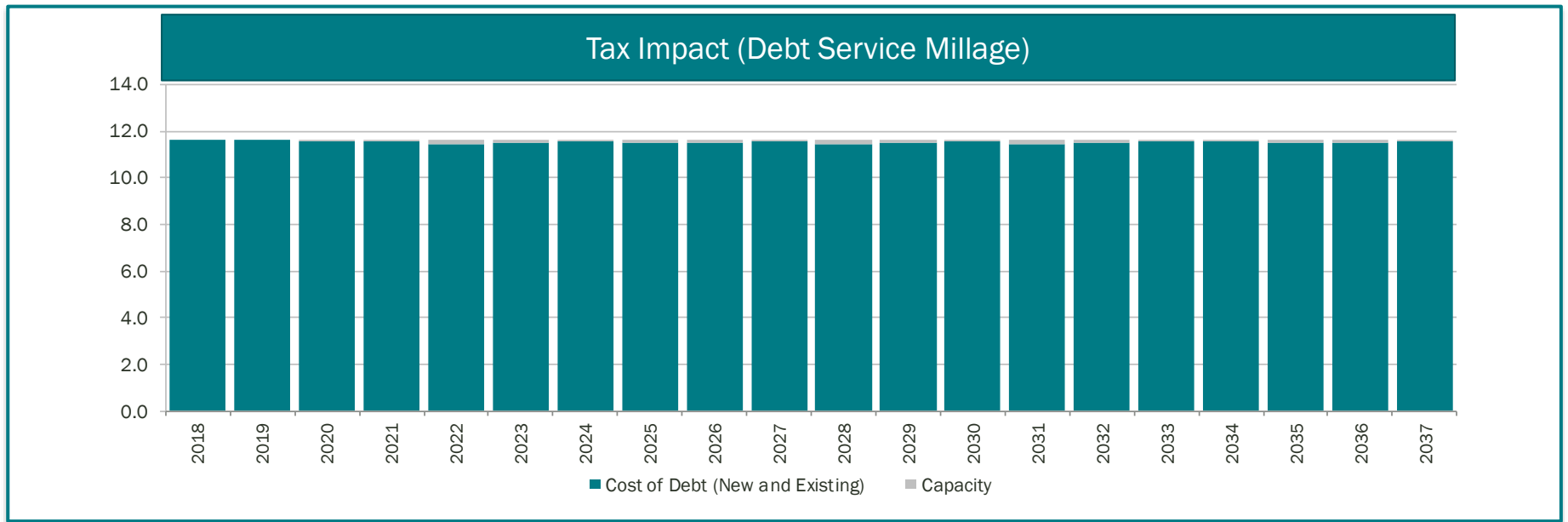
Transfer In	2018	2019	2020	2021
Gas Fund Transfer for Younts Support	\$50,000	\$50,000	\$50,000	\$0
Gas Fund Transfer for IPRB DS	\$0	\$0	\$0	\$140,000
H-Tax Fund Transfer for Younts Support	\$150,000	\$150,000	\$150,000	\$0
H-Tax Fund Transfer for IPRB DS	\$0	\$0	\$0	\$150,000

From 2019 to 2021 reduced expenditures and increased transfers in will provide the General Fund with an additional \$590,000 available for debt service on projects.

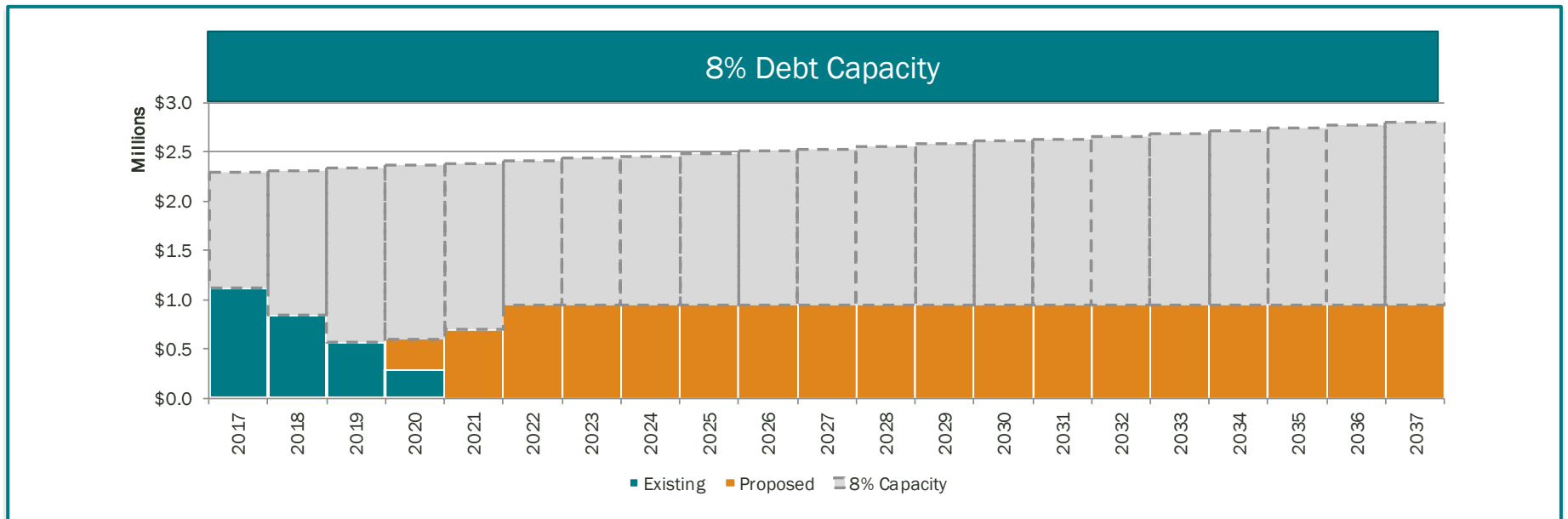
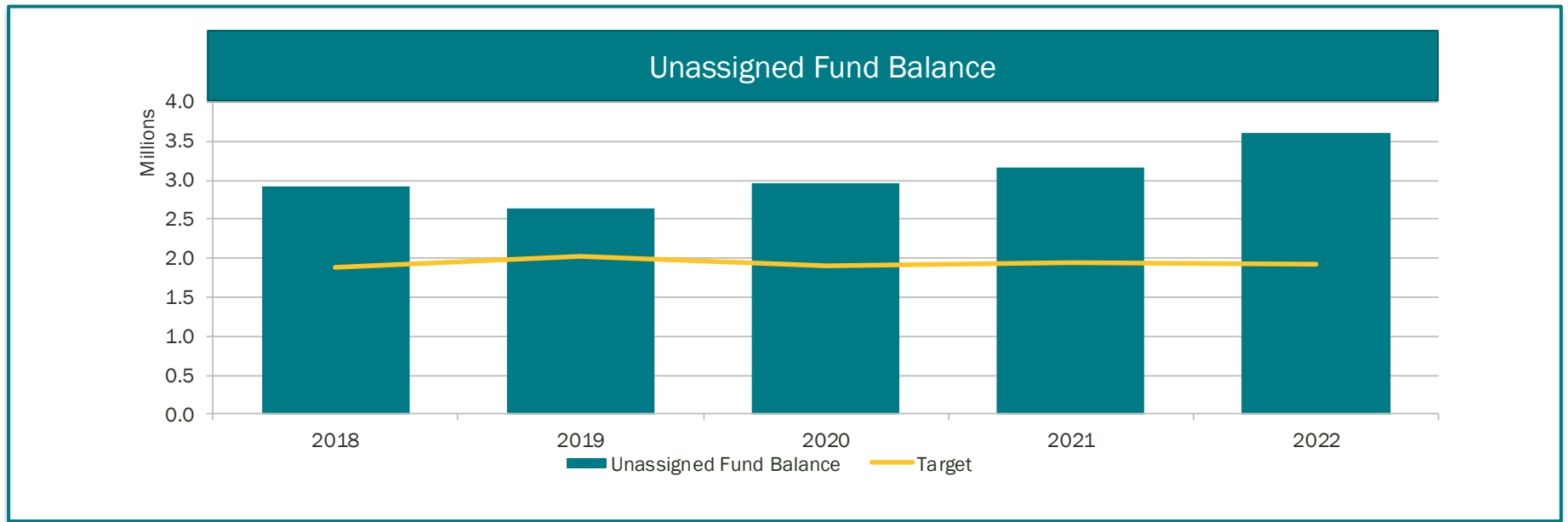
General Fund - Outputs



Tax Impact (Debt Service Millage and Operating Millage)



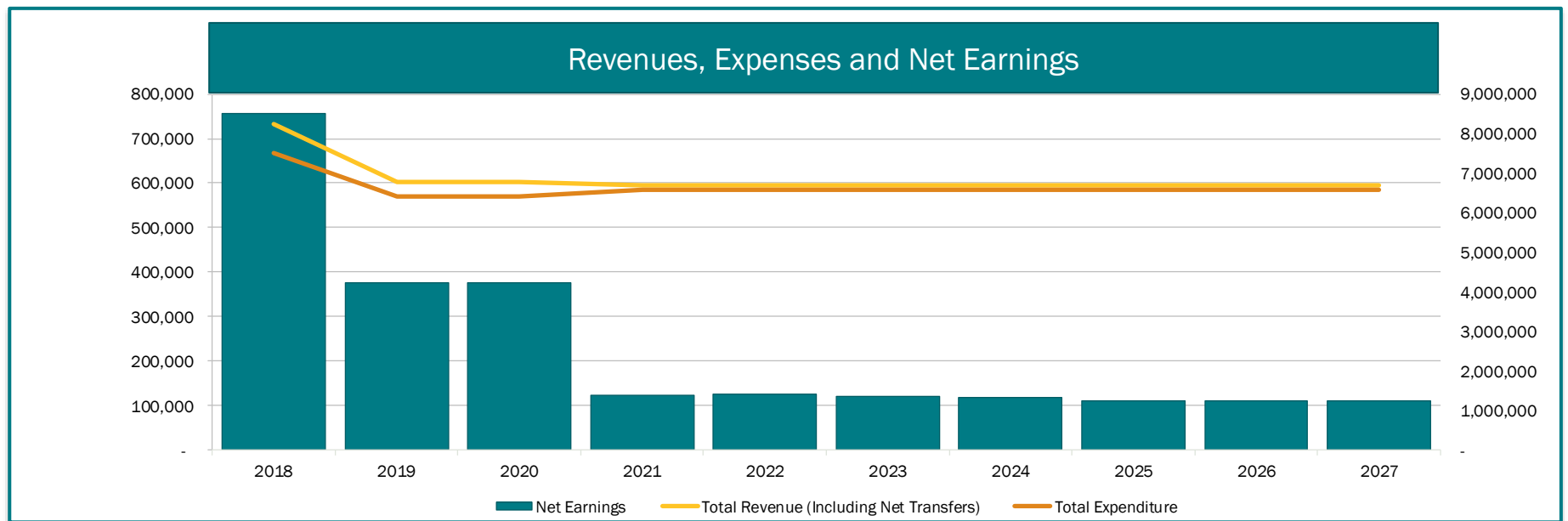
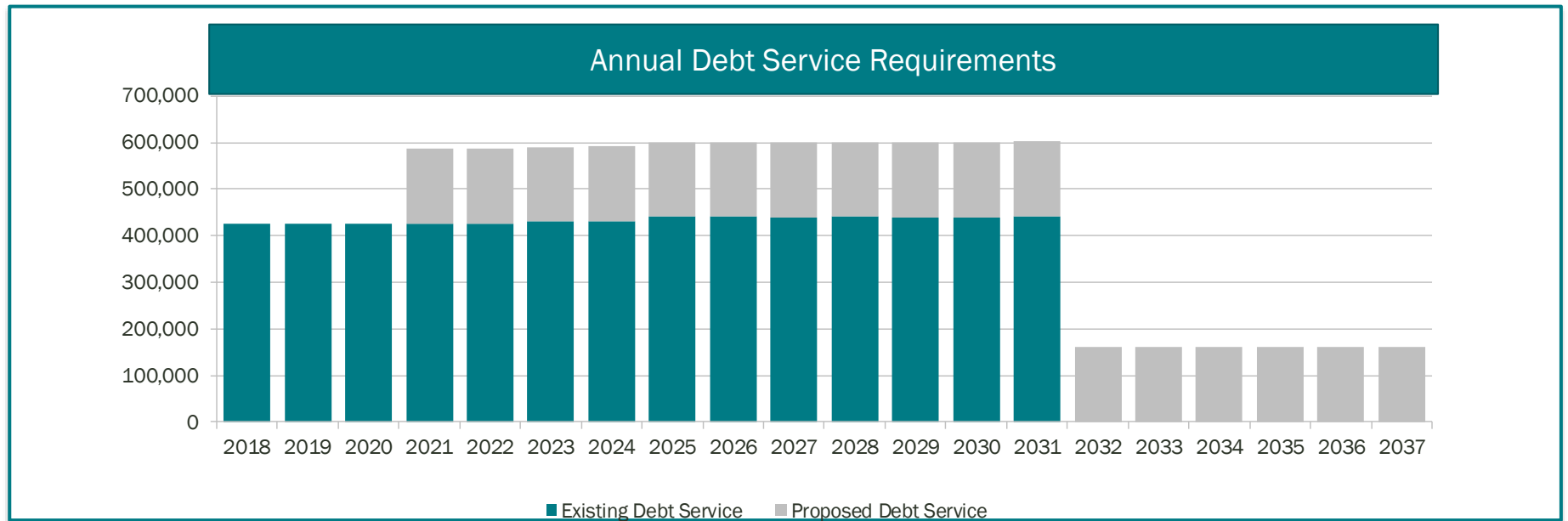
Outputs (General Fund)



Projects Under Consideration

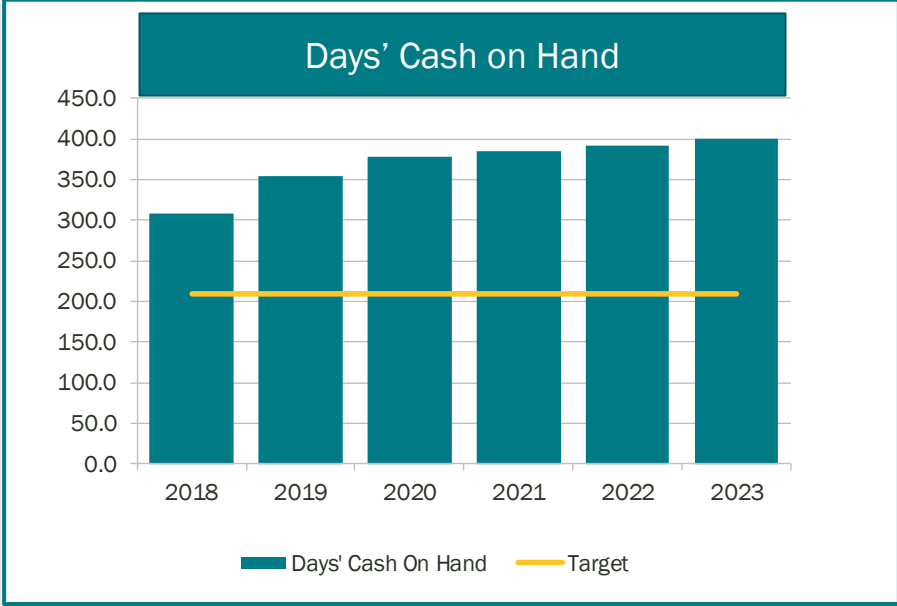
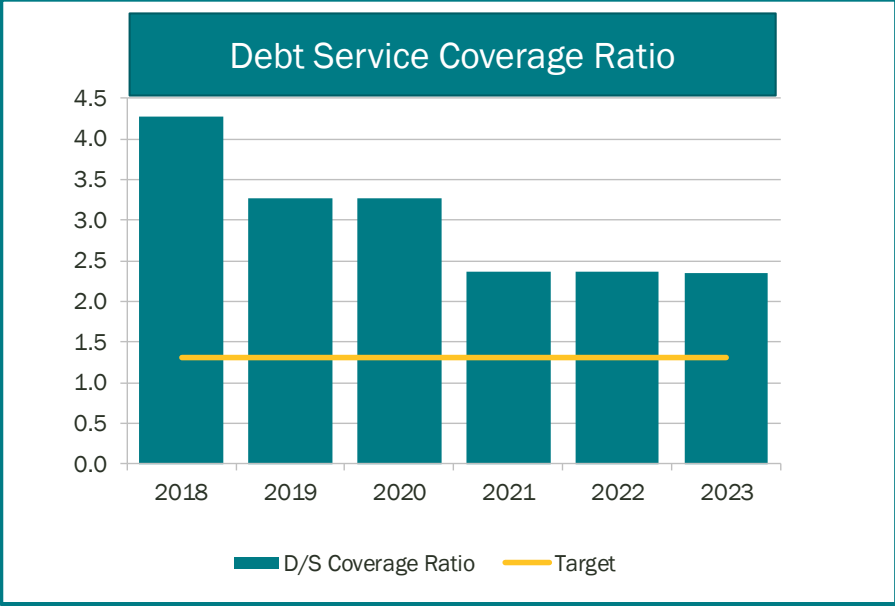
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Natural Gas Fund - Outputs



Natural Gas Fund Key Financial Metrics

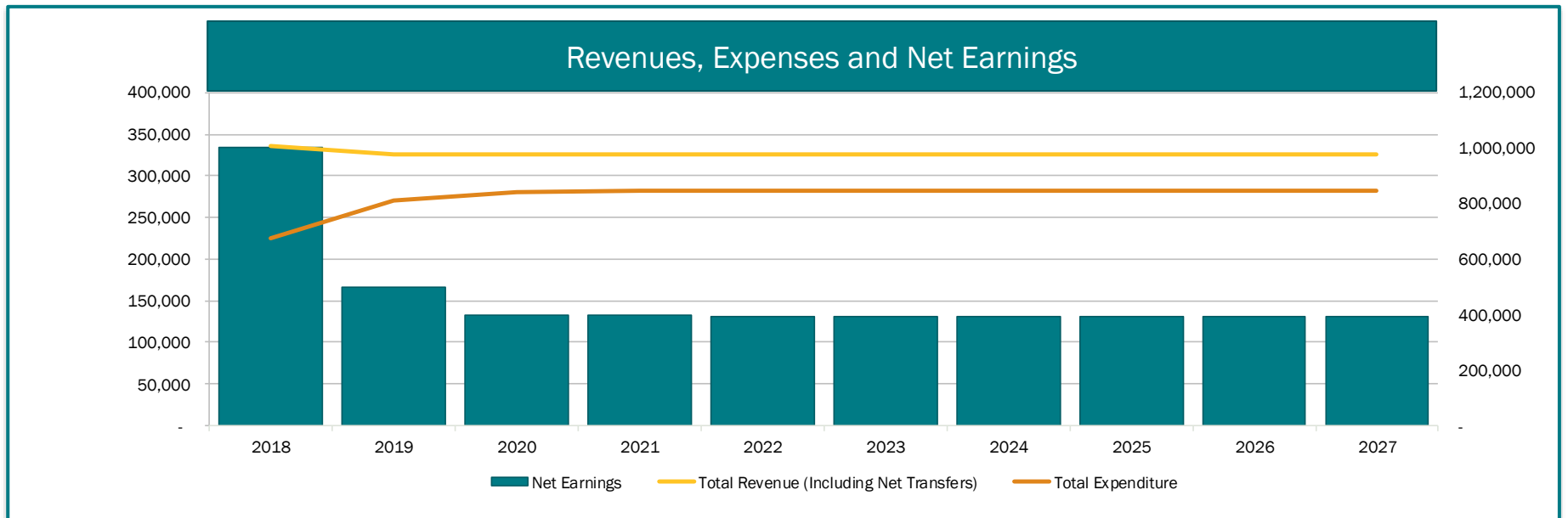
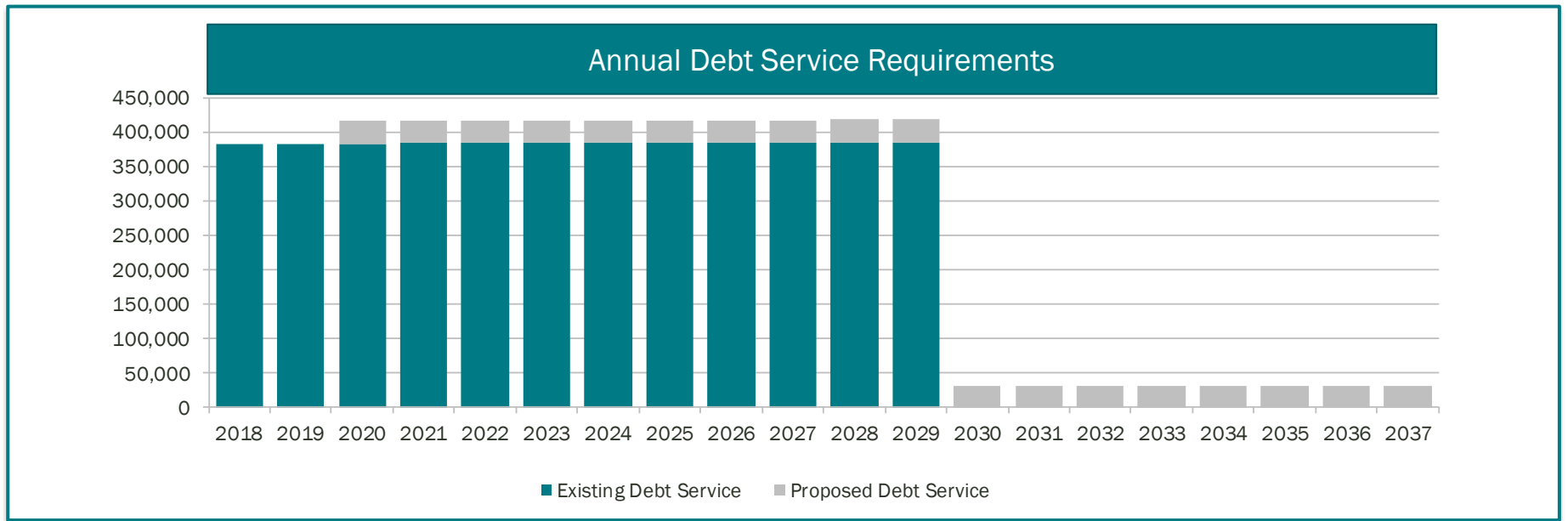
	2017	2018	2019	2020	2021	2022	2023
Debt Service Coverage							
Total Revenues	6,592,551	8,893,092	7,375,904	7,375,904	7,375,904	7,375,904	7,375,904
Total Expenditures (Less Depreciation)	5,781,226	7,496,954	6,411,042	6,410,277	6,571,633	6,571,113	6,576,140
Net Income of the System	811,325	1,396,138	964,862	965,627	804,271	804,791	799,764
Adjusted Net Earnings	1,217,005	1,821,560	1,390,867	1,390,867	1,390,867	1,390,867	1,390,867
Debt Service	381,424	425,422	426,005	425,240	586,596	586,076	591,103
Coverage Ratio	3.19	4.28	3.26	3.27	2.37	2.37	2.35
Target Coverage Ratio	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Amount over (under) DSC target	1.89	2.98	1.96	1.97	1.07	1.07	1.05
Days Cash on Hand							
Beginning unrestricted cash	4,302,765	5,219,078	5,975,030	5,815,127	6,190,568	6,314,653	6,439,258
Cash Funded Capital (Inputs)	-	-	(534,578)	-	-	-	-
Ending unrestricted cash	5,219,078	5,975,030	5,815,127	6,190,568	6,314,653	6,439,258	6,558,836
Operating Expense (Less Depreciation)	5,375,546	7,071,532	5,985,037	5,985,037	5,985,037	5,985,037	5,985,037
Days Cash on Hand	354	308	355	378	385	393	400
Days Cash on Hand Target	210	210	210	210	210	210	210
Amount over (under) DCOH target	144	98	145	168	175	183	190



Projects Under Consideration

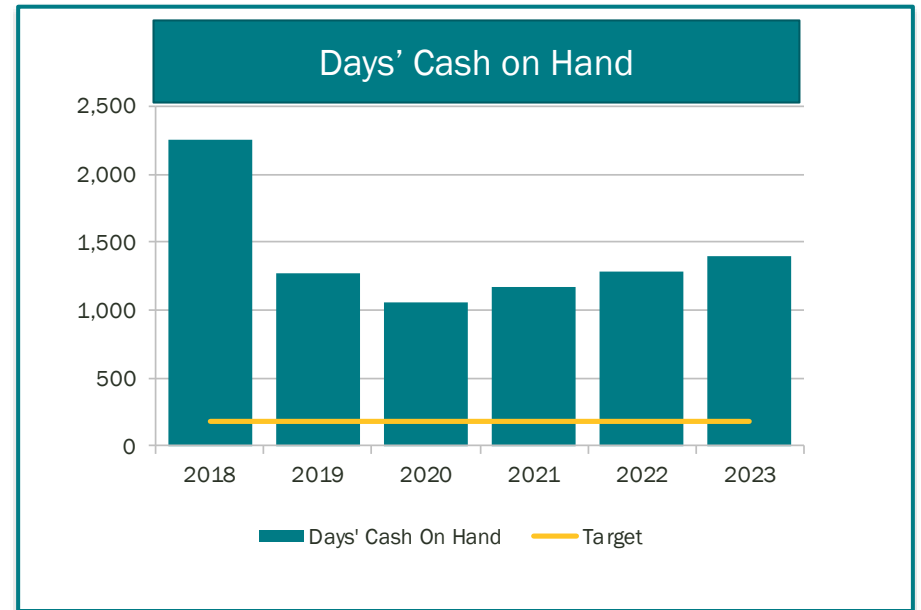
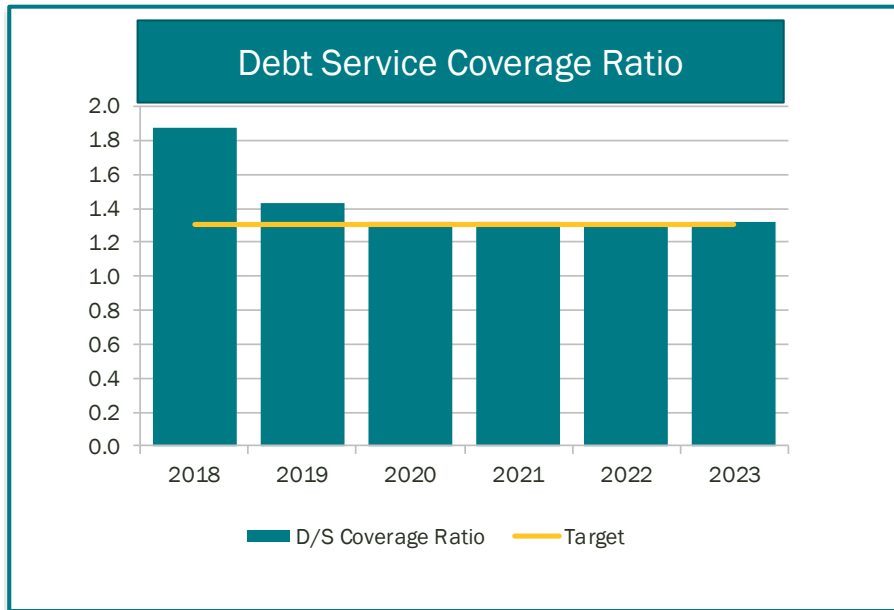
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Sewer Fund - Outputs



Sewer Fund Key Financial Metrics

	2017	2018	2019	2020	2021	2022	2023
Debt Service Coverage							
Total Revenues	935,144	1,009,366	976,000	976,000	976,000	976,000	976,000
Total Expenditures (Less Depreciation)	803,178	675,311	810,372	843,358	844,158	844,867	844,486
Net Income of the System	131,966	334,055	165,628	132,642	131,842	131,133	131,514
Net Available Revenue	495,289	716,063	548,617	548,617	548,617	548,617	548,617
Debt Service	363,323	382,009	382,989	415,976	416,775	417,484	417,103
Coverage Ratio	1.36	1.87	1.43	1.32	1.32	1.31	1.32
Target Coverage Ratio	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Amount over (under) DSC target	0.06	0.57	0.13	0.02	0.02	0.01	0.02
Days Cash on Hand							
Beginning unrestricted cash	1,575,122	1,482,339	1,816,394	1,482,022	1,239,664	1,371,506	1,502,639
Cash Funded Capital (Inputs)	-	-	(500,000)	(375,000)	-	-	-
Ending unrestricted cash	1,482,339	1,816,394	1,482,022	1,239,664	1,371,506	1,502,639	1,634,154
Operating Expense (Less Depreciation)	439,855	293,303	427,383	427,383	427,383	427,383	427,383
Days Cash on Hand	1,230	2,260	1,266	1,059	1,171	1,283	1,396
Days Cash on Hand Target	180	180	180	180	180	180	180
Amount over (under) DCOH target	1,050	2,080	1,086	879	991	1,103	1,216



Agenda

I. Overview of City's Projects

II. Financing Options

III. Next Steps

Available Financing Options

General Obligation Bond (Voter Approved)

Advantages

- Lowest interest cost
- Simplest and most commonly used structure
- Does not consume 8% capacity

Disadvantages

- Requires approval via referendum
- Long lead time, potentially 6-12 months

General Obligation Bond (8%)

Advantages

- Does not require referendum
- Lowest interest cost
- Simplest and most commonly used structure

Disadvantages

- G.O. debt, when not approved via referendum, is limited to 8% of an issuers taxable assessed value
- Use of these funds limits future flexibility to fund new projects or address unexpected needs with G.O. Bonds

Available Financing Options

Revenue Bonds (Enterprise Funds; i.e. Sewer, Natural Gas)

Advantages

- Dedicated revenue stream to repay debt service

Disadvantages

- Higher interest cost than General Obligation Bonds
- Revenue source may not be sufficient to cover cost of the project
- Limits flexibility to fund future projects

Installment Purchase Revenue Bond

Advantages

- Does not require referendum
 - Maintains current amount of 8% G.O. debt capacity which provides flexibility going forward
- City can identify any legally available revenues to make bond payment
- If the City does not have legally available funds to make the payments, a short term GO bond can be issued to allow for debt service millage to be levied (but is not required)

Disadvantages

- Higher cost than G.O. Bonds
- More complicated structure than G.O. but still commonly used by cities and counties in SC
- **May require the annual issuance of a short-term G.O. Bond to make the debt service payment (unless other legally available funds were available)**
- Without revenues to pay debt service, may require a require property tax increase
- Significant collateral would need to be pledged

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.

Installment Purchase Revenue Bonds

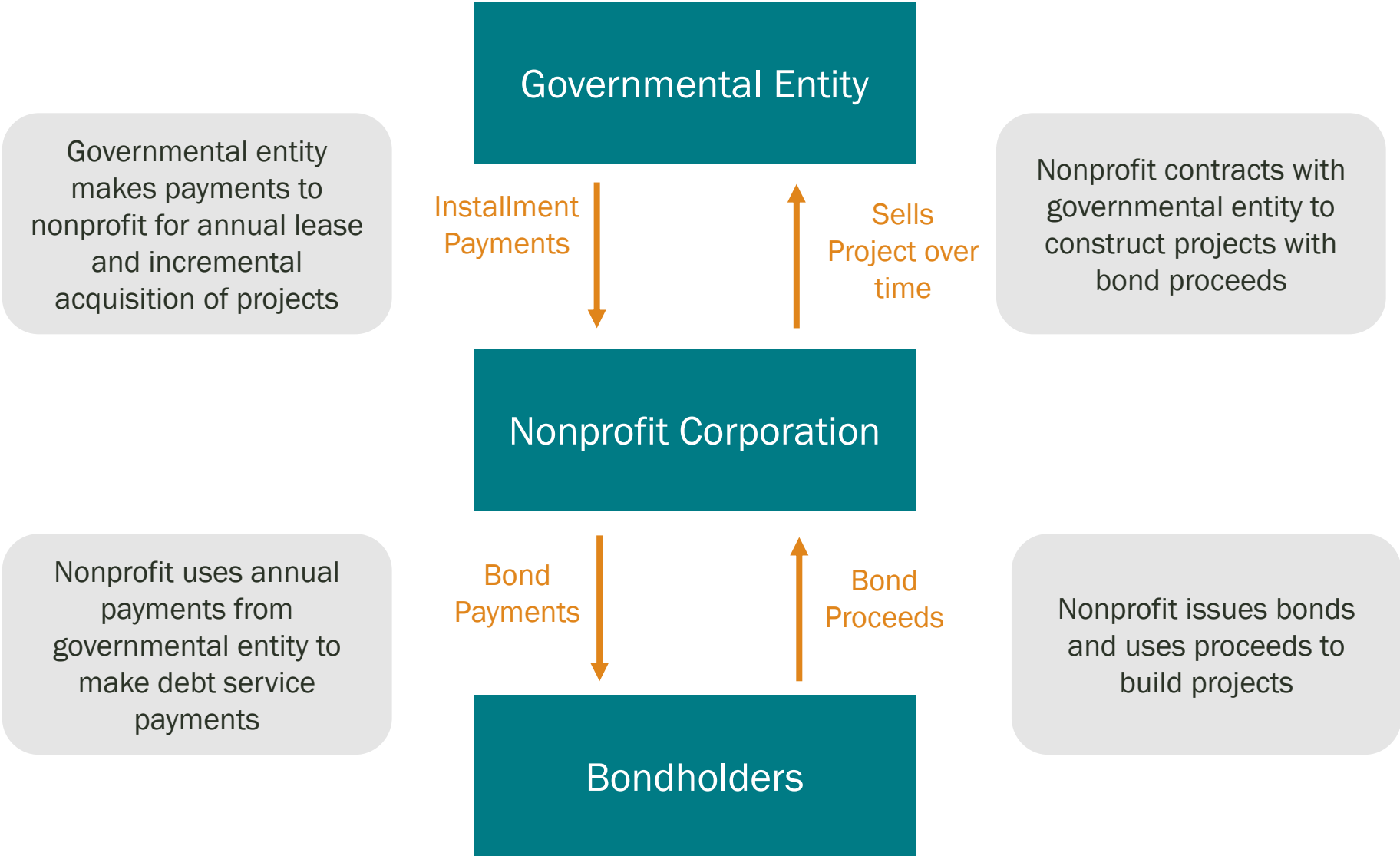
C. WHY ISSUE INSTALLMENT PURCHASE REVENUE BONDS?

- 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.

Installment Purchase Revenue Bonds



Agenda

I. Overview of City's Projects

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Financing Calendar

Mar-19							Apr-19							May-19							Jun-19						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
					1	2		1	2	3	4	5	6				1	2	3	4	1/2	3	4	5	6	7	8
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11	9	10	11	12	13	14	15
10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18	16	17	18	19	20	21	22
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25	23	24	25	26	27	28	29
24	25	26	27	28	29	30/31	28	29	30					26	27	28	29	30	31	30							

DATE	TASK
November 1	Special Called City Council Meeting; Adopt Resolution Authorizing Plan of Finance
March 1	Send construction bid package out to qualified bidders
March 14	Form Corporation
March 26	Distribute first draft of the Bond Documents
March 29	Construction bid opening
March 29	Distribute Bank RFP to Lenders
April 11	Council approves the construction contract award
April 11	City Council Meeting - 1 st Reading of Bond Ordinance
April 12	Corporation Meeting
April 18	Bank Bids Due; Call to Review and Select Winner
April 25	Distribute 2nd Draft of Bond Documents
April 30	Documents Finalized
May 9	Corporation Meeting – Adopt Resolution
May 9	City Council Meeting – 2 nd Reading of Bond Ordinance
May 23	Close the financing
June 1	Construction begins

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