

CITY OF CAYCE
Special Meeting
May 10, 2007

A Special meeting of Cayce City Council was held today at 8:30 a.m. in the Conference Room. Those present included Mayor Avery B. Wilkerson, Jr., Councilmen James Jenkins, Kenneth Jumper, Robert Malpass, and Rick Myers, City Manager John C. Sharpe, Tammy Barkley, Municipal Clerk, and Frank Robinson, Director of Utilities. Also in attendance was City Attorney, Danny Crowe, City Auditor, Mr. Bob Milhous, and Bond Counsel, Mr. Alan Lipsitz. Mayor Wilkerson advised that members of the press and the public were duly notified of the meeting in accordance with the FOIA.

Mr. Malpass made a motion to amend the agenda to add Item III. A. Executive Session – Discussion of Contractual Matter re Preliminary Engineering Agreement between the City of Cayce and CX Transportation. Mr. Myers seconded the motion which was unanimously approved.

Mr. Malpass opened the meeting with the invocation and Mayor Wilkerson led everyone in the Pledge of Allegiance.

Other

- A. Discussion and Approval of Resolution Declaring the Intention of the City of Cayce to Reimburse Itself for Certain Expenditures with the Proceeds of Debt to be Incurred by the City of Cayce

Mr. Lipsitz provided Council with an explanation of the intention of the resolution. He stated that as early as 2001, Council adopted a resolution to reimburse itself which included a list of utility projects. He stated that the draft resolution is intended to update the 2001 resolution to specifically state the projects and include a maximum amount of bonds the City may issue. He stated that the resolution is nothing more than to preserve the City's right to issue bonds. He advised that the draft resolution is not in a form to adopt at present as the list of projects needs to be reviewed.

The City Manager provided Council with a list of suggested capital improvement projects to be included (attached). In reviewing

the projects with Council, the City Manager advised that the Pump Station No. 1 project is currently underway and the Midlands Utility system purchase has been completed. Mr. Lipsitz advised that the total cost for the projects listed to date is \$82,321,053. He advised that this does not mean that the City is selling \$82 million worth of bonds and that the items listed are not set in stone and can be changed. A general discussion was held on the proposed projects. Mayor Wilkerson advised that at the recent Lexington County Joint Water and Sewer Commission, it was noted that West Columbia is in the process of replacing old water lines. He suggested that the City get together with West Columbia to determine their process, contractors to be used, etc., and that it may be a good idea to research what West Columbia is doing to see if there is a possibility for overall cost savings if the City was to work together with West Columbia and combine efforts on this project.

Mr. Milhous inquired, with reference to the Midlands Utility purchase, if the City could be reimbursed for engineering and legal costs. Mr. Lipsitz advised that the City could reimburse itself for these costs if bonds are issued under that specific project title. Mr. Myers stated that each of the projects would be brought before Council for approval and full discussion could be held at that time. Mr. Lipsitz stated that if any other projects needed to replace those already on the list or be added to the list, that Council could adopt a Resolution to include additional projects.

Mr. Myers stated that the resolution includes reimbursement, but the original resolution for the City to be reimbursed included the expansion of the Wastewater Treatment Plant. He stated that when the City experienced problems with the Water Plant, the bond was used to build the new water line to the river. He stated that other proceeds were used for the purchase of the Midlands Utility systems. He stated that it seems that this new drafted resolution includes expanding the resolution to those things and adding additional projects. Mr. Lipsitz stated that it is all about costs and that these same projects were listed in the 2004 reimbursement resolution. He stated that the resolution was drafted accordingly so that the City would not lose what it already adopted in 2004, and he was not sure if other projects would be added. He stated that the drafted resolution is taking the 2004 resolution and increasing the amount of bond the City may or may not issue and has nothing to do with actually financing the projects. He stated that bonds are issued by project and not one bond for all projects. He stated that there is no binding obligation in approving the resolution and that it does not affect the City's financials in any way shape or form.

Mr. Jenkins inquired about other projects within the City that are not utility-related. Mr. Lipsitz advised that this is purely a utility bond and there are other types of bonds for general fund projects. Mr. Myers inquired if there are projects listed in the resolution that are not included in the Schedule of Projects for the resolution. Mr. Lipsitz stated that this draft resolution supplements the 2001, 2003, and 2004 resolutions and was written as such because of the way the Tax Code is written and stipulations that are within the code. Mr. Myers asked that the previous resolutions be attached to the suggested supplement resolution. Mr. Lipsitz stated again that this is a working session on this issue and the resolution will be revised and presented to Council for approval.

B. Discussion and Approval of Ordinance for Proposed Bond Issue for Refunding and Improvement Revenue Bonds – First Reading

Council considered for first reading the approval at a later date of an Ordinance for a proposed Bond Issue for refunding and improvement revenue bonds. Mr. Lipsitz stated that the Ordinance itself does not require the City to issue bonds. He suggest that the City issue bonds for more than one project, keeping the Wastewater Treatment Plant Expansion project as a separate bond issue due to the fact that the Lexington County Water & Sewer Commission and the Town of Lexington is involved financially in this project. He stated the as Council reviews the list of projects; it could begin the Ordinance process as Mr. Milhous looks at the accounting portion and the market looks at the transaction. He stated that Council may decide that it does not want to issue \$28-25 million worth of bonds and that can be done leaving the Ordinance as is as long as the maximum of projects and bond debt are specified in the Ordinance. Mr. Myers noted that the Ordinance includes Banc of America Secutities for the 2007 bonds potential and that Wachovia was included as well and asked for clarification. Mr. Lipsitz stated that Wachovia is the trustee and the banks serve in separate capacities. He stated that Banc of America Securities was the underwriter on the 2004 bond. Mr. Myers inquired if the City was required to go through a bid process for the underwriter. Mr. Crowe stated that he would research the issue and advise the City Manager. Mr. Lipsitz stated that choosing the underwriter is a negotiated process rather than a public process.

The City Manager inquired as to the timetable involved. Mr. Lipsitz stated that, from the City's perspective, there are two readings of an Ordinance to approve it and that a bond issue is not an overnight transaction. He stated that the item that will take the longest is getting the disclosure document together and that could take up to 60 days minimum. He suggested that the City contact Ken Leonczk and let him know that the City is ready to go forward. He stated that the underwriter can get involved prior to the final reading of the Ordinance which will give them an opportunity to start revealing documents so that a package can be submitted to the insurer. In addition, he stated that Mr. Milhous would have to confirm that the City is in compliance for the additional bonds, etc. Additional general discussion took place on the issuance and sizing of bonds and projects.

Mr. Malpass suggested that the City include all the projects on the list provided by the City Manager in a bond issue subject to the additional bonds test and all other conditions with the exception of the \$70,000,000 for the Wastewater Treatment Plant Upgrade and Expansion. Mr. Myers stated that he felt the City's priority should be the bond issue for the Wastewater Treatment Plant project. Mr. Milhous stated that one of the benefits to issue the lower amount bond is that the City can be reimbursed for the purchase of the Midlands Utility systems. Mr. Lipsitz stated that the benefits of reimbursing itself is that it will help the City regarding debt service, and those funds could be used for other projects which would allow the City to reduce the amount of the bond to be issued. Mr. Lipsitz stated that the Ordinance by itself does not require the

City to issue bonds in the amount listed. He stated that a maximum ceiling could be set for projects and bond debt and listed in the Ordinance. He advised that delays in approving the Ordinance could cause the City to lose the opportunity to reimburse itself as there is a time limit for doing so. Mr. Lipsitz suggested that from a timing standpoint, Council may want to consider having first reading at the next Council meeting to approve the Ordinance on first reading with the maximum amount assuming the City has no restraints. In the interim, he stated that additional information could be provided to Council. Then, prior to the second reading, he suggested that Council finalize the projects and reduce the amount accordingly if it so desires. He stated that after first reading approval is given, the bond underwriter should be contacted to begin the process with second reading of the Ordinance to be done at the first Council meeting in July.

After discussion, Mr. Malpass made a motion to postpone consideration of the Resolution and Ordinance, Items II. A. and II. B., until the May 17, 2007 Council meeting. Mr. Jumper seconded the motion which was unanimously approved.

Executive Session

- A. Discussion of Contractual Matter re Preliminary Engineering Agreement between the City of Cayce and CX Transportation.

Mr. Myers made a motion to move into Executive Session to discuss the matter listed above. Mr. Jumper seconded the motion which was unanimously approved.

Reconvene

After the Executive Session was concluded, the Special meeting was reconvened. Mayor Wilkerson announced that no vote was taken in Executive Session other than to adjourn and resume the Regular meeting.

Mr. Malpass made a motion to approve the preliminary engineering agreement (PEA) between the City of Cayce and CSX Transportation reestablishing the Taylor Road crossing in return for the closing of the Godley Street crossing, the Taylor Street crossing and the State Street crossing and authorize the City Manager to execute agreement and to schedule a meeting with the County to complete the process as soon as possible. Mr. Malpass seconded the motion which was unanimously approved.

Mr. Myers inquired about the status of the sewer backup issue. The City Manager stated that he had not received an official decision from the insurance company and that the adjuster was out of town this week.

Mr. Myers inquired as to the status of the Winn Dixie shopping center. The City Manager advised that plans were still progressing.

There being no further business, the meeting adjourned at 11:03 a.m.

Avery B. Wilkerson, Jr., Mayor

ATTEST:

Tammy P. Barkley, CMC, Municipal Clerk