



REQUEST FOR BOARD ACTION

ITEM NO. 19.

DATE OF MEETING: August 16, 2010

REQUESTED BY: Michael G. Mack, Director, PCU

SHORT TITLE: Resolution Supporting an Application to the North Carolina Local Government Commission for its Approval of County Revenue Bonds and Notes in an Estimated Amount of up to \$4,955,000 for the Pender County Surface Water Treatment Plant Project.

BACKGROUND: Pender County has previously approved a project for improvements to the County's public water system by the construction of a new water treatment plant and associated water transmission line. The United States Department of Agriculture, Rural Development, has offered to assist the County in the Project by offering a financing package that includes low-interest loans to the County, along with substantial grants.

A portion of the loan package is to be in the form of County revenue bonds (the "Bonds") in an estimated amount of up to \$4,955,000. These Bonds are payable solely from the net operating revenues of the County's water system. These revenue bonds will be in addition to \$17,500,000 in voter-approved general obligation bonds that Rural Development has also offered to purchase at low interest rates.

The County plans to accept the offer from Rural Development and to proceed with the issuance of the Bonds. Rural Development generally requires that borrowers such as the County separately arrange for temporary construction-period financing through the issuance of "bond anticipation notes" (the "Notes"), prior to the sale of the Bonds.

North Carolina law requires that the County's issuance of the Bonds and Notes be approved by the North Carolina Local Government Commission (the "LGC"), a division of the North Carolina State Treasurer's office. Under the LGC's guidelines, this governing body must make certain findings of fact to support the County's application for the LGC's approval of the Bonds and Notes.

SPECIFIC ACTION REQUESTED: The Board of Commissioners is requested to make a preliminary determination to finance a portion of the costs of the project through the issuance of revenue bonds to Rural Development in an estimated amount of \$4,955,000 and makes the findings of facts as stated in the attached Resolution.

COUNTY MANAGER'S RECOMMENDATION

Respectfully recommend approval.

Initial

RESOLUTION

NOW, THEREFORE BE IT RESOLVED by the Pender County Board of Commissioners that:

the Attached Resolution is approved supporting an application to the North Carolina Local Government Commission for its approval of County revenue bonds and notes in an estimated amount of up to \$4,955,000.

The Chairman/County Manager is authorized to execute any document necessary to implement this resolution.

AMENDMENTS:

MOVED _____ SECONDED _____

APPROVED _____ DENIED _____ UNANIMOUS

YEA VOTES: Tate ___ Blanchard ___ Brown ___ Rivenbark ___ Williams ___

Jimmy T. Tate, Chairman

08/16/2010
Date

ATTEST

08/16/2010
Date

**Resolution supporting an application to the North Carolina
Local Government Commission for its approval of
County revenue bonds and notes in an estimated amount of up to \$4,955,000**

WHEREAS,

Pender County has previously approved a project (the "Project") for improvements to the County's public water system by the construction of a new water treatment plant and associated water distribution lines. The United States Department of Agriculture, Rural Development, has offered to assist the County in the Project by offering a financing package that includes low-interest loans to the County, along with substantial grants.

A portion of the loan package is to be in the form of County revenue bonds (the "Bonds") in an estimated amount of up to \$4,955,000. These Bonds are payable solely from the net operating revenues of the County's water system. These revenue bonds will be in addition to \$17,500,000 in voter-approved general obligation bonds that Rural Development has also offered to purchase at low interest rates.

The County plans to accept the offer from Rural Development and to proceed with the issuance of the Bonds. Rural Development generally requires that borrowers such as the County separately arrange for temporary construction-period financing through the issuance of "bond anticipation notes" (the "Notes"), prior to the sale of the Bonds.

North Carolina law requires that the County's issuance of the Bonds and Notes be approved by the North Carolina Local Government Commission (the "LGC"), a division of the North Carolina State Treasurer's office. Under the LGC's guidelines, this governing body must make certain findings of fact to support the County's application for the LGC's approval of the Bonds and Notes.

THEREFORE, BE IT RESOLVED by the Board of Commissioners of Pender County, North Carolina, that the County makes a preliminary determination to finance a portion of the costs of Project through the issuance of revenue bonds to Rural Development in an estimated amount of \$4,955,000.

In addition, the County makes a preliminary determination to contract for construction-period financing, as may be required by Rural Development, through the issuance of bond anticipation notes.

The Board will determine the final amount to be financed through the Bonds and Notes by a later resolution. The total amount financed through the revenue bonds and notes may be lower than \$4,955,000, depending on the final construction contract amounts. Some of the financing proceeds may represent reimbursement to the County for prior expenditures on Project costs, and the County may use additional financing proceeds to pay financing costs.

BE IT FURTHER RESOLVED that the Board makes the following findings of fact:

1. The project is necessary and appropriate for the County under all the circumstances.
2. The project is feasible. Project costs will be paid from grant funds and low-interest financing sources, including the Bonds and Notes. The County believes that the competitive environment for construction bids is likely to result in favorable Project costs. The customer utility bills that will be necessary to provide for Bond payments will be reasonable under the circumstances.
3. As confirmed to the County Board at this meeting by the Finance Officer, (a) the County's debt management procedures and policies are sound and in compliance with law, and (b) the County is not in default under any of its debt service obligations.
4. The County will be able to market the Bonds and Notes at reasonable rates of interest. The financing offer from Rural Development includes long-term financing at reasonable interest rates so as to enhance the feasibility of issuing the Bonds and otherwise maintaining the County's water operations. In addition, the County will closely review proposed lending rates for the Notes against market rates, with guidance from the LGC. All amounts financed will reflect either approved contracts or previous actual expenditures.

BE IT FURTHER RESOLVED as follows:

- (a) The County Manager and the Finance Officer are authorized and directed to take all appropriate steps toward the completion of the financing, including (i) completing an application to the LGC for its approval of the Bonds and Notes, and (ii) soliciting one or more proposals from financial institutions to purchase the Notes and thereby provide the interim construction financing. The final issuance of the Bonds and the Notes is in any event subject to further approval from the LGC and this Board.
- (b) The County intends that the adoption of this resolution will be a declaration of the County's official intent to reimburse Project expenditures from Bond and Note proceeds. The County intends that funds that have been advanced for Project costs, or which may be so advanced, from the County's utility enterprise funds, or any other County fund, may be reimbursed from the financing proceeds.
- (c) All County officers and employees are authorized and directed to take all such further action as they may consider necessary or desirable in furtherance of the purposes of this resolution. All such prior actions of County officers and employees are ratified, approved and confirmed.
- (d) This resolution takes effect immediately.

The undersigned Clerk of the Board of Commissioners of Pender County, North Carolina, certifies that the foregoing is a correct and complete copy of a resolution properly adopted by the County's governing Board of Commissioners at a meeting properly called and held on August 16, 2010. A quorum was present and acting throughout such meeting. Such resolution has not been repealed, revoked, rescinded or amended, but remains in full effect as of today.

WITNESS my signature and the seal of Pender County, North Carolina, this _____ day of August, 2010.

[SEAL]

Clerk, Board of Commissioners
Pender County, North Carolina