



## REQUEST FOR BOARD ACTION

ITEM NO. 7.

**DATE OF MEETING:** January 21, 2014

**REQUESTED BY:** Michael G. Mack, Director, Pender County Utilities/Claiburn B. Watson, Finance Officer

**SHORT TITLE:** Public Hearing and Resolution Supporting an Application to the North Carolina Local Government Commission for its Approval of County Installment Financing in an Estimated Amount of approximately \$10,000,000 for Various County Capital Projects.

**BACKGROUND:** The Board has previously approved three Capital Projects to include the renovation of the Old Topsail High School for use as the new Hampstead Annex; the construction of the Pender Commerce Park to include the water distribution, sewer collection, stormwater management, and roadway improvements; and Phase I of the Pender Commerce Park Wastewater Treatment Plant to include the concrete infrastructure, electrical and mechanical improvements for the interim solution of pump and haul to serve RC Creations.

North Carolina law requires that the County's issuance of debt 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 installment financing.

A summary of the findings of fact included in the Resolution are (a) The proposed projects are necessary and appropriate for the County (b) The proposed installment financing is preferable to a bond issue for the same purposes (c) The estimated sums to fall due under the proposed financing contract are adequate and not excessive for the proposed projects (d) As confirmed by the County's Finance Officer, the County's debt management procedures and policies are sound and in compliance with the law (e) The County estimates the maximum tax rate impact of paying debt service on the financing will be equivalent of up to 16.25 cents per \$100 of valuation (f) The County Attorney is of the opinion that the proposed projects are authorized by law and are purposes for which public funds of the County may be expended pursuant to the Constitution and Laws of North Carolina.

**SPECIFIC ACTION REQUESTED:** To hold a public hearing to take public comment on a the proposed financing contract under which the County would borrow approximately \$10,000,000 to fund various Capital Projects and to adopt the Resolution supporting an application to the Local Government Commission for its approval of a County Financing Agreement and makes the findings of facts as stated in the attached Resolution.

**COUNTY MANAGER'S RECOMMENDATION**

Respectfully recommend approval.

  
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Initial

**RESOLUTION**

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

the attached Resolution is hereby approved and directs the Finance Officer to take all appropriate steps toward completion of the financing, including completing an application to the LGC for its approval of the proposed financing of \$10,000,000 to fund various Capital Projects. The Chairman/County Manager is authorized to execute any/all documents necessary to act on this resolution.

**AMENDMENTS:**

MOVED \_\_\_\_\_ SECONDED \_\_\_\_\_

APPROVED \_\_\_\_\_ DENIED \_\_\_\_\_ UNANIMOUS

YEA VOTES: Williams \_\_\_ McCoy \_\_\_ Tate \_\_\_ Ward \_\_\_ Brown \_\_\_

\_\_\_\_\_  
David Williams, Chairman      01-21-14  
Date

\_\_\_\_\_  
ATTEST      01-21-14  
Date

**Pender County, North Carolina -- Notice of Public Hearing**  
**Financing for Old Topsail High School Renovation and Other County Projects**

The Pender County Board of Commissioners will hold a public hearing on Tuesday, January 21, 2014, at 7:00 p.m. (or as soon thereafter as the matter may be heard). The purpose of the hearing is to take public comment concerning a proposed financing contract. Under the proposed contract, the County would borrow approximately \$10,000,000 to pay for various County projects, including (a) renovation of the Old Topsail High School for the New Hampstead Annex, (b) road work and construction of the water distribution and wastewater collection systems in Pender Commerce Park, and (c) phase I of the County's planned Pender Commerce Park Wastewater Treatment Plant project, including the concrete infrastructure, and electrical and mechanical improvements for the plant.

The hearing will be held in the Commissioners' usual meeting room, Pender County Administration Building, 805 S. Walker St., Burgaw, North Carolina.

The proposed financing would be secured by a lien on the Old Topsail High School (and its associated land) and the County's promise to repay the financing, but there would be no recourse against the County or its property (other than the pledged school and the associated land) if there were a default on the financing.

All interested persons will be heard. The County's plans are subject to change based on the comments received at the public hearing and the Board's subsequent discussion and consideration. The County's entering into the financing is subject to obtaining approval from the North Carolina Local Government Commission.

Persons wishing to make written comments in advance of the hearing or wishing more information concerning the subject of the hearing may contact Butch Watson, Pender County Finance Officer, Pender County Administration Building, 805 S. Walker St., Burgaw, NC 28425 (telephone 919/259-1407, email [cwatson@pendercountync.gov](mailto:cwatson@pendercountync.gov)).

**Resolution supporting an application to the Local Government  
Commission for its approval of a County financing agreement**

***WHEREAS --***

Pender County has previously determined to carry out the acquisition and construction of various projects, including (a) renovation of the Old Topsail High School, for the New Hampstead Annex (b) road work and construction of the water distribution and wastewater collection systems in Pender Commerce Park and (c) phase I of the County's planned Pender Commerce Park Wastewater Treatment Plant project, including the concrete infrastructure, and electrical and mechanical improvements for the plant.

The Board of Commissioners desires to finance the costs of these projects by the use of an installment financing, as authorized under Section 160A-20 of the North Carolina General Statutes.

Under the guidelines of the North Carolina Local Government Commission, this governing body must make certain findings of fact to support the County's application for the LGC's approval of the County's proposed financing arrangements.

***THEREFORE, BE IT RESOLVED*** by the Board of Commissioners of Pender County, North Carolina, that the County makes a preliminary determination to finance approximately \$10,000,000 to pay capital costs of the proposed projects.

The Board will determine the final amount to be financed by a later resolution. The final amount financed may be slightly lower or slightly higher than \$10,000,000. Some of the financing proceeds may represent reimbursement to the County for prior expenditures on project costs, and some proceeds may be used to pay financing costs.

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

(a) The proposed projects are necessary and appropriate for the County under all the circumstances. The renovation of Old Topsail will preserve the building and provide the County with useful office space as the New Hampstead Annex, which will thereby allow the County to stop leasing other space. The other projects are part of the County's long-range plan for Pender Commerce Park.

(b) The proposed installment financing is preferable to a bond issue for the same purposes.

The County has no meaningful ability to issue voted or non-voted general obligation bonds for these projects. These projects will not produce sufficient revenues to support a self-liquidating financing. The County expects that in the current interest rate

environment for municipal securities there would be no material difference in interest rates between general obligation bonds and installment financings for these projects. By combining these three projects into a single financing, the County can efficiently leverage the collateral value of Old Topsail and reduce transaction costs, and can better coordinate these projects with expected future financings.

(c) The estimated sums to fall due under the proposed financing contract are adequate and not excessive for the proposed purposes. The County will closely review proposed financing rates against market rates with guidance from the LGC. All amounts financed will reflect either approved contracts, well-developed estimates or previous actual expenditures.

(d) As confirmed by the County's Finance Officer, (i) the County's debt management procedures and policies are sound and in compliance with law, and (ii) the County is not in default under any of its debt service obligations.

(e) The County estimates that the maximum tax rate impact of paying debt service on the financing will be the equivalent of up to 1.15 cents per \$100 of valuation. Given the County's need for the projects, the Board believes that such a tax rate impact is reasonable under all the circumstances.

The County, however, expects that there will be no actual increases in taxes necessary to meet debt obligations under the proposed financing arrangements. The County expects that interest rates to be payable by the County on the proposed financing, and the expected term of the financing, will allow the County to repay the financing within current resources.

(f) The County Attorney is of the opinion that the proposed projects are authorized by law and are purposes for which public funds of the County may be expended pursuant to the Constitution and laws of North Carolina.

***BE IT FURTHER RESOLVED* as follows:**

(a) The County intends that the adoption of this resolution will be a declaration of the County's official intent to reimburse project expenditures from financing proceeds. The County intends that funds that have been advanced for project costs, or which may be so advanced, from the County's general fund, or any other County fund, may be reimbursed from the financing proceeds.

(b) The Finance Officer is directed to take all appropriate steps toward the completion of the financing, including completing an application to the LGC for its approval of the proposed financing. All prior actions of County representatives in this regard are ratified.

(c) This resolution takes effect immediately.

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I certify as follows: that the foregoing resolution was properly adopted at a meeting of the Board of Commissioners of Pender County, North Carolina; that this meeting was properly called and held on January 21, 2014; that a quorum was present and acting throughout this meeting; and that this resolution has not been modified or amended, and remains in full effect as of today.

Dated this \_\_\_\_ day of January, 2014.

[SEAL]

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Michael N. Duvall  
Clerk, Board of Commissioners  
Pender County, North Carolina