

OAK ISLAND TOWN COUNCIL
SPECIAL MEETING
OCTOBER 17, 2016 – 5:00 P.M.
COUNCIL CHAMBERS—OAK ISLAND TOWN HALL

Present: Mayor Cin Brochure, Mayor Pro Tempore Jim Medlin, Council Members Sheila M. Bell, Charlie K. Blalock, Loman Scott and Jeff Winecoff, Interim co-Manager Lisa Stites, Administrative Support Specialist Debbie Lasek.

Mayor Cin Brochure called the meeting to order at 5 p.m.

Presentation on Potential Refunding of Wastewater Bonds: Andrew Carter, DEC Associates. A copy of Mr. Carter's presentation is attached and is hereby made a part of these Minutes. Mr. Carter gave a small overview of the history of the financial plan since 2013. At present, the County is not able to take over the utility system due to an issue with legislation, and now there is an opportunity for a refund. There were several 11.75% user rate increases over three years and for FY17 the increase was 1.5% on utilities. Coverage levels continue to improve, the financial plan has been successful and the Town has followed through with positive results. If the County completed a merger, the County would become the owner of all the debt, fees, levies and assets. It is now prudent for the Town to act as the long-term owner of the system, however. Last year, the 2009 bonds were refunded. Mr. Carter gave a summary of the interest and the savings of approximately \$200,000 per year. It was not feasible at that time to refund the remainder of the Town's bonds. Rates have since come down pretty dramatically since last year, and now is the time to get the refunding started. The refunding would involve the 2008A and the 2011 Enterprise Revenue Bonds, and he estimated a 16% savings (more than \$5 million) or approximately \$362,000 in annual savings. The current bond underwrite proposes that refunding bonds be issued without bond insurance or a surety policy, which will decrease the cost. They also propose elimination of the Debt Service reserve fund; liquidation of the 2011 bonds would go into the escrow account and decrease the amount borrowed. With the lowered interest rates and the increased escrow, DEC feels this is a prime time to refund.

Mayor Pro Tempore Medlin asked if the escrow fund was interest bearing; Mr. Carter said that it was. They would test the market to determine what would be the best for the Town. Councilor Bell verified that the firm would come back with a recommendation, but that the Council would make the final decision. Councilor Scott asked Finance Director David Hatten if there was a downside; Mr. Hatten said he does not see a downside at all. The 2008 bond interest rates are 3.5 to 5% and the 2011 bonds range from 2.25 and 5.75%. The principal on the 2008A is \$27,350,000 and \$9,350,000 on the 2011 bonds. The interest, they pay off in 2035, and they will pay \$14,572,544 and \$6,414,069 in interest in that time period. Of course the principal would still have to be paid, but they would save on interest. Ms. Stites added that this could potentially delay any merger with the County, but the Town can't ignore a possibility to save money. Mr. Carter said that most bonds have a 10-year call period but there can be an advance refunding, where payments are escrowed. If the County wanted to take over the Town's system, the County would need to refund all the debt to obtain the assets. He stressed there are other ways to look at it, but it would delay the takeover of the Town's system.

Mr. Hatten asked about the time frame. Mr. Carter explained it would be about a 60-day process for the LGC, including public hearings. The requirement for a CAFR could be waived; the soonest they could sell would be mid-December. He would recommend holding off until January or February, which are typically very good months to sell. It would also be best to sell after the election. Mayor Pro Tempore Medlin reaffirmed that there would be about three actions before this would take place. They would have

to select an underwriter, start preliminaries with LGC, etc. Councilor Winecoff asked about fees; their bond attorney would be involved, verification agent per state law, LGC, rate agencies and DEC would have fees. Mr. Hatten said the fees in 2009 were built into the refunding. Mayor Brochure thanked Andrew Carter for his time. Council consensus was to pursue the refunding.

Councilor Bell made a motion to go into Closed Session to discuss Specific Personnel pursuant to NCGS 143-318.11 (a)(6). Councilor Winecoff seconded and the motion passed unanimously.

Council returned to open session at 6:05 p.m. Mayor Brochure said that no action had been taken in Closed Session.

Councilor Bell made a motion to adjourn. Councilor Blalock seconded and the motion passed unanimously.

Cin Brochure, Mayor

ATTESTED: _____
Lisa P. Stites, CMC
Town Clerk

Clerk's Statement: Minutes are in compliance with the open meetings laws. The purpose of minutes per the open meetings laws is to provide a record of the actions taken by a Council or a Board and evidence that the actions were taken according to proper procedures. All actions of the Council are recorded in the official minutes. Not all portions of Town of Oak Island meetings are recorded verbatim in the official minutes, with general discussion items, reports, presentations, and public comments being paraphrased or summarized in many instances. Public comments in writing should be submitted to the clerk via hard copy, electronic mail, or other means so as to ensure an exact verbatim account. The Town of Oak Island provides full coverage of meetings on Government Channel 8 so that the Citizens and the Public may view and listen to the meetings in their entirety.