

TOWN OF BOWLING GREEN

TOWN COUNCIL SPECIAL MEETING

MINUTES

11-16-2010

MEMBERS PRESENT: Mayor David W. Storke, Vice Mayor Glenn McDearmon, Jean Davis, Mary Frances Coleman, Otis Wright, Daniel Webb and Glen Lanford.

MEMBERS ABSENT: Jason Satterwhite.

OTHERS PRESENT: Town Manager Stephen Manster, Town Clerk Virginia Brooks, Public Works Director William Stanley.

The Mayor called the meeting to order at 7:34 P.M.

AMENDMENT TO RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND AWARD OF GENERAL OBLIGATION BONDS IN A PRINCIPAL AMOUNT NOT TO EXCEED \$4,000,000. AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF: The Mayor said they are holding this special meeting because fluctuations in the bond market have changed drastically since the Council approved a bond resolution that showed the maximum interest rate on the bonds. The Mayor said these bonds were needed to help fund the water and sewer extensions on the 301 Corridor. He said they need to look at the bond issue again and Mr. Steve Mulroy of VML was present to help explain the fluctuations. The Mayor stated that before Mr. Mulroy speaks, he would like to ask the Town Manager to briefly describe what Town Council needs to do and why they are here.

The Town Manager (TM) asked the Council to note the resolution amendment that he had placed at their table. He said the original resolution had previously been approved by Council on October 7, 2010. The TM stated that in that resolution, the Council had approved the maximum interest rate they would accept which would be 4.75%. He noted that in the amended resolution, it is now recommended that the Council approve a 5.95% maximum. The TM said this change is due to some fluctuations in the bond market brought about by the recent elections and some purchases made by the Federal Reserve. The TM introduced Steve Mulroy of the Virginia Municipal League/VACO Finance Group who will explain what has happened, what they are expected to do and what the implications are for the Town of Bowling Green.

Mayor _____ Clerk _____

STEVE MULROY, VIRGINIA MUNICIPAL LEAGUE/VACO FINANCE GROUP:

Mr. Mulroy said the bond market has been very volatile the last few weeks. He said last week the market started to change dramatically and it affected two of the borrowers in their pool who had thirty year loans. He shared headlines from several papers regarding the fluctuating bond market. Mr. Mulroy said one thing that affected the market was the election which changed the leadership in House of Representatives. He said the other issue was the Federal Reserve announced that they would be purchasing \$600 billion of Treasury bonds. Mr. Mulroy stated that according to CNN Money when the Central Bank announced its plan to buy \$600 billion in treasury bonds as a way to drive interest rates lower, the opposite happened. He said there is also a provision where the Build America Bonds expire at the end of the year and with the election, the Republicans do not favor extending that. He said there is a rush to market to try to beat the deadline. Mr. Mulroy stated that he thought it would be important to lock in the thirty year loan before the market rises. He said the Council does have the ability to refinance once in the first ten years if the rates go lower and anytime after that. In answer to a question from the Mayor, Mr. Mulroy said the twenty year bonds were not impacted as much as the thirty year bonds. The TM said the Council looked at the twenty year compared to the thirty year but there was too big a difference in the payments that would need to be paid. Mr. Mulroy said the Town's interest rate should be around 5.4 to 5.9 % or possibly a little lower. The Mayor said they were looking at least \$28,000 additional debt service per year. The TM said they are still within the realm of something doable.

There was a motion made by Mr. McDearmon and seconded by Mr. Wright, to amend the Resolution that was previously adopted by Council to provide that the maximum "true" interest cost of the Town's bonds shall not exceed 5.95% (rather than the 4.75% referenced in the prior Resolution).

In answer to a question from Mr. Webb, the TM said that in the long term they are better off going with the VML/VACO Bond Pool, but other than that, Union First Market Bank gave the best offer. He said at that time the Bond Pool was just under 4% and Union was also about 4% but the VML Pool Bond rate is locked in for thirty years and the longest time Union would offer was a lesser period, where at that point there would be a balloon payment due of a little over two million dollars or they refinance at the rate at that time. In answer to a question from Mr. Lanford, Mr. Mulroy said if they make the decision to go with the Bond Pool they would know the rate in about a week and there would be no additional fees. The TM noted that the bank rates are likely to go up also. In answer to a question from the Mayor, Mr. Mulroy said they would do an analysis to see if and when it would make sense for the Town to refinance. In answer to a question from the TM, Mr. Mulroy said if the Town chooses not to proceed with the Bond Pool, VML/VACO

Mayor _____ Clerk _____

Finance will move ahead with the Town of Dumfries and the other five Bond Pool Participants but the Town of Bowling Green would not have the option of borrowing with a fixed rate again until Spring. The Mayor asked if each landowner's share would go up one third of the \$28,000.00. The TM said the landowner's share would only go up if Council makes that determination. He said it was his assumption that the landowner's share would stay the same. The TM said the Town has a cushion to absorb the extra costs. **Voting Aye: McDearmon, Wright, Webb, Lanford, Davis, and Coleman.**

FIRST INVOICE FROM WATER AND SEWER CONTRACTOR ON THE 301 CORRIDOR – The TM announced that they had received their first invoice from the Infrastructure Solutions, who is the contractor on the 301 Corridor Project. He said the amount of the invoice is \$75,572.50 and it is for plans that will be presented at the end of the week. The TM said he wanted to discuss the method of payment with the Council. He said the borrowing and the bond issue they had been discussing includes all of the costs of the project including these plans. The TM said they would probably write a check in payment of the invoice prior to receiving the Bond money, but when the money is received from the loan the payment can be reimbursed out of bond proceeds. He said they had discussed paying this first payment “out of pocket” and reducing their loan amount by \$75,572.50 or did Town Council want to go ahead and pay it and pay use the loan proceeds for repayment. After some additional discussion, the consensus of Council was that they would reimburse town accounts with the loan money because they may need the money that is in their “lockbox” (water and sewer availability fees savings).

There was a motion made by Mr. Webb, seconded by Mr. Lanford to pay the 1st invoice from Infrastructure Solutions for design work on the water and sewer project on the 301 Corridor in the amount of \$75,572.50 and take the money from the Water and Sewer Availability Funds (lockbox) with the money to be repaid to the fund when the bond money become available. Voting Aye: McDearmon, Wright, Webb, Lanford, Davis, and Coleman.

ADJOURNMENT: **On motion by Mr. Lanford, seconded by Mr. Webb, Council voted to adjourn the meeting at 8:08 P.M. Voting Aye: McDearmon, Wright, Webb, Lanford, Davis, and Coleman.**

Mayor _____ Clerk _____