

The Russell County Commission
Meeting Minutes
April 27th, 2011
9:30 A.M. EST

Public comments: Michael Elliott discussed the Revenue Commission and the Mapping /Appraisal Office.

An adjourned meeting of the Russell County Commission was called to order. Members present were: Chair Peggy Martin, Vice Chair Gentry Lee, Tillman Pugh, Ronnie Reed, Cattie Epps, and Mervin Dudley. Larry Screws was absence. Also present were the County Attorney Kenneth Funderburk and County Administrator LeAnn Horne who kept the minutes.

A quorum was established.

Chair Martin requested an approval of the meeting agenda.

Commissioner Pugh stated, at the last meeting when the sewer issue was discussed it was asked by the prevailing side to talk to Randy Rushton or a representative from that firm. I was told because the four votes were unwilling to meet with him during the week. This item was not placed on the agenda even though several of the four votes had asked for that representative to be here. The firm sent someone to today's meeting to speak to the Commission and answer questions and at this time, I would like to place them on the agenda. Commissioner Lee motioned to add this to the agenda. Seconded by Commissioner Dudley. The vote was unanimous. Bob Young from the Frazier Lanier Company was added under discussion items.

Chair Martin requested a motion to approve the agenda with the addition of the discussion item. Commissioner Dudley motioned to approve. Seconded by Commissioner Reed. The motion was unanimous.

The invocation was given by Augustine Wafula, Associate Pastor from St. Patrick's Church.

The Pledge of Allegiance was led by Commissioner Epps.

Chair Martin welcomed elected officials, department heads, media and visitors.

Chair Martin requested an approval of the April 7th, special called meeting. Commissioner Lee requested for the minutes reflect a statement that he had made concerning his being contacted about a special called meeting, but did not approve having the meeting. Commissioner Epps motioned to approve the minutes with the correction. Seconded by Commissioner Reed. The vote was unanimous.

Chair Martin requested a motion to approve the April 14th, 2011 meeting minutes. Commissioner Lee motioned to approve. Seconded by Commissioner Reed. The vote was unanimous.

County Engineer Larry Kite submitted the proposed Access Management Policy for the Commission's Review. Mr. Kite requested to place on the agenda for the May 11th, meeting for approval. The proposed policy was to clarify access to County right-of-ways and with increased development Mr. Kite felt it is necessary.

The President of Frazier Lanier, Robert Young addressed the Commission concerning financing for the Russell County Sewer Authority's proposed sewer project.

Mr. Young: I do not know how many Commissioners have been involved in a start up utility, but it based on projected demand for the service that is provided. This demand will be driven by the BRAC activity taking place in Ft. Benning and spill into Russell and some into Lee County. When the City Utility System issues revenue utility debt, they have an existing customer base, therefore are able to issue debt that is secured primary by the revenues received for the water, sewer or gas, etc. In those instances the bond holder is looking to the existing customer base as the security to pay the debt service. It is not unusual for cities around the State of Alabama to further guarantee the payment of a utility indebtedness by adding a general obligation pledge. The reason for this is because the utility will receive a lower rate for a bond issue. In this case you are considering construction of a sewer system in an unincorporated area in Russell County where one does not exist. Studies show the system will be successful, but it is a start up. The question for a project like this is; what is the most effective way to finance it. If only sewer revenue debt is issued, then the bond holder is looking strictly to that system and no other entity for its payment, and it is a start up. The structure that we have reviewed with a bond council what we are proposing as a solution is: The utility system would issue debt for the construction of the facility; a pledge would be made of all revenue, connection fees and ongoing revenue received by the utility system. We would look to fully fund a debt service reserve fund. A debt service reserve fund is a rainy day account which consists of one year's principle and interest that has been set aside in the event there is a shortfall or unforeseen accident that would cause an interruption of service; therefore, an interruption of payment of sewer fees. These funds can only be used in the event of an emergency to pay debt service. That is a standard provision for utility revenue transaction. As further security, we would suggest the County Commission enter into an agreement to fund any shortfall. If the County enters into an agreement to fund a shortfall, under normal circumstances the amount of indebtedness that is issued is chargeable against your constitutional debt limit. Your constitutional like every other county in Alabama is 5% of your assessed value. There is no difference in the obligation, if you issue general

obligation warrants to resurface roads, you guarantee this debt. The difference is if you resurface a road the debt will be paid off in ad valoren tax or gas tax. With the sewage project you need to review the engineering study and decide how poorly can this project go and still have cash flow. The forecast from Goodwyn, Mills and Cawood indicates if 50% of the people sign up there still be cash flow and pay off. The Commission does need to review and feel comfortable, because it is a co-signing of the note. What is the difference in the interest rate? It has been so long since we have done an unrated start up, utility system issue, that is difficult to predict, but should be a least 2% difference. There would be a lot of lenders that would not consider it. Money received by the authority would be used exclusively for the operation and maintenance of the system as well as payment of the debt service. Their goal would be to pay the debt off as quickly as possible. There is not a cross collateralization or cross charging. It has become a very useful tool for cities and counties through out the State of Alabama. Recently we have underwrote an issue for the City of Madison, Alabama for the purchasing of property and putting it toward a Target Store chargeable under their 50% debt limit so they preserved 20% debt limit. Cities get a better deal because they can levy taxes and have other debt limits, so the County is more constrained. Madison did use the economic development 50% debt limit that is in the constitution as well as others around the state, so this is tried and true.

Commissioner Lee: I believe the projections we have heard is this debt would be serviced in about 6 years?

Mr. Young: 6 ½ years.

Commissioner Lee: Say this is a \$2.5 million issue and some unforeseen reason the debt service could not be fulfilled by the authority. That doesn't mean that the \$2.5 million would then become the obligation of the County, because there will be assets in the ground. Having to take on the whole debt service by the County is something that probably would not happen.

Mr. Young: Example, if the customer count went to 25% instead of 50% and if that meant the income from the system could cover half of the debt service. Then you would not be paying 100% of the debt service you would be paying the shortfall, what ever that might be. The system would continue to operate and revenue received would be used for the operations and maintenance of the system and for the payment of the debt service by both.

Commissioner Lee: We would be obligated if that customer base could not support that system. If 50% of the customers then there is a good chance it will go fine and the County will not even know they are on the note.

Mr. Young: Typically in a funding agreement, if there is ever a payment made by a guarantor there is a provision and when things go better, then the County will get their money back.

Commissioner Lee: If there is a problem then it will be in the start up.

Mr. Young: You are right. If there is a problem it will take place then. For that reason we may structure the transaction as an interest only for a couple of years. To give the system time to build up. I do want you to know any structuring will be presented to the Commission for review. The County will be the guarantor of the bond and you need to make sure that the structure being put into place is one that makes sense for the system and that the Commission feels comfortable with too.

Commissioner Lee: Technically the Sewer Authority is not requiring an investment or money from the County.

Mr. Young: That is correct. The cost of construction and engineering, interest during construction, etc. will be rolled into the bond issue. There would not be what is generally called an equity contribution.

Commissioner Lee: The Claw Back, I understand is if the system started up and they were running \$50,000 a year behind what they could make up to service the debt. The County supplied that \$50,000. Five years after they began generating more customers and more money, the Sewer Authority would pay the County back the money they used.

Mr. Young: Yes.

Commissioner Pugh: If I recall, back in the late 60's early 70's the Water Authority was something that was organized in Russell County. They went door to door to get \$25 pledges. Was that not a bond issue and did not the County have to do the same thing and put some faith in that issue?

Mr. Young: I was not there at that time.

Commissioner Pugh: It was a bond issue. I know it was a bond issue to put some infrastructure in for the water lines in for the county and I assuming that it was the same, someone had to be the guarantor or give their blessings.

Roger Conner: I know additional money was loaned by Farmers Homes which is now USDA. I don't know what the structural requirements were at that time. I assume it had to be guaranteed by someone.

Commissioner Pugh: My only other question is, the three votes that did not prevail maybe they ask one of the votes that was on the prevalence line to rethink their vote and to give consideration to this project for the betterment of this County.

Chair Martin: We certainly will.

Mr. Young: I think one thing for the betterment of the customers, one thing that should be considered is the cost of this project verses the cost of the alternative.

Commissioner Reed: Mr. Young how much do you think it will take to run the sewer down to Ft. Mitchell.

Mr. Young: \$2.5 million.

Commissioner Reed Do you have customers already willing to tap on?

Mr. Conner: You can't have them tap into what doesn't exist; you have to have something in the ground first. We have talked to developers who are interested in a sewer system.

Mr. Young: If you have more questions I will provide Randy Rushton and my phone numbers. I can't answer engineering questions, but we can address financial questions.

Chair Martin: If I understand correctly; if the Commission went that route and the Sewer Authority were to fail; the Commission inherits the debt and has to pay.

Mr. Young: Absolutely.

Commissioner Lee: But we would inherit the system as well as well as the revenue.

Mr. Young: The system would be operational; therefore, the income would be the County's after payment of debt, operational and maintenance expenses.

Commissioner Lee: That is just an impossible situation to happen, but if it did happen and the County had to take over the system, we could appoint another authority to operate it for the County, under the County's supervision. We would not have to make sewer decisions daily.

Mr. Conner: It would be just like the garbage system. If it were to fail all would fall back under the County.

County Engineer Larry Kite requested approval for a resolution and funding agreement with ALADOT, for the Firetower Road resurfacing project # STPNU - 5707(200) RCP57-03-09. The agreement also requests to authorize the Commission Chair to sign all documents. The agreement requires the county to supply a 20% match, which was provided for in the 2010-2011 budget. The estimate for the project match is higher now than the original estimates of \$185,000 to \$190,000. This was due the changes in the scope of work required by ALADOT. The total project estimate is \$1,143,970 of that amount the County

portion is \$228,794. The Nuckols Road project was also budgeted for the same amount but is not anticipating authorizing this project until the beginning of the 2011-2012 fiscal year. Therefore, the match difference can be made up from that project's funds and be budgeted again in the up coming fiscal year. The Firetower Road project will be let this month. Commissioner Lee motioned to approve the agreement and resolution. Seconded by Commissioner Epps. The vote was unanimous.

Mr. Kite also request to advertise bids for a 95 HP Dozer. He proposed to finance thru Bancorp South Equipment paid in arrears with three (3) year annual payments of approximately \$ 42,667.63 beginning in the fiscal year 2011-2012. Commissioner Lee motioned to approve. Seconded by Commissioner Reed. The vote was unanimous.

County Attorney Kenneth Funderburk updated the Commission on the River's Reach Subdivision. The bonding company has purchased the undeveloped land, though there is pending lawsuit on the subdivision, which will remain pending until the development is completed. The bonding company has paved roads to approximately 60 lots and had water lines installed. Progress is being made at River's Reach at this time.

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Announcements:

Commissioner Lee reminded the Commissioners that everyday there is delay in the approval of the proposed sewer system a customer is lost. That will make it harder for the sewer system to pay for itself, therefore the Commission should move quickly.

Sheriff Taylor gave an update on progress of the Jail Extension Project. A pre-bid meeting was held Friday April 22, 2011 with interested contractors. The bid opening will be held Thursday April 28th, at 2:00 p.m. Est.

Chair Martin announced the National Day of Prayer will be held May 5th at 6:00 p.m. at the Amphitheater.

Commissioner Lee motioned to adjourn the meeting.

The meeting was adjourned.

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