

June 10, 2010

**CALLED MEETING**  
**FLOYD COUNTY BOARD OF COMMISSIONERS**  
**June 10, 2010                    9:30 A.M.**

**PRESENT:**                    Chairman Eddie Lumsden, Commissioners Irwin Bagwell, Garry Fricks, and John Mayes.

**OTHERS**

**PRESENT:**                    County Manager Kevin Poe, County Attorney Tommy Manning, County Clerk Kathy Arp, Comptroller/Finance Director Gary Burkhalter and Jamie Wilson, Merchant Capital, LLC.

**ABSENT:**                    Commissioner Chad Whitefield.

**CALL TO**

**ORDER:**                    Chairman Lumsden called the meeting to order.

**ADOPTION OF SUPPLEMENTAL  
WATER BOND RESOLUTION:**

County Manager Poe stated that Jamie Wilson would give a brief synopsis of the sale of the bonds including the use of some Recovery Zone Bonds instead of all of the bonds being the traditional Tax Exempt Bonds. He stated that Mr. Wilson would also share what our debt service is going to look like the next twenty years.

Mr. Wilson stated the Water Bonds were sold yesterday. He stated the issue was broken into two pieces. There was a new money piece that was \$4.9 million, and they were structured as Recovery Zone Bonds. He stated what that means is that the bonds were issued on a taxable basis. Normally, they issue tax exempt bonds, but the American Recovery and Reinvestment Act, or Stimulus Act as it is referred to sometimes, created this new Recovery Zone Bond. He stated Floyd County was allocated a certain amount, as were many other counties across the state and country. In this particular kind of bond, they can issue it as a taxable bond and the US Government will pay 45% of the interest that they pay. He stated for example, if they paid 10% interest, the government would pay 4.5%. The reason they did this is when they compared that rate to what they would pay had they just issued the traditional tax exempt bonds as they have always done, this rate ended up being a little over 1% lower net than what they would have paid otherwise. He stated that was a real good way to use their Recovery Zone Bond allocation. The reason that was afforded is that it expires at the end of this calendar year, so if they did not use it they would lose it. He stated he thinks this particular project turned out to be a good way to utilize that benefit from the Recovery Act.

He stated in the course of preparing the transaction they identified some bonds that were outstanding from a prior issue that had a rate of about 4.59%. They were able to refinance those at a rate of 1.89%. He stated the reason that was such a low rate is these bonds only go out about five or six more years. It was a situation where, had they just been looking at that refunding in itself, it probably would not have made a whole lot of sense because it was only a \$1.8 million issue. He stated in going through this other issue it was very easy just to wrap up the other transaction to do a refinancing of it and pick up the savings. In this particular case, it turned out to be \$116,000.00, which was 5.78% of the bonds that they were issuing. Normally they try to save three percent, so he looks at it as if it was found money, since they were going forward anyway. He stated the total transaction was about \$6.8 million. He thinks the sale went really well yesterday. He stated the county benefited from a little bit of the crisis that they have seen over the last month in Europe with Euro, because these Recovery Zone Bonds are taxable. Therefore, they are sort of priced off the US Treasury Bond, and the US Treasury Bond has probably dropped a half to seventy-five basis points in the last month. He stated he thinks it is a very good result for the county.

He stated presented a spreadsheet (*County Water Projects*) showing a comparison of the traditional Tax Exempt Bonds versus Recovery Zone Bonds. He stated he thinks the important thing here is they are borrowing twenty-year money at about a 2.88% rate. He stated it would have been about a 4% rate had they used traditional Tax Exempt Bonds. When they compare the total payout on the two loans, it translates into about \$900,000.00 in savings. He stated that would be, in his opinion, a way of looking at the benefit of the Recovery Zone Bond. He presented another spreadsheet (*County Water Debt Profile*) showing all of the revenue bond debt that the water system has. It is a pretty good story because they have a 2003 issue that goes out to 2013, a 2010 refunding issue that refunded the 1999 bonds that goes out to 2015, and the 2010 new money issue, which are the Recovery Zone Bonds. In reviewing the total existing and proposed debt service on these issues, it shows that debt service drops off dramatically after 2013. He stated that should give the water system a lot of flexibility in its operations going forward. The system is in good financial shape today, but in 2013 they will have a lot of financing flexibility.

County Manager Poe asked if he would briefly mention the bond rating process. Mr. Wilson stated they basically went through the bond rating process as they always do. He stated they were rated by Moody's Investor Service. The rating came in at Aa3, which is the lower end of the Aa category, but still a great rating. He stated to be in the Aa category is a terrific achievement for any kind of revenue type bond obligation. County Manager Poe financially, overall, their department is in good shape, and that is backed by the comments of Moody's Investor Service. Mr. Wilson stated all of the credit reports have been really positive, and the county has been able to take advantage of some incredibly low interest rates.

County Attorney Manning stated they have before them a Supplemental Bond Resolution. He stated that is the final step before a Validation Order in Superior Court, to move forward with finalizing these Water Bonds. They also have before them

a Bond Purchase Agreement, which the Supplemental Bond Resolution authorizes the Chairman to sign. County Manager Poe recommended approval of the resolution.

Commissioner Fricks made a MOTION to Adopt the Supplemental Water Bond Resolution as outlined by the County Attorney. SECOND by Commissioner Bagwell. VOTING:

YES

NO

Commissioner Bagwell

" Fricks

" Mayes

Chairman Lumsden

Motion Carried

**ADJOURNMENT:**

There being no further business to come before the Board, MOTION was made by Chairman Lumsden, SECOND by Commissioner Bagwell, that the meeting be adjourned. VOTING:

YES

NO

Commissioner Bagwell

" Fricks

" Mayes

Chairman Lumsden

Motion Carried

**FLOYD COUNTY BOARD OF  
COMMISSIONERS**

**EDDIE LUMSDEN, CHAIRMAN**