

The Signal Mountain Town Council held a special agenda meeting on Friday, February 7, 2014 at 10:00 a.m.

Those present were: Mayor Bill Lusk
Vice Mayor Susan Robertson
Councilmember Annette Allen
Councilmember Dick Gee
Councilmember Bill Wallace

Others present were: Interim Town Manager Boyd Veal
Finance Director/Recorder Carol White
See attached list for others present

DISCUSSIONS

Boyd Veal, Interim Town Manager, stated that the intent of the meeting was to provide a focused discussion on capital projects, what projects the Council wants to pursue, and how to finance those projects.

Mr. Veal introduced Mr. Steve Walker, Marketing Representative for Tennessee Municipal Bond Fund. Mr. Walker gave a brief background of his experience and the Bond Fund. He then explained that the Bond Fund offers three funding options: a variable rate program, a fixed rate program, and an alternative loan program. The three programs are explained in a handout he provided to the Council (see attached copy).

Mr. Walker explained that the cost of issuance for a loan is sixty basis points per \$1,000,000. The alternative program would cost \$2,000.00 or less depending on the size of the loan. He further explained that the state no longer allows a rate cap, but any of the loans can be paid off early without penalty.

Mr. Walker stated that with the variable rate program the spread is locked in for five or seven years. He explained that this program can be structured so that the Town has the option to defer principal payments during the construction phase and pay interest for up to a three year draw down period. Mr. Walker said that the variable rate program loans are general obligation debt and are paid with property tax or utility system revenues.

Mr. Walker also provided the Council with a brief explanation of the fixed rate program that has rate adjustments every 5, 7, 10, or 15 years. He explained that the longer the adjustment period the higher the interest rate would be. Mr. Walker explained that while the Town can pre-pay the loan, there is a 1% penalty for refunding through a third party. He said that all proceeds of the fixed rate program are paid at the time of closing and must be spent within three years.

Mr. Walker informed the Council that the alternative rate program is for capital outlay purchases. He said the term is 12 years or less and the maximum loan amount is \$2 million, with an interest rate fixed for the entire term of the note.

Based on discussion, the Council decided that a variable rate loan was the best fit for the Town's financing needs.

Mr. Veal then presented the Council with several handouts. The first was a breakdown of currently considered projects and their projected costs. The second handout was an estimated annual cost of borrowing. These costs were based on information obtained from two separate agencies. The third handout was a listing of various bond payment financing options.

The Council had a lengthy discussion about the five proposed capital projects. The Council agreed that a \$1.5 million public works facility is the first capital project priority. The Council further agreed that a new fire station is the second capital project priority with a projected cost of \$1 million.

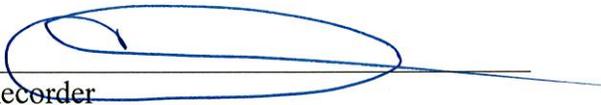
The Council then discussed the funding of the other capital projects, including the use of fund balance and yearly revenues. There was a consensus among the Council Members that they would like to have further information on establishing a Town Facility Repair/Maintenance Fund. This new fund would be similar to the current Vehicle and Equipment Replacement Fund and would be seeded with \$500,000 from the Town's General Fund fund balance. Additionally, the Council agreed they would like to have a contractor evaluate the heating system at the MACC.

The Council directed Mr. Veal to compile the necessary data and documentation needed to initiate a variable rate loan for \$3 million. The Council further directed Mr. Veal to place a reimbursement resolution on the February 10th regular meeting agenda.

There being no further business, the meeting was adjourned.



Bill Lusk, Mayor



Recorder