

MINUTES

The Spalding County Board of Commissioners held a Special Called Meeting in Room 108 of the Courthouse Annex, Thursday, June 26, 2014, beginning at 4:03 p.m. with Chairman Samuel Gardner presiding. Commissioners Raymond Ray, Rita Johnson, Gwen Flowers-Taylor, and Bart Miller were present. Also present were County Manager William P. Wilson Jr., Jim Fortune, County Attorney and Kathy Gibson, Executive Secretary to record the minutes. Mr. Floyd Newton of King & Spalding LLC and Mr. Todd Barnes of Robert W. Baird & Co. were also present.

I. OPENING (CALL TO ORDER) – Chairman Samuel Gardner.

II. INVOCATION – led by Chairman Samuel Gardner.

III. PLEDGE TO FLAG – led by Commissioner Raymond Ray.

IV. AGENDA ITEMS

1. Consider approval of non-binding, pre-engagement letter with Robert W. Baird & Co., Inc. for possible Spalding County General Obligation Bond Issue.

William Wilson, County Manager, advised that in order for the County to receive any consultation or advice from the Robert W. Baird & Co., Inc. this agreement has to be signed. It is a non-binding, pre-engagement letter stating that it is a requirement of the SEC that the letter be executed and approval is recommended.

Commissioner Flowers-Taylor wanted to know if should the County decide to issue General Obligation Bonds the company that issues the bond on our behalf receives a fee equal to a percentage of the amount of the bond. Commissioner Flowers-Taylor asked what that the fee was going to be based on the amount of \$3,000,000, she wanted to the approximate amount of the commission for the bond issuance. Commissioner Flowers-Taylor wanted to know why other companies would not be invited to bid for the bond issue.

Mr. Wilson advised that the Commissioners have already authorized both Bond Counsel and Bond Underwriters for the 2014 SPLOST.

Todd Barnes of Robert W. Baird & Co., Inc. stated that the rules requiring the non-binding pre-engagement letter had just been implemented by the Securities and Exchange Commission. They are requiring these letters be executed when discussing in any detail the specifics regarding the potential of financing. The letter presented is non-binding it simply allows us to provide the Board of Commissioners with specific information.

Should the Commissioners decide to go forward with the financing, then there would be a second step involved that would provide specific information regarding costs and allow for you to obtain formal information through that process

Motion/Second by Ray/Johnson to approve the non-binding, pre-engagement letter with Robert W.

Baird & Co., Inc. for possible Spalding County General Obligation Bond Issue. Motion carried unanimously.

June 24, 2014

Spalding County Board of Commissioners
Attention: William P. Wilson, Jr., County Manager
119 E. Solomon Street
Griffin, GA 30224

Re: Engagement to Provide Underwriting Services for Proposed Issuance of Estimated \$3,150,000 Spalding County, Georgia General Obligation Airport Bonds ("Financing")

Dear William:

Robert W. Baird & Co. Incorporated ("Baird"), in its capacity as an underwriter, is pleased to provide information and advice to you ("you" or the "Issuer") with respect to the above-referenced Financing. However, in light of SEC rules that define a "municipal advisor" and related guidance, if Baird were to provide advice to the Issuer with respect to the Financing prior to its engagement as an underwriter, Baird would be serving as a municipal advisor and could not then underwrite the Financing. Baird can provide advice to the Issuer regarding the contemplated Financing once it has been engaged as an underwriter. Thus, this letter reflects our understanding that the Issuer intends or reasonably expects to engage Baird as an underwriter for the Financing. However, this engagement is preliminary in nature and is subject to conditions, such as formal approval of the selection of the underwriter for the Financing by the governing body of the Issuer or an official of the Issuer authorized to bind the Issuer and finalizing the structure of the Financing. This engagement is non-binding and may be terminated by either party without any liability, penalty or payment. The Issuer is therefore free to engage another firm to serve as underwriter for the Financing and/or to select an underwriting syndicate that does not include Baird. This letter also does not obligate the Issuer to go forward with or complete the Financing.

As underwriter, Baird may provide advice and assistance as to the structure, timing, terms and other matters concerning the proposed Financing, in addition to other services commonly provided by an underwriter. Please note that Baird would be providing advice to you in its capacity as underwriter and not as a municipal advisor or financial advisor.

The following disclosures are required to be made by underwriters on proposed issuances of municipal securities:

- Municipal Securities Rulemaking Board Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.
- As underwriter, Baird's primary role is to purchase the securities proposed to be issued with a view to distribution in an arm's length commercial transaction between the Issuer and Baird. Baird has financial and other interests that differ from those of the Issuer.
- Unlike a municipal advisor, Baird as an underwriter does not have a fiduciary duty to the Issuer under the federal securities law and is therefore not required by federal law to act in the best interests of the Issuer without regard to its own financial or other interests.
- As underwriter, Baird has a duty to purchase securities from the Issuer at a fair and reasonable price but must balance that duty with its duty to sell those securities to investors at prices that are fair and reasonable.
- As underwriter, Baird will review the official statement applicable to the proposed Financing in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the proposed offering.

If the proposed Financing goes forward and Baird serves as underwriter, Baird will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of securities. Payment or receipt of the underwriting fee or discount will be contingent on the closing and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal or par amount of the securities. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest because it may cause the underwriter to recommend an offering that is unnecessary or to recommend the size of the proposed offering be larger than is necessary. At this time Baird is not aware of any other material conflicts of interest that require disclosure.

If you decide to pursue the proposed Financing with Baird serving as underwriter, Baird will be required to send you additional disclosures pursuant to MSRB Rule G-17 regarding potential or actual material conflicts, if any, and the material financial characteristics and risks of a complex municipal securities transaction. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

Baird looks forward to assisting you on the proposed Financing. Please contact the undersigned if you have any questions about this letter.

Very Truly Yours,

ROBERT W. BAIRD & CO. INCORPORATED

By: *Scott L. Baine*

Title: *Managing Director*

2. Floyd Newton of King & Spalding, LLC to discuss requirements for placing possible General Obligation Bond Issue on November 2014 General Election Ballot.

Mr. Wilson introduced Floyd Newton of King and Spalding and advised that Mr. Newton was born and raised in Spalding County. Mr. Wilson also advised that King and Spalding have represented the County as Bond Counsel since 1851.

Mr. Newton advised that he could not attest to the 1851 date but he could attest to King and Spalding had representing Spalding County since 1980 when he started with the firm. King and Spalding has had the opportunity to work with the county for a number of years and we are very appreciative of the opportunity.

Mr. Newton stated that the process for a GEO Bond election tracks along the same process as the process used for the SPLOST election. You don't have to have the meetings with the cities as you do with the SPLOST election, but the actual process of calling the election is the same process as you are currently going through for the SPLOST.

Mr. Newton advised that the Board would have to vote on a Resolution approving what you would like to do and recommending that it be placed on the ballot. The Board of Elections would then meet and have a similar resolution adopted. The Resolution would have the form for the ballot and the form of a question. The form of the question would then be submitted and printed on the ballots that are produced by the State and it would appear on the ballot in November. Notice of the election would be published in the local newspaper for 5 weeks prior to the November ballot.

Mr. Wilson stated that there had been some confusion over providing a straw poll type question for the ballot. Mr. Fortune, County Attorney, did advise that we could not do a straw poll type of question. We then discussed having two questions requiring a vote for one or the other and discovered that that isn't allowed either.

Mr. Newton advised that there is an Attorney General's opinion that prohibits the placement of straw poll type questions on the ballot. If you want to have a ballot question, then you have to put a proposal on the ballot and it is voted on not as a straw ballot, but as a regular ballot question where you are committing yourself to do something. We have had discussion regarding having two questions on the ballot; however, if both questions fail then you are placed in a difficult position if you want to go ahead with one of the items that failed. The opposite side of the coin is that both of the questions are approved, then you are getting instructions from the citizens telling you to go ahead with both of the projects. Historically, if you put two questions on the ballot and split the vote, both questions will fail because it is unlikely that either question will receive a majority of the vote.

Mr. Newton advised that the Airport Authority could issue the Revenue Bonds if the Authority has the power to finance an

airport then the City and County can back it with an intergovernmental contract to service the debt without having any referendum at all.

Chairman Gardner stated that if we want to proceed with the General Obligation Bond Issue there needs to be a decision by the July 21st meeting of the Board of Commissioners.

3. Todd Barnes of Robert W. Baird & Co. to present possible financing options for \$3,150,000 General Obligation Bond Issue.

Mr. Wilson advised that at the last meeting the Chairman asked that we obtain the debt service cost for a \$3,150,000 Bond issue. Mr. Wilson then introduced Todd Barnes of Robert W. Baird & Company, who has worked up the costs requested.

Mr. Barnes advised that his company was asked to look at the annual debt service payment schedules based on a bond issue if the bond was \$3,150,000.00. We prepared the repayment based on a 5 year, 8 year, 10 year and a 15 year term. The 15 year term provides for the lowest annual payments of \$277,880.00 annually and the 5 year term provides for the larger annual payment of \$685,450.00 with the other terms designated in between with the annual payment amounts. Mr. Barnes also advised that his firm had supplied Amortization for the different terms listed.

Mr. Barnes stated that the spreadsheet schedules prepared for the County are based on the 2013 Tax Digest where one mill of tax would generate \$1.4 M in revenue. Projections have been included for the anticipated increase in millage that would result from each financing period ranging from 0.1977 for the 15 year term, up to 0.4876 for the 5 year term. The equivalent tax for a \$100,000.00 FMV property would raise from \$7.91 for the 15 year term up to \$19.50 for the 5 year term.

Mr. Barnes advised that when you put a General Obligation Bond on a referendum, you are required to include a repayment schedule. So part of the resolution would have to include a repayment schedule with the years and amounts.

Mr. Barnes stated that the interest rates are currently low and this applies to the municipal bond market as well. So right now, if you have to borrow money it is a very attractive time to do it. He advised that currently the interest costs is approximately 2-2.5% for any of these scenarios.

Commissioner Flowers-Taylor questioned the Premium amount included under the General Obligation Bond Scenarios.

Mr. Barnes advised that some investors are willing to pay more for the bond in order to obtain a higher return on their investment and the premium reflects that scenario.

Commissioner Johnson asked if there would be any penalty if the County wanted to pay the bond off early.

Mr. Barnes advised that generally a bond cannot be paid off within the first 10 years; however we have seen in the market recently where investors have been willing to take on a shorter call of 7 to 8 years. For example, if you chose the 5 year option, there would typically not be an option available to prepay that issue, but certainly with a 10 or a 15 year transaction, there is that flexibility.

Commissioner Ray inquired as to price adjustment if the full \$3,150,000.00 was not issued.

Mr. Barnes stated that the referendum could authorize the board to issue up to that amount, but you don't have to issue any of it. A portion of the amount could be issued and your repayment schedule would be based on what is actually issued.

Mr. Wilson advised that the county had requested the 8 year options because that is the period of time from start to projected finish of the project and we hope to have the project paid for upon completion.

Mr. Barnes advised that all of the millage numbers are based on the 2013 digest, by the time the bond is actually issued we will have the 2014 digest and hopefully the numbers will reflect a higher valuation. If the digest increases then the yearly tax would go down.

Commissioner Flowers-Taylor expressed concern that the General Public is not aware that we are going to have to address the issue of the airport, whether it is to build a new airport or to renovate and bring the old airport up to code. She stated that she doesn't want that the public to think that if the consensus is not to issue bonds for a new Airport, that there is still some type of bond that will have to be issued to bring the old Airport up to standard.

Mr. Newton advised that in the campaign leading up to the vote that an extra effort would have to be put forward to education the public on the cost of the new airport versus the cost to bring the old airport up to regulation. That is going to have to be part of the campaign leading up to the vote. The questions cannot be placed on the ballot as an either/or scenario. The public needs to be made aware that if the bond issue for the new airport does not pass at some point the board will have to come back and request a bond issue for the old airport.

Motion/Second by Ray/Johnson to draft a resolution for a General Obligation Bond Issue for the new airport in the amount of \$3,167,895.00 exclusive of issue costs to be financed for an 8 year term. Bond Counsel and underwriter to prepare paperwork required for the Bond issue to be ready for the Board of Commissioners Extraordinary Meeting on July 21, 2014.

Commissioner Flowers-Taylor questioned if in asking the Bond Counsel and Robert W. Baird & Co. to prepare the paperwork for the Bond if that would constitute engagement of both for the General Obligation Bond issue, since they

would be performing these duties on behalf of the Board of Commissioners.

Mr. Wilson advised that if you authorize them to do the paperwork tonight that would authorize them to continue on to do the work necessary to get the paperwork.

Commissioner Flowers-Taylor inquired as to the amount of land being purchased by the airport. She wanted to know why we were purchasing so much land that would be designated for future use and expansion of the new airport.

Mr. Mohl advised that the footprint of the airport requires the amount of land designated. The future use areas includes the area that we will need to draw dirt from in order to level out the airfield entire property the property has some lower areas and some higher areas and we will need the additional dirt to level these areas. The fact is that we need the area to acquire the dirt and the bonus is in the future we can utilize the area for additional development. The entire footprint will be graded and appropriate drainage installed for the entire area.

Motion carried 3-2 (Flowers-Taylor/Miller).

XIV. ADJOURNMENT

***Motion/Second by Ray/Miller to adjourn at 5:05 p.m.
Motion carried unanimously by all.***

/s/ Samuel C. Gardner
Chairman

/s/ William P. Wilson, Jr.
County Manager