



Richland County Council
Work Session
July 25, 2017 – 2:30 PM
Council Chambers

COUNCIL MEMBERS PRESENT: Joyce Dickerson, Chair; Bill Malinowski, Vice Chair; Jim Manning, Yvonne McBride, Paul Livingston, Calvin “Chip” Jackson, Greg Pearce and Gwen Kennedy

OTHERS PRESENT: Michelle Onley, Gerald Seals, Elizabeth McLean, Sandra Yudice, Tony Edwards, Shawn Salley, Roger Sears, Stacey Hamm, Brandon Madden, James Hayes, and Kim Roberts

1. **CALL TO ORDER** – Ms. Dickerson called the meeting to order at approximately 2:30 p.m.

Mr. Seals stated Chairwoman Dickerson requested him to address some basic issues concerning the Transportation Penny, specifically the issuance of bonds, the path forward and what constitutes the forward motion. He stated he assembled the Finance team and requested bond counsel to also be present. The financial advisor was not present because she had just had surgery.

Fundamentally, we are moving toward whether or not it is time to issue the next round of bonds associated with the Penny or is there some other activity the County should be engaged in. The goal is to make sure the momentum associated with the Penny is not minimized, but enhanced if possible.

2. **PROGRAM FUNDING/BONDING** – Ms. Heizer gave a brief overview of the history of the Penny.

- 2002 – SCE&G gave over the bus system to the City of Columbia; City of Columbia gave it over to the Central Midlands Regional Transit Authority
- There was always discussions about the need for a dedicated source of revenue for the CMRTA
- The bus system was operated off of funding from SCANA
- 2006 – Committee established by Richland County to review all aspects of the project that might be covered by the Transportation Penny
- 2008 – Majority of Council was not convinced that the projects had been vetted enough; therefore, the Transportation Penny was not placed on ballot
- 2010 – Transportation Penny was placed on ballot; the referendum was not successful
- 2012 – Successful referendum
- Transportation Penny was intended to be spent for roadways, CMRTA, bikeways, and greenways
- Potential of not to exceed \$450 in General Obligation Bonds
- Legal challenge to the referendum; SC Supreme Court ruled in March 2013

Mr. Pearce stated for clarification there was two separate items on the referendum: (1) the Penny Program and (2) the bonds.

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- The 2nd referendum question was: "Authorizing not to exceed \$450,000,000 in General Obligation debt to be issued by the County. To be repaid from the Penny Sales Tax." The \$450,000,000 was a placeholder number. At the time there was any plans to issue that much debt.

Mr. Pearce inquired if there was a time limit to the debt being issued.

Ms. Heizer stated there is a State law that says debt approved in a referendum has to be issued within 5 years of the date of the referendum, but there is a statute that has an exception. The exception is during the period of time there is litigation over the election, the 5 years does not run. Therefore, Mr. Letts' lawsuit from November 2012 that ended in March 2013 extended the time to issue debt to March 2018.

Mr. Pearce inquired if there would need to be 3 readings and public hearing to issue the bond.

Ms. Heizer stated that is correct, which means the final reading should be done by December 2017/January 2017. Council needs to begin the process to issue the bonds no later than the end of October 2017.

Mr. Malinowski stated for clarification there were 2 questions on the ballot, but the State law timeframe quoted by Ms. Heizer was not on the ballot. The only number on the ballot was the following statement: "...maturing over a period, not to exceed 22 years, to fund projects from among the categories described in question #1."

Mr. Manning stated Council has not held a business meeting in the last 2 years in January.

Ms. Heizer continued with the historical data.

- A \$50 million General Obligation Bond Anticipation Note that was rolled over and was paid with cash on hand in October 2016
- In terms of the Penny, at this point the County is debt free
- Cash on hand, excluding amounts for the CMRTA, would be \$50 - \$52 million

Ms. McBride inquired about what would happen if the County misses the bond deadline.

Ms. Heizer stated the authority to issue debt under referendum would go away. The importance of the referendum approved debt is that it does not count against your 8% constitutional debt limit. It would be very difficult to borrow funding for the transportation projects. The only option would likely be going back to the voters with the bond question.

Mr. Seals requested that Ms. Heizer address the consequences of issuing debt without the basis for issuing debt.

Ms. Heizer stated the consequences of issuing debt if you do not need to spend the money are: (1) you will incur costs, in particular interest expense, that you would have to pay out of the Penny; or (2) paying the IRS in the form of an arbitrate rebate if the bond proceeds are not timely spent. Do not borrow anymore bond proceeds unless you have a clearly demonstrated need to borrow that money.

Mr. Malinowski inquired about the annual amount the County is currently spending on Penny programs.

Ms. Heizer stated it has historically been less than \$50 million.

Mr. Seals stated the intent is to work together for the next 60 days to firm up the amount spent, but it has not exceeded \$30 million per year.

Mr. Malinowski inquired if there was any indication it will vary from that figure.

Mr. Seals stated he believes Council is being told, but that has not been confirmed to him. Part of the due diligence that needs to take place is to determine what is realistically going to be accomplished annually going forward. That is important in terms of how, and if, we need to issue debt and what the debt amount should be. It also because important because of what we have to respond and defend on Wall Street.

Mr. Malinowski stated if we continue to move down the road in the future with the same amount of spending we're doing now versus the income we're are getting from the Penny Tax, it does not appear there would be any need to issue bonds.

Mr. Seals stated it would be a safe statement to say it does not appear. For example, we are getting in approximately \$62 - \$64 million per year now from the Penny. There is ample evidence that will ramp up a bit and will likely generate \$65 - \$70 million per year.

Mr. Livingston stated there was a significant reason why the 39-member Transportation Committee talked about bonding. There was a specific reason why the voters voted for the bonding. He agrees There are consequences for bonding when you do not have projects ready to be funded, but let's not forget there are consequences for not bonding. Not bonding means you are going to have to spread it out further and your costs will be significantly higher, which was the basis for the bonding. Therefore, there may be several projects that will not be completed because of the significant increase.

Mr. Livingston further stated it is not fair to compare the previous years in terms of what has been spent. A lot of money was spent upfront in design. Now we are coming to construction and the money is going to move a lot faster now.

Mr. C. Jackson stated simply quoting a figure of what is in the fund balance without understanding where we are with regards to projects underway and projects that have not yet begun, in terms of full implementation, can be misleading. The funding can go very quickly. His concern is, are we where we need to be in regards to the number of projects we should be doing at this point and time. And if in fact we are nowhere near where we need to be, which means we will not meet the projected goal of all the projects on the list and we do not request the bond funding. What happens when we get on the backend of the process and the funds have maxed out, but yet the projects have not been completed?

Mr. Cromartie stated there are two things that came out of the conversation thus far, (1) clearly designated need in order to issue bond and (2) where are the projects. There is additional information that is needed in order to answer those questions. We need to evaluate the projects, look at expenditures thus far and revenue coming in, and look at and examine a realistic evaluation of the projections. We do not want to get to a point where there are not enough funds to fill the projects that need to be done. In order to prevent reaching that point or answering that tough question, we need to have the opportunity to evaluate the projections thus far, to be able to determine if we are behind or ahead of schedule, and then to be able to say we will need this amount of money.

Mr. C. Jackson stated having a theoretical conversation about this now is wonderful, but having to make a serious decisions requires serious data and information. That is where the void is; therefore, until we get the data talking about whether or not we should issue bonds is premature.

Mr. Livingston stated when he was at the Transportation Penny Advisory Committee on July 24th a handout that had a column entitled current projections. Are those not updated costs on that list?

Mr. Edwards stated those are the last quarter expenditures.

Mr. Seals stated the reason you are getting the hesitancy goes back to what Mr. C. Jackson said. We have information that is coming from a variety of sources. Until that information is evaluated, staff does not have the ability to say to Council what the options are. One option clearly is that Council can go forward and bond. We did not come here tonight to stop you from doing anything, but to give Council some point of where we are and what the plan is to go forward. Staff needs to look at all the information that is floating around. When Council comes back in September, we will have the ability to say here is where are and here is what can be done. There are a variety of options on how you can get the projects done. We have no preference. It is time to make some hard decisions, but there needs to be some information if you are looking to staff as a source of that information.

Ms. McBride inquired if staff will be able to provide the information we need by September.

Mr. Seals stated staff will work with the Program Development Team and that will put them in a position to provide a recommendation to Council.

Mr. Manning stated he does not know how the notion there is a lot of information floating around works since we have a contract with the Program Development Team, which would provide that information.

Mr. Seals stated if information is presented and has not come to him and he has not had an opportunity to review, then it is floating around. He cannot respond to something that is coming from a variety of sources, but has not come to him.

Mr. Livingston stated he is most concerned at this point about the process. For example, what is the plan to get the cost projections?

Ms. Heizer stated she and Mr. Cromartie have worked very closely with Administration and the financial advisor and it is their recommendation that Council direct Administration, the financing team and the PDT to sit down and review the materials. The financial advisor will have advice on the best financing strategy. You may not need to issue debt, but to the extent you do, how much debt? And how is it repaid? Is it repaid quickly to have a lower interest costs or a longer period of time to have smaller payments?

Mr. Manning stated for clarification the packet that Ms. Heizer held up and said "we have got it all here", we just need to vet it...

Ms. Heizer stated that was probably an overstatement on her part because she has not reviewed every page, but this is the type of information that would be needed.

Mr. Manning inquired when we will feel like we have got what we need. It sounds like in 5 years we will be saying there might be something floating around out there that is not a part of a packet. How do we

know when the group will be meeting to vet this information?

Mr. Seals provided the date of September 22nd.

Mr. Pearce stated he is really concerned we are sitting here today because there is apparently a massive communication problem along the chain of command. For clarification, Council presented a list of projects to the public that was approved in 2012. To set a schedule was what the Program Development Team were hired to do. Council then hired Transportation staff to work with the Program Development Team to oversee the projects and report back to Administration. He further stated the Transportation staff should know where we are and they should have reported back to Administration. He inquired as to where the breakdown in the system is.

Mr. Seals stated what normally takes place in projects like this is there comes a point where the revenue that is to be generated from the Penny, you would have to make some decisions. Is the revenue adequate to pay for the projects that have been approved? And if it is, then you have cancelled your reason for going out for debt. We do not know if we are there. We know what the Penny is generating. We know what we have been paying out in invoices and it is less than the \$65 - \$70 million. We know there are projects that are being represented as being in various stages. There are a variety issues associated with that Ms. Heizer pointed out.

If you say you have \$100 million worth of projects and I'm going to get them done is faulty projection. You may have a \$100 million worth of projects to be done, but in terms of how you are going to prosecute those projects you are only able to do design work so that means that all you're going to need in terms of expenses incurred might be \$20 million.

The reports that are being alluded to have those kinds of phrases. No analysis has been done of that and whether or not that is a breakdown or not I'm being careful not to see it as such. Instead what I have come to you and said is we have a deadline that says at some point we issue bonds or we don't.

1. Do we have the ability out of current revenue to pay for all that is projected that can be done?
2. Whatever is projected to be done, can it be verified that it can be done? Projections should be based on what is realistic.

Mr. Seals stated he is not prepared to say the projections are wrong. That can only come about as a result of some tough discussions and questions because it depends on what we are going to expend over some period of time. It really gets down to an issue of a promise. Will that promise be kept? That answer can only come from the people hired directly by Council to oversee if it can be done.

1. How do we get done what needs to be done?
2. How do we give Council information so that you are able to make informed decisions?

Mr. Seals stated he wants to give Council every tool in order to make informed decisions. That does not preclude you from making a decision right now and simply saying we are going to issue bonds. He further stated his recommendation would be to not make the bonding decision tonight because there is some prep work that needs to be done. He believes the Program Development Team needs to come and we need to review everything that is projected. We should be able to arrive at some conclusions on whether or not those things can be done. When Council comes back after the August recess staff can then inform Council about what can be done on an annual basis and what level of bonding, if at all, is needed. At this point, Mr. Seals does not feel he has the ability to tell Council that.

Mr. Pearce inquired if Mr. Seals has the tools needed to make the decision in September.

Mr. Seals stated staff has been working to put together the team that is necessary to be able to do the independent evaluation. The team will sit down and work with the PDT and come back to give you an unbiased answer. Council will be presented with options and then Council will be in a position to make an informed decision.

Mr. Malinowski stated he came with the understanding this was a work session relating to information Council would get to help them make a decision on whether we were going to do some bonding in the Transportation Program in the future. There are two bond attorneys present and one has said they need more data. The County Administrator has stated we need more data. Therefore, he does not know why we continue to try to make any decision because we do not have the data. He stated he feels like we are at the point where what's the price of gasoline to go from Point A to Point B, but no one has given us the mileage in between. Unless there is something further in this agenda, unrelated to this, he would like to make a motion to adjourn.

Mr. Livingston stated when Council comes back in September he would like to see the clear information on whether we should or should not bond. At the same time, he wants to know the costs for bonding and not bonding.

Mr. C. Jackson stated he may not have been on Council when the decisions were made regarding bonding, but he does understand bonding from a former position he held. One of the critical questions is when there are cost overruns along the way and they impact the ability to meet a deadline, adjustments are made along the way as a result of those overruns. The adjustments ensure the future cost projections for future projects are taken into consideration. In the deliberations and discussions it is his hope there will be a presentation to reflect where we stand with regard to what we have spent for projects thus far and how they will impact our ability to meet all of the projects on the list. There are some fundamental questions that may only be answered by a presentation by the team responsible for the projects. Therefore, whatever presentation is given by the Administrator he would like the same opportunity to be given to the PDT.

Mr. Manning stated he has been hearing about meetings, but it has been conveyed to Council that meetings between the PDT, County Administrator and County Attorney has been suspended. Mr. Seals reminded Council that all meetings with the PDT will be conducted to include County Council. Therefore, he is not clear how the suspension becomes lifted and what we do about the fact that all meetings with the Mr. Seals and the PDT are going to include County Council.

Mr. Seals stated that is a question for Council. He stated he will follow Council's direction.

Ms. Dickerson stated she will direct staff to work with the PDT and the other team members to bring back the information to County Council.

Ms. Heizer stated that under Federal Securities law financial advice has to come from a registered municipal or financial adviser.

Mr. Manning requested the email from Mr. Seals to Councilmembers, Larry Smith, Michelle Onley, Kimberly Williams-Roberts on Tuesday, July 11, 2017 at 10:56 p.m., which is what he quoted from when

he referenced suspension.

3. **ADJOURN** – The meeting adjourned at approximately 3:30 p.m.