

CITY OF BARDSTOWN
SPECIAL COUNCIL MEETING MINUTES
6-15-10
5:00 P.M.

The City Council met in a special session in the Council Chambers with the following Councilmen:

Councilman Reed
Councilman Williams
Councilman Lydian
Councilman Sheckles
Councilman Royalty
Councilman Simpson

Others present: Chief Financial Officer Abell, City Attorney Donan, City Clerk Blincoe, PLG-TV reporter Scott Cedarholm, The Kentucky Standard reporter Stephanie Hornback, WBRT/WOKH reporter Will Osbourne and Chip Sutherland with Hilliard Lyons.

SECOND READING - ORDINANCE B2010-08-2010 GO BONDS

The Council was presented with a complete copy of the Ordinance that provided for the issuance of the City's General Obligation Bonds, Series 2010, for approximately \$14,000,000 for the purposes of currently refunding the City's outstanding Combined Utilities Revenue Bonds, Series 1997 and advance refunding the City's outstanding Combined Utilities Revenue Bonds, Series 2001 and providing for a public sale of the bonds and the application of the proceeds. Chip Sutherland, Hilliard Lyons, reported that the bonds had been sold earlier in the day and the actual savings for the City would be approximately \$1.2 million through December 1, 2020. He proceeded to report on the bidding process and informed the Council that five underwriting firms had bid on the bonds and the best bid received was from J.J.B. Hilliard, W.L. Lyons, LLC. The City Attorney then read the summary of the ordinance as follows:

SUMMARY OF BOND ORDINANCE
CITY OF BARDSTOWN, KENTUCKY

THERE FOLLOWS A SUMMARY OF AN ORDINANCE OF THE CITY OF BARDSTOWN, KENTUCKY, ADOPTED ON JUNE 15, 2010, IDENTIFIED BY ITS TITLE OR CAPTION AS FOLLOWS:

ORDINANCE NO. B2010-08

AN ORDINANCE OF THE CITY OF BARDSTOWN, KENTUCKY, PROVIDING FOR THE ISSUANCE OF THE CITY'S GENERAL OBLIGATION BONDS, SERIES 2010, FOR THE PURPOSES OF CURRENTLY REFUNDING THE CITY'S OUTSTANDING COMBINED UTILITIES REVENUE BONDS, SERIES 1997, AND ADVANCE REFUNDING THE CITY'S OUTSTANDING COMBINED UTILITIES REVENUE BONDS, SERIES 2001, AND PAYING RELATED COSTS; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE SERIES 2010 BONDS ARE TO BE ISSUED, SECURED AND OUTSTANDING; ORDERING AND PROVIDING FOR THE LEVY OF AN ANNUAL TAX, TO THE EXTENT NECESSARY, SUFFICIENT TO PAY THE INTEREST ON AND PRINCIPAL OF THE BONDS; PROVIDING FOR CERTAIN UTILITIES REVENUE TRANSFERS; AND PROVIDING FOR A PUBLIC SALE OF THE BONDS AND THE APPLICATION OF THE PROCEEDS THEREOF.

The full text of this Ordinance is available for public inspection during the normal City of Bardstown business hours in the office of the City Clerk, City Hall, Bardstown, Kentucky.

(1) For the purposes of currently refunding the City's outstanding Combined Utilities Revenue Bonds, Series 1997 (the "1997 Obligations"), and advance refunding the City's outstanding Combined Utilities Revenue Bonds, Series 2001 (the "2001 Obligations"), and paying related costs, the City authorizes the sale and issuance of its General Obligation Bonds, Series 2010 (the "Bonds"), in a principal amount of \$14,130,000 (subject to adjustment upon public sale), under authority of the Kentucky Constitution and KRS Chapter 66. The Bonds will be payable from the tax revenues of the City and secured by an irrevocable pledge of the full faith, credit and taxing power of the City. The Bonds will be issued in fully registered form, scheduled to mature on December 1, 2010 - 2020, and to bear interest semiannually at rates established by competitive bidding. Redemption provisions, together with the form of the Bonds, provisions with respect to registration, authentication, transfer and exchange of Bonds, and provisions relating to the appointment and duties of a Paying Agent and Bond Registrar are set out in detail in the Ordinance. The Bonds will be issued in book-entry form.

(2) As mandatorily required by Section 159 of the Kentucky Constitution, the Ordinance levies annually such special tax, separate and apart from all other taxes, as may be necessary to provide for the payment of the Bonds and the interest thereon when due and payable, such tax to be applicable to all property which is subject to taxation for City purposes from time to time and being unlimited as to rate or amount. In accord with KRS 83A.060(9)(c), the following text of Section 12(A) of the Ordinance is set out in full:

"Section 12.

"(A) Tax Levy and Pledge; Bond Fund. For the purpose of providing funds required to pay the interest on the Bonds as and when the interest becomes due and in order to create a sinking fund to pay and discharge the principal thereof as the Bonds become due, there shall be and there is hereby levied upon all of the taxable property within the City, beginning in 2010 and continuing in each year as long as any of the Bonds are outstanding, a direct annual tax sufficient, to the extent other lawfully available moneys of the City are not provided, for that purpose as mandatorily required by Section 159 of the Constitution of Kentucky, and such tax shall be unlimited as to rate or amount. The proceeds derived from said special annual tax levied from time to time, together with other lawfully available moneys of the City provided for the purpose, shall be deposited and carried in the Bond Fund. The proceeds of said special annual tax and the balances accumulated from time to time in the Bond Fund are hereby irrevocably pledged for the purpose of paying the interest on and principal of the Bonds and shall never be used for any other purpose. The City hereby covenants with the holders of the Bonds that it will levy said special annual tax in each year at whatever rates may be necessary from time to time in order to produce the amounts required in each year, to the extent funds are not otherwise provided, to pay the Bonds and interest when and as they mature or become due.

"If principal or interest should fall due in any year at a time when there are insufficient funds on hand, collected by reason of the foregoing special tax levy, such principal and interest shall be paid from other available funds of the City and reimbursement therefore shall be made out of the special tax hereby provided, when the same shall have been collected.

"All moneys held in the Bond Fund, which shall be depleted as of December 2 of each year except for a carryover amount not exceeding the greater of the earnings on the Bond Fund or one-twelfth of the principal and interest payments on the Bonds for the preceding year ending December 1, to the extent not invested as hereinafter provided, shall be deposited in a bank or banks designated by the Mayor or the Chief Financial Officer which are members of the Federal Deposit Insurance Corporation ("FDIC"), and all such deposits which cause the aggregate deposits of the City in any one bank to be in excess of the amount insured by FDIC or one of its agencies shall be continuously secured by a valid pledge of Investment Obligations of the types described in items (a), (b) and (c) of Section 13 hereof having an equivalent market value. All or any part of the Bond Fund may be invested in Investment Obligations, as hereinafter defined in Section 13, maturing or being subject to retirement at the option of the holder on such dates as the same may be needed for meeting interest and/or principal payments, and all such investments shall be carried to the credit of the Bond Fund."

(3) Provision is made for the transfer to the City's General Fund of revenues of the City's combined utilities system to reimburse the General Fund for payment of semiannual debt service on the Bonds.

(4) The competitive sale of the Bonds is authorized, and certain documents incident to such sale and the delivery of the Bonds are authorized and approved.

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UPON MOTION OF COUNCILMAN WILLIAMS, DULY SECONDED BY COUNCILMAN LYDIAN AND CARRIED BY A VOTE OF 6 TO 0, THE MAYOR CALLED THE ROLL AND THE FOLLOWING VOTED:

COUNCILMAN REED	-	AYE
COUNCILMAN WILLIAMS	-	AYE
COUNCILMAN LYDIAN	-	AYE
COUNCILMAN SHECKLES	-	AYE
COUNCILMAN ROYALTY	-	AYE
COUNCILMAN SIMPSON	-	AYE

MAYOR HEATON THEN DECLARED ORDINANCE NO. B2010-08 ADOPTED BY REFERENCE AND BE RECORDED IN ORDINANCE BOOK NO. _____, PAGE NO. _____.

City Attorney Donan said that the ordinance would be effective after publication as required by law and recommended that the ordinance summary be published instead of the entire 27-page document. UPON MOTION OF COUNCILMAN REED, DULY SECONDED BY COUNCILMAN SIMPSON AND CARRIED BY A VOTE OF 6 TO 0, IT WAS APPROVED TO PUBLISH THE SUMMARY OF ORDINANCE B2010-08 IN THE KENCUTKY STANDARD.

SECOND READING - ORDINANCE B2010-09-COMBINED UTILITIES SYSTEM

The Council was provided a complete copy of the Ordinance relating to the operation of the City's Combined Utilities System and the payment of the bonds. City Attorney Donan read a summary of the ordinance as follows:

SUMMARY OF ORDINANCE
CITY OF BARDSTOWN, KENTUCKY

There follows a summary of an Ordinance of the City of Bardstown, Kentucky, adopted on June 15, 2010, identified by its title or caption as follows:

ORDINANCE NO. B2010-09

AN ORDINANCE OF THE CITY OF BARDSTOWN, KENTUCKY RELATING TO THE OPERATION OF THE CITY'S COMBINED UTILITIES SYSTEM.

The full text of this Ordinance is available for public inspection during the normal City of Bardstown business hours in the office of the City Clerk, City Hall, Bardstown, Kentucky.

(1) The City has established certain directions, rules and standards governing the operation and administration of the City's Combined Utilities System (the "System"), including (a) the establishment of, and placement of the System's revenues into, a Revenue Fund, with such revenues to then be (i) deposited into a Bond Fund, to be used to pay or to reimburse the City's General Fund for payment of debt service on any bonds of the City issued to finance improvements to the System, (ii) deposited into a Depreciation Fund, to be used to provide reasonable reserves for renewals, replacements, improvements, extraordinary major repairs and contingencies in the operation of the System, (iii) deposited into an Operation and Maintenance Fund, to be used to pay the expenses of operating, maintaining and insuring the System, (iv) used to retire or redeem any debt obligations of the City issued to finance improvements to the System, and (v) for any other lawful purpose of the City.

(2) Additionally, the Ordinance provides, among other things, that:

(a) The City may not reduce the rates charged for use of the System without the receipt of a certification of an independent consulting engineer that the System's annual net revenues are equal to or exceed 140% of the maximum amount of debt service payable from the Bond Fund for annual debt service for any bonds of the City used to finance the System (the "Maximum Debt Service").

(b) The City may increase the rates charged by the System upon its receipt of a certification of an independent account or consulting engineer that the System's annual net revenues are less than 120% of the Maximum Debt Service for any bonds of the City issued to finance the System.

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UPON MOTION OF COUNCILMAN SHECKLES, DULY SECONDED BY COUNCILMAN ROYALTY AND CARRIED BY A VOTE OF 6 TO 0, THE MAYOR CALLED THE ROLL AND THE FOLLOWING VOTED:

COUNCILMAN SIMPSON	-	AYE
COUNCILMAN ROYALTY	-	AYE
COUNCILMAN SHECKLES	-	AYE
COUNCILMAN LYDIAN	-	AYE
COUNCILMAN WILLIAMS	-	AYE
COUNCILMAN REED	-	AYE

MAYOR HEATON THEN DECLARED ORDINANCE NO. B2010-09 ADOPTED BY REFERENCE AND BE RECORDED IN ORDINANCE BOOK NO. _____, PAGE NO. _____.

City Attorney Donan again recommended that the ordinance summary be published instead of the entire 7-page document. UPON MOTION OF COUNCILMAN LYDIAN, DULY SECONDED BY COUNCILMAN ROYALTY AND CARRIED BY A VOTE OF 6 TO 0, IT WAS APPROVED TO PUBLISH THE SUMMARY OF ORDINANCE B2010-09 IN THE KENCUTKY STANDARD.

MUNICIPAL ORDER NO. 2010-23 - AWARD OF BOND ISSUE

The Council was presented a complete copy of the Municipal Order No. 2010-23 related to awarding the bond issue to the best bid as follows:

MUNICIPAL ORDER NO. 2010-23

MUNICIPAL ORDER OF THE COUNCIL OF THE CITY OF BARDSTOWN, KENTUCKY, RELATING TO THE SALE OF CITY OF BARDSTOWN, KENTUCKY, GENERAL OBLIGATION BONDS, SERIES 2010, AND THE ESTABLISHMENT OF INTEREST RATES THEREON

WHEREAS, notice of the sale of \$14,130,000 (subject to adjustment) principal amount of City of Bardstown, Kentucky, General Obligation Bonds, Series 2010, dated July 7, 2010 (the "Bonds"), has been advertised in compliance with all legal requirements; and

WHEREAS, all bids received for the purchase of the Bonds from the City of Bardstown, Kentucky (the "City"), have been duly considered, and the City, upon the advice of its Financial Advisor, has determined the best bid.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED BY THE COUNCIL OF THE CITY OF BARDSTOWN, KENTUCKY, AS FOLLOWS:

1. All terms defined in the preamble hereof and all statements in such preamble are incorporated as a part of this Municipal Order.

2. It is hereby found and declared that the best bid received in the office of the City's Chief Financial Officer before 11:00 a.m., EDT, on June 15, 2010, for the purchase of the Bonds as authorized by the City's bond-authorizing Ordinance adopted on June 15, 2010 (the "Ordinance"), was and is the bid of J.J.B. Hilliard, W.L. Lyons, LLC, offering \$14,062,448.35, upon condition that the Bonds be caused to bear interest at the following respective interest rates:

Bonds Maturing <u>December 1</u>	Interest <u>Rate</u>
2010	1.000%
2011	1.000%
2012	1.000%
2013	1.250%
2014	2.000%
2015	2.000%
2016	2.400%
2017	2.750%
2018	3.000%
2019	3.000%
2020	3.200%

Said bid is hereby found to be satisfactory as to price and interest rates and to conform to the Notice and Official Terms and Conditions of Bond Sale; provided, however, the City hereby makes the following adjustments of principal maturities and the total principal amount of the Bonds:

<u>Date of Maturity</u>	<u>Principal Amount (Original Schedule)</u>	<u>Principal Amount as Adjusted</u>
December 1, 2010	\$ 1,675,000	\$ 1,665,000
December 1, 2011	1,655,000	1,650,000
December 1, 2012	1,675,000	1,670,000
December 1, 2013	1,045,000	1,045,000
December 1, 2014	1,065,000	1,060,000
December 1, 2015	1,090,000	1,085,000
December 1, 2016	1,115,000	1,105,000
December 1, 2017	1,150,000	1,140,000
December 1, 2018	1,180,000	1,165,000
December 1, 2019	1,220,000	1,205,000
December 1, 2020	<u>1,260,000</u>	<u>1,240,000</u>
Total	<u>\$14,130,000</u>	<u>\$14,030,000</u>

Accordingly, the total amount of Bonds awarded to said successful bidder is \$14,030,000, and the price at which the Bonds are sold is \$13,962,926.42.

The described successful bid, with the aforesaid adjustments, is hereby accepted in the name and on behalf of the City and shall, together with this Municipal Order of acceptance, constitute a firm contract for the purchase and sale of the Bonds, subject to the Notice and Official Terms and Conditions of Bond Sale, to which reference is hereby made.

3. It is hereby ordered that the Bonds shall bear interest from their date until paid at the respective interest rates for the years stipulated by the purchase bidder and shall mature as to principal as set forth in 2 hereof.

4. The Financial Advisor shall immediately notify the purchaser to wire the good faith deposit as set forth in the Notice and Official Terms and Conditions of Bond Sale.

5. This Municipal Order shall be deemed to be a supplement to the Ordinance and shall be in full force and effect from and after its adoption.

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UPON MOTION OF COUNCILMAN WILLIAMS, DULY SECONDED BY COUNCILMAN SIMPSON AND CARRIED BY A VOTE OF 6 TO 0, MUNICIPAL ORDER NO. 2010-23 WAS APPROVED.

FIRST READING - ORDINANCE NO. B2010-10 - FY 2009-2010 AMENDED BUDGET ORDINANCE

Chief Financial Officer Abell presented the first reading and reported that the Combined Utilities Fund needed to be amended in the FY 2009-2010 Budget to increase anticipated total revenues from \$29,025,300 to \$29,706,500 and increase authorized expenditures from \$28,505,229 to \$29,186,429 specifically for the Cable and Internet Departments, where current year revenues would be more than budgeted and expenses would likewise be more than originally budgeted. **UPON MOTION OF COUNCILMAN SIMPSON, DULY SECONDED BY COUNCILMAN ROYALTY AND CARRIED BY A VOTE OF 6 TO 0, THE FIRST READING WAS APPROVED.**

CITY AUDIT CONTRACT

CFO Abell reported that a three-person committee consisting of Assistant City Administrator Green, City Accountant Greenwell and Customer Service Representative Hudson, had reviewed the responses to the Request for Qualifications and were recommending that Percy and Gray be employed to complete the City's Audit this year in the amount of \$15,800.00, which was \$1,000.00 less than last year's audit cost. **UPON MOTION OF COUNCILMAN LYDIAN, DULY SECONDED BY COUNCILMAN SHECKLES AND CARRIED BY A VOTE OF 6 TO 0, THE FIRM OF PEECY AND GRAY WAS APPROVED BASED ON THE REQUEST FOR QUALIFICATIONS.**

MAYOR PRO-TEM

Mayor Heaton left the Council Chambers at 6:55 p.m. due to another City related commitment. **UPON MOTION OF COUNCILMAN REED, DULY SECONDED BY COUNCILMAN WILLIAMS AND CARRIED, COUNCILMAN SHECKLES WAS ELECTED AS MAYOR PRO-TEM FOR THE REMAINDER OF THE MEETING.**

FIRST READING - FY 2010-2011 BUDGET ORDINANCE

Mayor Pro-Tem Sheckles and the Chief Financial Officer opened discussion on the FY 2010-2011 Budget and the Council reviewed the budget department-by-department. After a lengthy discussion including vehicle purchases and possible salary increases, Councilman Simpson asked if this budget would result in a tax or rate increase. Abell responded that the budget, as proposed, included neither. **UPON MOTION OF COUNCILMAN WILLIAMS, DULY SECONDED BY COUNCILMAN REED AND CARRIED BY A VOTE OF 6 TO 0, THE FIRST READING WAS APPROVED WITH THE FOLLOWING BUDGET NOTES TO BE ADDED: IN THE ELECTRIC DEPARTMENT, LINE ITEM 7180 WAS FROZEN PENDING LATER COUNCIL ACTION; IN THE SEWER DEPARTMENT, LINE ITEM 7140 WAS FROZEN PENDING LATER COUNCIL ACTION; IN THE CABLE-TV DEPARTMENT, LINE ITEM 7180 WAS FROZEN PENDING LATER COUNCIL ACTION, LINE ITEM 5660 WAS CORRECTED TO READ \$150,000.00, NOT \$190,000.00, AND LINE ITEM 8990 (RESERVED FOR EMERGENCIES) WAS INCREASED FROM \$37,631.00 TO \$77,631.00.**

ADJOURNMENT

Being no further business to discuss and **UPON MOTION OF COUNCILMAN SIMPSON, DULY SECONDED BY COUNCILMAN LYDIAN AND CARRIED BY A VOTE OF 6 TO 0, THE MEETING WAS ADJOURNED AT 8:50 P.M.**

CITY OF BARDSTOWN

ATTEST:

J. Richard Heaton, Mayor

Bobbe Blincoe, City Clerk