

**CITY OF SHEPHERDSVILLE  
CITY COUNCIL SPECIAL MEETING MINUTES  
WEDNESDAY, May 23, 2018**

Gloria Taft delivered the invocation

The Pledge of Allegiance was recited

Council members present: Gloria Taft, Mike Hibbard Sr., Donna Burke, Stacey Cline and Bonnie Enlow

Presiding Mayor Donna Burke meeting to order at 6:40 and stated the first item on the Agenda was to approve a loan for the Fire Apparatus purchase. Controller Stephanie Kellerman will present different bank proposals.

**Controller Stephanie Kellerman:** We had six, but four banks said that they will not allow for anything that was 10 years or more. I tried to get closing cost and percentage rates. KLC had a lot of fees included; they had an okay interest rate, but their fees were off the chart. The lowest one was Republic and WesBanco was next. They suggested we get a bond letter. City Attorney Walt Sholar: I had several discussions with personnel from WesBanco, Craig Kenslow. He was pointing out that with a letter from a lawyer we can get an incredibly lower interest rate. I asked his to send me some information on that. He sent me a sample letter and he gave me the name of a lawyer at Frost Brown Todd. What he's talking about is a long time ago cities couldn't go to a bank and borrow money. What they had to do because they couldn't engage in long-term debt with a lending institution. The only long-term debt they could get is issue municipal bonds. Any borrowing that they did they could only borrow money for a year. They had to pay off any and all debt other than municipal bonds every year. So when we were doing capital projects we would go through and hire a bonding company and they would have a bond counsel and the bond counsel would issue a guarantee letter basically like a title letter that we issue for banks when we run title exams on real estate and it's where they have looked at the tax code and this and that and they are guaranteeing the purchasers of those bonds that this was all done in a fashion that the interest on those bonds is tax free. Municipal Bonds are still issued but not like they were. We don't use them in our areas like we did because the Kentucky State Legislature has authorized past legislation that says that cities and counties can go to banks and borrow money for longer term now. But if you get a bond counsel to write such a letter after they have examined these are guys that are expert in the tax code; what they would be looking for from me as City Attorney is a statement that the Ordinance or Resolution was adopted in accordance with the Kentucky Revised Statutes and that is was done according to municipal law in appropriate fashion. I'm not appropriate and would not dream of issuing a bond letter because I don't know the tax code and when you do issue that letter you're standing good if something happens that the people that buy the bond or loan the money if the IRS kicks back on it the lawyer is responsible for that. That is what they were talking about and Stephanie and I spoke this afternoon and I said it really doesn't matter; the two questions that have to be answered to determine whether it would be a benefit for us to do that or not would be 1) how much more would the interest rate be for the City if we get a bond letter from bond counsel; 2) what is the cost of getting bond counsel? Without knowing the answer to those two questions you all can't make a substantive decision that it's either wise or not to do it and I don't know how quickly we can get that. Stephanie: We talked to the lawyer with Frost Brown Todd and he said he was going to get back with me on Tuesday, but he did say that the rates we were getting is assuming that we had that certificate because prime is 4.5% now; because when I was giving the interest rate to Jim Beam for them to reimburse us for a year it was 6.5% on the payback to us. These rates are significantly lower, so you can see that it will save us a lot of money. City Attorney Sholar: is there something is the contract with all of these banks that says that we have to have bond counsel to get this rate? Stephanie: He says that there is but nothing with the other banks said anything about that. He said if the IRS came back and asked them something on this loan they could get in trouble if we could get in trouble if we couldn't produce this certificate. He's going to call me back Tuesday and let me know what kind of information he needs and how much it will cost. Donna Burke: Is the 3.99% their rate before the letter is obtained? City Controller Stephanie: No. Donna Burke: So that's the rate after their letter is obtained? City Attorney Stephanie: Like I said Prime is about 4.5% so it is cheaper. City Attorney Sholar:

Republic has not said anything about that and their rate is at 3.61%. They are lowest of all. City Controller Stephanie: We already have a loan with Republic and the other loan is right around that percentage without having to have a letter. Gloria Taft: I don't see where Republic told us if there was any penalty for early payoff. Donna Burke: There is not one on the existing loan. City Controller Stephanie: I can verify with them. Bonnie Enlow: If we do the loan at Republic for everything it shows here payments are basically \$50,000 a month. Are we able to make that payment? City Controller Stephanie: Right now we're putting \$100,000 back with no problem. We might not be able to put as much in that restricted account or aside for a rainy day but keep that in mind we can still make the payment. Bonnie Enlow: That was my biggest concern. If we can get it all at one time I think that's beneficial. Because we won't need all of it right away are we going to be charged interest on both at the same time. Donna Burke: You shouldn't be charged interest except on what you advance. Bonnie Enlow: So, it will be as they advance it to us. Stephanie: Right. It will be set up as a line of credit and we are not being charged on the entire amount. Bonnie Enlow: That's sounds good. We don't have the land settled quite yet but it would be nice to be able to have the money there and ready to go and if we are still able to put money back as you said that will help paying for the land if we have to purchase that strip or whatever it is. Gloria Taft: Mike and I were talking it appears interest rates are only going to continue to go up. If we can go ahead and lock it in now at this interest rate instead of waiting six or eight months ... City Attorney Sholar: Just to be clear I'm reading this letter from Kevin Quick and he does indicate; it says, "as we discussed the rates listed below are based on the City's tax-exempt status and are included for discussion purposes only." My suspicion is that they are going to want proof we are tax exempt. Donna Burke: We should have something we always give it to them when we go to a hotel. City Attorney Sholar: I would want to be clear that they're not requiring that there be a certificate that the interest that is made off the loan is tax free. That typically would require a letter from a lawyer. City Controller Stephanie: If we go ahead and do that next week I'm sure that rest of them are going to require it. It's a fee that we have to pay on any of them I'm sure. Gloria Taft: Is it something that we had to do with Republic for their file for previous loan? City Controller Stephanie: I didn't see it in the file. Gloria Taft: If they didn't require it on the previous loan I wouldn't think they would want one now. Gloria Taft made motion to accept Republic financing offer for \$5 million for fire apparatus and potential new fire house. Bonnie Enlow 2<sup>nd</sup>. Mike Hibbard: Any time we have extra funds I would like to make payments toward it for the principle and pay it off as soon as we possibly can. Motion carried 5-0-1 absent (LC). (\$2.35 million for apparatus; \$2.65 million for fire house)

City Attorney Sholar read Resolution 2018-27 authorizing filing appropriate paperwork to receive FEMA Disaster Relief Funds. Bonnie Enlow made motion to approve. Stacey Cline 2<sup>nd</sup>. Motion carried 5-0-1 absent.

Gloria Taft made motion to Adjourn. Mike Hibbard 2<sup>nd</sup>. Motion carried 5-0-1 absent Meeting adjourned at 7:15 p.m.

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Curtis Hockenbury, Mayor

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Tammy Richmond, City Clerk