

WORKSESSION
DARLINGTON COUNTY COUNCIL
DARLINGTON, SC

February 19, 2018

A Worksession of the County Council of Darlington County was held this 19th day of February 2018, at 2 p.m., at the Courthouse Annex/EMS Building, 1625 Harry Byrd Highway (Highway 151), Darlington, South Carolina.

NOTICE OF MEETING

In compliance with the Freedom of Information Act, a copy of the agenda providing the date, time, and place of the meeting was emailed to the local newspapers, persons requesting notification, and posted on the county's website, on the bulletin board in the lobby of the courthouse, and at the entrance of the Courthouse Annex/EMS Building.

COUNCIL MEMBERS PRESENT

Chairman Bobby Hudson, Vice Chairman Marvin Le Flowers, Chaplain Dannie Douglas, Jr., Mr. J. Lewis Brown, Mr. David Coker, Mr. Robert L. Kilgo, Jr., and Ms. Joyce W. Thomas.

COUNCIL MEMBERS ABSENT

Ms. Mozella Nicholson.

ALSO PRESENT

County Administrator Marion Charles Stewart, III, County Attorney James C. Cox, Jr., Clerk to Council J. JaNet Bishop, Development Services Director Terri Cribb, Elections/Voter Registration Director Hoyt Campbell, Finance Director Sherman Dibble, Historical Commission Director Brian Gandy, Clerk of Court Scott Suggs, Darlington City Mayor Gloria Hines, Darlington City Administrator Howard Garland, and others.

REPORTERS PRESENT

Ms. Samantha Lyles of the News and Press, Mr. Jim Faile of the Messenger, Ms. Teresa Galasso of WBTW News 13, and Ms. Rosalia Fodera of WPDE 15 News.

Call To Order / Invocation / Pledge Of Allegiance

Chairman Hudson called the worksession to order at 2 p.m. Mr. Douglas presented the invocation and Mr. Brown led the Pledge of Allegiance.

Worksession Discussion – Courthouse Project

Council members were given information compiled by First Tryon Advisors regarding available financing options to replace the courthouse structure. Mr. Stewart provided an overview of advantages and disadvantages of each option which included

general obligation bonds, installment purchase revenue bonds, and capital project sales tax (GO bonds issue).

Mr. Stewart explained that general obligations bonds would have the lower interest rates, would be easy to use, and when not approved via referendum, would be limited to eight percent of the county's taxable assessed value, which would equate to approximately \$16.4 million. Therefore, the county could borrow up to about \$16 million without voter approval. Another option would be to obtain voter approval on a referendum to exceed the eight percent debt capacity and borrow up to the amount the voters approve.

Mr. Stewart stated that he would not talk about the installment purchase revenue bonds since Council members previously indicated that they were not interested in this option because of the complicated process, although it requires no voter approval.

Mr. Stewart explained that a capital project sales tax would have to be approved by the voters, usually has one of the lowest interest rates and lowest overall cost to the taxpayers because it does not extend over 20 to 30 years of interest building on money that has to be paid back, and has a dedicated sales tax revenue stream to repay debt service with no property tax increase. There would be a sales tax on the sales of certain goods and services. The next chance for an exceeding debt capacity general obligation bond or capital project sales tax referendum would be this November. If November's General Election is missed, it would be November of 2020 before there is another General Election in Darlington County to ask the voters for approval.

Mr. Stewart then reviewed financing assumption scenarios for borrowings various amounts and various terms using general obligation bonds and capital project sales tax (general obligation bonds). He pointed out that using general obligation bonds, the millage impact would be the proposed mill impact, plus 3.3 mills that are currently on. This information was included in Council's information.

Mr. Stewart pointed out the county's current debt millage. He wanted to make sure that Council knows that if \$20 million is financed for 20 years using general obligation bonds, Council would be placing just over seven mills of debt on real property and vehicles for 20 years. He also pointed out that the one-cent capital project sales tax would generate over \$5 million per year based upon the School District's one cent education capital improvement tax which would be applicable to the same goods and services. Mr. Stewart presented a map (obtained from the Department of Revenue) of the state showing the various tax and tax amount in each county effective May 1, 2017.

Mr. Coker asked whether the minimum time period for a capital project sales tax was four years. Attorney Ben Ziegler responded that the initial period to impose a capital project sales tax would be a term of eight years. However, the tax would stop once the project is paid for. He also pointed out that there would be two questions on the ballot - one question for

the sales tax with the list of projects and cost and a question regarding the issuance of bonds payable with the tax. Attorney Zeigler stated that that county would issue general obligation bonds and use the sales tax proceeds to pay the bonds. The county would size the amount of the project and the amount to borrow in the referendum question. When the county collects enough revenue to pay for the project(s) or pay off the bonds, the tax would terminate.

Mr. Stewart pointed out that the Capital Project Sales Tax Act, which was included in Council's information, states that the capital project sales tax could be placed for two-year increments not to exceed eight years. He questioned whether the referendum question could be for four years. Attorney Zeigler responded that the county could put on the capital project sales tax for less than eight years. However, the county must be careful to put on enough time to collect enough funds.

Mr. Coker felt that the taxpayers would argue about why put on the tax for eight years when the project could be paid off in three years. Mr. Stewart said the suggestion would be for four years since the project would be less than \$18 million. Attorney Zeigler indicated that he had never seen the capital project sales tax done for less than eight years because you would not want to not collect enough funds. He said the county would be able to tell the voters up front how much needs to be borrowed, an estimate of how much would be collected, and that the tax would terminate upon payoff of the debt. This would not be in the question on the referendum but could be placed in the material provided to the citizens in advance of the referendum. Mr. Zeigler clarified that the capital project sales tax could be done for four years.

Mr. Flowers questioned whether the county could pay off its existing bonds with capital project sales tax revenue. Attorney Zeigler responded yes and no. Capital project sales tax revenue can be used to pay for certain types of projects. Using capital project sales tax revenue to pay off the county's outstanding bonds would depend upon the type of projects that were financed with the original bonds. However, he had never seen existing bonds paid off using capital project sales tax revenue. Mr. Stewart added that the current bond, which will expire in 2021, was used for courthouse purposes and for the infrastructure at the I-20 Industrial Park.

Mr. Brown clarified that the capital project sales tax would terminate when the bond is paid off.

Mr. Coker was concerned that if the capital project sale tax is in place for a longer period of time and more than enough funds are collected, Council may want to use the revenue for something else.

Mr. Kilgo said a disadvantage of the capital project sales tax would be that it has to be shared with the cities.

Mr. Stewart talked about local option sales tax allocations in other counties. He then explained that with the capital project sales tax, the county would form a Capital Sales Tax Commission after an authorizing resolution. The Commission would consist of six individuals with three being appointed by County Council and three appointed by the municipalities. Based on the population, the City of Darlington and the City of Hartsville would each appoint one person. Then the City of Hartsville and the City of Darlington's representative together would appoint one individual from the Town of Lamar or the Town of Society Hill. The municipal representatives must reside within the municipal limits and cannot be an elected/appointed official or serve in a capacity that would constitute dual office holding. The six-member Commission would then listen to funding proposals/projects within the county and formulate the ballot question based on the projects they approve and state law regarding the ballot question. This would come back to County Council.

Mr. Stewart said there had been several discussions about only funding one project in order to not turn this into a money pit with projects all over the county. He said Council would make its appointments with the understanding that County Council will not accept any ballot question that contains anything other than a project to replace the infrastructure of the courthouse building and the offices therein. Therefore, County Council should appoint three individuals who are dedicated to present a proposal to Council that contains nothing more than a ballot question to replace the capital infrastructure that currently holds the offices in the courthouse. Mr. Stewart also pointed out that County Council could not alter the ballot question. Once the ballot question comes from the Commission, County Council can only consider the ordinance to place the question on the ballot as a referendum or walk away from it.

Mr. Stewart reviewed the timeline for capital project sales tax and suggested that at its March meeting, County Council approve a resolution to create the Capital Project Sale Tax Commission. Then the cities of Hartsville and Darlington would have 30 days from the date the Commission is created by County Council to appoint their member. Hopefully, all the appointments would be made by April 2, 2018. Mr. Stewart reviewed the remaining items in the timeline based upon County Council's intent.

Elections/Voter Registration Director Hoyt Campbell explained that the Elections Office would need the ballot question earlier enough to submit it to the State to ensure that it will be compatible with the voting machines. Mr. Stewart stated that the requirements for the question were included in State law.

Mr. Brown wanted to know how specific the location would have to be in the referendum. Mr. Stewart responded that the location would not be a part of the question; just the project name. Mr. Zeigler added that the question would describe the type of project and the scope and the cost. If location is desired, a radius could be used.

Mr. Stewart stated that if County Council does not want a capital project sale tax, but still want to fund such a project that would take in excess of the eight percent debt limit, Council would have to do a voter referendum for general obligation bonds. He briefly reviewed the timeline for the general obligation bond referendum. For the general obligation bond, the referendum question would be established by the attorney instead of a commission.

Mr. Stewart explained that should there be a failure of the Capital Project Sales Tax Commission to develop a ballot question or the Commission refuses to submit a ballot question that Council is willing to approve, then Council could move forward with a general obligation bond referendum with millage on real property and vehicles. It was Mr. Stewart's belief that the taxpayers, as a whole, would pay more money with the general obligation bond referendum without the capital project sales tax because it would be for a longer period of time, a larger amount of money, more finance costs, etc.

Mr. Flowers suggested that Council give the staff directions to move forward with one of the projects. Mr. Brown stated that he may not agree with the penny sales tax, but he may be willing to let the voters decide.

Mr. Stewart presented the probable cost (\$3,360,000) for demolition of the courthouse as determined by Michael Baker International, a design/engineering/consultant firm. The cost presented did not include permits and landfill costs.

Mr. Stewart said it had been discussed that if the county would build a judicial center on the property already purchased by the county beside the mural parking lot and then build an administration/government building somewhere near EMS, the county could build a 33,000 square foot facility for about \$325 per square foot for judicial functions at a cost of about \$10,750,000 and a 21,000 square foot building at about \$230 per square foot for administration/government functions at a cost of about \$4.8 million. These amounts include furnishing, parking lots, etc. With this scenario, plus the estimated demolition cost for the courthouse, the project cost would be about \$18.94 million. He compared this cost to the capital project sales tax estimate for four years at the expected rate of return yielding about \$19,860,000 in project money.

The staff and Council briefly talked about the reasons a judicial facility cost more per square foot than an administration building and the square footage of the current courthouse facility. Mr. Flowers asked whether Council could split the project between a judicial center and an administrative building and use borrowing without voter approval if the capital project sales tax does not pass. Mr. Stewart responded that Council could use a bond within debt capacity once the current bonds are paid off in 2021. However, all of the county's reserves would be tied up. Therefore, if something major happens, Council would not have the ability to get more funds without voter approval. Mr. Stewart mentioned that Council could do one project at a time. However, in doing so, the county would have to continue

maintaining the current courthouse facility or find a place for everyone in the courthouse to move to for about 15 to 20 years.

Mr. Flowers asked the dollar amount of the bonds that will be paid off in 2021. Mr. Stewart responded that the outstanding bonds were not voter approved and totaled about \$2 million in principal balance. This amount did not include the Fire District bonds which were voter approved.

Mr. Flowers stated that if the county builds a judicial center using the existing borrowing capacity, in three to four years, there would not be enough of the bonds paid off to do anything. Mr. Stewart responded that unless the number is increased to 14 or 15 mills, it would take 20 years to pay off one half of that amount of money. He said the county already has 3.3 mills and it would take 3.8 mills just to have enough. Therefore, it would take between 10 to 20 years to pay off the first project (the judicial building) before beginning the second project (administration/government facility) while maintaining the courthouse facility with all its expenses.

Attorney Zeigler stated that he did not know how much of the cost for the proposed administration building was for furniture, fixture, and equipment or whether it was all bricks and mortar. However, an alternative would be for the county to subtract the cost for furniture, fixtures, and equipment and finance that through lease installment financing. This would keep the cost of furniture, fixtures, and equipment off the eight percent debt limit and pay it essentially the same way, except issuing small general obligation bonds every year to make the payments. This would keep that debt capacity available. Mr. Stewart added that this would allow debt capacity but would not change the burden on the taxpayers.

Mr. Coker said there was nothing in the information about remodeling the courthouse. Mr. Stewart responded that there was not an exact number for remodeling, and the staff did not know what amount of remodeling would trigger the fact that the county would have to install sprinklers throughout the building and bring it up to current seismic standards. This would have to be determined by an engineer.

Mr. Flowers was concerned that remodeling would require relocation of the entire county administration and judicial system for a period of time until the building is remodeled. Mr. Stewart stated that the idea of shifting staff from floor to floor as the building is remodeled was not as feasible knowing that the building has to be brought to certain standards with sprinklers.

Mr. Kilgo stated that from the five public meetings, everyone suggested building a new building. No one said to keep the present building. The information from the listening sessions was also included in Council's information.

Mr. Coker stated that a total of about 80 people showed up to voice their opinion at the listening sessions. Although this was a cross-section of the community, it was only 80 people. It was his opinion that all aspects need to be looked at, including remodeling. He suggested using the Carolina Bank building while the courthouse is being remodeled, which Mr. Stewart stated would have to be remodeled, too. Mr. Stewart said an engineer would have to look at all the buildings independently. He pointed out that if the deadline is missed for the referendum, the county would have to wait two years for another General Election. Mr. Coker indicated that he would not vote until he has all the options.

Mr. Kilgo pointed out that Council could prepare for the referendum to be placed on the ballot because it would not specify what building the funds would be spent on. He said the engineering information could be obtained while Council moves forward with the capital project sales tax. Council and the staff talked about the project timeline and referendum question.

Mr. Brown stated that the overwhelming majority of how this project will be paid for would come from a very disproportionate amount of the county. He said 80 percent of the revenue comes from basically 1.5 participants. Chairman Hudson responded that other people would contribute to the penny sales tax and not just one town.

Mr. Douglas stated that he too wanted to know the cost to remodel the current courthouse compared to building a new building. Mr. Stewart requested a consensus vote to engage Michael Baker International to perform a detailed review of the plausibility for remodeling the current courthouse, which could cost from \$40,000 to \$50,000. Mr. Kilgo emphasized that Council could still move forward with the plan and do the engineering study, too. Ms. Thomas stated that Council had received various information and should not spend more money for reviews. She mentioned the issue with security and accessibility at the current courthouse facility.

Mr. Coker asked and Mr. Stewart briefly talked about the judicial center recently built in Bamberg County. Mr. Stewart did not encourage Council members to visit this facility since it was very small and cost more per square foot than what the county was currently proposing. However, he welcomed Council members to visit another facility.

Mr. Brown suggested that the county approach the City of Darlington about taking the courthouse building, which would free up \$3.5 million for alternative uses. Mr. Stewart said that was a promising prospect but changed this past Friday afternoon.

Vote For Executive Session – Receipt Of Legal Advice

MOTION was made by Chairman Hudson and seconded by Mr. Flowers for Council members, the County Administrator, the County Attorney, and Bond Attorney Ben Zeigler to go into executive session for the receipt of legal advice.

The motion carried unanimously.

Council and the individuals named above went into executive session at 2:59 p.m. and reconvene at 3:21 p.m. Upon reconvening, Chairman Hudson announced that no action was taken during executive session.

Cost For Engineering Study To Renovate Courthouse

MOTION was made by Mr. Coker and seconded by Mr. Brown to direct the County Administrator to fund the research for remodeling and other options instead of building a new courthouse.

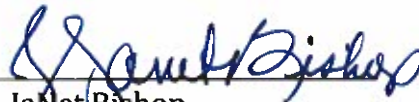
Mr. Stewart estimated that a study would cost between \$40,000 and \$50,000. He agreed to obtain an estimated price by the next County Council meeting. This would not require any action of Council.

Mr. Coker withdrew his motion and asked that the staff obtain a price from Michael Baker International for a full engineering study to bring the current courthouse up to codes.

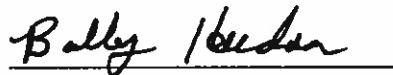
Adjournment

MOTION was made by Chairman Hudson to adjourn the worksession. There being no further discussion, the worksession was adjourned at 3:22 p.m.

Respectfully submitted,



J. Janet Bishop
Clerk to Council



Bobby Hudson, Chairman
Darlington County Council

Approved at meeting of April 2, 2018.