

The Washington City Council met in a special session on Monday, January 26, 2007 at the Municipal Building at 4:30 P.M. Present were: Judy Jennette, Mayor; Darwin Woolard, Mayor Pro tem; Ed Gibson, Councilman; Richard Brooks, Councilman; Mickey Gahagan, Councilman; James Smith, City Manager; Franz Holscher, City Attorney; and Reatha B. Johnson, Assistant City Clerk. Councilman Jennings was absent. Councilman Gahagan was not present at the beginning of the meeting, but came in at 4:55 and was made a part of the vote.

Also present were: Carol Williams, Finance Director; Keith Hardt, Electric Director, Allen Lewis; Public Work Director, and Mike Voss of the Washington Daily News.

Mayor Jennette called the meeting to order.

Councilman Gibson delivered the invocation.

**APPROVING – FINANCING TERMS WITH WACHOVIA BANK ON
ADDITIONAL FUNDING NEEDED FOR ELECTRICAL SUBSTATION
CONSTRUCTION (336,486)**

Carol William, Finance Director, comments as follows:

- The City borrowed \$1,000,000 for the project in June, 2005
- The interest rate on the initial \$1,000,000 loan has been set at 3.02%
- City to make 39 monthly payments on the \$1,000,000
- The Wanoca electric substation project is estimated to cost \$648,126.74 over the originally borrowed amount for the station
- The City has yet to incur other costs related to the project
- Once funds are applied toward the anticipated \$563,326 expenses to be incurred, the City will still be short of \$336,486 of having enough funds to complete the project
- New loan carries and interest rate of 4.33%
- City will make 39 monthly payments on the \$336,486
- First payment due March 1

Keith Hardt, Electric Director, told Council the project was scheduled for completion this month, but likely won't be finished until the end of September. Some of the reasons for the delay are listed:

- Eastern Substation project was submitted and approved in the budget for the 04-05 fiscal year and this estimate was based on 2004 data pertaining to price and delivery of components for comparable projects
- Hurricane Katrina
- Labor tripled
- Copper and steel prices skyrocketed
- We are at the mercy of the market and timing for the prices and delivery times of our procurement

Councilman Gahagan, who sells metals such as coppers and aluminum, concurred with Keith Hardt that prices for metals used in the construction of electrical substations have increased significantly since Hurricane Katrina struck the Gulf Coast.

Councilman Gibson stated that the project's increased cost is the result of the project being mismanaged. Councilman Gibson felt that Mr. Hardt should have checked on prices with a general contractor and Mr. Hardt disagreed. Councilman Gibson also said he was concerned there will be some more escalation.

Mayor Jennette asked Mr. Hardt when the substation would be completed and he said they are shooting for the end of September.

On motion of Mayor Pro-tem Woolard, seconded by Councilman Gibson, Council voted 4-0 to adopt the Resolution approving financing terms for the additional borrowing of \$336,486 from Wachovia Bank at 4.33% for 39 months for the purpose of completing the construction of the Wanoca Electrical Substation.

RESOLUTION APPROVING FINANCING TERMS

WHEREAS, The City of Washington (“the City”) has previously determined to undertake a project for additional funding for the relocation and construction of the Wanoca Electric Substation and the Finance Director has now presented a proposal for the financing of such Project (the “Project”).

BE IT THEREFORE RESOLVED, as follows:

1. The City hereby determines to finance the Project through Wachovia Bank, in accordance with the proposal dated January 23, 2007. The additional amount to be financed shall not exceed \$336,486 the annual interest rate (in the absence of default or change in tax status) shall not exceed 4.33% and the financing term shall not exceed thirty-nine months from closing.
2. All financing contracts and all related documents for the closing of the financing (the “Financing Documents”) shall be consistent with the foregoing terms. The Finance Director of the City is hereby authorized and directed to execute and deliver any Financing Documents, and to take all such further action as she may consider necessary or desirable, to carry out the financing of the Project as contemplated by the proposal and this resolution. The Financing Document shall include a Financing Agreement and a Project Fund Agreement as Wachovia may request.
3. The Finance Director is hereby authorized and directed to hold executed copies of the Financing Documents until the conditions for the delivery of the Financing Documents have been completed to such officer’s satisfaction. The Finance Officer is authorized to approve changes to any Financing Documents previously signed by City officers or employees, provided that such changes shall not substantially alter the intent of such documents or certificates from the intent expressed in the forms executed by such officers. The Financing Documents shall be in such final forms, as the Finance Director shall approve, with the Finance Director’s release of any Financing Document for delivery constituting evidence of such officer’s final approval of the Document’s final form.
4. The City shall not take or omit to take any action the taking or omission of which shall cause its interest payments on this financing to be includable in the gross income for federal income tax purposes of the registered owners of the interest payment obligations. The City hereby designates its obligations to make principal and interest payments under the Financing Documents as “qualified tax-exempt obligations” for the purpose of Internal Revenue Code Sections 265(b)(3).
5. All prior actions of City officers in furtherance of the purposes of this resolution are hereby ratified, approved and confirmed. All other resolutions (or parts thereof) in conflict with this resolution are hereby repealed, to the extent of the conflict. This resolution shall take effect immediately.

Adopted this the 26th day of January, 2007.

s/Judy Jennette
JUDY JENNETTE
MAYOR

ATTEST:

s/Rita A. Thompson
RITA A. THOMPSON, CMC
CITY CLERK

On motion of Mayor Pro-tem Woolard, seconded by Councilman Brooks, Council unanimously adjourned the meeting at 5:15 p.m.

Rita A. Thompson, CMC
City Clerk

Notes taken by Reatha B. Johnson, Assistant City Clerk