



CITY OF SPARTANBURG

SOUTH CAROLINA

CITY COUNCIL AGENDA

**City Council Meeting
City Council Chambers
145 West Broad Street
Spartanburg, SC
Monday, March 17, 2014
5:30 p.m.**

- I. Moment of Silence**
- II. Pledge of Allegiance**
- III. Approval of the Minutes of the February 24, 2014 City Council Meeting**
- IV. Approval of Agenda of the March 17, 2014 City Council Meeting**
- V. Public Comment**
*Citizen Appearance forms are available at the door and should be submitted to the City Clerk
- VI. Ordinances**
 - A. A Second Supplemental Ordinance Providing for the Issuance and Sale of City of Spartanburg, South Carolina, Special Obligation Refunding bonds, Series 2014, in the Principal Amount of Not Exceeding \$8,250,000; Delegating the Authority to the Mayor and City Manager to Determine Certain Matters with Respect to the Bonds; Prescribing the Form and Details of Such Bonds; and other Matters Relating Thereto (Second Reading)**
Presenter: Dennis R. Locke, Finance Director
 - B. Authorizing the City of Spartanburg, South Carolina, to Execute and Deliver an Equipment Lease Purchase Agreement, 2014, in an Amount Not Exceeding \$1,600,000 Between the City and the Lessor Thereof to Defray the Cost of Acquiring Certain Equipment; and Other Matters Relating Thereto (First Reading)**
Presenter: Dennis R. Locke, Finance Director
- VII. Other Business**
 - A. Hub City Co-op Update**
Presenter: Chris Story, Assistant City Manager
Hub City Co-op Boardmembers

VIII. City Council Updates

IX. Adjournment

**City Council Workshop
City Hall Training Room
145 West Broad Street
Spartanburg, SC
Monday, March 17, 2014
Immediately Following the City Council Meeting**

I. Call to Order

II. Northside Initiative Update

**Presenters: Ed Memmott, City Manager
Bill Barnet, Chairman of Northside Development Corporation
Curt McPhail, Northside Initiative Project Manager
Harry Byrd – Director, Spartanburg Housing Authority
Dr. Russell Booker – Superintendent, Spartanburg District 7 Schools
Mitch Kennedy, Community Services Director**

III. Adjournment

** City Code Sec. 2-57. Citizen Appearance. Any citizen of the City of Spartanburg may speak at a regular meeting on any matter pertaining to City Services and operations germane to items within the purview and authority of City Council, except personnel matters, by signing a Citizen's Appearance form prior to the meeting stating the subject and purpose for speaking. No item considered by Council within the past twelve (12) months may be added as an agenda item other than by decision of City Council. The forms may be obtained from the Clerk and maintained by the same. Each person who gives notice may speak at the designated time and will be limited to a two (2) minute presentation.*



**City Council Meeting
City Council Chambers
145 West Broad Street
Spartanburg, SC
Monday, February 24, 2014
5:30 p.m.**

**These minutes are subject to approval at the
March 17, 2014 City Council meeting.)**

City Council met this date with the following members present: Mayor Junie White, Mayor pro tem Jan Scalisi, Councilmembers Cate Ryba, Erica Brown, Jerome Rice, Robert Reeder, and W. Sterling Anderson were in attendance. City Manager Ed Memmott and City Attorney Cathy McCabe were also in attendance. Notice of the meeting was posted with the Media 24 hours in advance according to the Freedom of Information Act. All City Council meetings are recorded for a complete transcript.

I. Moment of Silence – observed.

II. Pledge of Allegiance – recited.

III. Approval of the Minutes of the February 10, 2014 City Council Meeting
Councilmember Rice made a motion to approve the minutes as received.
Councilmember Ryba seconded the motion, which carried unanimously 7 to 0.

IV. Approval of Agenda of the February 24, 2014 City Council Meeting
Mayor pro tem Scalisi made a motion to approve the minutes as received.
Councilmember Reeder seconded the motion, which carried unanimously 7 to 0.

V. Public Comment - none

*Citizen Appearance forms are available at the door and should be submitted to the City Clerk

VI. Ordinances

A. Authorizing the City to Quitclaim Deed Property to the Housing Authority of the City of Spartanburg (Second Reading)

Presenter: Mitch Kennedy, Community Services Director

Mr. Kennedy presented the item to City Council as follows:

“At the February 10 meeting, Council gave first reading approval of an Ordinance to authorize signing of a quitclaim deed to the Housing Authority of the City of Spartanburg (“SHA”). SHA and City staff members have engaged in additional discussions on this matter and now want to include all Cammie Claggett parcels in the quitclaim deed. If approved by Council, this will simply clear up was a clerical error in how this property was listed in records at Spartanburg County.

Mr. Harry Byrd, SHA Executive Director, will provide Council with a full briefing on redevelopment plans for Cammie Claggett in March.

Staff is requesting second reading approval of an Ordinance approving a quitclaim deed of the Cammie Claggett property to the Housing Authority of the City of Spartanburg.”

Councilmember Rice made a motion to approve the ordinance as presented on second reading. Councilmember Reeder seconded the motion, which carried unanimously 7 to 0.

B. Ordinance to Create a Policy for Honorary City Street Signs (Second Reading)
Presenter: Ed Memmott, City Manager

Mr. Memmott presented the item to City Council as follows:

“Staff has made modifications to the proposed Ordinance to establish an honorary street naming program. These changes are included (in bold type) in the Ordinance included in this agenda packet. Staff is proposing additional language to clarify Council’s intent that honorary naming should be limited to individuals who have made substantial community contributions. Additionally, the proposed Ordinance has been amended to prevent honorary naming of any streets which are officially named after an individual and to prevent duplicative honorary naming of the same section of any street. Otherwise the proposed Ordinance is in the same form as presented to Council for first reading.

Staff is requesting second reading consideration of an Ordinance to create an honorary street naming program.

BUDGET AND FINANCIAL DATA: Less than \$1,000 per year in expenses associated with this program.”

Councilmember Rice made a motion to approve the ordinance as presented on second reading. Councilmember Ryba seconded the motion, which carried unanimously 7 to 0.

C. Authorizing Refinancing of Certificates of Participation Series 2010 (Renaissance Park Conference Center) (First Reading)
Presenter: Dennis R. Locke, Finance Director

Mr. Locke presented the item to City Council as follows:

“We believe that there is potential to achieve significant savings by refinancing the Certificates of Participation Series 2010 (Renaissance Park Conference Center). This action would not increase the amount of these obligations or their duration – it would simply allow us to pay less interest over the remaining term. The following ordinance will provide authorization for us to proceed with a full competitive market offering of the proposed refinancing transaction. The process would be completed over the next six weeks after which we will know the actual amount of savings achieved.”

VII. Other Business

A. Award of Bid for Brandywine Lane Culvert Improvement Project
Presenter: Jay Squires, Storm Water Manager

Mr. Squires presented the item to City Council as follows:

“Staff received bids for the Brandywine Lane Culvert Improvement Project on February 4, 2014. This project consists of removal and replacement of approximately 108 feet of storm drainage pipe from under Brandywine Lane near the intersection with Mountainbrook Lane. A second component of this project consists of removal and replacement of 36 feet of storm drainage pipe from under Brandywine Lane.

The following bids were submitted:

McAbee Contracting, Inc. (Inman, S.C.)	\$25,246
P.A.R. Grading & Hauling, Inc. (Spartanburg, S.C.)	\$48,218
Raby Construction Co. (Greenville, S.C.)	\$51,729.63
Larry Green Grading, Inc. (Lyman, S.C.)	\$53,041.08
Martin & Son Contracting, Inc. (Spartanburg, S.C.)	\$56,640
Upstate Grading & Engineering, Inc. (Spartanburg , S.C.)	\$100,970

Staff has reviewed the bids and the qualifications for each of these contractors. Based on that review, staff has determined that, McAbee Contracting, Inc is the responsive low bidder. No bids were submitted from MWBE certified contractors. It is anticipated that it will take 30 days (depending on weather) to complete this project. Staff will give neighborhood residents advance notice using door hangers and mailers. A portion of Brandywine Lane will be closed during construction for safety reasons. A detour route will be in place for convenience while the segment of road is closed. Staff is requesting that City Council allow staff to accept the bid from McAbee Contracting, Inc. and authorize the City Manager to enter into a contract with, McAbee Contracting, Inc. for the completion of the project.

BUDGET AND FINANCE DATA: \$ 25,246 from the Storm Water Utility fund will be used to complete the project.”

Mayor pro tem Scalisi made a motion to approve the award of bid to McAbee Contracting, Inc. of Inman, SC in the amount of \$25,246. Councilmember Anderson seconded the motion, which carried unanimously 7 to 0.

B. Award of Bid for Hillbrook Drive II Culvert Improvement Project

Presenter: Jay Squires, Storm Water Manager

Mr. Squires presented the item to City Council as follows:

“Staff received bids for the replacement of a culvert on Hillbrook Drive. This project consists of removal and replacement of approximately 60 feet of storm drainage pipe from the 200 block of Hillbrook Drive.

The following bids were submitted:

McAbee Contracting, Inc. (Inman, S.C.)	\$25,496
Larry Green Grading, Inc. (Lyman, S.C.)	\$36,961.50
P.A.R. Grading & Hauling, Inc. (Spartanburg, S.C.)	\$37,780
Martin & Son Contracting, Inc. (Spartanburg, S.C.)	\$45,530
Upstate Grading & Engineering, Inc. (Spartanburg , S.C.)	\$122,700

Staff has reviewed the bids and the qualifications for each of these contractors. Based on that review, staff has determined that, McAbee Contracting, Inc is the responsive low bidder. No bids were submitted from MWBE certified contractors. It is anticipated that it will take 30 days (depending on weather) to complete this project.

Staff will give neighborhood residents advance notice using door hangers and mailers. A portion of Hillbrook Drive will be closed during construction for safety reasons. A detour route will be in place for convenience while the segment of road is closed. Staff is requesting that City Council allow staff to accept the bid from McAbee Contracting, Inc. and authorize the City Manager to enter into a contract with, McAbee Contracting, Inc. for the completion of the project. BUDGET AND FINANCE DATA: \$ 25,496 from the Storm Water Utility fund will be used to complete the project.”

Councilmember Anderson made a motion to approve the award of bid to McAbee Contracting, Inc., Inman, SC in the amount of \$25,496 as requested. Councilmember Ryba seconded the motion, which carried unanimously 7 to 0.

C. Runway Extension and Runway Safety Area (RSA)

Presenter: Darwin Simpson, Airport Director

Mr. Simpson presented the item to City Council as follows:

“For many years, the City has sought to improve the facilities and infrastructure at the Downtown Memorial Airport. A major emphasis has been given to improving the safety area at the north end of the runway. The Federal Aviation Administration (“FAA”) has indicated that it will provide funding to the City to construct a runway safety area, a runway extension, and runway resurfacing over the next few years. These improvements will allow the airport to serve larger aircraft and improve the economic impact the airport provides to the Spartanburg Community.

Staff wants to brief Council on this project.

BUDGET AND FINANCE DATA: 95% of project costs will be funded by the FAA and the South Carolina Aeronautics Commission. The City will be responsible for funding 5% of project costs. Total project costs over the next 2-3 years could total approximately \$14 million resulting in a local match of approximately \$700,000 as the work progresses. The City Manager and Assistant City Manager will be prepared to brief Council on options to fund the local match.”

City Council received the update as information.

VIII. City Council Updates –

Councilmember Rice reminded everyone that Wrestler Rick Flair would be at the auditorium on Friday night.

Councilmember Ryba mentioned the success of “Start Up Weekend”, an opportunity for women and students working on business ideas, and entrepreneurial ideas. Hub-Bub and Ironyard collaborated on the event.

Mayor pro tem Scalisi congratulated everyone who participated in “Start Up Weekend”. She also mentioned that television personality and reporter Anderson Cooper was at Wofford to do a story on Chaser the dog at Wofford for “60 minutes”.

She also mentioned the Spartanburg Soars kite exhibit at the Chapman Cultural Center. She stated that there would be a community kite flying event held on Sunday, March 23 at the Chapman Center. She also mentioned that she would be traveling to ACOG the following Friday to receive a report on Gangs in the upstate.

Councilmember Anderson mentioned he attended and enjoyed the 50th Anniversary event celebrating Spartanburg Community College. He shared that the Woodland Heights

Neighborhood Association would meet the following Monday.

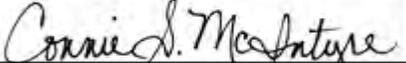
Councilmember Brown thanked Mr. Memmott and the Public Services staff for their hard work during the recent snow storm.

Councilmember Reeder shared there would be an event on Thursday at CC Woodson to discuss grants that are available for neighborhoods.

Mr. Memmott reminded everyone of the City Council Retreat on Saturday, March 1 from 9:00 a.m. until 3:00 p.m. in the Boardroom of the Spartanburg County Foundation.

Mayor White thanked everyone for attending the meeting.

- IX. Adjournment – *Mayor pro tem Scalisi* made a motion to adjourn the meeting. Councilmember Ryba seconded the motion, which carried unanimously 7 to 0, and the meeting adjourned at 6:10 p.m.**



Connie S. McIntyre, City Clerk



REQUEST FOR CITY COUNCIL ACTION

TO: Ed Memmott, City Manager

FROM: Dennis R. Locke, Finance Director

SUBJECT: Ordinances Authorizing Refinancing of Certificates of Participation Series 2010 (Renaissance Park Conference Center)

DATE: 3-12-2014

There were some minor changes after the 1st reading of the ordinance on February 24th. A few comments from The Bank of New York, as trustee, and minor revisions to allow for defeasance of the outstanding bond through deposit to an escrow agreement (just in case of the unlikely event that was necessary).

We recommend your adoption of this ordinance and welcome any questions you may have.



REQUEST FOR CITY COUNCIL ACTION

TO: Ed Memmott, City Manager

FROM: Dennis R. Locke, Finance Director

SUBJECT: Ordinances Authorizing Refinancing of Certificates of Participation Series 2010 (Renaissance Park Conference Center)

DATE: February 20, 2014

We believe that there is potential to achieve significant savings by refinancing the Certificates of Participation Series 2010 (Renaissance Park Conference Center). This action would not increase the amount of these obligations or their duration – it would simply allow us to pay less interest over the remaining term. The following ordinance will provide authorization for us to proceed with a full competitive market offering of the proposed refinancing transaction. The process would be completed over the next six weeks after which we will know the actual amount of savings achieved.

CITY OF SPARTANBURG, SOUTH CAROLINA

SECOND SUPPLEMENTAL ORDINANCE NO. _____

A SECOND SUPPLEMENTAL ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF CITY OF SPARTANBURG, SOUTH CAROLINA, SPECIAL OBLIGATION REFUNDING BONDS, SERIES 2014, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$8,250,000; DELEGATING THE AUTHORITY TO THE MAYOR AND CITY MANAGER TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE BONDS; PRESCRIBING THE FORM AND DETAILS OF SUCH BONDS; AND OTHER MATTERS RELATING THERETO.

Enacted: March 17, 2014

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SPARTANBURG, SOUTH CAROLINA, IN COUNCIL ASSEMBLED:

Section 1. Definitions. The terms in this Section 1 and all words and terms defined in General Bond Ordinance No. 12-604.4-10.25.10 (the "General Bond Ordinance") enacted by the Council on October 25, 2010 (such General Bond Ordinance as from time to time amended or supplemented by Supplemental Ordinances being defined in the Ordinance as the "Ordinance") (except as herein otherwise expressly provided or unless the context otherwise requires), shall for all purposes of this Second Supplemental Ordinance have the respective meanings given to them in the Ordinance and in Section 1 hereof.

"2014 Cost of Issuance Account" shall mean the account of that name established pursuant to Section 8 hereof.

"2014 Debt Service Fund" shall mean the Fund established pursuant to Section 7 hereof to provide for the payment of the principal of and interest on the Series 2014 Bonds.

"Bond to be Refunded" shall mean the \$9,495,000 original principal amount City of Spartanburg, South Carolina, Special Obligation Refunding Bond (Hospitality Fee Pledge), Series 2010, dated November 18, 2010, and currently outstanding in the principal amount of \$8,725,000.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Custodian" shall mean The Bank of New York Mellon Trust Company, N.A., in Jacksonville, Florida, as Custodian of the 2014 Cost of Issuance Account.

"First Supplemental Ordinance" shall mean shall mean First Supplemental Ordinance No. 12-604.4-10.25.10 enacted by the Council of the City on October 25, 2010 which authorized the issuance of the Bond to be Refunded.

"General Bond Ordinance" shall mean General Bond Ordinance No. 12-604.4-10.25.10 duly enacted on October 25, 2010, by the Council of the City authorizing and providing for the issuance of Special Obligation Bonds (Hospitality Fee Pledge).

"Interest Payment Date" shall mean either April 1 of each year, or April 1 and October 1 of each year, as determined by the Mayor and City Manager pursuant to Section 11 hereof, commencing April 1, 2015 or such other date as the Mayor and City Manager may determine pursuant to Section 11 hereof.

"Paying Agent" shall mean The Bank of New York Mellon Trust Company, N.A., in Jacksonville, Florida, as Paying Agent for the Series 2014 Bonds.

"Principal Payment Date" shall have the meaning given to such term in Section 3(a).

"Registrar" shall mean The Bank of New York Mellon Trust Company, N.A., in Jacksonville, Florida, as Registrar for the Series 2014 Bonds.

"Second Supplemental Ordinance" shall mean shall mean this Second Supplemental Ordinance No. _____ enacted by the Council of the City authorizing the Series 2014 Bonds.

"Series 2014 Bonds" shall mean the City of Spartanburg, South Carolina, Special Obligation Refunding Bonds (Hospitality Fee Pledge), Series 2014, in the aggregate principal amount of not exceeding \$8,250,000 authorized to be issued hereunder.

Section 2. Certain Findings and Determinations.

The City hereby finds and determines:

(a) The Act and the Hospitality Tax Act authorize the City to refund any bonds or other obligations issued to finance or to aid in the financing of Tourism-Related Projects, including the Bond to be Refunded. This Second Supplemental Ordinance supplements the Ordinance, constitutes and is a "Supplemental Ordinance" within the meaning of such quoted term as defined and used in the Ordinance, and is enacted under and pursuant to the Ordinance.

(b) The Series 2014 Bonds constitute and are "Bonds" within the meaning of the quoted word as defined and used in the Ordinance.

(c) Upon the payment of the Bond to be Refunded, the Hospitality Fees pledged under the Ordinance will not be encumbered by any lien and charge thereon or pledge thereof, other than: (i) the pledge thereof under the 2005 Installment Sale Agreement for payment of amounts due with respect to the 2005 Certificates; and (ii) the pledge thereof created by the General Bond Ordinance and this Second Supplemental Ordinance for the payment and security of the Series 2014 Bonds.

(d) There does not exist an Event of Default, nor does there exist any condition which, after the passage of time or the giving of notice, or both, would constitute such Event of Default.

(e) The estimated cost of refunding the Bond to be Refunded does not exceed \$8,250,000.

(f) A Debt Service Reserve Fund will not be established for the Series 2014 Bonds.

(g) The Bond to be Refunded is subject to prepayment at the option of the City, as a whole at any time at the principal amount thereof and interest accrued on such principal amount to be redeemed to the date fixed for redemption, without payment of any premium or penalty.

(h) The City's Financial Advisor, Merchant Capital, L.L.C., has advised the City that based on current market conditions a substantial savings can be achieved by refunding Bond to be Refunded. The Council finds that it is in the best interest of the City to effect a refunding of the Bond to be Refunded because a savings can be effected through the refunding and redemption of such Bond to be Refunded. The Council recognizes, however, that current market conditions may change and that, as of the date of enactment of this Second Supplemental Ordinance, a determination cannot be made as to the amount of such savings, if any, will be realized through the

refunding of the Bond to be Refunded, and that the Mayor and City Manager of the City are authorized and empowered to determine certain matters relating to such refunding as set forth in Section 11 of this Second Supplemental Ordinance. If the rates of interest on the Series 2014 Bonds authorized by this Second Supplemental Ordinance do not result in satisfactory debt service savings, the Mayor and City Manager of the City will be empowered to reject bids for the purchase of the Series 2014 Bonds.

(i) The proceeds of the Series 2014 Bonds are being used for the purpose of (i) refunding the Bond to be Refunded; and (ii) paying the Costs of Issuance of the Series 2014 Bonds.

(j) It is necessary and in the best interest of the City to undertake the refunding of the Bond to be Refunded and to issue the Series 2014 Bonds in the principal amount of not exceeding \$8,250,000 in accordance with the Act, the Hospitality Tax Act, the Ordinance and this Second Supplemental Ordinance for the purposes set forth above.

Section 3. Authorization of Series 2014 Bonds.

(a) There is hereby authorized to be issued a Series of Bonds designated "City of Spartanburg, South Carolina, Special Obligation Refunding Bonds (Hospitality Fee Pledge), Series 2014" (the "Series 2014 Bonds"), in the aggregate principal amount of not exceeding \$8,250,000. The proceeds of the Series 2014 Bonds shall be used for the purposes set forth in Section 2(i) hereof. The Series 2014 Bonds shall be issued in a principal amount determined by the Mayor and City Manager which amount will be sufficient to provide for the payment of the principal of and accrued interest on the Bond to be Refunded to the date fixed for redemption thereof and all Costs of Issuance incurred in connection with the issuance of the Series 2014 Bonds.

Unless otherwise determined by the Mayor and City Manager pursuant to Section 11 hereof, the Series 2014 Bonds shall mature on April 1 in each of the years (the "Principal Payment Dates") and in the principal amounts, and bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months), as determined by the Mayor and City Manager, pursuant to Section 11 hereof.

(b) Such of the Series 2014 Bonds as the Mayor and City Manager shall determine pursuant to Section 11 hereof shall be subject to mandatory redemption at a redemption price equal to the principal amount of the Series 2014 Bonds to be redeemed, together with interest accrued to the date of redemption, in the years and in the amounts determined by the Mayor and the City Manager, pursuant to Section 11 hereof.

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the City may (i) deliver to the Registrar for cancellation Series 2014 Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such Series 2014 Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the City and cancelled by the Registrar and not theretofore applied as a credit against any mandatory redemption obligation. Each Series 2014 Bond so delivered or previously purchased or redeemed shall be credited by the Registrar,

at one hundred percent (100%) of the principal amount thereof, to the obligation of the City on those respective mandatory redemption obligations in chronological order, and the principal amount of the Series 2014 Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

(c) The Registrar, without further authorization or direction from the City, shall give notice of all mandatory redemptions within the time periods and in the manner specified in Article V of the General Bond Ordinance.

(d) The Series 2014 Bonds shall originally be dated the date of delivery of the Series 2014 Bonds, or such other date as the Mayor and City Manager shall determine pursuant to Section 11 hereof, and shall be issued as fully registered Bonds in the denominations of \$5,000 and integral multiples of \$5,000. The Series 2014 Bonds shall be numbered and lettered in such a fashion as to maintain a proper record thereof.

(e) Principal of and redemption premium, if any, on the Series 2014 Bonds shall be payable at the designated corporate trust office of the Paying Agent. Interest on the Series 2014 Bonds shall be payable on each Interest Payment Date, in each case to the Holders as of the immediately preceding Record Date, such interest to be paid by the Paying Agent by check or draft mailed to each Holder at the address as it appears on the Books of Registry maintained at the designated corporate trust office of the Paying Agent, and in the case of a Holder of \$1,000,000 or more in principal amount of Series 2014 Bonds, by wire transfer to an account within the continental United States upon the timely receipt of a written request of such Holder. Payment of the principal of and interest on such Series 2014 Bonds may be payable to the Holder thereof without presentation and surrender of such Series 2014 Bonds; provided, the Holder agrees to surrender such Series 2014 Bonds before or within a reasonable time after the final maturity thereof.

(f) The Series 2014 Bonds shall be in substantially the form set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as are incidental to the series, numbers, denominations, maturities, dates, interest rate or rates, redemption provisions, the purpose of issuance and other details thereof or as are otherwise permitted or required by law or by the Ordinance, including this Second Supplemental Ordinance. The Series 2014 Bonds shall be executed in the name and on behalf of the City by the manual or facsimile signatures of the Mayor and City Clerk of the City.

(g) Unless otherwise agreed to by the Mayor and City Manager, the Series 2014 Bonds may be sold or transferred by the initial Purchaser only to purchasers ("Qualified Investors") who execute an investment letter delivered to the City, in form satisfactory to the City (the "Investment Letter"), containing certain representations, warranties and covenants as to the suitability of such purchasers to purchase and hold the Series 2014 Bonds. Such restriction shall be set forth on the face of the Series 2014 Bonds and shall be complied with by each transferee of the Series 2014 Bonds.

Section 4. Recording and Transfer of Ownership of the Series 2014 Bonds. The Series 2014 Bonds will be issued in fully-registered form, as a single Bond representing the entire principal amount of the Series 2014 Bonds, or as one Series 2014 Bond for each of the maturities of the Series 2014 Bonds. The City, the Paying Agent and the Registrar may treat the Holder as the sole and exclusive owner of the Series 2014 Bonds registered in its name for the purpose of payment of the principal of, and interest or premium, if any on the Series 2014 Bonds, giving any notice permitted or required to be given to the Purchaser or subsequent Bondholders under the General Bond Ordinance or this Second Supplemental Ordinance, registering the transfer of the Series 2014 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and shall not be affected or by any notice to the contrary.

Section 5. Optional Redemption of Series 2014 Bonds. Such of the Series 2014 Bonds as may be determined by the Mayor and City Manager, pursuant to Section 11 hereof shall be subject to redemption prior to maturity, at the option of the City upon the written direction of the City, in whole or in part at any time in such order of their maturities as the City shall determine and by lot within a maturity, at the respective redemption prices with respect to each Series 2014 Bond, expressed as a percentage of principal amount of the Series 2014 Bonds to be redeemed, as shall be determined by the Mayor and City Manager pursuant to Section 11 hereof, together, in each such case, with the interest accrued on such principal amount to the date fixed for redemption. The Registrar shall give notice of redemption of the Series 2014 Bonds by first-class mail, postage prepaid, to the Holder thereof as shown on the Books of Registry of the City not less than five (5) Business Days prior to the date fixed for the redemption thereof.

Section 6. Payment of the Series 2014 Bonds. The Series 2014 Bonds, together with the interest thereon, shall be payable, in such coin or currency of the United States of America which at the time of such payment is legal tender for public and private debts, solely from the Hospitality Fees of the City in accordance with the provisions of the Ordinance and this Second Supplemental Ordinance. The Series 2014 Bonds shall be secured by a pledge of Hospitality Fees on a parity with the pledge of Hospitality Fees for payment of: (i) amounts due under the 2005 Installment Sale Agreement with respect to the 2005 Certificates; and (ii) other Bonds issued in compliance with the provisions of the General Bond Ordinance.

The Series 2014 Bonds do not constitute an indebtedness of the City within any State constitutional provisions (other than Article X, Section 14, Paragraph 10 of the South Carolina Constitution authorizing obligations payable solely from special sources not involving revenues from any tax or license) or statutory limitation. The Series 2014 Bonds shall not be a debt of the City, nor a charge, lien or encumbrance, legal or equitable, upon any property of the City or upon any income, receipts or revenues thereof, other than the aforesaid Hospitality Fees of the City. No recourse shall be had for the payment of the Series 2014 Bonds or the interest thereon against the general fund of the City, nor shall the credit or taxing power of the City be deemed to be pledged thereto. The full faith, credit and taxing powers of the City are not pledged to the payment of the principal of or interest on the Series 2014 Bonds.

Section 7. Establishment of 2014 Debt Service Fund. In accordance with Section 6.6 of the General Bond Ordinance, the 2014 Debt Service Fund is hereby directed to be established by the Trustee on the date of the original delivery of the Series 2014 Bonds for the benefit of the Purchaser or subsequent Holders of the Series 2014 Bonds.

Section 8. 2014 Costs of Issuance Account. There is hereby created the "2014 Costs of Issuance Account". The 2014 Costs of Issuance Account shall be held by a Custodian selected by the City. The moneys on deposit in the 2014 Costs of Issuance Account shall be used and applied to the payment of Costs of Issuance of the Series 2014 Bonds. Withdrawals from the 2014 Costs of Issuance Account shall be made in the manner withdrawals from other funds of the City are made. Moneys on deposit in the 2014 Costs of Issuance Account may be invested upon written direction of the City in Permitted Investments and the provisions of the fourth (4th) paragraph of Section 6.10 of the General Bond Ordinance shall apply with respect to such investments.

Section 9. Authorization to Effect Refunding; Redemption of the Bond to be Refunded.

The refunding of the Bond to be Refunded shall be effected with a portion of the proceeds of the Series 2014 Bonds which proceeds shall be used for the payment of the principal of such Bond to be Refunded as and when such Bond to be Refunded mature is called for redemption in accordance with the provisions of the First Supplemental Ordinance, at the redemption price thereof, together with accrued interest on such Bond to be Refunded to the date fixed for redemption. Other available funds of the City, including Hospitality Fees, may be used by the City to effect the defeasance or refunding of the Bond to be Refunded.

Upon the delivery of the Series 2014 Bonds, the principal proceeds thereof, less Costs of Issuance, may be paid directly to the Holder of the Bond to be Refunded, deposited with the Paying Agent for the Bond to be Refunded, or deposited in an escrow agreement or refunding trust agreement in order to effect the redemption or defeasance of the Bond to be Refunded.

The Mayor and the City Manager, or either of them acting alone, are hereby authorized and directed for and on behalf of the City to execute such agreements and give such directions as shall be necessary to carry out the provisions of this Second Supplemental Ordinance, including the delivery of a notice of redemption of the Bond to be Refunded to the Holder thereof, the provision of directions as to the transfer of proceeds of the Series 2014 Bonds to effect such redemption, and the execution and delivery of an escrow agreement or refunding trust agreement with the Bank of New York Mellon Trust Company, N.A., as escrow agent, to effect the redemption or defeasance of the Bond to be Refunded.

Section 10. Designation of Registrar and Paying Agent. The Council hereby designates The Bank of New York Mellon Trust Company, N.A. as Registrar for the Series 2014 Bonds. The Council hereby further designates The Bank of New York Mellon Trust Company, N.A. as Paying Agent for the Series 2014 Bonds. The Registrar and Paying Agent shall signify their acceptances of their respective duties upon delivery of the Series 2014 Bonds.

Section 11. Sale and Issuance of Series 2014 Bonds.

(a) The Mayor and City Manager, or either of them acting alone, are hereby authorized and empowered to undertake any one or more of the following actions: (a) determine the original issue date of the Series 2014 Bonds; (b) determine the aggregate principal amount of the Series 2014 Bonds, if less than authorized by this Second Supplemental Ordinance; (c) determine the principal amount of each maturity of the Series 2014 Bonds; (d) determine the Interest Payment Date, including the initial Interest Payment Date; (e) determine the optional redemption date and terms of redemption of the Series 2014 Bonds; (f) determine the interest rates for the Series 2014 Bonds; (g) determine the Series 2014 Bonds to be subject to mandatory and optional redemption; (h) determine the redemption prices of the Series 2014 Bonds subject to optional redemption; (i) approve the form of a Request for Proposals under which the Series 2014 Bonds will be offered for sale by private placement with a bank or other financial institution, (j) approve the form of a Private Placement Offering Memorandum to be distributed to various banks and other financial institutions as the Finance Director of the City determines; (k) determine the date and time for receipt of bids under the Request for Proposals; (l) award the sale of the Series 2014 Bonds to the successful bidder therefor in accordance with the terms of the Request for Proposals; and (m) agree to any other terms, provisions and matters necessary or advisable to effect the issuance of the Series 2014 Bonds.

(b) A copy of this Second Supplemental Ordinance shall be filed with the minutes of the meeting at which this Second Supplemental Ordinance was enacted.

(c) The Council hereby authorizes and directs all of the officers and employees of the City to carry out or cause to be carried out all obligations of the City hereunder and to perform such other actions as they shall consider necessary or advisable in connection with the issuance, sale and delivery of the Series 2014 Bonds.

Section 12. Disposition of Proceeds of Series 2014 Bonds and Certain Other Moneys.

The proceeds derived from the sale of the Series 2014 Bonds shall be used for the following purposes:

(a) Proceeds derived from the sale of the Series 2014 Bonds necessary to provide for the redemption or defeasance of the Bond to be Refunded shall be paid directly to the Holder of the Bond to be Refunded, deposited with the Paying Agent for the Bond to be Refunded, or deposited in an escrow agreement or refunding trust agreement, as determined by the Mayor and City Manager, or either of them acting alone.

(b) The remainder of the proceeds of the Series 2014 Bonds shall be deposited with the Custodian at the direction of a City Representative into the 2014 Costs of Issuance Account established in Section 8 hereof to be used for and applied to the payment of Costs of Issuance in the manner provided in that section.

The respective amounts specified in this Section 12 shall be determined by the City upon delivery of the Series 2014 Bonds.

Section 13. Federal Tax Covenant. The City hereby covenants and agrees with the Purchaser or subsequent Holders of the Series 2014 Bonds that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2014 Bonds to become includable in the gross income of the Purchaser or subsequent Bondholders for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder in effect on the date of original issuance of the Series 2014 Bonds and that no use of the proceeds of the Series 2014 Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Series 2014 Bonds would have caused the Series 2014 Bonds to be "arbitrage bonds," as defined in the Code; and to that end the City hereby shall:

(a) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as the Series 2014 Bonds are Outstanding;

(b) establish such funds, make such calculations and pay such amounts, if necessary, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebate of certain amounts to the United States; and

(c) make such reports of such information at the times and places required by the Code.

The Mayor and the City Manager, or either of them acting alone, are hereby authorized to adopt written procedures to ensure the City's compliance with federal tax matters relating to the Series 2014 Bonds.

Section 14. Series 2014 Bonds Designated Qualified Tax-Exempt Obligations. The City covenants that, in accordance with the applicable provisions of the Code, the Series 2014 Bonds are designated as "qualified tax-exempt obligations" as defined in Section 265 of the Code. The City and all subordinate entities thereof do not anticipate issuing more than \$10,000,000 in tax-exempt bonds or other tax-exempt obligations in calendar year 2014 other than private activity bonds (other than private activity bonds which are "qualified 501(c)(3) bonds" as defined in the Code). The City represents that the sum of all tax-exempt obligations (other than such private activity bonds) issued by the City and all subordinate entities thereof during calendar year 2014 is not reasonably expected to exceed \$10,000,000.

Section 15. Continuing Disclosure. So long as and to the extent required pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended ("Section 11-1-85"), the City covenants that it will file with a central repository for availability in the secondary bond market when requested:

(i) An annual independent audit, within 30 days of the City's receipt of the audit; and

(ii) Event-specific information within 30 days of an event adversely affecting more than 5% percent of Hospitality Fees or the City's tax base.

The only remedy for failure by the City to comply with the covenant of this Section 15 shall be an action for specific performance of this covenant; and failure to comply shall not constitute a default or an "Event of Default" under the Ordinance or this Second Supplemental Ordinance. The Trustee shall have no responsibility to monitor the City's compliance with this covenant. The City specifically reserves the right to amend or delete this covenant in order to reflect any change in Section 11-1-85, without the consent of the Trustee, the Purchaser or subsequent Holders of any Series 2014 Bonds.

Section 16. Further Actions. The Mayor, the City Manager, the Assistant City Manager, the Finance Director of the City, the City Attorney and the City Clerk are hereby authorized and directed to take any and all such further actions as shall be deemed necessary or desirable in order to effectuate issuance of the Series 2014 Bonds and the refunding of the Bond to be Refunded.

Section 17. Headings. The headings and titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Second Supplemental Ordinance.

Section 18. Notices. All notices, certificates or other communications hereunder or under the Ordinance shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows:

If to the City:

City of Spartanburg, South Carolina
Attn: City Manager
145 West Broad Street
Spartanburg, South Carolina 29306

If to the Custodian:

The Bank of New York Mellon Trust Company, N.A.
Attn: Corporate Trust
10161 Centurion Parkway
Jacksonville, Florida 32256

If to the Paying Agent:

The Bank of New York Mellon Trust Company, N.A.
Attn: Corporate Trust
10161 Centurion Parkway
Jacksonville, Florida 32256

If to the Registrar:

The Bank of New York Mellon Trust Company, N.A.
Attn: Corporate Trust
10161 Centurion Parkway
Jacksonville, Florida 32256

If to the Trustee:

The Bank of New York Mellon Trust Company, N.A.
Attn: Corporate Trust
10161 Centurion Parkway
Jacksonville, Florida 32256

The City, the Custodian, the Paying Agent, the Registrar, and the Trustee may, by notice given to the other parties, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Each of the Registrar, the Custodian, the Paying Agent and the Trustee shall have the right to accept and act upon directions given pursuant to this Second Supplemental Ordinance delivered using Electronic Means (defined below); provided, however, that the Registrar, the Custodian, the Paying Agent and the Trustee, as applicable, have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons (each an "Authorized Officer"), which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the City elects to give the Registrar, the Custodian, the Paying Agent or the Trustee directions using Electronic Means and the Registrar, the Custodian, the Paying Agent or the Trustee in its discretion elects to act upon such directions, the Registrar's, the Custodian's, the Paying Agent's or the Trustee's understanding of such directions shall be deemed controlling. The City understands and agrees that the Registrar, the Custodian, the Paying Agent and the Trustee cannot determine the identity of the actual sender of such directions and that the Registrar, the Custodian, the Paying Agent and the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such directions to the Registrar, the Custodian, the Paying Agent and the Trustee, as applicable, and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. Neither the Registrar, the Custodian, the Paying Agent nor the Trustee shall be liable for any losses, costs or expenses arising directly or indirectly from their reliance upon and compliance with such directions notwithstanding such directions conflict or are inconsistent with a subsequent written direction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions, including without limitation the risk of the Registrar, the Custodian, the Paying Agent or the Trustee acting on unauthorized directions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting such directions and that there may be more secure methods of transmitting directions and (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances. "Electronic Means" shall

mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by either the Registrar, the Custodian, the Paying Agent or the Trustee, as the case may be, as available for use in connection with its respective services hereunder.

Section 19. Repeal of Inconsistent Ordinances and Resolutions. All ordinances and resolutions of the City, and any part of any ordinance or resolution, inconsistent with this Second Supplemental Ordinance are hereby repealed to the extent of such inconsistency.

Section 20. Amendment to General Bond Ordinance. The amendment to the General Bond Ordinance hereinafter set forth shall not become effective until the Bond to be Refunded is no longer Outstanding. Any Bonds, including the Series 2014 Bonds, issued after the date of enactment of this Second Supplemental Ordinance shall contain a reference to the amendment herein made.

Section 9.1 of the General Bond Ordinance is hereby amended by adding the following text at the end of such section:

The City expressly authorizes the underwriter or purchaser of any Series of Bonds to assent to and consent to such amendments to the General Bond Ordinance as contemplated by this section in the same manner as the Holders of the Bonds.

Section 21. Effective Date. This Second Supplemental Ordinance shall become effective upon its enactment.

[Signature Page Follows]

Enacted by the City Council of the City of Spartanburg, South Carolina, this 17th day of March, 2014.

CITY OF SPARTANBURG, SOUTH CAROLINA

Mayor

(SEAL)

ATTEST:

Clerk

First Reading: February 24, 2014

Second Reading: March 17, 2014

This Ordinance has been reviewed by me and is hereby approved as to form and legality.

City Attorney, City of Spartanburg, South Carolina

[Execution Page]

FORM OF SERIES 2014 BOND

TRANSFER RESTRICTED

THIS BOND MAY BE SOLD OR TRANSFERRED IN WHOLE OR IN PART ONLY TO A PURCHASER OR TRANSFEREE CONSTITUTING A QUALIFIED INVESTOR (AS SUCH TERM IS DEFINED IN THE HEREAFTER DEFINED SECOND SUPPLEMENTAL ORDINANCE UNDER WHICH THIS BOND IS ISSUED), AND ONLY UPON SUCH QUALIFIED INVESTOR DELIVERING TO THE CITY AN INVESTMENT LETTER IN THE FORM REQUIRED UNDER THE SECOND SUPPLEMENTAL ORDINANCE

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
CITY OF SPARTANBURG
SPECIAL OBLIGATION REFUNDING BOND (HOSPITALITY FEE PLEDGE)
SERIES 2014

The City of Spartanburg, South Carolina (the "City"), is justly indebted and, for value received, hereby promises to pay to _____, in _____, _____ (the "Purchaser"), its successors or registered assigns, but solely from the Hospitality Fees hereinafter mentioned and not otherwise, the principal amount of \$ _____ together with interest, but solely from such Hospitality Fees and not otherwise, on the outstanding principal balance hereof at the rate of _____% per annum (the "Interest Rate") until this Bond matures. This Bond is payable in annual installments on April 1 in each of the years and in the principal amounts as follows:

[Insert principal repayment schedule]

Interest on the unpaid principal balance of this Bond is payable on _____, _____, and [semi]annually thereafter on April 1 [and October 1] of each year. Interest on this Bond shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

THIS BOND HAS BEEN ISSUED UNDER THE PROVISIONS OF TITLE 6, CHAPTER 17, AND TITLE 6, CHAPTER 1, ARTICLE 7, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED, AND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (OTHER THAN ARTICLE X, SECTION 14, PARAGRAPH 10 OF THE SOUTH CAROLINA CONSTITUTION AUTHORIZING OBLIGATIONS PAYABLE SOLELY FROM SPECIAL SOURCES NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE) OR STATUTORY LIMITATION. THIS BOND SHALL NOT BE A DEBT OF THE CITY, NOR A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY PROPERTY OF THE CITY OR UPON ANY INCOME, RECEIPTS OR REVENUES THEREOF, OTHER THAN THE

AFORESAID HOSPITALITY FEES OF THE CITY PLEDGED THERETO. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THIS BOND OR THE INTEREST THEREON AGAINST THE GENERAL FUND OF THE CITY, NOR SHALL THE CREDIT OR TAXING POWER OF THE CITY BE DEEMED TO BE PLEDGED THERETO. THE FULL FAITH, CREDIT AND TAXING POWERS OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND.

Both the principal of and interest on this Bond are payable at the principal office of The Bank of New York Mellon Trust Company, N.A., in East Syracuse, New York, without presentation and surrender of this Bond, in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts; provided, however the holder of this Bond agrees to surrender this Bond before or within a reasonable time after the final maturity of this Bond.

This Bond shall not be entitled to any benefit under the Bond Ordinance (hereinafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

This Bond is issued by the City for the purpose of refunding the City of Spartanburg, South Carolina, Special Obligation Refunding Bond (Hospitality Fee Pledge), Series 2010, dated November 18, 2010 (the "Bond to be Refunded"), and paying costs of issuance. This Bond is issued under, pursuant to and in full compliance with the Constitution and statutes of the State of South Carolina, including particularly Article X, Section 14(10) of the South Carolina Constitution, Title 6, Chapter 17 and Title 6, Chapter 1, Article 7 of the Code of Laws of South Carolina 1976, as amended (collectively, the "Act"). This Bond is issued under and pursuant to a General Bond Ordinance (the "General Bond Ordinance") of the City Council of the City duly enacted on October 25, 2010, and as supplemented by Second Supplemental Ordinance No. ____ of the Council enacted on March 17, 2014, (the "Second Supplemental Ordinance," and together with the General Bond Ordinance, the "Bond Ordinance"), under the Act which Bond Ordinance has been duly codified and indexed as prescribed by law.

The holders of this Bond and the series of Bonds of which it is one are deemed to have consented to the amendment to the General Bond Ordinance set forth in the Second Supplemental Ordinance. Such amendment provides that the underwriter or purchaser of any Series of Bonds is authorized to assent to and consent to an amendment to the General Bond Ordinance in the same manner as the Holders of the Bonds.

This Bond and the interest thereon is a special obligation of the City and are secured by and payable solely from, and secured equally and ratably by a pledge of and lien upon, the Hospitality Fees of the City on a parity with any pledge of and lien upon Hospitality Fees for payment of: (i) amounts due under the 2005 Installment Sale Agreement with respect to the 2005 Certificates; and (ii) other Bonds hereafter issued in compliance with the provisions of the General Bond Ordinance (as such terms are defined in the General Bond Ordinance).

This Bond shall be subject to prepayment or redemption at the option of the City, as a whole or in part at any time at the principal amount thereof and interest accrued on such principal amount to be redeemed to the date fixed for redemption, without payment of any premium or penalty. In the event this Bond is called for redemption, the Registrar shall give notice of redemption hereof by first-class mail, postage prepaid, to the Holder hereof as shown on the Books of Registry of the City not less than five (5) Business Days prior to the date fixed for the redemption thereof.

The Bond Ordinance contains provisions defining terms; sets forth the Hospitality Fees pledged for the payment of the principal of and interest on this Bond and the Bonds of other series which have heretofore or may hereafter be issued on a parity herewith under the Bond Ordinance; sets forth the nature, extent and manner of enforcement of the security of this Bond and of such pledge, and the rights and remedies of the holder hereof with respect thereto; sets forth the terms and conditions upon which and the extent to which the Bond Ordinance may be altered, modified and amended; sets forth the terms and conditions upon which have been issued or upon which other bonds may be hereinafter issued payable as to principal, premium, if any, and interest on a parity with this Bond and equally and ratably secured herewith; sets forth the rights, duties and obligations of the City thereunder; and sets forth the terms and conditions upon which the pledge made in the Bond Ordinance for the security of this Bond and upon which the covenants, agreements and other obligations of the City made therein may be discharged at or prior to the maturity or redemption of this Bond with provisions for the payment thereof in the manner set forth in the Bond Ordinance. Reference is hereby made to the Bond Ordinance to all of the provisions of which any holder of this Bond by the acceptance hereof thereby assents. The provisions of the Act and the Bond Ordinance shall be a contract with the holder of this Bond.

To the extent and in the manner permitted by the terms of the Bond Ordinance, the provisions of this Bond or of the Bond Ordinance, or any ordinance amendatory thereof or supplemental thereto, may be amended or modified by the City in certain cases, without the consent of any Bondholders (as defined in the General Bond Ordinance) and, in other cases, with the written consent of the holders of at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Bonds of the series of which this Bond is one then outstanding under the Bond Ordinance (including the Bonds of the series of which this Bond is one); provided, that no such amendment or modification shall (i) extend the time of payment of principal of or the interest on any Bond (as defined in the General Bond Ordinance), or reduce the principal amount thereof or the rate of interest thereon or the premium payable upon the redemption thereof, or (ii) give to any Bond or Bonds (as defined in the General Bond Ordinance) any preference over any other Bond or Bonds, or (iii) authorize the creation of any pledge prior to, or except as provided herein for the issuance of Series of Bonds (as defined in the General Bond Ordinance), on a parity with the pledge afforded by the Bond Ordinance, or (iv) reduce the percentage in principal amount of the Bonds (as defined in the General Bond Ordinance) required to assent to or authorize any such modification to the Bond Ordinance.

Under the laws of the State of South Carolina, this Bond and the interest hereon are exempt from all State, county, municipal, school district and all other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise. This Bond has been designated a "qualified tax-exempt obligation" pursuant to Section 265(b)(3)(B)(ii) of the Internal Revenue Code of 1986, as amended.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of South Carolina to exist, to happen and to be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law; that the series of which this Bond is a part does not exceed any constitutional or statutory limitation of indebtedness; and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is a part, as provided in the Bond Ordinance.

IN WITNESS WHEREOF, the City of Spartanburg, South Carolina, has caused this bond to be executed in its name by the manual signature of the Mayor of the City and attested by the manual signature of the City Clerk of the City under the seal of the City impressed, imprinted or reproduced hereon.

CITY OF SPARTANBURG, SOUTH
CAROLINA

(SEAL)

By: _____
Mayor

ATTEST:

City Clerk

(FORM OF REGISTRAR'S CERTIFICATE OF AUTHENTICATION)

This bond is the bond described in the within-mentioned Ordinance of City of Spartanburg, South Carolina.

The Bank of New York Mellon Trust Company, N.A.,
Registrar

Dated: _____

By: _____
Authorized Officer



REQUEST FOR CITY COUNCIL ACTION

TO: Ed Memmott, City Manager
FROM: Dennis R. Locke, Finance Director
SUBJECT: Capital Lease Financing
DATE: March 12, 2014

BACKGROUND:

As part of our ongoing efforts to equip staff with the resources they need at the lowest possible cost over the long term, the City is committed to maintaining an annual equipment replacement schedule. Funds are appropriated through the annual budget into the equipment replacement fund from which these purchases and then made throughout the year.

Due in part to very low interest rates in recent years, staff has determined that the City could strengthen its financial by bundling and leasing the major purchases within a master lease. This mechanism spreads the cost of these purchases over several years. The proposed action is to authorize this year's lease program.

ACTION REQUESTED:

Staff is recommending the replacement of 13 Police Vehicles, 1 Vehicle - Fire Department, 3 Vehicles and 4 various pieces of equipment for Grounds Maintenance, 2 Automated Side Loaders – Solid Waste, 1 Vehicle - Inspections, 1 – Freightliner Sweeper – Street Maintenance

It is staff's recommendation that we use a capital lease to finance these purchases. If approved, we would accept bids from various financial institutions. The source of repayment would be the Equipment Replacement Fund.

BUDGET & FINANCIAL DATA:

The estimated total is 1,600,000 including closing costs.

**Equipment Replacement Fund
Department/Division
Vehicle / Equipment Requests
FY 2013 - 2014**

<u>Department / Division</u>	<u>Vehicle / Equip. Number</u>	<u>Model Year</u>	<u>Model or Manufacturer</u>	<u>Description</u>	<u>Estimated Cost FY 2013 - 2014</u>
Inspections	Veh# 368	2002	Chevrolet	Chevy S-10 Pickup 6' Body, White	25,000
Police / Animal Control	Veh# 209	2005	Chevrolet	Chevy 1/2 Ton Pickup w/extended cab	33,000
Police / Investigations	Veh# 387	2006	Chevrolet	Impala	27,000
	Veh# 388	2006	Chevrolet	Impala	27,000
	Veh# 389	2006	Chevrolet	Impala	27,000
	Veh# 390	2007	Chevrolet	Impala	27,000
	Veh# 492	2005	Chevrolet	CG33503 Express Van	<u>28,000</u>
					136,000
Police / Patrol	Veh# 478	2004	Chevrolet	Impala	43,000.00
	Veh# 713	2007	Ford	Crown Vic	46,000.00
	Veh# 714	2008	Ford	Crown Vic	45,000.00
	Veh# 725	2008	Ford	Crown Vic	45,000.00
	Veh# 734	2009	Ford	Crown Vic	45,000.00
	Veh# 737	2009	Ford	Crown Vic	45,000.00
	Veh# 782	2013	Ford	Taurus AWD Interc	<u>37,000.00</u>
					306,000.00
Fire / Fire Suppression	Veh# 373	2004	Chevrolet	Tahoe Truck	32,000
Grounds Maintenance	Veh# 5	1998	John Deere	Bunker Rake	8,500
	Veh# 148	1998	Ford	F-800 Flatbed Truck	65,000
	Veh# 154	1998	Ford	F-800 Flatbed Truck	65,000
	Veh# 413	2004	Ford	F-350 Water Truck	40,000
	Veh# 563	2006	Kubota	F-2880 4x4 Lawn Equipment	25,000
	Veh# 801	2003	Tarrant	Leaf Machine	18,000
	Veh# 802	2003	Tarrant	Leaf Machine	<u>18,000</u>
					239,500
Traffic Services	Veh# 421	2002	Ford	F-150 XL Pickup Truck	25,000
Street Maintenance	Veh# 435	2004	Johnston	605 Freightliner Sweeper	150,000
Solid Waste	Veh# 840	2003	GMC/Volvo	Automated Side Loader	270,000
	Veh# 841	2003	GMC/Volvo	Automated Side Loader	<u>270,000</u>
					540,000
GRAND TOTAL					\$ 1,486,500.00

ORDINANCE NO. _____

AUTHORIZING THE CITY OF SPARTANBURG, SOUTH CAROLINA, TO EXECUTE AND DELIVER AN EQUIPMENT LEASE PURCHASE AGREEMENT, 2014, IN AN AMOUNT NOT EXCEEDING \$1,600,000 BETWEEN THE CITY AND THE LESSOR THEREOF TO DEFRAY THE COST OF ACQUIRING CERTAIN EQUIPMENT; AND OTHER MATTERS RELATING THERETO.

BE IT ORDAINED BY THE MAYOR AND MEMBERS OF COUNCIL OF THE CITY OF SPARTANBURG, SOUTH CAROLINA, IN COUNCIL ASSEMBLED, AS FOLLOWS:

SECTION 1. Findings and Determinations. The City Council (the "Council") of the City of Spartanburg, South Carolina, hereby finds and determines:

(a) The City of Spartanburg, South Carolina (the "City"), is an incorporated municipality located in Spartanburg County, South Carolina, and as such possesses all powers granted to municipalities by the Constitution and the laws of this State.

(b) Section 5-7-40 of the Code of Laws of South Carolina, 1976, as amended (the "S.C. Code"), empowers all municipalities to own and possess real and personal property and such municipalities may lease any such property.

(c) The City desires to enter into a lease-purchase agreement (the "Lease Agreement") with a bank or other financial institution selected by the City Manager for the purpose of financing the acquisition of the equipment set forth on Exhibit A hereto (the "Equipment").

(d) The Lease Agreement will not constitute a "financing agreement" and the Equipment will not constitute an "asset" as such terms are defined in Section 11-27-110 of the S.C. Code. Thus, the amount of the Lease Agreement will not be included when calculating the City's constitutional debt limit under Article X, Section 14 of the Constitution of the State of South Carolina.

(e) The Lease Agreement will be subject to annual appropriation by the Council.

(f) It is in the best interest of the City to acquire the Equipment by entering into the Lease Agreement. The Lease Agreement will enable the City to purchase the Equipment which will provide service necessary or useful to the operations of the City government.

SECTION 2. Approval of Lease/Purchase Financing; Delegation of Authority to Determine Certain Matters Relating to the Lease/Purchase Financing. The Equipment described in Exhibit A shall be acquired pursuant to a lease purchase financing which is hereby approved in a principal amount of not exceeding \$1,600,000. A Request for Proposals in substantially the form set forth as Exhibit B hereto shall be distributed to various banks and other financial institutions in the City and other areas as the City's Finance Director determines. Without further authorization,

the Council hereby delegates to the Mayor or the Mayor Pro Tempore and City Manager, or either of them acting alone, the authority to (a) determine the payment schedule under the Lease Agreement; (b) determine the date and time for receipt of bids under the Request for Proposals; (c) award the sale of the lease-purchase financing to the bidder (the "Bidder") who submits the proposal determined to be the most advantageous to the City in accordance with the terms of the Request for Proposals; and (d) make changes to the quantity, cost or description of the Equipment set forth in Exhibit A attached hereto.

SECTION 3. Approval of Lease Agreement. Without further authorization, the City Manager is authorized to approve the form, terms and provisions of the Lease Agreement proposed by the Bidder. The City Manager is hereby authorized, empowered and directed to execute, acknowledge and deliver the Lease Agreement in the name and on behalf of the City. The Lease Agreement is to be in the form as shall be approved by the City Manager, the City Manager's execution thereof to constitute conclusive evidence of such approval.

SECTION 4. Execution of Documents; Written Procedures. The Mayor, Mayor Pro Tempore, City Manager, Finance Director, City Attorney and Municipal Clerk are fully empowered and authorized to take such further action and to execute and deliver such additional documents as may be reasonably requested by the Bidder to effect the delivery of the Lease Agreement, including any project fund or acquisition fund agreement, in accordance with the terms and conditions therein set forth, and the transactions contemplated hereby and thereby, and the action of such officers in executing and delivering any of such documents, in such form as the Mayor or City Manager shall approve, is hereby fully authorized. In addition, the Mayor, Mayor Pro Tempore, City Manager and Finance Director, or any of them acting alone, are further authorized and directed to adopt written procedures on behalf of the City to ensure the City's compliance with federal tax matters relating to the Lease Agreement.

SECTION 5. Federal Tax Covenant. The City, as lessee, agrees and covenants that it will not take any action which will, or fail to take any action which failure will, cause interest components of the payments to be made under the Lease Agreement to become includable in the gross income of the Bidder or its successors or assignees for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended (the "Code") and regulations promulgated thereunder in effect on the date of original issuance of the Lease Agreement, and that it will comply with all applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder, to maintain the exclusion from gross income for federal income tax purposes of the interest portion of the payments to be made under the Lease Agreement; and to that end the City shall:

- (a) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as the 2014 Lease Agreement is outstanding;
- (b) establish such funds, make such calculations and pay such amounts in the manner and at the times required in order to comply with the requirements of the Code relating to required rebates of certain amounts to the United States; and

- (c) make such reports of such information at the times and places required by the Code.

The City will timely file Form 8038-G in accordance with the applicable regulations of the Internal Revenue Service.

The City will designate the Lease Agreement as a “qualified tax-exempt obligation” for purposes of Section 265 of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes interest expense that is allocable to carrying and acquiring tax-exempt obligations.

SECTION 6. Reimbursement. This Ordinance shall constitute the City’s declaration of official intent pursuant to Regulation §1.150-2 of the Code to reimburse the City from a portion of the proceeds of the Lease Agreement for expenditures it anticipates incurring in an approximate amount of \$120,000 (the “Expenditures”) with respect to the Equipment prior to the execution and delivery of the Lease Agreement. Expenditures which are reimbursed are limited to Expenditures which are: (a) properly chargeable to capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Regulation §1.150-2 of the Code) under general federal income tax principals; or (2) certain de minimis or preliminary Expenditures satisfying the requirements of Regulation §1.150-2(f) of the Code. The source of funds for the Expenditures with respect to the Equipment will be the City’s general funds. To be eligible for reimbursement of the Expenditures, the reimbursement allocation must be made not later than 18 months after the later of (a) the date on which the Expenditures were paid; or (b) the date such Equipment was placed in service, but in no event more than three (3) years after the original Expenditures.

SECTION 7. Filings with Central Repository. In compliance with Section 11-1-85 of the S.C. Code, the City covenants that it will file or cause to be filed with a central repository for further availability in the secondary bond market when requested: (a) a copy of the annual audit of the City within thirty (30) days of the City’s receipt thereof; and (b) within thirty (30) days of the occurrence thereof, relevant information of an event which, in the opinion of the City, adversely affects more than five (5%) of the City's revenue or its tax base.

SECTION 8. Severability. All ordinances, orders, resolutions and parts thereof, procedural or otherwise, in conflict herewith or the proceedings authorizing the execution of the Lease Agreement are, to the extent of such conflict, hereby repealed.

SECTION 9. Effective Date. This Ordinance shall be effective upon its enactment.

[Execution Page Follows]

DONE AND RATIFIED this 31st day of March, 2014.

CITY OF SPARTANBURG, SOUTH
CAROLINA

(SEAL)

MAYOR

ATTEST:

CITY CLERK

Date of First Reading: March 17, 2014
Date of Second Reading: March 31, 2014

This Ordinance has been reviewed by me and is hereby approved as to form and legality.

City Attorney, City of Spartanburg, South Carolina

EXHIBIT A

EQUIPMENT

(see attachment hereto)

EXHIBIT B

Form of Request for Proposals

REQUEST FOR PROPOSALS

City of Spartanburg, South Carolina
Equipment Lease/Purchase Financing, 2014
Bid Number: Proposal No. _____

Response Due: _____, 2014
12:00 Noon, South Carolina Time

BANK-QUALIFIED

The City of Spartanburg, South Carolina (the "City"), is requesting proposals from various banks and financial institutions for not exceeding \$1,600,000 tax-exempt lease purchase financing to defray the costs of acquisition of certain equipment as described herein. The City invites interested parties to submit a proposal to finance the equipment by specifying a rate of interest and other conditions for such financing.

Mailed or Hand Delivered Bids: Each mailed or hand delivered proposal shall be enclosed in a sealed envelope marked "Proposal for 2014 Equipment Lease Purchase" and should be mailed or delivered to:

Carl Wright
Purchasing Manager
City of Spartanburg
145 West Broad Street
P.O. Box 1749
Spartanburg, South Carolina 29304
Telephone: 864.596.2049

Facsimile Bids: The City will accept the facsimile transmission of a proposal at the risk of the bidder. The City shall not be responsible for the confidentiality of proposals submitted by facsimile transmission. Any delay in receipt of a facsimile proposal, and any incompleteness or illegible portions of such proposal are the responsibility of the bidder. Proposals by facsimile should be transmitted to the attention of Mr. Carl Wright, Property and Procurement Manager, fax number: 864.596.2365.

E-Mail Bids: Electronic proposals may be e-mailed to the attention of Carl Wright at e-mail address: cwright@cityofspartanburg.org, with a copy to mburns@mcnair.net.

PROPOSALS MAY BE DELIVERED BY HAND, BY MAIL, BY E-MAIL OR BY FACSIMILE TRANSMISSION, BUT NO PROPOSAL SHALL BE CONSIDERED WHICH IS NOT ACTUALLY RECEIVED BY THE CITY AT THE PLACE, DATE AND TIME APPOINTED, AND THE CITY SHALL NOT BE RESPONSIBLE FOR ANY FAILURE, MISDIRECTION, DELAY OR ERROR RESULTING FROM THE SELECTION BY ANY BIDDER OF ANY PARTICULAR MEANS OF DELIVERY OF BIDS.

Please note that this Request for Proposals is also being sent to a number of other institutions as well and that the City reserves the right to select the proposal determined to be the most advantageous to the City in its sole discretion. The selection process will be heavily weighted toward lowest financing costs; however, lowest financing cost is not the only factor that may be considered by the City. The City reserves the right to reject any or all bid proposals as well as negotiate with the lowest responsive bidder.

The City requests that each bidder reference the following bid number in its proposal for the Lease/Purchase financing: Bid Number: Proposal No. _____.

I. Terms and Conditions

- (a) Amount to be Financed: Not exceeding \$1,600,000. The City retains the option to reduce the total amount to be financed by up to 10%.
- (b) Payments: Ten (10) approximately equal semi-annual principal and interest payments on April 1 and October 1 of each year commencing October 1, 2014 and ending April 1, 2019. Unless otherwise designated by a bidder interest on the lease will be calculated based on a 360-day year comprised of twelve 30-day months.
- (c) Guarantee of Interest Rate: The interest rate, costs and other terms of the bid submitted must be guaranteed from the date of your proposal to the closing date (expected to be on or about May 2, 2014).
- (d) Equipment: See attached Exhibit A.
- (e) Form of Equipment Lease/Purchase Agreement: A bidder's proposed form of lease agreement ("Lease Agreement") should be provided to the City's special counsel within three (3) business days of the award of the successful proposal.
- (f) Non-appropriation: A non-appropriation provision acceptable to the City must be included in the Lease Agreement. All amounts due under the Lease Agreement must be subject to annual appropriation by the City.
- (g) Non-substitution: A non-substitution provision is not permitted to be included in the Lease Agreement.

- (h) Deficiency Judgment: No deficiency judgment can be assessed or imposed against the City nor will the full faith, credit and taxing power of the City be pledged to the payment of the Lease Agreement.
- (i) Title: Title to the equipment will be in the name of the City subject to the bidder's rights under the Lease Agreement. Upon the closing of the Lease Agreement, the successful bidder shall be responsible for taking all actions it deems necessary to impose its lien upon or perfect any security interest in the Equipment.
- (j) Acquisition Account: The City will require the successful bidder to transfer by Federal funds the full amount of this financing on the date of the closing. If a bidder requires that the acquisition or escrow account (the "Acquisition/Escrow Account") be held by it or its designee, the bidder must so indicate on its proposal (including any fees required thereunder). Otherwise, the City retains the right to designate a bank to act as custodian of the Acquisition/Escrow Account. Interest earnings in the Acquisition/Escrow Account must accrue to the City. Payments therefrom may be made either to the City as reimbursement for prior expenditures or directly to the equipment vendor for payment of the equipment as directed by the City.
- (k) Costs of Issuance: All such costs relating to the preparation of the Lease Agreement and fees of special counsel will be paid by the City. Any fees and costs of the bidder to be paid by the City must be stated in the response to this Request for Proposals. The Lease Agreement must allow the City to pay its legal fees and costs related to execution and delivery of the Lease Agreement out of the proceeds of the Lease Agreement.
- (l) Insurance: The City provides insurance through the South Carolina Municipal Insurance and Risk Financing Fund for equipment/personal property. The equipment will be insured in a similar manner at face value. The lessor may be listed as a loss-payee, but may not be listed as an additional insured under the City's insurance arrangement with the South Carolina Municipal Insurance and Risk Financing Fund.
- (m) Closing: The City expects to accept the successful proposal on April 10, 2014, and close the transaction on or about May 2, 2014.
- (n) Lease Agreement Designated as Qualified Tax-Exempt Obligation: The City will designate the Lease Agreement as a "qualified tax-exempt obligation" for purposes of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code") relating to the ability of financial institutions to deduct from income for federal income tax purposes interest expense that is allocable to carrying and acquiring tax-exempt obligations.

- (o) Redemption: Unless otherwise specifically provided in a bidder's proposal and agreed to by the City, the Lease Agreement will be subject to prepayment at the option of the City in whole or in part at any time without any prepayment penalty.

II. Form of Proposal

- (a) The proposal must be in writing. It is preferred that a bidder's proposal not be subject to further credit or underwriting approval.
- (b) No proposal may be modified by a bidder after it has been submitted.
- (c) Proposals should include: the name, address, telephone number of your institution; the primary contact; and identity of legal counsel, if any.
- (d) Proposals must be accompanied with a list of all requirements and conditions associated with its bid.
- (e) Proposals must indicate a single interest rate for the lease term and include an amortization schedule showing annual payment amounts for the term of the financing.
- (f) Proposals must provide full disclosure of all financing costs, including any closing, legal, and tax opinion charges.
- (g) Any prepayment penalty or other fee requirements should be detailed in the proposal.

III. Evaluation of Proposals and Award

The Lease Agreement may be awarded to the bidder that provides the most advantageous proposal, as determined by the City in its sole and absolute discretion. After the proposals are received, they will be evaluated by the officials of the City based on various factors, including, but in no way limited to, the interest rate, redemption terms, additional credit or underwriting approval, additional covenants and terms, if any, and other conditions set forth therein. The City reserves the right to reject any and all bids or to waive irregularities in any proposal. The City expects to accept the successful proposal on April 10, 2014.

IV. Legal Opinions. The execution and delivery of the Lease Agreement is subject to the respective opinions of the McNair Law Firm, P.A., Special Counsel, and the City Attorney, Cathy Hoefer McCabe, Esq.

V. Tax Exemption and Other Tax Matters. The Code, and the Treasury Regulations promulgated thereunder, include provisions that relate to tax exempt obligations, such as the Lease Agreement, including, among other things, permitted uses and investment of the proceeds of the Lease Agreement and the rebate of certain net arbitrage earnings from the investment of such

proceeds to the United States Treasury. Noncompliance with these requirements may result in interest paid under the Lease Agreement becoming subject to federal income taxation retroactive to the date of issuance of the Lease Agreement. The City has covenanted to comply with the requirements of the Code to the extent required to maintain the exclusion of interest on the Lease Agreement from gross income for federal tax purposes. Failure of the City to comply with these covenants could cause the interest on the Lease Agreement to be taxable retroactively to its date of issuance.

The Code imposes an alternative minimum tax on a taxpayer's alternative minimum taxable income. Interest on the Lease Agreement is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however such interest will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations.

The accrual or receipt of interest on the Lease Agreement may affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Prospective purchasers of the Lease Agreement should be aware that ownership of the Lease Agreement may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Lease Agreement. Special Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Lease Agreement should consult their tax advisors as to collateral federal income tax consequences.

Special Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or event occurring (or not occurring) after the date of issuance of the Lease Agreement may affect the tax status of interest on the Lease Agreement. In rendering its opinion, Special Counsel will rely upon certificates and representations of the City with respect to certain material facts solely within the knowledge of the City relating to the application of the proceeds of the Lease Agreement.

VI. Investment Letter. The lessor will be requested to execute a letter to the City in substantially the form submitted with this Request for Proposals.

VII. Additional Information

Persons seeking additional information should communicate with:

Dennis R. Locke, CGFO
Finance Director
City of Spartanburg, South Carolina
Phone: 864.596.2059

Michael W. Burns, Esq.
Special Counsel
McNair Law Firm, P.A.
Phone: 864.271.4940

E-mail: dlocke@cityofspartanburg.org

E-Mail: mburns@mcnair.net

CITY OF SPARTANBURG, SOUTH CAROLINA

Dated: March 26, 2014

Exhibit A

EQUIPMENT

(see attachment hereto)



CITY COUNCIL AGENDA ITEM SUMMARY

TO: Spartanburg City Council

FROM: Chris Story, Assistant City Manager

SUBJECT: Presentation from Hub City Co-op Board

DATE: March 13, 2014

At the upcoming City Council meeting, representatives from the Board of the Hub City Cooperative (the effort to establish a co-op grocery market) will make a presentation on their efforts to date, the plans for the project, its potential positive impact to the community and downtown development, and their request for financial participation from the City. The look forward to answering any questions you may have.

No action is requested at this time.



... Your Community Market

The Time Is Now! **Co-ops Build Stronger Communities – Let's Build a Stronger Spartanburg Together**

Do you want a downtown that gives shoppers a reason to visit every day? A downtown where locally produced goods are sold daily to eager consumers? A downtown that blazes the trail for community-owned businesses in the State of South Carolina?

Another grocery store option for downtown might be years away.

Hub City Co-op Will Make Our Community Better

- Energize residents with a community-owned social hub.
- Create new jobs and generate economic growth.
- Renovate a historic downtown building.
- Always be South Carolina's FIRST retail consumer food co-op!

Building a Solid Foundation to Meet a Critical Need in Spartanburg

Co-ops are a proven **retail concept** selling fresh, local and natural foods along with a complete mix of common grocery store items. They succeed in towns like Spartanburg every day.

The Hub City Co-op will meet a critical need: in 2009, \$54,234,900 were lost in Supermarket and Grocery sales to other counties; \$9,832,747 were lost Specialty Food sales; and \$7,605,539 were lost in Other Health and Personal Care sales, according to the Claritas RMA Opportunity Gap – Retail Stores report for Spartanburg County.

The Hub City Co-op has broad community support, evidenced by an existing base of over 1000 owners. That ownership also means that customer acquisition for a new store is already well underway. More important is that these customers have literally, with their own money, invested in making sure the store is successful. Of those owners, approximately 12% have invested additional funds toward start-up expenses.

The Groundwork to Build a Sound Business is Complete

Co-op start-up professionals at the Food Co-op Initiative, Cooperative Development Services, National Cooperative Business Association and United Natural Foods, Inc. (UNFI) have supported the local leadership team since 2010 with direct training, conference calls, webinars, national new co-op start-up conferences and national retail food co-op association resources.

Powered by thousands of volunteer hours and the knowledge and experience of the co-op development professionals, our owners have *already* accomplished the following:

- Obtained a national lender specializing in co-op financing.
- Commissioned industry professionals to develop financial, market, and site feasibility studies.
- Prepared pro forma financial statements to forecast sales, profitability, and cash needs using co-op financial expertise based on feasibility studies and industry standards.
- Commissioned national grocery industry interior layout professionals to design the interior shopping experience and identify equipment needs. Layout and equipment costs are complete.
- Completed architectural plans for building utilizing local retail design professionals.
- Received preliminary contractor bids to determine renovation cost.
- Laid the trailblazing legal framework to become the first modern cooperatively-owned retail grocery in South Carolina.
- Secured plenty of parking in a downtown location.

Starting any business requires diligent research. Hub City Co-op owners have invested hours researching best practices, comparing successes and failures in other communities, and making informed decisions about how to build a successful retail grocery store in downtown Spartanburg that will also serve as a model for the rest of the state. – Erin Ouzts, Hub City Cooperative President, 2010-13

A Bright Spot Key to Revitalizing Downtown

- **The Co-op is central to what's abuzz already:** The Co-op site on South Liberty and East St. John Streets is right in the middle of the city's cultural, recreational, and educational activity, a key link in a hub of activity from the Chapman Cultural Center, Rail Trail Expansion, the Music Trail, The George, and Wofford and Converse Colleges. *Where else can visitors and residents currently purchase groceries or souvenirs that uniquely represent Spartanburg?*
- **A local option to build economic, social and physical health:** Featuring prepared food options from the deli, seating inside, and local farm products right at hand on shelves and in produce displays, the Co-op will be a healthy stop for lunch, coffee or shopping for those who live or work downtown; who stop by Chapman Center activities with their

families; or visit town for work, family, or play. *Where else can all those folks pick up healthy, locally-prepared foods while also generating additional tax revenue?*

- **Cooperation and Caring for Community are guiding principles:** The Northside Food Hub partners are collaborators and eventual suppliers to the Hub City Co-op. Together, these organizations set the benchmark for developing a thriving local food economy that is already getting attention around the state and country. Add to their work an outlet for selling locally grown and prepared foods to anyone, just about any time ... in the state's first retail food co-op! *The 7 Cooperative Principles support the triple bottom line: People, Planet and Profits; will you help make that happen?*

Strive for a multifunctional downtown. The healthiest downtowns are those that include the most varied types of activities, such as shopping, services, work, government, culture, the arts, recreation, entertainment, dining, housing, and tourism. - Kent Robertson, Professor of Local and Urban Affairs, St. Cloud State University

- **The Hub City Co-op adds value:** The Main Street Challenge, residential developments, and arts events represent significant public and private investments. What's missing? National research shows grocery stores downtown are crucial in redevelopment success. Bustling downtowns need to attract people to live there, and residents who find downtown living attractive want to live, eat, shop, and socialize there. We can help.
- **Downtown revitalization is within reach now ...** in the heart of downtown, a full-service grocery could open next year, with *the City's* support. Want to provide the linchpin of support for investments already made? This is the chance to do that.

Have questions? Here are the answers:

Why do the City of Spartanburg and Hub City Cooperative need to partner?

- The private lenders which specialize in financing start-up cooperatives nationwide and are interested in lending to the Hub City Co-op, said City financial support was necessary for financing a loan with their bank.
- For the lender, the City's support isn't just about funding, it's an important signal of total community investment in the project.
- The cost of opening a full-service retail grocery store in downtown Spartanburg makes little financial sense for a traditional for-profit corporation.
- Sharing the cost of upfit and start-up amongst many in the community reduces risk for everyone and increases the likelihood of long-term success.
- By building support for the store before it actually opens, customers are already aware of the store, are used to traveling downtown to the building and know what to expect when it does open – the cost of this is minimal now; a more traditional grocer has to build that at opening.

Why invest public dollars in this project?

- 30 new jobs, 6 of which are management level.
- Employees trained in healthy eating and sales of healthier products.
- Increased downtown property tax revenue.
- Increased hospitality tax revenue from prepared food sales.
- Increased sales taxes on non-food items (health and beauty products, supplements).
- A co-op's economic multiplier is 1.6 compared to 1.4 for a conventional grocery store.
- For every \$1 spent in a cooperative grocery store, \$0.38 circulates in the local economy, compared to less than a quarter (\$0.24) for a dollar spent in a conventional grocery.

Every city in North Carolina is trying to get a grocery store downtown. Raleigh, Durham, Greensboro — they're still trying to do it. -Elizabeth Read, marketing manager at the Company Shops co-op, Burlington, NC

So, how does the Hub City Co-op stack up against other recently opened co-ops?

Key Data	Hub-City Co-op	Friendly City Co-op (VA)	River Valley Market (MA)
Year of Project Start	2010	2007	1999
Year Opened	The community decides	2011	2008
Total Project Cost	\$2.7 million	\$1.8 million	\$8.3 million
Owners at opening	1400 projected	1200	2000
Retail Square Feet	5000	4200	17,000
First-year sales	\$2.2 million projected	\$2 million	\$8.1 million

Have more questions about cooperatively-owned, retail, for-profit grocery businesses like the Hub City Co-op vs. conventional grocery stores?



Food Co-op Facts		
Average Members per Co-op 6,400		
Impact Per Co-op		
Annual Sales \$10 Million	Sales From Members 60%	
	Co-op	Conventional
Store Size		
Total Square Feet	15,000	33,300
Staff / \$1 million sales	9.3	5.6
Sales / square foot	\$10.37	\$ 8.55
Compensation		
Average Hourly Wage	\$14.31	\$13.35
% Eligible for Benefits	68%	56%
Local Impact		
Purchases Locally Sourced	20%	6%
Local Suppliers	157	65
Economic Multiplier	1.60	1.36
Donations, % of Income (Cash)	13%	4%
Healthy Foods		
Organic Groceries	48%	2%
Organic Produce	82%	12%
Environmental Impact		
Energy Star Rating	82	50
Metric Tons CO ₂ / \$1M Sales	51	74
Plastic Recycled	81%	29%
Cardboard Recycled	96%	91%
Food Waste Composted	74%	36%

References and resources cited

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- <http://www.foodcoopinitiative.coop/>
- "Planning the future: guiding downtown development." By: Robertson, Kent A., *Public Management* (00333611), 00333611, June 1999, Vol. 81, Issue 6
- <https://cdsconsulting.centraldesktop.com/cbld/doc/17721097/>
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- Walker, Philip L. "Top Ten Myths of Downtown Planning." Article Excerpted from P. Walker, *Downtown Planning for Smaller and Midsized Communities*, Published This Spring by APA's *Planners Press* 75, no. 6 (June 2009): 38–40.