Exhibit C
KICA Motion to Dismiss

Utility Acquisition Study

Town of Kiawah Island
Public Information Meeting

Introduction

- In June Kiawah Development Partners (KDP) advised the Town of their intention to sell the assets of the Kiawah Island Utility (KIU).

- On August 8th the Town received the formal notification from KDP of their willingness to sell the utility thus triggering the Town's right to first offer.

- The Development Agreement (DA) with KDP grants the Town "the right of first offer" and 90 days from the formal notification to exercise that right and 120 days to present a proposal to the owner.

- In August, the Council agreed to evaluate acquisition of KIU on an expedited timetable given the legal and other complexities.

- To evaluate acquisition Mayor Orban created the Kiawah Island Utility Task Force (UTF).

Utility Task Force Membership

- Charles Lipuma, Chairman
- Steven Orban, Mayor
- Charles Larsen, Citizen Member
- Ronald Tedesco, Citizen Member
- James Williams, Citizen Member
- Tumiko Rucker, Town Administrator
- Kenneth Gunnells, Town Treasurer

Utility Task Force Charge

- Evaluate acquiring and operating KIU
- Recommend selection of supporting legal and engineering firms
- Identify statutory and other requirements, e.g., public referenda
- Develop KIU physical condition, expandability and value
- Recommend making/not making offer and offer amount
- Should offer be made and accepted recommend funding and organizational strategies

Acquisition Evaluation Schedule Key Dates

August 8	Received KDP's formal written notice
August 22	Engaged expert legal representation
Sept. 5	Engaged engineering consultant
Sept. 30	Public Information Meeting
Oct. 5	Public Information Meeting
Oct. 15	Public Information Meeting
Oct. 25	Public Referendum on acquisition
Nov. 9	Advise KDP of Town's decision to exercise right of first offer or not

Background

- August 2nd, Town Council unanimously voted to evaluate KIU acquisition given evidence that a municipal utility benefits rate payers
- $300,000 budget amendment also approved for funding expert legal and engineering evaluation services and bonding
- Selected Haynesworth Sinkler Boyd as law firm
- Selected Jacobs Engineering Group, Inc. as engineering firm
- UTF conducted onsite inspections of Seabrook Island Utility and Kiawah Island Utility. Provided valuable insight and information on utility plant, operation and business.

Evaluation Phases

- Jacobs Engineering will develop an asset appraisal and value of KIU for the Town in 2 phases.

- PHASE I:
  - Initial engineering evaluation
  - Due October 28
  - Basis for Exercising Right of First Offer

- PHASE II: (If required)
  - Detailed engineering evaluation
  - Due mid December
  - Basis for Town's Proposal

Utility Valuation Methodology

Jacobs Engineering will estimate KIU value using three methods:

1. **Original Cost Less Depreciation**
   - Tracks KIU historic investments in facilities
   - Adjusts investments to reflect use, age, deterioration

2. **Reproduction cost less depreciation**
   - Develops cost to build same system today with same configuration and mix of assets
   - Adjusts cost estimate to reflect reduction in value with usage and passage of time

3. **Public cash flow**
   - Estimates KIU's business value
   - Reflects present value of future discounted cash flow
   - Underscores value of KIU to the Town

These methodologies will provide a range of values and serve as basis for setting KIU asset value

Statutory Requirements

- SC law states that an incorporated municipality may, upon a majority vote of its electors, acquire by purchase and operate water and sewer systems.
- Adopted an ordinance approving the methodology for special elections, e.g., referenda.
- Adopted a resolution for a special referendum on the KIU acquisition.
- Referendum question for October 25, 2011:
  - "Shall the Town of Kiawah Island be empowered to acquire by purchase, operate and maintain a waterworks and sewer system?"
- Out of town residents may vote by absentee ballot.
- If Town acquires utility, additional voting may be needed on bonding and electing a Commission of Public Works.

Public Information Meetings
Sept. 30, Oct. 5, Oct. 15

Purpose is to inform Kiawah voters of relevant facts, issues and considerations regarding acquisition of KIU.

- If referendum majority vote is No, Town will advise KDP and close-out all acquisition related activity.
- If majority vote is Yes, Town will continue with KIU appraisal activities.

Key Considerations

- Condition of physical assets
- Utility expandability to meet Kiawah Island build out requirements
- Financial viability of utility
- Town's vs. KDP's valuation of utility
- Town's ability to efficiently and effectively operate utility
- Town's ability to finance purchase

Municipal Owned Utility Advantages

- No Federal, State or Local taxes
- Lower borrowing and insurance costs
- Eligible for state and federal grants
- Potential reduction in cost of equipment through state purchasing
- Return on investment (profit) not needed
- Rate decisions made/approved by municipal utility, not PSC

Municipal Owned Utility Disadvantages

- Unidentified major infrastructure or equipment failures requiring costly expenditures.
- Town may be restricted in imposing water and sewer impact fees for Cougar Island and Captain Sam's development.
- Operating challenges.

Steps Following Successful Negotiation

- Town advises public of KIU purchase price and method of financing, e.g., bridge loan, bonds.
- Town acquires agency rating (S&P, Moody's).
- Potential referendum on bonds, depending on method of financing.
- Town decision on form of utility governance, and potential election for Town of Kiawah Island Commission of Public Works (KICPW).

In Closing

- As is evident, the Town is involved in a complex and challenging utility acquisition study involving legal issues, engineering assessments and economic evaluations all in a short time frame.
- To effectively address the breadth and scope of issues we formed a Utility Task Force comprised of highly qualified individuals and engaged a qualified law firm and a notable engineering group for counsel and support.
- We will keep you fully apprised as we move through the final phases of the KIU assessment.
- Questions?

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