

SUMMARY OF MINUTES

FINANCE COMMITTEE

4:00 P.M., MONDAY, DECEMBER 11, 2006

COMMITTEE ROOM

ROOM 239, CITY HALL

COMMITTEE MEMBERS: Mayor Allen Joines
Council Member Wanda Merschel, Chair
Council Member Robert C. Clark, Vice Chair
Council Member Vivian H. Burke
Council Member Joycelyn V. Johnson (in at 4:06 p.m.)

OTHERS PRESENT: Council Member Molly Leight

Chair Merschel called the meeting to order and stated that without objection, the Committee would first consider the Consent Agenda.

Council Member Clark requested to pull Item C-8a. No other items were pulled for discussion.

Council Member Clark made a motion to approve the balance of the Consent Agenda. The motion was duly seconded by Council Member Burke and unanimously carried.

CONSENT AGENDA

6. CONSIDERATION OF ITEMS RELATING TO THE ACQUISITION/SALE OF PROPERTY:
 - a. RESOLUTION AUTHORIZING THE SALE OF CERTAIN CITY-OWNED PROPERTY LOCATED AT 5515 WOODCLIFF DRIVE UNDER THE PROVISIONS OF N.C.G.S. 160A-269 - *Lots 59 and 61 of Block 3643 located on Woodcliff Drive. [Receipt of \$154,150.]*
 - b. RESOLUTION AUTHORIZING THE SALE OF CERTAIN CITY-OWNED PROPERTY ON FOURTEENTH STREET UNDER THE PROVISIONS OF N.C.G.S. 160A-269- *Lot 101 of Block 0415 located on Fourteenth Street between Jackson Avenue and Hattie Avenue. [Receipt of \$9,375.]*
 - c. RESOLUTION AUTHORIZING SALE OF SURPLUS USED VEHICLES AND EQUIPMENT.
 - d. RESOLUTION APPROVING CITY PARTICIPATION IN A DRAINAGE PROJECT ACROSS PRIVATE PROPERTY ACCORDING TO SECTION 74-245 OF THE CITY CODE – *Property located at 2920 Loch Drive.*

7. ORDINANCES AMENDING THE ANNUAL APPROPRIATION AND TAX LEVY AND PROJECT BUDGET ORDINANCES FOR THE CITY OF WINSTON-SALEM FOR FY 2006-2007 AUTHORIZING FUNDS FOR PHASE 1 OF THE CITIZEN CONTACT CENTER. [*\$235,000 from Leasing Fund.*]
8. CONSIDERATION OF ITEMS RELATING TO CONTRACTS:
 - b. RESOLUTION AWARDING CONTRACT FOR CONCRETE PIPE - *Foltz Concrete Pipe Co., LLC - \$104,866. (Estimated Amount).*
 - c. RESOLUTION AWARDING CONTRACT FOR ASPHALTIC CONCRETE - *Thompson-Arthur Division, APAC-Atlantic, Inc. - \$1,430,000. (Estimated Amount).*
8. CONSIDERATION OF ITEMS RELATING TO CONTRACTS:
 - a. RESOLUTION AWARDING CONTRACT TO DIMENSION DATA FOR THE PURCHASE OF TELEPHONE EQUIPMENT AND CONTRACT SERVICES - *Dimension Data – Amount Not to Exceed \$594,572.*

Council Member Clark expressed concern that half the people quoted did not quote completely. He also inquired if the cost would be roughly the same to purchase a new system versus what the City is currently spending and wanted to ensure a new phone system was needed. In response to Council Member Clark, Mr. Dennis Newman, Chief Information Officer, indicated the cost would remain the same over a five year period. He noted the City has an opportunity at existing cost to position itself for much better things in the future; both in terms of capabilities from the phone system and potential savings. He also stated this telephone system or the like is a prerequisite for the proposed Contact Center.

Council Member Clark inquired about the age of the current system and if any feedback has been received from the people that did not bid. Mr. Newman responded the system has been in place for six or seven years and it is a lease line telephone system from Bell South. He indicated he has not heard from anyone since the bids were submitted.

Council Member Clark made a motion to approve the item. The motion was duly seconded by Council Member Johnson and unanimously carried.

ADDITIONAL ITEM

Council Member Johnson announced the City was recognized as a “Digital City” at the National League of Cities meeting in Reno, NV and came in fourth, tied with Salt Lake City, UT. The award will be mailed. She stated we have room to grow and the City’s vision is to be number one in our category, however, City staff is to be commended.

Council Member Burke stated she accepted the award and asked what was needed for a higher ranking. Mr. Newman responded we strive to go from fourth to third and that it is more than just

spending money. He stated there is not a simple answer but many factors are required to excel, including the need to be competitive.

Council Member Johnson asked while the City may be doing things to improve, such as a new website, what are the steps to reach the next level. Mr. Newman stated one example is the City's effort to consider a Contact Center. He indicated the City is on the edge of making those next steps in use of technology.

GENERAL AGENDA

1. CONSIDERATION OF ITEMS RELATED TO A REQUEST FROM GET INTERACTIVE, INC.:
 - a. RESOLUTION APPROVING FINANCIAL ASSISTANCE TO GET INTERACTIVE, INC. [*\$120,000.*]
 - b. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM FOR FY 2006-2007.

Mr. John Allen, Business Development Administrator, presented the staff report.

Council Member Clark requested a balance sheet for the company. Mr. Allen provided a copy and Council Member Clark inquired about the increase in equity from \$552,000 to \$4,000,000 in one year. Mr. Rick Harrison, 6365 Raven Forest Road, Chief Executive Officer of GET Interactive, stated his company identifies the products that are embedded in video content and stated Council Member Clark is referring to the implementation of their platform in various stages.

Council Member Burke inquired if the investors of the company were individuals or groups and which was the majority. Mr. Harrison responded both, however, a number of individuals contributed through an inception fund for the original seed round of funding. Some of those investors then contributed individually.

Chair Merschel requested Mr. Harrison to briefly describe his software, customers and the end user.

Mr. Harrison explained it depends on the nature of the content, stating music video and E-network may require different demographics. He indicated they are leveraging the viewers of the content provider and providing the opportunity to convert the viewers into shoppers.

In response to Council Member Johnson's inquiry regarding to buy local or regional, Mr. Harrison responded that was not something he could play much of a role in; using Paramount Studios as an example, he stated he would not participate in the selection of products embedded in a movie. He stated in the initial stages he would not have much interaction with the selection of brands to be integrated into videos or movies but would hope to have input in the future.

Council Member Clark inquired when the revenue will be seen from the one client. Mr. Harrison explained the latest he would see revenue would be March 2007 and is actually working on a deal

that would bring revenue as early as December 26, 2006 and other projects that could be a catalyst to bring in revenue.

Chair Merschel stated there is one unofficial requirement any time Council approves a loan or grant and that is the City needs to be part of his presentation and of the branding effort.

Council Member Clark requested the fund balance in the Economic Development Loan Fund and the balance in the Economic Development Project Fund. Mr. Derwick Paige, Deputy City Manager, stated the Economic Development Project Fund has approximately \$75,000 and the Economic Development Loan Fund has approximately \$450,000.

Chair Merschel requested the item be forwarded to full Council without a recommendation unless there were any objections. Mr. Paige stated the item requires a public hearing.

Council Member Johnson made a motion to move to Council without recommendation. The motion was duly seconded by Council Member Clark and carried a vote of two in favor and two abstaining.

Voting in favor of the motion were Council Members Johnson and Merschel, with Council Members Burke and Clark abstaining from the vote.

2. RESOLUTION AUTHORIZING FINANCIAL ASSISTANCE TO THE FINCH GROUP FOR THE REVITALIZATION OF FOREST RIDGE APARTMENTS. [*\$500,000 in General Obligation Bonds.*]

Mr. Derwick Paige presented the staff report. He pointed out Mr. Wesley Finch from the Finch Group (FTG) was in attendance.

Council Member Burke inquired if there was a waiting list for the apartments. Mr. Paige stated currently there was not a waiting list and the product will not be on the market until the summer of 2008.

Council Member Burke stated although there is not a waiting list, is there still a need for this type of apartment units. In response to Council Member Burke's question, Mr. Paige indicated the apartment market is extremely soft but hopes it will turn around based on other projects in the area. He also stated the recent and ongoing projects will revitalize the area and create a need for housing of this type.

Council Member Burke expressed concerns about working with some of the developers in the past stating the management has not been satisfactory and have created some of the same problems we have tried to alleviate. She asked if we have anything in writing to prevent this from happening in the future. Mr. Paige stated as part of our agreement, there will be local property managers in an attempt to have some local interest in the property. In addition, staff will work with the developers and look at their track records to ensure they will be an asset to this community. Council Member Burke stated we should have something more concrete.

Council Member Johnson requested Mr. Finch to address these management issues. Mr. Wesley Finch, 3625 Carlton Place, Boca Raton, FL, stated this is not and will no longer be low income housing and indicated it will be market rate housing, built to market rate standards. He explained it will be rented to individuals earning up to 75%-80% median income (\$58,000) and 25% of the units can be rented to families earning up to 115% of that number. He stated the apartments will have many amenities, including a community center and swimming pools. Mr. Finch stated TFG manages its properties and always uses local residents. He stated unlike low income housing, he has money in this transaction and will not be allowed to earn any money with an agreement with HUD until the property is profitable. He also stated his profit is contingent upon what happens five or six years from now, pointing out the rent starting out at \$430 to \$710 is dramatically lower than the amount that HUD said the fair market rent should be.

In response to Council Member Burke's inquiry regarding the similarities while working on the La Deara Crest project, Mayor Joines stated the City did not require them to use their own management company and there were not as many ties. Council Member Burke stated the City was left with tax credits and a situation that was not good and the project has the same type of tenants.

Mr. Finch explained the benefits developers get for putting the tax credit programs together. He stated there is no tax credit involved in this property. He further stated it is conventional housing except rent can not exceed \$1,100 per month which will not be a factor. He expressed his profit is set on how well this property does in the long run.

Council Member Clark inquired if TFG was currently using a local contractor. Mr. Finch stated TGF is the General Contractor and would be using some local subcontractors. He indicated some of the pricing from trades outside this area have been less than local prices.

Council Member Clark inquired about the total cost of the project. Mr. Finch responded the total cost of the project according to HUD forms is \$10,748,987.

In response to Council Member Johnson's inquiry about his relationship with the Service Corp, Mr. Finch stated during the demolition process he used the Northwest Piedmont Council of Government, which is a great training program. He stated the condition of the property was substandard and all parties involved did a great job.

Council Member Johnson expressed the value of having the local companies and Service Corp entities involved and moved to approve the item. The motion was duly seconded by Council Member Clark.

Mr. Finch responded he did not have their first mortgage financing in place per Council Member Clark's inquiry and that it would come into place after all other financing is in order.

The vote was carried with three in favor and one abstaining. Voting in favor of the motion were Council Members Johnson, Clark and Merschel, with Council Member Burke abstaining from the vote.

Council Member Johnson noted there was a community meeting with Mr. Finch and the community is very much engaged and supportive of the project. (*Council Member Burke exited at 4:45 p.m.*)

3. CONSIDERATION OF A BUDGET ORDINANCE CREATING THE POSITION OF ECONOMIC DEVELOPMENT SPECIALIST (SMALL BUSINESS LIAISON).

Mr. Paige presented a brief overview to the staff.

Council Member Clark made a motion for approval and it was duly seconded by Council Member Johnson. The motion was carried unanimously.

4. RESOLUTION ADOPTING THE 2007 CITY OF WINSTON-SALEM LEGISLATIVE PROGRAM.

Mr. Seeber presented the staff report.

In response to Chair Merschel's inquiry regarding the status of the Sports Commission loan, Mr. Garrity responded the Commission is current with all outside creditors, but it owes approximately \$250,000 to the Coliseum.

Council Member Clark suggested the Hotel/Motel Association should endorse the item and asked that the organization be contacted for a written endorsement. Mrs. Wheelock added the City has preliminary support from the Association.

Council Member Johnson inquired if other municipalities in the County were going to assist the City with the current debt and Mrs. Wheelock responded they were not. Mr. Garrity explained the City funds the Sports Commission with \$50,000 of occupancy tax a year and a recommendation could be made to have this money reallocated to pay back the City.

Chair Merschel expressed her concerns that the Sports Commission is not current and she would not support the occupancy tax until she has more clarification.

Council Member Johnson requested that Project Re-Entry be included in the funding. Mr. Garrity stated Project Re-Entry was part of the League's Program and would be included.

Council Member Clark moved to send the item to Council without a recommendation in two separate resolutions. The motion was duly seconded by Council Member Johnson and carried unanimously.

5. RESOLUTION AUTHORIZING ASSISTANCE TO BROOKSTOWN DEVELOPMENT PARTNERS, LLC.

Mr. Paige presented the staff report and pointed out Mr. Billy Prim, Developer, was in attendance to address questions. In response to Chair Merschel's request for a recap of Phase 1 he responded that

the \$11 million going in would be termed over a 20 year financing period to the City and revenue streams would be in annual payments of \$350,000, guaranteed from the developer up to year 10. The payment would then increase to \$437,500 based on a baseball ticket surcharge. Guaranteed payment will also be received from Wake Forest University in the amount of \$435,580 annually or \$8,711,600 over the 20 year period for the sale of Ernie Shore Field. Mr. Paige noted the final revenue stream will be based on property taxes of \$19 million for the stadium and, based on the current tax rate; there is guaranteed tax revenue of \$92,150. He explained the above revenue streams generate over the life of the financing \$21,340,350 minus the City's participation of \$21,280,000; therefore, the project will generate \$60,320 over twenty years.

Council Member Johnson expressed concern over the ticket surcharge guarantee.

Mr. Paige advised that the revenue is guaranteed (regardless of the number of tickets sold). In response to her inquiry about usage of the 2000 General Obligation Bonds and 2005 COPS Issuance, Mr. Paige stated the monies were used for the Downtown Economic Development Fund for Unity Place. He also listed several projects that were to receive funds, including Baseball, Civic Plaza, Trade Street and extension of the strollway.

Council Member Johnson inquired if funds had been pulled from other projects that were to be completed with these dollars. Mr. Paige advised all scheduled projects are occurring in some process.

Council Member Clark requested remarks from Mrs. Denise Bell, Chief Financial Officer, regarding interest rates on the bonds. Mrs. Bell stated the current rate is 5.5% and sale of the bonds will take place in six months.

Council Member Clark also requested a best case scenario of the project and an estimate of the interest rate from sale of the bonds.

In response to Council Member Johnson's concern about the County's ownership after 20 years, Mr. Garrity stated that the County Commission has been briefed but no official action has been taken. Mr. Paige added that the earliest action by the County will be January 2007.

Mayor Joines remarked that City Staff will continue to talk with County representatives and noted if the County chooses not to participate the City could encounter a problem.

Mr. Paige addressed Phase 2 stating that as the project is better defined, there will be a need for parking which would be brought to Council for approval. Chair Merschel stated this project will require rezoning and Mr. Prim and his partners have worked with surrounding neighborhood representatives, who have been receptive to the feedback.

Chair Merschel stated this item will not be on the full Council Agenda until January. She pointed out that a Special Call Meeting of the Finance Committee could be scheduled if necessary. She asked Mr. Garrity to contact the other Council Members to determine the need.

Council Member Clark made a motion to send the item to the Council Meeting in January. Chair Merschel duly seconded, asking to include the option to hold a Special Call Meeting of the Finance Committee if necessary. The vote was carried with two in favor and one abstaining. Voting in favor of the motion were Council Members Clark and Merschel, with Council Member Johnson abstaining from the vote.

Chair Merschel publicly thanked Mayor Joines and staff. Mr. Prim also thanked the City and staff for their hard work.

Council Member Leight stated the finance portion of the project has been explained thoroughly and she will meet with Mayor Joines and the, West Salem neighborhood representatives to address their concerns.

Mayor Joines thanked Staff for making this happen.

Council Member Clark expressed his concerns about the damaged Green Street Bridge. Council Member Leight stated the bridge is an issue and its future will be decided by the community.

Adjournment: 5:41 p.m.