

SUMMARY OF MINUTES

FINANCE COMMITTEE

4:00 P.M., MONDAY, DECEMBER 14, 2009

COMMITTEE ROOM

ROOM 239, CITY HALL

MEMBERS PRESENT: Mayor Allen Joines
Council Member Wanda Merschel, Chair
Council Member Molly Leight, Vice Chair
Council Member Vivian H. Burke
Council Member Robert C. Clark

OTHERS PRESENT: Council Member Derwin L. Montgomery
Council Member Dan Besse (in at 4:18 p.m.)
Council Member James Taylor, Jr. (in at 5:16 p.m.)
Council Member Denise D. Adams (in at 5:21 p.m.)

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

Council Member Leight requested to pull Items C-5 and C-6. Council Member Clark requested to pull Items C-4 (c & e). Mayor Joines requested to pull Item C-3.

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

CONSENT AGENDA

Property Matters

- C-1. RESOLUTION AUTHORIZING ACQUISITION OF PROPERTIES FOR MOTOR ROAD EXTENSION BY DEED OR CONDEMNATION - *Located at 1209 Motor Road. [\$7,500 from General Obligation Bond funds.]*

Environmental Health

- C-2. CONSIDERATION OF ITEMS RELATING TO STORMWATER IMPROVEMENTS ON SHATTALON DRIVE:
- a. RESOLUTION APPROVING THE REPLACEMENT OF A CULVERT ON SHATTALON DRIVE AS PART OF THE SHATTALON DRIVE WIDENING PROJECT. *[\$165,000 from Stormwater Funds.]*

- b. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2009-2010.

Finance/Budget

C-4. CONSIDERATION OF ITEMS RELATING TO CONTRACTS:

- a. RESOLUTION AWARDDING CONTRACT FOR ASPHALTIC CONCRETE FOR STREETS DIVISION - *Larco Construction, Division of Sloan Construction - \$1,952,625 (Estimated Amount).*
- b. RESOLUTION AWARDDING CONTRACT FOR CONCRETE PIPE - *Smith Setzer & Sons, Inc. - \$121,303.50 (Estimated Amount).*
- d. RESOLUTION AWARDDING PURCHASE ORDER FOR POLICE PURSUIT VEHICLES - *Capital Ford, Inc. - \$920,026.80.*

Transportation

C-7. CONSIDERATION OF ITEMS RELATING TO THE DOWNTOWN CENTER FOR THE ARTS:

- a. RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A SUPPLEMENTAL MUNICIPAL AGREEMENT WITH THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION TO RECEIVE FUNDS TO IMPROVE DRAINAGE AND PROVIDE BETTER ACCESSIBILITY FOR PEDESTRIANS AND BUSES ON SPRUCE STREET. [*\$171,885 from the N.C. Department of Transportation.*]
- b. RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION TO CONSTRUCT A SIDEWALK ALONG SPRUCE STREET. [*\$30,000 from the N.C. Department of Transportation.*]
- c. RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A SUPPLEMENTAL ASSUMPTION AGREEMENT WITH THE ARTS COUNCIL, INC. TO PASS THROUGH FUNDING FOR IMPROVEMENTS ON SPRUCE STREET.
- d. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2009-2010.

General Government

- C-8. RESOLUTION DECLARING CERTAIN CITY-OWNED VEHICLES SURPLUS AND AUTHORIZING THE SALE THEREOF.
- C-9. MONTHLY REPORT ON ECONOMIC STIMULUS PROJECTS UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT.
- C-10. TYPES OF AGENDA ITEMS REVIEWED BY THE FINANCE COMMITTEE.
- C-11. APPROVAL OF FINANCE COMMITTEE SUMMARY OF MINUTES - *November 9, 2009.*

Public Safety

- C-3. RESOLUTION SUPPORTING THE FIRE DEPARTMENT'S EFFORTS IN SEEKING A FEDERAL GRANT UNDER THE 2009 STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE ACT.

Mayor Joines questioned that if it is believed that the Fire Department is currently adequately staffed, and if the grant funding is obtained and additional firefighters are to be added, will a precedent be set that this will need to be done throughout the City.

Mr. Gregory M. Turner, Assistant City Manager/Public Works, stated that there are stations with higher demand and that, in the eyes of the public, coverage may be unequal across the City.

In response to Council Member Leight's question, Mr. Lee Garrity, City Manager, stated that after three years when the grant funding ceases, salaries for the additional firefighters can hopefully be made up from the General Fund.

Council Member Clark expressed concern that the community may have a hard time realizing the need for an additional 25 police officers and possibly 18 firefighters and questioned what duties these officers would have.

Mr. Antony Farmer, Fire Chief, stated that additional firefighters will help the City to meet current standards for the National Fire Protection Association's 1710 code, which is the national code to provide safe fire service, and noted that most trucks are staffed with three firefighters, when four are needed to initiate fire extinguishment. He also stated that additional staff will help the department to meet those fire suppression requirements and some medical requirements. In response to Council Member Clark's question, Chief Farmer stated that there are currently 18 fire stations in the city.

In response to Chair Merschel's question, Mr. Turner noted that attrition within the Fire Department is mostly associated with retirement.

Chair Merschel questioned if the new hiring of employees could be scheduled at the same time as other's retirement to increase the net gain of employees and to help offset some of the salary costs. Mr. Turner stated that dependent upon the budget and attrition levels, the number of employees within the Fire Department, as well as salaries, may fluctuate.

Mayor Joines noted that many federal grants have requirements and stipulations as to how the grant funding is used and suggested that staff review those requirements.

Chair Merschel questioned if the total hiring of Fire Department employees could be controlled over the next few years to maintain any staffing levels that may be stipulated by the grant.

Mr. Turner noted that some control could be exercised at positions above the proposed new positions to preserve the job and that staff should review the overall operation of the department.

Chief Farmer noted that the Fire Department has a level three Insurance Services Office, Inc. (ISO) rating, with one being the highest, and that rating is typically due to staffing. In response to Chair Merschel's question, he stated that additional staff members will improve the overall level of service to the City and that the ISO reviews fire departments every five to ten years to ensure insurance requirements are being met.

Council Member Burke made a motion to approve the item. The motion was duly seconded by Council Member Leight. Council Member Clark abstained from voting.

The motion carried with three in favor, one abstention and none opposed. Those voting in favor of the motion were Chair Merschel, Council Members Burke and Leight with Council Member Clark voting in abstention.

Council Member Burke requested to know the number of firefighters currently on staff and any in the training program.

Finance/Budget

C-4. CONSIDERATION OF ITEMS RELATING TO CONTRACTS:

- c. RESOLUTION AWARDING CONTRACT FOR IN-CAR CAMERAS AND ACCESSORIES - *Kustom Signals, Inc.* - \$261,956.

In response to Council Member Clark's question regarding the purchase of in-car cameras, Mr. Marshall Mathers, Purchasing Director, stated that staff received only one sealed bid and will research to determine a comparison of the price on this bid versus what has been paid in the past.

Council Member Clark noted this is the third purchase from this company and requested a per item price from each of the three purchases.

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

- e. RESOLUTION AWARDING CONTRACT FOR READY MIXED CONCRETE - *Hartley Ready Mix Concrete Mfg., Inc.* - \$277,385 (*Estimated Amount*).

In response to Council Member Clark's concern, Mr. Mathers stated that multiple bids were not

received and that staff did notify four previous bidders. He also stated that historically, Hartley's bids have been substantially lower than others.

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

- C-5. RESOLUTION OF THE CITY OF WINSTON-SALEM, NORTH CAROLINA, APPROVING AN AMENDMENT TO THE INSTALLMENT PURCHASE CONTRACT WITH THE NORTH CAROLINA MUNICIPAL LEASING CORPORATION TO REFINANCE CERTAIN FACILITIES AND RELATED MATTERS.
- C-6. CONSIDERATION OF ITEMS RELATING TO THE ISSUANCE OF NOT-TO-EXCEED \$26,800,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010B OF THE CITY OF WINSTON-SALEM, NORTH CAROLINA:
- a. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WINSTON-SALEM, NORTH CAROLINA MAKING CERTAIN STATEMENTS OF FACT CONCERNING PROPOSED BOND ISSUE.
 - b. BOND ORDER AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$26,800,000 GENERAL OBLIGATION REFUNDING BONDS OF THE CITY OF WINSTON-SALEM, NORTH CAROLINA.
 - c. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WINSTON-SALEM, NORTH CAROLINA, PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED \$26,800,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010B OF THE CITY OF WINSTON-SALEM, NORTH CAROLINA.

In response to Council Member Leight's question of refinancing in comparison to refunding, Mrs. Denise Bell, Chief Financial Officer, stated that the refinancing of bonds is similar to the refinancing of a mortgage, whereby refunding bonds will be issued and those proceeds will pay off previously issued debt. In the case of C-6, refunding bonds will be issued again and in both items, the City could see a possible net savings of \$2 million over the next 14 years.

Council Member Besse in at 4:18 p.m.

In response to Council Member Clark's question, Mrs. Bell stated that contractual costs to the City are two percent or less in terms of issuance cost, and Certificates of Participation, which are now referred to as Limited Obligation Bonds, will cover issuance costs. She also stated that the Local Government Commission (LGC) will approve the refinancing at their January 5 meeting and will give the City authority to move forward at the earliest possible date.

Council Member Clark made a motion to approve Items C-5 and C-6. The motion was duly seconded by Council Member Leight and carried unanimously.

GENERAL AGENDA

G-2. RESOLUTION AUTHORIZING PROJECTS TO UTILIZE RECOVERY ZONE FACILITY BONDS.

Chair Merschel stated that the Committee would now consider Item G-2 as it is time sensitive.

Mr. Derwick Paige, Deputy City Manager, stated that the City was established as a Recovery Zone and Council approved a daycare center project for the use of Recovery Zone Facility Bonds. Staff has identified three additional projects for the use of the remainder of the bonds. These projects are the Skin Surgery Center medical office space, the King Plaza Shopping Center and Silas Pointe mixed-use development, for a total request of \$20 million in addition to the \$1,960,000 previously approved. The City's allocation is only \$12.8 million and the County has assigned its allocation of \$7,989,000 to the City, for a total of \$20,269,000, which is still short of the total issuance requested of \$21,960,000.

In response to Council Member Clark's request, Mr. Paige confirmed that the City will not be lending any money, rather it has been assigned an allocation of funds that the United States government allotted to the state of North Carolina. The City's allocation was \$12 million to be used for viable projects that will be reviewed by a bank and will be issued a letter of credit. Bonds will be issued on the projects, sold and money from the sale of the bonds will go to the developer or applicant. These projects will also be reviewed by the LGC.

Council Member Burke expressed her support of the project.

In response to Council Member Leight's question, Mr. Paige stated that there is a group interested in acquiring King Plaza Shopping Center. These interested parties will create another entity for the development of the shopping center and will need to have resources in place by April 15.

Council Member Burke reiterated that the City is assuming no risk with these projects because they will be reviewed by various local entities and a bank will have to issue the letter of credit before the projects can begin.

Mayor Joines noted that these projects represent a diverse geographic mix around the city and expressed his thanks to staff for identifying these projects.

In response to Chair Merschel's question, Mr. Paige stated that Mr. King has no ownership within the shopping center and that the City had provided some financing to the tire store in that area, but has since charged off that loan made to Mr. King.

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

G-1. PROPOSED UTILIZATION OF DELL REPAYMENT FOR BUSINESS ASSISTANCE PROGRAMS.

Mr. Garrity stated that staff has discussed the utilization of returned funds from the City's involvement with Dell and that this memo was created to solicit feedback from the Committee before formal proposals are brought forward in January. The basis of these programs is to provide job retention and job creation.

Mr. Ruben Gonzales, Development Director, noted that six programs are proposed with various job creation aspects, and many of them parallel programs already in place. He provided a brief overview of the six proposed programs.

Mr. Paige stated that the \$15.5 million in funds received from Dell are made up \$6 million from the issuance of Special Obligation bonds and \$1 million from General Obligation (GO) bonds. The second \$7 million represents the purchase price received directly from Dell for the purchase of the land, and it is proposed to develop a joint City/County Economic Development Fund, similar to the current joint City/County Development Fund, whereby both bodies will have to approve projects. Funding of \$272,000 will reimburse Winston-Salem Business, Inc. for its portion of the land purchase. Staff has recommended that the balance of \$1.5 million be placed in the General Fund.

Council Member Burke requested to know how the city ranks in comparison to other cities of similar size in regards to small business. She also requested a listing of all areas within the city needing assistance, other than those that have been identified.

Mr. Gonzales noted that staff identified 12 Revitalizing Urban Commercial Areas (RUCA) and has already provided assistance to the top three.

Mr. Paige noted that the Planning Department completed a study to identify commercial areas in need of repair and rated them, with number one being the greatest need.

In response to Council Member Burke's request for a report on Ogburn Station, Mr. Gonzales stated that it has been identified as an area of need and currently ranks fourth on the list so funding has not been dedicated to it as of yet. He also stated that it may have received aid from other City programs.

In response to Council Member Burke's question, Mr. Gonzales stated that the Development office provides assistance to small businesses, through the small business loan program which provides startup loans and that other resources are available. He also stated that citizens interested in starting a small business are required to have some equity investment and the Loan Committee will review their request.

In response to Council Member Clark's question, Mr. Garrity stated that the source of the Utility Commission Fund is reserves.

In response to Council Member Clark's question, Mr. Paige confirmed that there is a fund for the sale of water outside the county and that there is approximately \$800,000 in that fund. As it is a joint venture, both the City and County have to approve any distribution of those funds and money is deposited into the fund regularly. He also stated that money from the Utility Commission Fund was specifically used to purchase land.

In response to Council Member Clark's question, Mr. Garrity stated that monies from the Utility Commission Fund covered the cost of the installation of water and sewer pipes, which amounted to less than \$1 million.

In response to Council Member Clark's questions, Mr. Paige stated that if the City chose to pay back

the Special Obligation (SO) bonds, it has that right and SO bonds were issued specifically for the Dell project.

Mayor Joines noted that this was not a windfall, but rather an opportunity to make an investment to create jobs, because the city's unemployment rate is too high and investments need to be made to get people working and spending money again. He also noted that there may be excellent programs in place already but no further investments should be made if the bottom line is not job retention or job creation. He expressed his support for the job categories developed by staff and noted that careful criteria should be created for small businesses to qualify for funding, that he would like to see the RUCA program tied to job creation, expressed his excitement about the Special Technology Company Assistance Program because of the local interest in biotech companies, expressed his support of the Building/Fire Code Assistance Program, and noted that if a City/County joint fund is created, there should be very specific guidelines so projects do not get held up in discussion.

Council Member Burke noted that staff should be sensitive to the needs of citizens for job creation.

Chair Merschel noted that the Economic Development Fund and Medical Biotech Services were target markets identified by Council in its strategic plan several years ago and noted that those areas may need further review to ensure those are the best jobs to attract to this area. She questioned the repayment source for issued bonds.

Mr. Paige noted that revenue received from the economic development deal between the City and Wachovia for the parking deck was redirected to provide a revenue stream for the payment of the SO bonds.

Chair Merschel expressed concern with the idea of a combined City/County fund, as the County may have a different mission from the City, and the City should be the economic driver. She also requested that if the fund is consolidated and the Council has a two-thirds majority vote in favor, that the Council's vote negate a negative vote on the part of the County to ensure that residents of Forsyth County residing within the corporate limits of City are represented fairly.

In response to Chair Merschel's question, Mrs. Bell stated that SO bonds were issued in 2005 at competitive rates and staff will review any refunding opportunities that exist for those bonds. Special sales tax revenue was pledged as the revenue source, which is the reason the bonds are not required to be paid off.

Chair Merschel requested to know what the payoff would be for selling the bonds and the cost to reissue. She also requested a list of remaining RUCA areas that have been identified and are in need of repair.

In response to Chair Merschel's question, Mr. Paige stated that there are no federal funds available for RUCA areas as it has been issued as a local program, however, if Council chooses, there are certain areas that qualify for Community Development Block Grant funds but because of allocation, Council has historically chosen to use those funds more in the area of housing support.

Chair Merschel requested a map of areas covered by the Retail Loan Program.

Chair Merschel noted that the Small Business Revolving Loan Fund has been successful because it is in the form of low interest loans. There is an opportunity to create sustainable funding sources, and she requested that staff review sustainable funds in comparison to grant funds. In regards to the Retail Loan Program, she requested a list of neighborhood services that may aid in that effort and noted that staff should be willing to review incentives for varying business types within RUCA, and try to incorporate these incentives to allow for a broader base of neighborhood services.

Council Member Clark expressed concern that the City asked for money to purchase the land and now plans to use it for something else, and that it seems disingenuous and unethical. He supports the concept of creating the new programs but it should be done honestly so citizens are not misinformed.

In response to Chair Merschel's question, Mrs. Bell stated that the SO bonds were issued for the purpose of the Dell project and that 2001 GO bonds that were issued were not project-specific.

Chair Merschel stated that in regards to the Utility Commission, its investment in the Dell project has brought several new customers including the Johnson building and revenue generation.

Mayor Joines stated that the Utility Commission adopted a policy three years prior to the Dell project and committed \$15 million in funding to purchase land for economic development purposes and made a policy decision to use those funds for general economic development, and it follows suit for these funds to be designated back to economic development funds.

In response to Council Member Burke's question, Mr. Paige stated that staff has only had general conversations with the County in regards to these grants and the proposed advisory board and no details have been discussed as of yet.

In response to Council Member Besse's question regarding the payoff of SO Bonds, Mrs. Bell stated that she would have to verify the amount but would estimate the payoff cost to be around \$5.5 million and that there will be a net gain. She also stated that monies from the Wachovia parking deck deal that have been identified as a revenue stream are currently budgeted as a transfer from the General Fund to the Debt Service Fund. If those funds were not needed to cover the cost of the bonds, they would be an additional increment into the City's general revenue stream of approximately \$400,000.

In response to Council Member Besse's question, Mr. Paige stated that the current incentives policy was adopted in 2001 and was reviewed in 2005.

Council Member Besse noted that this would be a good time to revisit the basic incentives policy and incorporate new findings. In regards to a job creation program, he stated that the principle holdup is that banks are not lending money, and questioned why staff would not opt for a loan program rather than an incentive grant program.

Mr. Paige noted that the City cannot give tax credits, and any incentive to small businesses would be on the back end. Staff is willing to address Council's concerns but a loan program may not be as

attractive or as much of a job creation tool as a grant program.

Council Member Besse noted that a loan program may be more effective than a grant program and requested a review of small business grants in comparison to small business loan programs. He also stated that he would be supportive of specific retail services that would be provided to an underserved area so as to increase the overall number of jobs, and any program that would be a net economic generator.

Council Member Taylor in at 5:16 p.m.

Mr. Paige noted that the Neighborhood Revitalization Strategy Area from Waughtown Street, north to Highway 52 at Patterson Avenue, has been specifically designated as a low income and underserved area.

In response to Council Member Clark's request, Mr. Garrity stated that staff will be bringing a budget forecast to the Council in January.

Chair Merschel noted that this item will remain in Committee and will be further discussed in January.

G-3. PRESENTATION OF CITY OF WINSTON-SALEM ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2009 AND AUDIT REPORT BY CHERRY BEKAERT AND HOLLAND, LLP.

Mrs. Bell noted that there was a nice write-up about the City within the report and outlined the highlights of report. The comprehensive report will be placed in the Council Members' offices.

Ms. Lonnie Key, Cherry, Bekaert and Holland, LLP, provided the Fiscal Year 2009 audit report. In response to Council Member Leight's question regarding the high risk of American Recovery and Reinvestment Act (ARRA) funds, she stated that the funds are considered high risk even if the City has already received them for several years. The federal government desires that this funding be very transparent and North Carolina is receiving a large amount of money, so careful spending needs to be ensured.

Council Member Burke requested to know the racial makeup of the firm.

In response to Chair Merschel's question, Ms. Key stated that the City's bond rating should not be at risk with the acceptance of ARRA funds, but there will be more requirements and regulations that will need to be followed.

Mrs. Bell noted that staff has thought ahead and made provisions regarding the City's acceptance of ARRA funds and has no concerns that the bond rating will be affected.

Mr. Dan Dwight, 500 Martha Court, expressed his support of proposed programs for use of funds from the Dell project and as a taxpayer, he appreciates the swiftness with which the money was returned.

ADJOURNMENT: 5:36 p.m.