

## SUMMARY OF MINUTES

### FINANCE COMMITTEE

4:00 P.M., MONDAY, JANUARY 12, 2009

COMMITTEE ROOM

ROOM 239, CITY HALL

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*MEMBERS PRESENT:* Mayor Allen Joines  
Council Member Robert C. Clark, Vice Chair  
Council Member Vivian H. Burke  
Council Member Joycelyn V. Johnson

*MEMBERS ABSENT:* Council Member Wanda Merschel, Chair

*OTHERS PRESENT:* Council Member Molly Leight  
Council Member Dan Besse (in at 4:02 p.m.)

Council Member Clark called meeting to order and stated that, without objection, the Committee would first consider the Consent Agenda.

Council Member Burke requested to pull item C-1(c). Council Member Clark requested to pull Item C-5. Council Member Johnson requested to pull Item C-1(a). No other items were removed for discussion.

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

#### CONSENT AGENDA

##### Property Matters

#### C-1. CONSIDERATION OF ITEMS RELATING TO THE ACQUISITION/SALE OF PROPERTY:

b. RESOLUTION AUTHORIZING THE DISPOSITION OF SURPLUS PROPERTY LOCATED AT 1942 FLATROCK STREET THROUGH A PUBLIC AUCTION AS PERMITTED IN N.C.G.S. 160A-270 AND AUTHORIZATION FOR ACCEPTANCE OF A FLAT \$500 BID DEPOSIT - *Lots 104, 105, and 107 of Block 1761 located at 1942 Flatrock Street. [Receipt of \$45,000.]*

d. RESOLUTION AUTHORIZING THE SALE OF CERTAIN CITY-OWNED PROPERTY ON ATTUCKS STREET UNDER THE PROVISIONS OF N.C.G.S. 160A-269 - *Lot 131B of Block 1227 located on Attucks Street. [Receipt of \$3,900.]*

##### Community and Economic Development

- C-2. RESOLUTION AUTHORIZING SUBMISSION OF A GRANT APPLICATION FOR NEIGHBORHOOD STABILIZATION PROGRAM FUNDS TO THE STATE OF NORTH CAROLINA DIVISION OF COMMUNITY ASSISTANCE.
- C-3. CONSIDERATION OF ITEMS RELATING TO SITE WORK IN THE OLD CHERRY #2 REDEVELOPMENT AREA:
- a. RESOLUTION AUTHORIZING FUNDING TO HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC. FOR SITE WORK IN THE OLD CHERRY #2 REDEVELOPMENT AREA. [*\$360,000 from General Obligation Bond funds.*]
  - b. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2008-2009.

Finance/Budget

- C-4. RESOLUTION APPROVING A CONTRACT WITH NEW CENTURY SYSTEMS TO PURCHASE HEWLETT PACKARD COMPUTER SERVERS - *New Century Systems - \$136,000.*

General Government

- C-6. RESOLUTION DECLARING BROWNFIELDS JOB TRAINING EQUIPMENT AND SUPPLIES SURPLUS AND AUTHORIZING ITS DONATION TO FORSYTH TECHNICAL COMMUNITY COLLEGE.
- C-7. APPROVAL OF FINANCE COMMITTEE SUMMARY OF MINUTES - *December 8, 2008.*

Property Matters

- C-1. CONSIDERATION OF ITEMS RELATING TO THE ACQUISITION/SALE OF PROPERTY:
- a. RESOLUTION AUTHORIZING A TWO YEAR LEASE AGREEMENT WITH VINTAGE OAKS II, BROWN/BOESPFLUG II AND BULKLEY INVESTORS FOR OFFICE SPACE IN ALBERT HALL - *Suites 205 and 207 at Albert Hall located at 101 N. Chestnut Street. [\$5,963.09 per month.]*

*Council Member Besse in at 4:02 p.m.*

Council Member Johnson requested to know who the principles were in the property.

Mr. Kirk Bjorling, Real Estate Administrator, stated that the owner of the property is the corporation. In response to Council Member Johnson's question, he stated that the principle is Mr. Justin Barton,

General Partner.

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

- c. RESOLUTION AUTHORIZING THE SALE OF CERTAIN CITY-OWNED PROPERTY ON CLAREMONT AVENUE UNDER THE PROVISIONS OF N.C.G.S. 160A-269 - *Lots 108, 201, 202, 204, 205 & 206 of Block 0432 located on Claremont Avenue. [Receipt of \$6,224.]*

Council Member Burke stated that the Potter's House was an excellent place but appeared to have been zoned incorrectly. She also stated that staff of the Potter's House offered food, clothing, counseling, met spiritual needs, and developed a relationship with people who live in the area. She further stated that an alternate location has been found, and she looks forward to it coming to the area.

Council Member Burke made a motion to approve the item. The motion was duly seconded by Council Member Johnson.

Reverend John Young, Potter's House Ministry, expressed his thanks to the City Council for giving thought to the Potter's House request and for allowing space for its ministry. In response to Council Member Johnson's question, Reverend Young stated that the location will not have to be rezoned because the City recognizes Potter's House as a church, which is allowed within RS-7 zoning districts.

Council Member Clark expressed his thanks for the work that the Potter's House has done in the community.

The motion for approval carried unanimously.

#### Finance/Budget

- C-5. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2008-2009.

In response to Council Member Clark's question of whether or not any local funding was being used since the City was purchasing hybrid buses with Federal grant money, Mrs. Ann Jones, Budget/Evaluation Director, stated that it was a match of funding.

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

#### GENERAL AGENDA

G-1. RESOLUTION OF THE CITY OF WINSTON-SALEM, NORTH CAROLINA, DIRECTING THE APPLICATION TO THE LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF WATER AND SEWER SYSTEM REVENUE BONDS; REQUESTING LOCAL GOVERNMENT COMMISSION APPROVAL OF THE CITY'S WATER AND SEWER SYSTEM REVENUE BONDS; AND CERTAIN RELATED MATTERS. [*\$115,000,000.*]

Mrs. Denise Bell, Chief Financial Officer, stated that this is a large amount of money and big move for the City, but staff was beginning the process to issue water/sewer revenue bonds, not to exceed \$115 million. The Capital Projects fund holds an additional \$13.5 million to pay for interest costs and provide issuance costs for the balance. The fixed rate issue for the maturities has a sale date of February 18. She also stated that the deal includes financing for a team of bond underwriters including BB&T, Wachovia, Bank of America, Citigroup and Loop Financial Markets. She stated that it is assumed that the issue will be sold quickly. She noted that Exhibit 1 of the item includes a list of Capital Improvement Program projects to be financed over the next six years. Two of the six projects, the Elledge Treatment Plant Upgrade and Thomas Water Plant Modernization, are both currently under construction at a cost of approximately \$120 million.

Council Member Burke noted that she was pleased with the minority involvement.

Mrs. Bell stated that staff will work with the Marketing Department to advertise the sale for citizens' information. In response to Council Member Clark's question, Mrs. Bell noted that the market seems to be open to high-quality credits and previous water/sewer bonds have sold out in less than 24 hours, in which the City will receive better interest rates on issued debt.

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

G-2. RESOLUTION OF THE CITY OF WINSTON-SALEM, NORTH CAROLINA, REPLACING THE LIQUIDITY FACILITY AND REMARKETING AGENT FOR THE CITY'S VARIABLE RATE WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2002B AND VARIABLE RATE WATER AND SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2002C.

Mrs. Bell stated that the City has \$180 million outstanding variable rate debt, and of that, \$100 million is set aside for water/sewer B & C series. Variable rate debt requires a liquidity facility or standby purchase agent in the event that bond investors choose not to continue investing. A liquidity facility provides insurance of debt purchase or investments. Due to recent market conditions, investors have requested money back and have chosen not to continue to invest. The liquidity facility being used by the City is Dexia Credit Local, a European Bank that is experiencing financial difficulties. The City has been paying higher interest on these bonds for the last three months. It is recommended that the City replaces Dexia with BB&T to lower interest costs to the City with BB&T as a more financially secure provider of liquidity, and as a result, bondholders will not ask to be paid as much to hold debt. As it is written, there is an added ability to move forward upon negotiation of terms acceptable to the City and BB&T. In response to Council Member Johnson's question, Mrs. Bell noted that the City is approaching a variable rate process because it is less expensive to issue. Currently, the City is paying an extra 1% on the debt.

In response to Council Member Clark's question, Mrs. Bell stated that the agreement is not final until all the acceptable terms are agreed upon by all interested parties. If an agreement is not reached, Dexia will remain as the City's liquidity facility.

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

Council Member Johnson requested to know the budgetary impact if the billing process was changed to actual usage as opposed to the meter size, for residential users who pay a flat rate but the charge may be more than actual usage.

Mr. Gregory M. Turner, Assistant City Manager/Public Works, stated that staff will research any benefits to eliminating minimum bill, but noted that there are intrinsic costs for providing basic service that have to be covered, which is the basis of the minimum bill theory. If there is no consumption, a plan must be available. He noted that there are tiers to minimum billing, but the larger the meter, the more plant capacity has to be available.

Council Member Burke expressed concern that in some cases, landlords seem to be unconcerned with water/sewer costs and with the current state of the economy, extra expense is passed on to the renter. Poor maintenance programs will result in a larger water bill and the landlords should be responsible, and she requested that staff review methods to remedy this concern.

**G-3. RESOLUTION OF THE CITY OF WINSTON-SALEM, NORTH CAROLINA, AUTHORIZING THE REPLACEMENT OF THE REMARKETING AGENT FOR THE CITY'S URBAN REDEVELOPMENT MORTGAGE REVENUE REFUNDING BONDS, SERIES 1989.**

Mrs. Bell stated that it is recommended that the City authorize a change in the remarketing agent for 1989 bonds on behalf of Summit Square Apartments. The debt was issued and apartment complex revenues have paid the debt since issuance, but due to financial issues, these bonds are no longer able to be remarketed. The City was a standby provider and stepped in to pay bondholders, and are currently holding the bonds. The bond agent is currently Barclays (previously Lehman Brothers), and staff is suggesting that it be replaced with a local firm, who will issue a variable rate. When reviewing remarketing issues last fall, staff inadvertently did not catch this one. In response to Council Member Clark's question, Mrs. Bell confirmed that these are revenue bonds.

Council Member Johnson noted that occupancy for units within Summit Square is still 85-90%, and now that the complex is 20 years old, it is in need of support to ensure that they continue to be marketed as a viable option for affordable housing.

In response to Council Member Clark's inquiry, Mrs. Bell stated that fixed costs will not be prohibitively expensive because the remarketing will be less than one-tenth of one percent. Credit markets are such that purchasers are looking for large pieces to buy that are worth their time.

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

**G-4. REPORT ON POSSIBLE RETIREMENT INCENTIVE PROGRAM.**

Mrs. Martha Wheelock, Assistant City Manager, stated that the program is a retirement incentive, rather than a reduction in force. The incentive will allow eligible employees to voluntarily retire, if criteria are met at a specified date and time. This program will allow the City to vacate positions, make independent decisions and match service levels needed for job reclassification, reorganization and restructuring. Approximately 100 employees are pre-qualified for the program, and additional employees may qualify based on years of creditable service, although there is no estimate of the number of employees who will consider the incentive. Staff has provided the basis of the program and requests guidance from the City Council. Staff will communicate this information to employees so they may consider the option and make an informed decision, schedule group and individual meetings if needed and notify employees that the payout will be upfront and all other retirement procedures open to them will still apply. Staff will communicate with Human Resources to appropriately consider eligibility, establish timelines, and calculate the savings to the City. In response to Council Member Clark's question, Mrs. Wheelock noted that it is unknown how long it will take to recoup funding from the payout as there are initial costs from the General Fund, and it is dependent upon the number of employees who choose the option.

Mr. Lee Garrity, City Manager, noted that Fiscal Year 2009-2010 will be a difficult budget year for the City and two-thirds of its costs are personnel related. Vacancies have been identified through the hiring freeze, and there is hope that a reduced number of employees will help reduce the budget, to reflect savings in the coming years.

In response to Council Member Johnson's question, Mrs. Wheelock stated vacancies and eligible departments will be first determined to decrease the chance of losing employees who have held a position for a length of time to retain the knowledge of those employees. She also stated that a longer timeline will allow for more review and effectiveness, and noted that staff is responsible for sharing knowledge within individual departments.

In response to Mayor Joines' question, Mr. Garrity stated that with a \$20,000 incentive, based on the average salary of \$40,000 and severance, all 100 eligible employees will probably not utilize the incentive. The average retirement payment from the State is approximately 60% of an employee's take-home salary, and due to health care costs and other needs, it is assumed that employees who were already contemplating retirement or near retirement age will be most likely utilize the incentive.

Council Member Burke requested to know the average age of employees in the City, and the average age of those employees close to retirement.

In response to Council Member Besse's question, Mrs. Wheelock noted that there are provisions within the program that will allow the City Manager the ability to exclude individuals from being eligible for the program.

Mrs. Angela I. Carmon, City Attorney, stated that the City can legally exclude certain positions and disqualify certain individuals based on legitimate reasons and the needs of the organization.

Mrs. Wheelock noted that preliminary potential impact in departments revealed that Utilities and Public Works will be most affected, and will need to balance where positions fall out versus

departmental needs.

In response to Council Member Clark's question, Mr. Garrity stated that as long as an employee can meet his or her minimum job requirements, there is no specified retirement age for City employees. He also noted that staff will bring a formal item for the Council's consideration next month.

Council Member Clark requested that staff fine-tune the program, speak with employees to determine the level of interest, and identify departments with the most eligibility that may currently be short-staffed.

In response to Council Member Leight's question, Mrs. Wheelock noted that there is one department within the Utilities division with 30 eligible employees. She also noted that staff will take additional steps to capture everyone who qualifies and share information of those employees considering the option.

G-5. PRESENTATION ON MID-YEAR BUDGET ISSUES:

- a. UPDATE OF THE GENERAL FUND OUTLOOK FOR FY 08-09.
- b. GENERAL FUND FORECAST FOR FY 09-10.

Mrs. Ann Jones, Budget/Evaluation Director, gave the presentation.

In response to Council Member Clark's question, Mrs. Jones stated that a budget projection for the Convention Center and Coliseum will be provided next month.

Mrs. Wheelock stated that through September 30, 2008, the Convention Center and Coliseum budgets held steady, but will be in a reduced financial position as of December 31, 2008. A significant factor is the Wake Forest University basketball season, and noted that while ticket sales are up, attendees are spending less money within the facility. She also noted that a packet of information is being prepared to answer questions regarding the Convention Center and Coliseum, impacts of salary savings and expenditures.

In response to Council Member Johnson's question, Mrs. Wheelock stated that the charge for tailgating at Bowman Gray Stadium is an individual agreement with Winston-Salem State University for the football season.

Council Member Johnson requested to know if there was an opportunity to charge for tailgating in the Coliseum parking lot. Mr. Garrity advised that staff would investigate this possibility.

In response to Council Member Clark's inquiry, Mrs. Jones stated that a pre-budget workshop will be scheduled for the end of March, and a review of the proposed budget will be scheduled in mid-May.

In response to Council Member Besse's question, Mrs. Jones stated that Capital equipment replacements will be comprised of local match funds.

In response to Council Member Johnson's question, Mrs. Wheelock stated that the reduction of

contractors in Marketing & Communications will be offset by the use of existing staff.

Council Member Besse requested a listing of Recreation Centers and operating hours of the six centers that will be affected.

Mrs. Jones stated that the Little Creek, Rupert Bell, Sedge Garden, Belleview, Brown Douglas and Georgia Taylor Recreation Centers will be affected.

Council Member Johnson requested that agendas and minutes from the various Boards and Commissions be placed online for Council Members' review rather than printing hard copies.

Council Member Clark requested that the minutes be emailed to Council Members.

Council Member Burke agreed with Council Member Clark and Johnson's recommendations for printed materials. She expressed concern that the Carl Russell Recreation Center seems underutilized as well. She requested to know where the hanging baskets were located downtown and suggested that baskets be placed along Martin Luther King, Jr. Drive and Liberty Streets.

Mrs. Jones stated that the baskets are located on 4<sup>th</sup> Street between Spruce and Cherry Streets.

In response to Mayor Joines suggestion that staff carefully calculate property tax base growth, Mrs. Jones noted that communication of property tax base growth can be tricky, because if the value of a property increases more than the average growth of the base, property owners will pay more taxes, even if the property tax rate is reduced.

Mr. Garrity noted that Council Member Burke suggested a communication to citizens this summer after the budget is set, alerting them of the tax revaluation from the County tax office and explaining the City's role in property taxes.

In response to Council Member Clark's statement, Mrs. Jones noted that Mr. Pete Rodda, Forsyth County Tax Administrator, hinted that this will be an unusually difficult year to judge for property taxes, but noted that he is usually conservative.

Council Member Johnson expressed concern that as water is released when testing meters, it should be captured and reused, rather than wasted.

ADJOURNMENT: 5:03 p.m.