

SUMMARY OF MINUTES

FINANCE COMMITTEE

5:00 P.M., MONDAY, SEPTEMBER 13, 2010

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
Council Member Denise D. Adams
Council Member James Taylor, Jr. (in at 6:32 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-4 and C-5 and Council Member Clark requested to pull Item C-7.

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

CONSENT AGENDA

Property Matters

- C-1. CONSIDERATION OF ITEMS RELATING TO THE ACQUISITION/SALE OF PROPERTY:
 - a. RESOLUTION AUTHORIZING ACQUISITION OF PROPERTIES FOR CLEMMONSVILLE ROAD WIDENING PHASE VI BY DEED OR CONDEMNATION - *Property located on S. Main Street, W. Clemmons Road, and Rosemont Avenue. [\$105,500.]*
 - b. RESOLUTION AUTHORIZING ACQUISITION OF PROPERTY FOR LITTLE

CREEK GREENWAY BY DEED OR CONDEMNATION - *Properties located at 3031 and 3021 Bridgeport Drive. [\$10,350.]*

- c. RESOLUTION AUTHORIZING ACQUISITION OF PROPERTY FOR MOTOR ROAD EXTENSION BY DEED OR CONDEMNATION - *Various lots located off of Motor Road. [\$5,500.]*
- d. RESOLUTION AUTHORIZING ACQUISITION OF PROPERTIES FOR OLD GREENSBORO ROAD/LOUISE WILSON LANE SIGHT DISTANCE PROJECT BY DEED OR CONDEMNATION - *Property located off of Old Greensboro Road. [\$1,250.]*

Community and Economic Development

- C-2. RESOLUTION APPROVING THE RESTRUCTURING OF AN ECONOMIC DEVELOPMENT LOAN FOR GET INTERACTIVE, INC. *[\$100,000.]*
- C-3. RESOLUTION AUTHORIZING ACCEPTANCE OF A GRANT FROM THE GOLDEN LEAF FOUNDATION FOR CATERPILLAR, INC. *[\$1,000,000.]*

Transportation

- C-6. CONSIDERATION OF ITEMS RELATING TO INTERSECTION IMPROVEMENTS ON EBERT STREET AND OAK GROVE ROAD:
 - a. RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A MUNICIPAL AGREEMENT WITH THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION FOR SURFACE TRANSPORTATION PROGRAM-DIRECT ATTRIBUTABLE FUNDS FOR INTERSECTION IMPROVEMENTS ON EBERT STREET AND OAK GROVE ROAD. *[\$172,000.]*
 - b. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2010-2011.

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. APPROVAL OF FINANCE COMMITTEE SUMMARY OF MINUTES - *August 9, 2010.*

Finance/Budget

C-4. CONSIDERATION OF ITEMS RELATING TO CONTRACTS:

- a. RESOLUTION APPROVING CONTRACTS FOR GRIFFITH ENTERPRISES, INC. TO PROVIDE PROFESSIONAL ENVIRONMENTAL SERVICES FOR CITY PROJECTS INVOLVING SOIL AND GROUNDWATER ISSUES - *Griffith Enterprises, Inc. - Total Value of Contracts not to Exceed \$350,000.*
- b. RESOLUTION AWARDED CONTRACT FOR ROAD SALT FOR STREETS DIVISION - *Cargill Inc.,-Deicing Technology Business Unit - \$156,000-\$78/ton (Estimated Amount).*
- c. RESOLUTION AWARDED CONTRACT FOR PURCHASE OF SEVEN SIDE LOADING REFUSE TRUCKS UNDER THE BID PROCEDURE WAIVER OF N.C.G.S.143-129(g) - *Carolina Environmental Systems, Inc. - \$1,632,575.*
- d. RESOLUTION AWARDED CONTRACT FOR SNOW REMOVAL - *Dudco, Inc. - \$83,827.80 (Estimated Amount).*
- e. RESOLUTION AWARDED CONTRACT TO IKON, INC. FOR THE PRINT SHOP AND OTHER SERVICES. [*\$585,732.*]

C-5. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2010-2011 RELATING TO STORMWATER CLEANUP IN THE PIEDMONT TRIAD RESEARCH PARK. [*\$3,000,000.*]

Council Member Leight noted that her questions on Items C-4 and C-5 were related and that they could be considered together. She questioned if the remediation addressed in Item C-4(a) would also be necessary for Item C-5.

Mr. Gregory M. Turner, Assistant City Manager/Public Works, noted that there may be additional services anticipated for projects that are ongoing or upcoming and the contract addressed in Item C-4(a) provides a blanket service contract for environmental services related to stormwater or groundwater contamination, but most significantly for services associated with City Yard. He stated that ash and fly ash are by-products from an incineration program the City had in the past and were disposed of by burial at City Yard.

In response to Council Member Clark's questions, Mr. Turner stated that the Salem Creek Connector will be placed to the west of the area of contamination and there will be no excavation at the site of the Winston-Salem City Employees Credit Union. He also stated that once the study is completed, staff will bring back a plan to the Committee if there is a need for disposal in a separate location, but Item C-5 approves the budget for the project and a contract will be brought forward at a later time.

In response to Council Member Adams' inquiry, Mr. Turner stated that Griffith Enterprise will not bid for the work for Item C-5 as they are purely an engineering firm and Item C-5 is for construction activity.

Council Member Clark made a motion to approve Items C-4 and C-5. The motion was duly seconded by Council Member Leight.

In response to Council Member Burke's question, Mr. Turner stated that staff had not received complaints regarding underground storage, rather there have been a few complaints regarding stormwater management ponds with standing water, where mosquitoes breed. He also stated that City and County staff work together to treat these areas with mosquitocide. He further stated that occasionally, complaints may be received from citizens during the summer season, but in general, there are fewer complaints than there have been before.

The motion for approval carried unanimously.

C-7. CONSIDERATION OF ORDINANCES DESIGNATING CERTAIN PROPERTY AS HISTORIC LANDMARKS:

- a. ORDINANCE APPROVING LOCAL HISTORIC LANDMARK DESIGNATION OF THE P.H. HANES KNITTING COMPANY – MILL BUILDING, 101 EAST SIXTH STREET. Public Hearing: October 4, 2010.
- b. ORDINANCE APPROVING LOCAL HISTORIC LANDMARK DESIGNATION OF THE S.J. NISSEN BUILDING, 310 EAST THIRD STREET. Public Hearing: October 4, 2010.

Council Member Clark expressed concern with the number of properties receiving the 50% property tax deferral and questioned if it was a State or City statute.

Ms. LeAnn Pegram, Project Planner, noted that it was a State statute.

Council Member Montgomery requested a listing of all properties with historic landmark designation.

Council Member Leight noted that renovation of a structure to the level mandated by the Secretary of the Interior is a very involved and thorough process.

Council Member Clark made a motion for approval. The motion was duly seconded by Council Member Leight.

Council Member Burke noted that within the last several days, it was her pleasure to be present at the unveiling of the historical designation marker at Carver School.

The motion for approval carried unanimously.

GENERAL AGENDAG-1. RESOLUTION APPROVING FINANCIAL ASSISTANCE TO BOTTLING GROUP, LLC. Public Hearing: September 20, 2010.

Mr. Derwick Paige, Deputy City Manager, noted that there was a revised Council Action Request Form placed at each Committee Members' place. The item is a request for funding to help offset upfit and expansion costs of the current Winston-Salem operation. Over the next 24 months, there will be 195 new jobs created and over 800 jobs retained. He noted that this was Phase I of the project. If Winston-Salem is not chosen for expansion, the current jobs could be moved elsewhere. If the current operations are expanded, the annual projected City property tax revenue will increase by approximately \$28,500. The City will also serve as a pass-through for any State funding that may be contributed to the project.

In response to Council Member Clark's question, Mr. Paige stated that over the next 24 months, the City will commit \$250,000 in economic development assistance, using a portion of Dell economic repayment funds.

Mayor Joines stated that this is a reasonable request in the interest of not only attracting new jobs to the area, but also protecting those already in place.

In response to Council Member Leight's question, Mayor Joines stated that Fargo, North Dakota is a popular site for call-center locations due to the fact that there is a non-distinct accent and a dedicated work ethic of citizens in that area.

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

In response to Council Member Montgomery's question, Mr. Paige stated that the County will contribute up to \$150,000.

In response to Council Member Besse's inquiries, Mr. Paige stated that the estimate of sales tax revenue is based upon the number of new jobs created rather than total payroll and that the estimated property tax revenue generated by upfit and improvements was discounted because of the initial investment in technology, which depreciates quickly and does not generate the type of return typically seen. He also stated that the City will receive the estimated \$28,500 of annual property tax revenue indefinitely until the property is revalued.

In response to Chair Merschel's question, Mr. Paige stated that call centers are one of a cluster of business types that the City aims to attract due to its ideal geographic location. Staff will always consider what is the best return on the City's investment and while it may not have been as aggressive in pursuing some companies, it has done well with others.

Chair Merschel requested to know if there is anything else the City could be doing to more aggressively recruit call centers to this area and that staff bring that information back to the

Committee for review.

Council Member Adams requested to know the location of all local call centers, how the City's incentive packages compare to other cities and any additional steps that may be taken to recruit these types of businesses. Any company's concern regarding dialect may possibly be addressed through speech communication classes at Winston-Salem State University (WSSU) or Forsyth Technical Community College.

The motion for approval carried unanimously.

- G-2. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WINSTON-SALEM DIRECTING APPLICATION TO THE LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF WATER AND SEWER SYSTEM REVENUE BONDS AND REVENUE REFUNDING BONDS; REQUESTING LOCAL GOVERNMENT COMMISSION APPROVAL OF THE CITY'S WATER AND SEWER SYSTEM REVENUE BONDS AND REVENUE REFUNDING BONDS; AND CERTAIN RELATED MATTERS. [*\$185,000,000.*]

Mrs. Denise Bell, Chief Financial Officer, stated that under the North Carolina General Statute, the City is required to issue bonds and is currently completing the funding of two major projects, the Elledge Wastewater Treatment Plant and the Thomas Water Plant Modernization. The complete project list of the City/County Utility Commission (CCUC) totals \$225 million over the next six years. Of that, the City will finance \$105 million with the current bond issue, another bond issue in two to three years of \$50 million and it will fund 30% or \$70 million of the project list with pay-go, or accumulated funds from the CCUC. Of the \$185 million bond, \$105 million would be for new projects, \$9 million for capitalized interest, meaning no debt payments during the construction period, which would be financed through the proceeds of this bond issue. Prior issues that were issued at higher rates of interest would potentially be refunded with \$69 million, with the cost of issuance to total \$185 million. Refunding bonds will only be issued dependent upon market rates and whether or not they are favorable. The bond proposal includes the anticipated issuance of \$80 million in Build America Bonds, which may be issued at taxable interest rates, and the City will be eligible to receive an interest rate reimbursement from the federal government for up to 35% of that cost. These bonds will be issued at fixed rates for maturities up to 30 years and are scheduled to be sold on October 20. Staff has encouraged underwriters to have local advertisements so citizens may be aware of these bonds and have an option to purchase them if interested.

In response to Council Member Leight's questions, Mrs. Bell stated that pay-go is funding that the CCUC has on hand to help pay for capital expenditures. She also stated that when a bond sale is settled, the City receives the entire proceeds of the bond sale which is held with an escrow agent only to be used for capital expenditures of the Utility Fund. When there are eligible expenditures, those funds may be withdrawn to reimburse the City. She further stated that the City does earn interest on the proceeds of the bond sale.

In response to Council Member Clark's inquiries, Mrs. Bell stated that several bond refinances combined could produce an estimated \$500,000 in annual savings but the City must first meet the call dates before it can pull the bonds without a penalty. The largest issue of bond refundings is not

callable until 2011 and staff wants to ensure the City receives the most benefit. She also stated that there is an option for the pre-sale of bonds whereby they could be sold now and not executed until March. She further stated that staff is constantly looking for options to refinance General Obligation bonds.

Council Member Clark stated that he realizes the CCUC has a long list of very costly projects that are necessary to be completed, but expressed concern that it is a large sum of money.

In response to Council Member Clark's question, Mr. Turner stated that nine years ago, the total indebtedness of the CCUC was less than \$100 million and it is now close to \$400 million. He also stated that many of the projects are required upgrades driven by regulatory compliance and maintenance concerns. If the City were required to perform nutrient removal, due to potential regulations related to residuals treatment, it could cost as much as \$50 to \$75 million in additional sewage treatment. He further stated that it is unknown when those requirements will come into effect but they are being proposed.

In response to Council Member Burke's question, Mr. Turner stated that in the 1970's, the City and County agreed that the CCUC would be in charge of spending Water and Sewer System Revenue Bonds.

In response to Council Member Burke's inquiry regarding the bond underwriter's discount, Mrs. Bell indicated that the underwriter's cost is based upon the sale of the debt, the review of rating agencies, attorney's fees, underwriters who are issuing the debt, bond counsel for the City and miscellaneous fees, but she will be happy to provide more detail.

Council Member Burke noted that the City's finances should be monitored by a more diverse group.

Mrs. Bell noted that the City has also added Loop Capital Markets of Charlotte as one of its underwriters and it is minority owned.

Council Member Adams requested a prioritized list of the CCUC projects. If for some reason the bonds are unable to be issued, she questioned what would happen.

Mrs. Bell stated that if the bonds are unable to be issued, staff will review the project list to determine what projects can be deferred and consider other financing sources.

In response to Council Member Adams' question, Mrs. Bell noted that the last bond issue was in 2009 and it has been spend in its entirety. Currently, the CCUC is spending money on hand, which is limited, but as soon as the bonds are sold those funds will be reimbursed.

Council Member Adams questioned what prompted the evaluation of the project list, if there are incomplete projects that have been on the list for an extended period of time or if staff is continuously working on the same projects.

Mr. Turner noted that there are three categories of projects: those that are necessary to comply with

current or anticipated environmental regulation, those associated with deferred maintenance for items that may be worn and those associated with improving customer service or overall efficiency. The CCUC Capital Improvement Plan (CIP) is a long-term study of what is needed and how to address those needs. He also noted that some of the projects listed have already been constructed.

Council Member Adams requested a tour of each project listed.

Mr. Lee Garrity, City Manager, indicated that he understands the costs associated with these projects are large and can be shocking at first, but this item will be discussed at the Public Works Committee meeting as well. He also indicated that Council Member Clark's request for a project list during budget discussions prompted this item.

Mayor Joines noted that the CCUC has managed its CIP and has kept water and sewer rates in the city among the lowest in the state. These expenditures are necessary due to changes in the community and to accommodate future growth and completing these projects now will prevent major expenditures in the future.

Council Member Besse noted that citizens of Winston-Salem pay a considerably lower rate for water and sewer service and indicated that the CCUC is doing a sound job maintaining these services.

In response to Council Member Leight's question, Mrs. Bell stated that interest on bonds is paid entirely by water and sewer user fees.

In response to Council Member Burke's question regarding runoff on Patterson Avenue, Mr. David Saunders, City/County Utilities Director, noted that the connection needed to be renewed to current standards and that there may be a few streets still experiencing the same issue, but any connection style similar to that, installed prior to 1965, should be replaced. He also noted that the project list has been prioritized based on past experience.

In response to Chair Merschel's question, Mrs. Bell stated that the CCUC has a projection of 30% total expenditures to be paid for with utility system cash rather than financing.

Chair Merschel expressed confusion at the \$2.5 million allocation for annexation fees within the annual budget.

Mr. Turner noted that allocation is somewhat of a misnomer as the funds are allocated to any request for water/sewer line extensions approved by the CCUC for annexation or other related projects.

In response to Chair Merschel's question, Mr. Saunders stated that the CCUC processes five to 15 petitions for service extension, which are generally from areas that have been annexed by the City at some point in time. The funds are budgeted under the 2006 annexation simply because it was the most recent one, and although some annexed areas have never requested service, these funds will cover any anticipated projects.

Council Member Clark requested that the category be correctly labeled so as to indicate that the

funds are for water/sewer extension projects.

Council Member Burke requested a listing of annexed areas and the number of petitions received for water/sewer service within those areas.

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

G-3. RESOLUTION REAFFIRMING THE CITY OF WINSTON-SALEM'S INTENT TO ACQUIRE UNION STATION/DAVIS GARAGE. *[Item continued from the August meeting of the Finance Committee.]*

Mr. Turner reviewed the information presented in the memorandum contained within the Agenda book, addressing questions that were posed during the August Committee meeting. He noted that one of City Council's concerns was the adequacy of parking and indicated that there are 124 parking spaces including handicapped spaces, along with bus parking spaces, which is adequate parking for the site's projected use. He also noted that any environmental concerns from the study have been addressed and can be reasonably accommodated. Staff's recommendation is to acquire the property by deed or condemnation.

Council Member Montgomery stated that if the property is acquired by deed or condemnation, it will be unused until rail service is closer to this area. He also stated that there is an immediate opportunity for the Piedmont Authority for Regional Transportation (PART), the Winston-Salem Transit Authority (WSTA) and Greyhound to expand their current service capabilities, but discouraged staff from waiting until the site is ready for multi-modal transportation.

Mr. Turner noted that PART has not yet agreed to partner on the project and other decisions for use will be made by the City Council and WSTA board.

In response to Council Member Leight's questions, Mr. Turner stated that if the property is acquired, the exterior renovations could take place immediately and any upfit renovations will not be necessary until the facility is in use. There are concerns about acquiring the property in order to satisfy grant obligations, as the grant funds must be used by the end of the calendar year. He also stated that if a tenant was no longer in the facility, the City would begin using it for bus activities immediately, but the City Council could consider allowing the current tenant to remain there until is ready for rail activity.

In response to Council Member Adams' statement regarding retail or restaurant use in the facility, Mr. Turner noted that part of the developer's proposal is to do these things but the federal funding the City will receive is stipulated for transportation functions.

Mr. Garrity noted that staff's suggestion to wait on rail service before utilizing the facility is that it will be more likely for the City to receive federal funding to help renovate the facility and currently, there is no source of funding or method of payback.

In response to Council Member Clark's questions, Mr. Turner stated that currently, there are 120

parking spaces but they would not meet the current parking lot ordinance, but there are areas that could be resurfaced to create additional spaces. He also stated that were the facility to be upfitted for a use other than a rail station, there would be considerable costs.

In response to Council Member Leight's inquiry, Mr. Turner noted that there have been ongoing conversations with WSSU but they have not yet committed to the project and probably would not be an immediate user.

In response to Council Member Burke's questions, Mr. Turner indicated that the developer has no personal funding that he is contributing to the project, but he is proposing to use tax incentives as a funding source. He also indicated that it is unknown how long it will take the developer to obtain funding from another source.

In response to Council Member Besse's inquiry, Mr. Turner stated that this facility will be slightly larger than a similar one in High Point.

Mayor Joines noted that if the City were in possession of the facility, it would have more options for funding. He also noted that staff could provide additional language in the agreement and a timeframe for the developer to bring forward a financial plan.

Council Member Montgomery indicated that he had been informed that the developer would contribute \$150,000 of personal funding and from conversations with representatives from WSSU, he believes it is in favor of the site being developed, but not at the point of financial contribution due to the distance from the school. He also indicated that the developer mentioned an alternative to taking ownership of the property would be for the City to purchase it for the appraised value and allowing the developer a period of time to obtain funding to reimburse the City.

Mr. Garrity noted that the City could enter into a preferred development agreement with the developer that would give him a specified timeline and continue with the acquisition process as well.

In response to Council Member Leight's questions regarding the developer's funding sources, Mr. Turner stated once the property was acquired, the City would plan to pursue additional federal funding. The City must meet the terms of the existing grant before it is eligible to apply for additional funds. He also stated that if the developer were to obtain funding from the Department of Transportation or historical tax credits, those funds could not be used to purchase the property.

Council Member Leight noted that she toured the facility with the developer and was under the impression that if private funding was not obtained, the City would retain ownership of the property at no extra cost, and questioned the \$6.7 million funding gap.

Mrs. Bell noted that the developer's proposed cost, including acquisition is \$20.2 million, with \$1.5 million allocated to the purchase of the property, \$750,000 to be paid up front and a promissory note provided to the owner for the balance. Once the new market and historic tax credits are received, the owner would then use those to pay the balance of \$1.5 million to the owner of the property. Within the developer's budget, he is proposing that the City provide \$6.7 million in funding. She also noted

that in order to acquire the tax credits, the developer has included \$3.8 million in acquisition costs for those credits and it is unknown where those funds would be allocated. She further noted that through staff review, it does not appear that the developer will be contributing any personal funds.

In response to Council Member Leight's question regarding legal expenses, Mrs. Angela I. Carmon, City Attorney, stated that if the condemnation is performed using City staff, any expenses will be low.

In response to Council Member Clark's inquiry, Mrs. Carmon indicated that the City will not be required to pay the legal fees of the seller.

In response to Council Member Besse's question, Mr. Turner stated that if the property is appraised and found to be worth more than is currently stated, the grant terms will allow the City to purchase the property at the value determined by the court.

Council Member Montgomery expressed concern that condemning the property may restrict its future use.

Mr. Turner stated that if the property is condemned, it cannot be sold to another private entity for their development, and once it is acquired, the City will have to continue to own and develop it for the intended purpose. He also stated that would not prohibit the rental or lease of space within the facility.

Chair Merschel reiterated that to advance the project, Committee Members should be comfortable with staff's proposal of proceeding with acquiring the property through condemnation.

Mr. Garrity noted that staff will bring back recommendations for proceeding with the development of the property.

Mrs. Carmon reiterated to Committee Members that the purpose of condemnation is for transportation purposes.

Council Member Burke made a motion to support staff's recommendation. The motion was duly seconded by Chair Merschel. The motion carried on a vote of three in favor and one opposed. Those voting in favor of the motion were Council Members Merschel, Burke and Leight with Council Member Clark voting in opposition.

Council Member Taylor in at 6:32 p.m.

G-4. RESOLUTION AMENDING ARTICLE I CONDITIONS OF EMPLOYMENT, SECTION 14 REDUCTION IN FORCE OF THE CITY OF WINSTON-SALEM PERSONNEL RESOLUTION.

Chair Merschel noted that this item was not time sensitive but would require in-depth discussion from the Committee. By consensus, it will be held in Committee until October.

- G-5. RESOLUTION AUTHORIZING APPLICATION FOR FUNDING FROM THE NORTH CAROLINA GOVERNOR'S HIGHWAY SAFETY PROGRAM TO ESTABLISH A FORSYTH COUNTY DWI JOINT TASK FORCE.

Mr. Garrity noted that this item was time sensitive and without objection from the Committee, a decision on this item could be deferred to the Public Safety Committee for discussion.

ADJOURNMENT: 6:33 p.m.