

**CITY OF LAURINBURG
CITY COUNCIL MEETING
AUGUST 31, 2017
MUNICIPAL BUILDING
303 WEST CHURCH ST.
5:30 p.m.**

Minutes

The City Council of the City of Laurinburg reconvened the August 22, 2017 regular meeting on Thursday, August 31, 2017 at 5:30 p.m. in the council chambers of the Municipal Building with the Honorable Mary Jo Adams, Mayor Pro Tem, presiding. The following Councilmembers were present: Mary Jo Adams, Dolores A. Hammond, Curtis B. Leak, Andrew G. Williamson, Jr. and J.D. Willis (arrived at 5:39 p.m.). Mayor Matthew Block arrived at 6:02 p.m.

Also present were Charles D. Nichols III, City Manager; Jennifer A. Tippet, City Clerk; and William P. Floyd, Jr., City Attorney. Staff present included Mrs. Carrie Neal, Finance Director, and Harold Haywood, General Services Director.

Mayor Pro Tem Adams reconvened the August 22, 2017 meeting at 5:31 p.m.

Mayor Pro Tem Adams gave the Invocation.

CONSIDER SUSPENSION OF RULES OF PROCEDURE

Mayor Pro Tem explained that the Rules of Procedure be suspended to add a closed session at the end of the meeting to consult with the attorney.

Councilmember Hammond requested that the Rules of Procedure be suspended to allow Council Comments at the beginning of the meeting.

Motion was made by Councilmember Williamson, seconded by Councilmember Hammond, and unanimously carried to suspend the Rules of Procedure and amend the agenda to add a closed session to consult with the attorney and to add Council Comments.

COMMENTS FROM COUNCILMEMBERS

Councilmember Hammond stated that she wanted to address a comment made in the local newspaper concerning the City Manager. She explained that in the Council-Manager form of government, the City Manager is appointed by the governing board, and that his powers and duties are set by General Statute 160A-148. She quoted the first sentence of GS 160A-148 which says "the manager shall be chief administrator of the city, he shall be responsible to the council for administering all municipal affairs placed in his charge by them." She added that as a former City employee and now a Councilmember, that the City Manager has been ridiculed by the public for doing his job. She further added that he was asked to research and seek information on the cost of construction a new City Hall and Police Station, send out Requests for Proposals,

and other steps that Council has directed him to do as an employee of the board. She added that if he had refused to complete the tasks he was given by Council, he would no longer be employed as the City Manager. She added that in business if an employee refused to carry out directives by the supervisor, that person would no longer be working for that business. She stated, "It is unfortunate and unfair that a comment has been made about our City Manager in a public forum even though it was said as a joke. In my opinion, it is disrespectful to our City government, to our City employees and their families, and to our citizens of Laurinburg to make such a remark a man that is simply doing his job. That is all I have to say and I wanted to clarify that because Mr. Nichols is an employee of Council and he does what Council asks him to do. He doesn't go out on his own."

UPDATE ON CONSTRUCTION AND FINANCING BIDS FOR CITY HALL AND POLICE DEPARTMENT AND CONSIDER RESOLUTION AUTHORIZING INSTALLMENT FINANCING

The City Manager explained that he would provide a brief overview of the project after rebids and then turn it over to Edifice to talk about the three (3) packets that were rebid and talk about the Guaranteed Maximum Price (GMP), and then to Ted Cole with Davenport to talk about the actual financing and the two options available to Council.

The City Manager explained that the cost had been reduced from the \$9.1 million that was presented to Council on August 22, 2017. He then reviewed the chart below:

City Hall Project Cost Breakdown

<u>Construction Financing</u>	<u>Amount</u>	2% CM Contingency
Construction and CM @ Risk Costs	\$8,526,924	
Construction Materials Testing & Inspection	\$45,742	
Owner Contingency	\$0	
Furniture, Fixtures, & Equipment	\$0	
A/V, Security, IT, abatement, etc.	\$200,000	
Architectural Construction Administration	\$108,000	
Cost of Issuance Estimate	\$175,000	
Total Project Costs	\$9,055,666	
<u>Potential Financing Reimbursements</u>		
Architectural, Environmental, Pre-Construction, Survey, etc.	\$497,551	
Sanford Building Renovations	\$141,296	
Pre-Construction Reimbursables	\$638,847	
TOTAL POTENTIAL FINANCING	\$9,694,513	

The City Manager explained that the items below Total Project Cost of \$9,055,666 included possible items for reimbursement and which could be included in the financing because Council had approved two (2) reimbursement resolutions for the project. He added that these items will be reflected in the 2017 audit as already paid and out of Fund Balance.

REPORT FROM EDIFICE, INC.

Mr. Andy Aldridge of Edifice, Inc. explained that he is Vice President of Pre-Construction and managed pre-construction and bidding for Edifice. He added that all of the state statutes for bidding have been followed on the project. He explained that he would review the summary of construction costs by bid package to date, and he added explained that this was the final cost of the project, which would equal what the Construction Manager at Risk (CMR) contract would equal. He then reviewed the following chart:

General Conditions	607,000		
Final Cleaning & Survey/Layout	12,605		
	Apparent Low Bid	Trade Contractor	MWSBE 1st Tier Trades
Concrete	355,912	Honducom	355,912
Masonry	747,500	Old North State	844,106
Steel Frame and Misc.	533,780	Steel & Pipe	127,821
Casework and Trim	435,900	Stephenson	
Waterproofing and Sealant	70,000	Mecklenburg	
Roofing	444,000	Johnsons	
Doors, Frames, Hardware	160,650	HKS	
Glass and Glazing	318,470	1st Choice	
Gypsum Board Systems, EIFS, Spray FP	844,106	Chavez	
Hard tile	142,178	David Allen	
Acoustical Ceilings and Panels	See Drywall	Clavez	
Flooring	99,211	David Allen	
Painting	71,373	TBD	
Specialties	127,821	Carolina MH	
Equipment Signage	14,200	Precision Signs	
Window Treatments	10,848	United Supply	
Conveying Equipment	131,000	Otis	
Fire Suppression	125,498	Allied	
Plumbing	217,438	Haire	
HVAC	380,000	Simmons	
Electrical	728,679	McCarter	
Building Cost of Work Subtotal	6,578,169		
Sitework	1,419,683	Hudson	
Fencing and Gates	93,888	Hudson	
Landscaping	58,338	Bryant Turf	
Site Cost of Work Subtotal	\$1,571,909		

Target Cost Saving Options	(340,000)		
Total Cost of Work	7,810,078		
CM Contingency 2%	156,202		
General Liability Insurance	46,860		
Builders Risk Insurance	27,335		1,327,839
Building Permit, Utility Connection Fees	0		15.57%
CM Fee 5%	402,024		
P & P Bond	84,425		
	\$8,526,924		

He summarized that the current cost of construction was \$8,526,924.00, which was less than the last time council saw the total construction amount. He added that three (3) packages were rebid and those bids came in lower on the re-bid, bringing the cost down approximately \$175,000.00. He added that Edifice had been working on other cost-saving options that would maintain the same intent of the project including the square footage and the same look. He further added that in collaboration with Creech & Associates, a list of \$340,000.00 in potential savings had been identified which would need Council direction.

Upon question by Councilmember Williamson, Mr. Aldridge clarified that the previous construction figure Council was presented was \$9.1 million, and that the construction amount being discussed with the possible cost-savings was \$8.5 million. He then reviewed possible cost-savings options as follows:

- Dumpster enclosure: Instead of having masonry brick on either side of the enclosure, have the dumpster enclosed by a fence.

There was no decision made at this time on this matter.

- Exterior of the secure evidence storage building: This building is built out of load-bearing block masonry with a brick veneer exterior. A savings of \$20,000.00 to \$30,000.00 could be realized if instead of the brick veneer, a synthetic stucco be used. Synthetic stucco has a lifespan of 15-20 years.

Following discussion, it was consensus of Council to leave the brick veneer exterior on the secure evidence storage building.

- Fencing around the secured Police Department parking lot and gate entrance for the Police Department secured area: Remove the fence around the secure Police Department parking lot, maintain the secured sally port and traffic arm for the driveway into the Police Department area from Church Street would save approximately \$40,000.00.

Following a brief discussion, it was consensus of Council to keep the fencing around the parking lot and the gate.

Mr. Aldridge explained that the last item to consider was the roof.

It was consensus of Council to leave the roof as designed.

Upon question by Councilmember Leak, the City Manager discussed the proposed fence between the new City Hall & Police Department building and the abutting residence.

The City Manager explained that direction was needed from Council concerning the dumpster enclosure.

It was consensus of Council to leave the dumpster enclosure as originally designed.

REPORT FROM DAVENPORT & COMPANY

Mr. Ted Cole of Davenport & Company explained that now that the Guaranteed Maximum Price (GMP) of \$8,526,924.00 has been determine, the financing aspect can be determined. He reviewed the chart below:

Financing Component	Amount
1 Construction Financing	
2 Construction and CM @ Risk GMP (2% Contingency)	\$ 8,526,924
3 Construction Materials Testing & Inspection	45,742
4 Owner Contingency	-
5 Furniture, Fixtures, & Equipment	-
6 A/V, Security, IT, abatement, etc.	200,000
7 Architectural Construction Administration	108,000
8 Total Project Costs	\$ 8,880,666
9	
10 Potential Financing Reimbursements	
11 Architectural, Environmental, Pre-Construction, Survey, etc.	\$ 497,551
12 Sanford Building Renovations	141,296
13 Pre-Construction Reimbursables	\$ 638,847
14	
15 Cost of Issuance Estimate / Rounding	175,487
16	
17 Total Potential Financing	\$ 9,695,000
18	
19 Source: Creech / Edifice / City Staff	
20	
21	
22 Sources of Funds	Amount
23 Par Amount	\$ 9,695,000
24 Total Sources of Funds	\$ 9,695,000
25	
26 Uses of Funds	Amount
27 Total Project Costs	\$ 8,880,666
28 Potential Financing Reimbursements	638,847
29 Cost of Issuance Estimate / Rounding	175,487
30 Total Uses of Funds	\$ 9,695,000

He explained that Council would decide whether to include in the financing the potential reimbursable items of \$497,551.00 for architectural, environmental, pre-construction, survey work and other services provided before construction and \$141,296.00 for Sanford Building renovations and moving staff to the Sanford Building for a total of \$638,847.00. He added that with the GMP, the reimbursable items, and the estimated cost of issuance was \$175,487.00, results in total potential financing of \$9,695,000.00.

Upon question by Councilmember Leak, the City Manager explained that two (2) reimbursement resolutions were approved by Council in the event Council wanted to reimburse the General Fund for the funds expended thus far for the project. He added that the auditor recommended to pay for the upfront costs out of the General Fund until the project was approved, and then if those costs were not reimbursed, the costs would be divided between the General Fund (67%), the Electric Fund (16.5%) and the Water/Sewer Fund (16.5%). He further added that if the costs were reimbursed, then the funds would go into the General Fund.

Mr. Cole explained that the upper end of the borrowing would be \$9,695,000.00 for the full project, all reimbursements and the cost of issuance.

He briefly reviewed the two (2) financing proposals:

- 15-Year Financing with BB&T
 - 2.60% interest rate fixed for the 15 years and locked in until October 18, 2017
 - Two (2) possible prepayment options:
 - Repayable in whole on any date with at 1% prepayment premium, or
 - Non-callable for the first half of the loan and then callable at par thereafter.

Mr. Cole explained that Council would need to determine which prepayment option with BB&T it preferred.

- 20-Year Financing with Sterling National Bank
 - 3.30% interest rate fixed for 20 years and locked in until September 22, 2017 or a 3.37% interest rate fixed for 20 years and locked in until October 10, 2017
 - Prepayable in whole or in part with a 1% premium (years 7-13) and at par thereafter. The loan will not be callable for years one (1) through six (6).

Mr. Cole reviewed the existing and proposed debt for the three (3) different funds that would carry the responsibility for the debt under the two (2) financing options, as shown on the table attached as "Attachment A" which is incorporated herein. Highlights of his discussion included the following:

- Total payback over the term of the loan for the 15-year loan would be \$11,717,912.00 and the total payback over the term of the loan for the 20-year loan would be \$13,061,967.00, for a difference of \$1,344,055.00 of additional interest expense.
- In budgeting for debt service, revenues were identified to repay the debt and in addition to those identified previously, if Council chose to do the 15-year loan at the 9,695,000.00

amount, an additional \$292,680.00 in revenue from the General Fund would need to be identified between Fiscal Years 2024 and 2029.

- Under the 20-year loan, because the payment is lower than the 15-year loan, no additional revenue would be needed.
- The extra five (5) years of the loan term costs \$1,344,055.00 of extra debt service because of the higher interest rate and the additional years of the term versus going with the shorter term loan at lower interest, but needing to find additional revenue.

Mr. Cole reviewed the debt affordability analysis as shown on the chart labeled “Attachment B” which is attached to and incorporated herein. He summarized by explaining that if Council chose the BB&T 15-year term loan, in years 2024 through 2029, approximately \$292,000.00 would be needed to repay the debt of \$9,695,000.00 that includes the current GMP and all reimbursements.

Mr. Cole reviewed the debt affordability analysis as shown on the chart labeled “Attachment C” which is attached to and incorporated herein. He summarized by explaining that if Council chose the Sterling national 20-year term loan, no additional revenues would be necessary; however because of the higher interest rate and the extra five (5) years of financing, there would be \$1.3 million additional interest expense over the life of the loan.

Mr. Cole explained that Council would consider a resolution drafted by the bond counsel which resolution required several decisions:

- Determine which lender.
- If BB&T is chosen, which prepayment option.

Upon question by Councilmember Williamson, Mr. Cole explained that if Council chose to finance \$9,165,000.00 with the 15-year term loan with BB&T, no additional revenue would be necessary in the out years. He added that of the \$638,847.00 already expended had been paid out of the General Fund.

The City Manager explained that auditor recommended that costs associated with the project come from the General Fund until the project was financed, and so that if Council chose to reimburse the expended funds, the reimbursement would go to the General Fund. He added that if Council chose not to reimburse, then the one-third (1/3) of the expended funds would be split between the Electric Fund and the Water/Sewer Fund, with the remaining two-thirds (2/3) staying in the General Fund.

Upon question by Mayor Block, Mr. Cole explained that the lowest prepayment penalty would depend upon which point in time the loan was repaid. He reviewed the prepayment terms of the Sterling loan and the two (2) options with BB&T.

Upon question by Councilmember Adams, Mr. Cole explained that if Council chose to go with the BB&T 15-year loan and the General Fund was not reimbursed for the funds already expended, then the financing would be below the \$10 million mark. He added that if the

financed amount was down to about \$9.15 million, no additional revenue would be needed in the out years.

Upon question by Councilmember Williamson, the City Manager explained that the \$638,847.00 already expended had come out of the General Fund, some the previous fiscal year, and some out of the current year. He added that when the financing was approved, the financed amount would reimburse those funds into the General Fund. He further added that this “reimbursement” would be a simple journal entry moving it from the Capital Project Fund into the General Fund-Fund Balance.

Upon question by Councilmember Williamson, the City Manager explained that if Council chose to include the reimbursable amount in the financing, interest charges would be paid on those funds.

Upon question by Councilmember Adams, the City Manager explained that if Council chose not to reimburse the funds expended thus far, there would be no effect on the Fiscal Year 2017-2018 budget; however it would affect FY 2016-2017 which closed on June 30, 2017 and was in the audit process. He reiterated that if Council chose to reimburse the expended funds, that the funds would go into the General Fund-Fund Balance.

Further discussion ensued concerning the reimbursements, the effect on budgets and the effect on financing and revenue needed for debt servicing.

Mr. Cole explained that if Council chose the 15-year term loan and not reimburse any funds expended, there would be no additional revenue needed. He added that if the borrowing stayed at or below \$9.165 million, no additional revenue would be needed in the out years of the loan.

Upon question by Councilmember Hammond, Mrs. Neal explained that the General Fund-Fund Balance is currently at about 52% to 54%, or about \$3.5 million.

Upon questions by Mayor Block, Mr. Cole explained the Davenport & Company’s fees were included in the Cost of Issuance. He added that the Cost of Issuance also included the bond counsel, the LGC and bank counsel if required. He further added that if the financing did not occur, Davenport & Company would discuss fair compensation for its work with the City.

Upon question by Mayor Block, Mr. Cole reviewed the prepayment options offered by BB&T.

Upon question by Councilmember Hammond, the City Manager explained that if Council decided not to reimburse for funds already expended, a budget amendment would be necessary to allocate those funds keeping two-thirds (2/3rds) in the General Fund, and one-third (1/3rd) split between the Electric Fund and the Water/Sewer Fund.

Following further discussion, Councilmember Williamson moved to approve Resolution No. R-2017-21 Approving an Installment Financing Contract and Providing for Certain Other Related Matters thereto, with BB&T as the lender for a 15-year term loan with a not to exceed amount of \$10 million directing staff that the goal amount for the loan is \$9.165 million, with the choice of

pre-payment option of non-callable for the first half of the loan term, and then at par for the remainder of the loan. Councilmember Hammond seconded the motion, and the vote was as follows:

Ayes: Williamson, Hammond, Willis, Leak, Adams

Nays: None

(Resolution No. R-2017-21 on file in City Clerk's office)

CLOSED SESSION

At 6:34 p.m. motion was made by Councilmember Adams to go into closed session pursuant to NC General Statute 143-318.11(a) (3) to consult with an attorney employed or retained by the City. The motion was seconded by Councilmember Hammond, and carried unanimously.

At 6:59 p.m., motion was made by Councilmember Willis to adjourn the closed session and resume the regular meeting. The motion was seconded by Councilmember Williamson, and carried unanimously.

ADJOURNMENT

Motion was made by Councilmember Williamson, seconded by Councilmember Willis, and unanimously carried to adjourn the meeting.

The meeting adjourned at 7:00 p.m.

Matthew Block, MD, Mayor

Jennifer A. Tippet, City Clerk