

MINUTES

May 27, 2020

SECOND MONTHLY MEETING OF THE CITY COUNCIL [ELECTRONIC]

ASSEMBLY ROOM – OPERATIONS CENTER

4:00 p.m.

Present: Mayor Barbara G. Volk and Council Members: Jeff Miller, Jennifer Hensley

Participating Electronically: Mayor Pro Tem Smith, Council Member Lyndsey Simpson

Staff Present: City Manager John F. Connet, City Attorney Sam Fritschner, Assistant Manager Brian Pahle, Communications Manager Allison Nock, Finance Director John Buchanan, Revenue Supervisor Jennifer Musselwhite, Budget & Management Analyst Adam Murr

1. Call to Order: Mayor Volk called the meeting to order at 4:00 p.m. and welcomed those in attendance. A quorum was established with three members in attendance physically and two participating electronically.

2. Consideration of Agenda

3. Update regarding utility bill delinquencies

Manager Connet recalled City Council taking steps ahead of the Governor’s Executive Order 124 to prohibit disconnections of utility services due to COVID-19. Manager Connet discussed a three-year trend of utility collection revenues indicating general revenues are flat due to an increase use of residential water and decrease use of commercial water. Manager Connet stated the rate of account delinquency of 31-60 days past due has risen from 18,168 in January 2020 to almost 82,783 in May 2020. Manager Connet stated staff are anticipating new Governor’s orders sometime in June which will give further direction regarding utility billing. Manager Connet stated staff will continue working with customers through policies enacted by Council to get water accounts current.

4. Presentation of Capital Project Financing Options

David Cheatwood, Managing Director with First Tryon Advisors presented a general overview of financing options and structures for the Parking Deck Project. Mr. Cheatwood presented different options weighing pro’s and cons of each with Council. Council Member Jeff Miller asked for clarification between taxable and non-taxable projects and Mr. Cheatwood explained parking decks are usually taxable projects as they are not exclusively for full public use and explained that the taxable portion depends on the amount of spaces dedicated to public use versus private use (by the potential Hotel Project). Manager Connet stated once the project is underway Council would need to make decisions regarding the amount of dedicated public space. Manager Connet stated the project may be considered non-taxable as long as all the spaces are dedicated for public use with the potential Hotel being allowed to utilize the spaces as public. Council Members discussed private financing options and Mr. Cheatwood stated the bank market would be a tougher market with fewer banks being interested in financing this type of project and further discussed the debt service structure for repayment with both private and public funding as shown below.

Estimated Debt Service

- The tables below provide an estimate of the debt service for the City’s parking deck financing based on the following assumptions:
- \$8,000,000 project fund with \$75,000 cost of issuance
 - 15 and 20 year level debt service repayment terms with principal repayment beginning in year 2 (after construction)
 - Bank placement at estimated tax-exempt rates of 3.00% and 3.50% for the 15 and 20 year terms, respectively

15-Year Term			
Sources of Funds			
Par Amount		\$	8,075,000
Total Sources of Funds		\$	8,075,000
Uses of Funds			
Project Fund		\$	8,000,000
Cost of Issuance (est.)			75,000
Total Uses of Funds		\$	8,075,000
Interest Rate (est.)		3.00%	

20-Year Term			
Sources of Funds			
Par Amount		\$	8,075,000
Total Sources of Funds		\$	8,075,000
Uses of Funds			
Project Fund		\$	8,000,000
Cost of Issuance (est.)			75,000
Total Uses of Funds		\$	8,075,000
Interest Rate (est.)		3.50%	

Debt Service			
Fiscal Year	Principal	Interest	Total
2022	\$ -	\$ 235,521	\$ 235,521
2023	473,000	242,250	715,250
2024	487,000	228,060	715,060
2025	501,000	213,450	714,450
2026	516,000	198,420	714,420
2027	532,000	182,940	714,940
2028	548,000	166,980	714,980
2029	564,000	150,540	714,540
2030	581,000	133,620	714,620
2031	599,000	116,190	715,190
2032	617,000	98,220	715,220
2033	635,000	79,710	714,710
2034	654,000	60,660	714,660
2035	674,000	41,040	715,040
2036	694,000	20,820	714,820
2037	-	-	-
2038	-	-	-
2039	-	-	-
2040	-	-	-
2041	-	-	-
Total	\$ 8,075,000	\$ 2,168,421	\$ 10,243,421

Debt Service			
Fiscal Year	Principal	Interest	Total
2022	\$ -	\$ 274,774	\$ 274,774
2023	306,000	282,625	588,625
2024	317,000	271,915	588,915
2025	328,000	260,820	588,820
2026	340,000	249,340	589,340
2027	352,000	237,440	589,440
2028	364,000	225,120	589,120
2029	377,000	212,380	589,380
2030	390,000	199,185	589,185
2031	403,000	185,535	588,535
2032	418,000	171,430	589,430
2033	432,000	156,800	588,800
2034	447,000	141,680	588,680
2035	463,000	126,035	589,035
2036	479,000	109,830	588,830
2037	496,000	93,065	589,065
2038	513,000	75,705	588,705
2039	531,000	57,750	588,750
2040	550,000	39,165	589,165
2041	569,000	19,915	588,915
Total	\$ 8,075,000	\$ 3,390,509	\$ 11,465,509

An estimated timeline for debt repayment is shown below:

	Bank Placement	Public Sale
First Interest Payment	Up to 1 year after closing	Up to 8-9 months after closing
Principal Deferral	During construction period (if desired)	During construction period (if desired)
Interest Payment Frequency	Annually, Semi-Annually, Quarterly, etc.	Semi-Annually
Principal Payment Frequency	Annually, Semi-Annually, Quarterly, etc.	Annually
Other Payment Date	n/a	Debt service payments typically need to occur at least 3 months after the beginning of the fiscal year in order to mitigate the risk of non-appropriation in the budget process or a late budget adoption
Considerations		

5. Discussion Regarding Proposed Downtown Parking Deck and Metering of Main Street

Manager Connet discussed the size and proposed schedule of the Parking Deck Project with City Council. Manager Connet reminded Council of the costs per story and space for the project as follows:

- 5 Story – 323 spaces - \$25,456 per space – Cost = \$8,222,228
- 4 Story – 255 spaces - \$25,456 per space – Cost = \$6,491,280 (savings from 5 Story \$1,731,008)
- 3 Story – 186 spaces - \$31,633 per space – Cost = \$5,883,738 (savings from 4 Story \$607,542)

Manager Connet stated the cost per space increases due to the construction methods for a 3 Story structure and reminded everyone that the Dogwood Lot is 157 spaces for comparison. Council Member Jennifer Hensley stated she favors a 4 Story deck due to cost savings and economy. Council Members Simpson and Smith concurred. Manager Connet stated staff would proceed based on a 4 Story design.

Manager Connet discussed the proposed construction schedule with Council below:

- Schematic Design – May - June 2020
- Design Development – July – September 2020
- Purchase Jackson Property – July 1, 2020
- Construction Document Development – September – December 2020
- Purchase Fazio Property – December 1, 2020
- Bidding – January 2021
- Construction – February 2021 – January 2022
- Meter Main Street – January 2022

Manager Connet stated the schematic design process and guaranteed maximum price will be completed by September 2020 and presented to Council. Manager Connet discussed metering Main Street beginning January 2022 to replace budgetary funding to offset the impact of the project debt service on the Operating Budget. Council Members discussed proceeding with installation of metering kiosks in 2021 and activation of the metering in January 2022. Council Member Smith asked for an updated timeline to reflect metering and closing dates.

6. Presentation of Assessment Process for Water and Sewer Projects

Due to time constraints this presentation was deferred to a future date to be announced.

7. Adjourn. The meeting adjourned at 5:35 p.m. upon unanimous assent of the Council.