

LAW AND FINANCE MEETING  
Wednesday, February 29, 2012  
1:00 P.M.  
Council Chambers

The Law and Finance Committee met on Wednesday, February 29, 2012, at 1:00 P.M., in the Council Chambers at City Hall. The following people were present:

Law and Finance Committee:

Mayor Cornelia Olive	Council Member Rebecca Wyhof
Mayor Pro Tem Sam Gaskins	Council Member Walter McNeil, Jr.
Council Member L.I. (Poly) Cohen	Council Member James Williams
Council Member Jimmy Haire	City Attorney Susan Patterson
City Manager Hal Hegwer	City Clerk Bonnie D. White

Absent:

Council Member Charles Taylor

Mayor Olive called the meeting to order.

Consider Award of Project for Harrington Road Waterline Extension – (Exhibit A)

City Engineer Paul Weeks explained that bids were opened on February 7 for the Harrington Road water line extension. Three contractors submitted a bid and Sandhills Contractors was the low bidder with a bid of \$62,617.50. The City has done a lot of work with this company and staff recommends awarding this contract to Sandhills Contractors.

Mr. Weeks said that this project will take place in the northeastern portion of the county - north of the Town of Broadway. It would help us decrease the amount of water we flush in that area. By minimizing or eliminating flushing, it preserves the water and also decreases staff's time that it requires that area. It would also provide a secondary connection to the Town of Broadway. This project would be funded from the water rehabilitation funds. Mr. Hegwer wanted to make council aware of the project.

Consider Fireworks Display Operators Class - (Exhibit B)

Division Commander/City Fire Marshal Ken Cotten advised that Central Carolina Community College would like to hold a Fireworks Display Operators Class at the Emergency Services Training Center on March 21. The rain date is March 22. The North Carolina Fire Code requires the local jurisdiction to approve this class before it happens. Staff is requesting approval to hold this class.

Consider Request for City Staff to Place Directional Signage for Pottery Festival on Streets – (Exhibit C)

Community Development Director Bob Bridwell stated that this is the annual request by the Pottery Festival for assistance from the city. Don Hudson is requesting for city staff to put out 115 directional signs along the streets. Mayor Olive replied that she certainly hopes we can do that and it is not much to ask for the effort they put into it. She asked if there were any

questions or comments. Mayor Olive said that everybody knows about the Pottery Festival and everybody knows we need signs out.

Consider Discussion on Financing Options – (Exhibit D)

Financial Services Director Melissa Cardinali said that there are different ways that Council could finance some of the projects that have been discussed at the retreat - Skatepark, Downtown Improvements, Jonesboro Lot, Greenway Trail (Exhibit D). They are General Obligation Bonds, Certificates of Participation, and Installment Purchase. The General Obligation Bonds are bonds that Council would take the question to the voters to see if they want these projects done for a certain amount of money. This would pledge our taxing authority which means if we were not able to make a debt service payment, we would increase taxes to pay for it. It does not create any lien on the property and you can spread the cost over twenty years. An additional benefit is that when you get voter approval, you are just getting a bond authority, so you have seven years to use that authority in pieces or all at one time. You would have the authority, at some point in those seven years, to use that much debt. You, potentially, would have to raise taxes to pay that debt. It has a higher cost of issuance than an installment purchase.

The Certificates of Participation (COPS) is a private placement; you are not going to the voters to ask for permission. You can spread the cost over twenty years. One of the potential problems is there are collateralization issues. When you are talking about doing items such as Downtown improvements that may not be on property that we own, the information she was given suggested that we might be asked to do improvements at City Hall so that a lien can be placed on City Hall for the entire amount of money (\$10 million). They have a higher issuance cost than General Obligation Bonds. On a \$10 million project, the debt service would go up just over \$750,000 which is 3.5 cents on the tax rate.

Mrs. Cardinali said the third option would be installment purchase. You can spread the project over time and complete them as funding is available. We would not have to do the entire \$10 million at one time. You can do installment purchase as the City has done in the last decade for any amount you choose to do and the bank is willing to loan the money. The downside of this is that if you break up the installment purchase over a period of time, it will take longer to achieve the goal of the whole project.

Mrs. Cardinali stated that if you borrow the \$10 million at one time, you have the potential collateralization issues where we might have to put a lien on City Hall. She has spoken with one bank and they said there could be collateralization issues. The maximum length of the loan is ten years for the bank to have the tax exempt status on this type of financing. If you go longer than ten years on the length of the loan and go over \$10 million, the cost of the financing goes up because it becomes not bank qualified or tax exempt to them anymore. Thus, the cost goes up for the City.

Mrs. Cardinali said that regardless of the method we use, the rates are really good now. The talk in the finance realm is that there is an atmosphere in the General Assembly that they would like to see less non-voter approved debt.

She advised that there was a new legislative committee set up last year and we have to present our intent to borrow any kind of money to that committee prior to going to the Local Government Commission if you are issuing or borrowing more than \$1 million.

Mrs. Cardinali suggested that if Council is interested in learning more facts regarding any of these financing methods, particularly the COPS and the GO bonds, she would be willing to ask Mrs. Burke, our financial advisor from First Southwest, to come and talk about the details. Mrs. Burke retired from the Local Government Commission and was over the debt phase.

Mrs. Cardinali said that if Council wants to pursue the GO bonds, we would need to have discussions with the Local Government Commission by June of this year in order to meet the time frame to get on the November ballot. Council was interested in having Mrs. Burke to come and talk about the different financing methods.

Other Business

Council Member Wyhof complimented the work that is being done with the sidewalks on Woodland Avenue. She said it is a huge improvement to that area of town.

Mayor Olive said she has spoken with Brenda Larson, from the North Carolina Extension Service, regarding Sanford holding an annual festival celebrating one of our products. She stated that Ms. Larson said she would be glad to come and talk with Council at a Law and Finance Committee meeting.

**ALL EXHIBITS CONTAINED HEREIN ARE HEREBY INCORPORATED BY REFERENCE AND MADE A PART OF THESE MINUTES.**

ADJOURNMENT

Having no further business to come before the Law & Finance Committee, the meeting was adjourned upon the motion of Council Member L. I. "Poly" Cohen seconded by Mayor Pro Tem Sam Gaskins, the motion passed unanimously.

Respectfully submitted,

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Cornelia P. Olive, Mayor

ATTEST:

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Bonnie D. White, City Clerk

