

Dunn City Council
Special Meeting
Tuesday, August 16, 2021
6:00 p.m., Dunn Municipal Building

Minutes

PRESENT: Mayor William P. Elmore Jr., Mayor Pro Tem Dr. David L. Bradham, Council Members J. Wesley Sills, April Gaulden, Frank McLean, Billy N. Tart, and Chuck Turnage.

Also present: City Manager Steven Neuschafer, Assistant City Manager Mathew Boone, Finance Director Jim Roberts, Public Utilities Director Heather Adams, Public Works Director Vincent Washington, Communications Coordinator Kaitlin Adkins, City Attorney Tilghman Pope, and City Clerk Tammy Williams.

CALL TO ORDER AND INVOCATION

Mayor Elmore opened the meeting at 6:00 p.m. and Council Member McLean gave the invocation. Afterwards, Mayor Elmore led in the Pledge of Allegiance.

AGENDA ADJUSTMENT AND APPROVAL

Motion by Council Member Turnage and second by Mayor Pro Tem Bradham to adopt the August 16, 2021 meeting agenda as presented. **Motion unanimously approved.**

Acceptance of Revised Golden LEAF Foundation Grant for Inflow and Infiltration Assessment

In 2019, the City applied for and received Hurricane Florence Recovery Grant funds from the Golden LEAF Foundation for the purpose of funding an Inflow and Infiltration assessment of the City's wastewater collection system in order to identify areas of damage, resulting from the effects of Hurricane Florence. In 2020, the City was awarded additional funds to repair sewer lines that were identified during the assessment. The bids for the project came in over budget so the City requested additional funds to cover the higher than expected construction costs and was recently awarded an additional \$50,000 from Golden LEAF. Golden LEAF increased the total award from \$456,086 to \$506,086 with no local match.

Motion by Mayor Pro Tem Bradham and second by Council Member Gaulden to accept the revised Golden LEAF grant agreement in the amount of \$506,086 and make the applicable assurances contained therein. **Motion unanimously approved.** *A copy of the Agreement has been filed with the City Clerk.*

Presentation and Acceptance of Citywide Pavement Condition Study

The City of Dunn entered into an agreement with SEPI, Inc. to conduct a citywide pavement condition study to assist staff and council in making the most informed decisions when selecting future paving projects. Anthony Roper and Chris Corriher of SEPI presented the draft report. The assessment was prepared on 66 miles of paved streets, 750 street segments. The overall Pavement Condition Index (PCI) for the City is 65 with 27.37 miles of streets in good condition and 44.1 miles in fair condition. 2.67 miles were poor and failed while 2.04 miles were excellent. Corriher shared the top three service defects which includes oxidation, fatigue cracking, and transverse cracking. He talked about the various miles and the type of treatment including the cost for each section with the total cost of all repairs, if the city handled right now, at \$15,593,757. The final recommendations were presented to increase the overall PCI:

- 1) Proactive implementation of a pavement management system with a mix of rehabilitation and preventative maintenance activities.
- 2) Preservation/Preventative Maintenance strategy for the "good" roads – crack seals, surface patching, and seals.
- 3) Rehabilitation strategy for "poor" and "fair" roads – Repairs + Overlays (Plant Mix or Micro-surfacing).
 - Micro-surfacing assumes 5-mile minimum contract quantity and requires technical support to ensure quality workmanship.
- 4) Develop strategic plan for future funding to address routine maintenance (drainage, patching, crack seals, etc. as well as pavement preservation and resurfacing).
- 5) Plan for future pavement evaluations on regular intervals (3-5 years +/-) so that the status of the road system can be monitored and maintenance plans altered as necessary.

Council Member Turnage shared that in the past, the Council focused on the worst roads first and this change in focus would definitely require extra communication and education with our constituents. Roper shared the plans for mixed repairs should also include repairs to the worst areas. He also recommended piggy backing with NC DOT for as many repair projects as possible. After feedback from staff and council, the final document will be completed and presented at a future meeting.

Presentation on Bonds and Long Term Debt by Davenport & Co.

The presentation by James E. Sanderson Jr, Senior Vice President of Davenport & Company LLC provided an overall financial review of both the general fund and the water and sewer fund, including a peer group analysis, a review of existing debt profile and fund balance trends, an analysis of the affordability of potential future borrowings, and a review of potential opportunities to refinance existing debt.

Sanderson talked about the local government ratings A, AA and AAA. Dunn's past rating went away in 2017 because the loans requiring the ratings were paid. He reviewed the current debt service and recommended looking at opportunities for borrowing at a lower rate to save funds and get fixed rates such as with the Select Bank and the UCB loans where the rates mature prior to the loan payoff so the market will dictate, at that time, what the new rate will be.

The payout ratio is at 62% which is a good rate. He reviewed debt service and assessment property value which is right in line with AA at .92%. Debt service to expenditures ratio is 7.51% and anything less than 8% is considered very strong. He stated trends look good in the general fund and the general fund balance looks good at 27% when comparing unrestricted to revenues and expenditures. He added the dollar amount is not that much so it reflects that the city is not hoarding a lot of money.

He presented a Debt Affordability Analysis assuming borrowing \$10 million at 3.5% for 20 years and another \$10 million at 4% in 2025. This borrowing would result in an 8.42 tax increase initially and then end up with a total of 14.16 increase after the second loan. This increase does not have to be just in raising taxes but the needed revenue can be from other sources.

He then reviewed the water and sewer fund and recommended looking at lowering debt service by refinancing existing debt. The loan at BB&T at \$1.699 million could possibly be lowered. The payoff rate of 77% is very strong for a utility fund meaning the city has the ability to replace that debt service. Reviewing the debt service ratio, there is 124 days cash on hand, which is also very strong. You want the utility fund to be self-supporting so you do not have to use the general fund for utility expenses. Sanderson shared that a 5% increase would be needed to service \$6.11 million in debt service. The 5% assumes no revenue increase from other sources.

He highlighted three loans to look at for refinancing and savings. Those were the 2014 Select loan in the general fund and in water and sewer – the 2009 State Revolving loan and the 2018 BB&T loan. The city would need to realize at least 3% savings for it to make sense to refinance.

Consensus from Council was for staff to go through the process to see if refinancing these loans would result in savings for the city.

Council Member Sills asked about bonds. Sanders responded that borrowing with bonds would be a little longer process. The city's rating would have to be reinstated and the rates are more expensive. It would take four months plus and the process could not begin until the audit is available. If council is interested in bonds, this information would need to be presented and the council would need to go through the various options. He added that public transactions should mostly be considered for \$5 million or more. Mayor Elmore asked what is involved in reinstating the city's rating and Sanderson replied that it would require a credit presentation and conversation with the LGC and rating agencies. A fee is associated that could be incorporated with the bonds.

Announcements/Information

Mayor Elmore announced upcoming events and activities.

Motion by Council Member Turnage and second by Mayor Pro Tem Bradham to enter closed session for the purpose to instruct the staff concerning the negotiation of the price and terms of a contract concerning the acquisition of real property in accordance with [N.C.G.S. 143-318.11(a)(5)]. Motion unanimously approved.

Mayor Elmore recessed the meeting at 7:58 p.m.

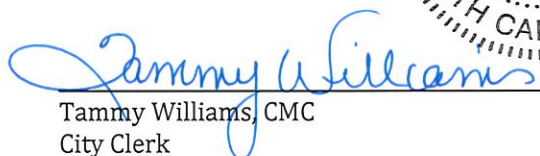
The meeting was reconvened.

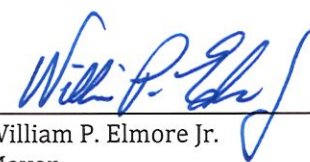
Motion by Council Member Turnage and second by Mayor Pro Tem Bradham to make an offer on N McKay Ave property, PIN #1517-71-6247, approximately 8.32 acres for the purpose of using the property for municipal purposes according to the terms of the purchase contract presented. **Motion unanimously approved.** *A copy of the Offer to Purchase and Contract, Page 1 is attached to these minutes as Attachment #1.*

With no further business to discuss, motion by Council Member Sills and second by Council Member Tart to adjourn the meeting at 8:18 p.m. **Motion unanimously approved.**

Attest:




 Tammy Williams, CMC
 City Clerk


 William P. Elmore Jr.
 Mayor