

Salisbury, North Carolina  
July 30, 2013

**RECESSED MEETING**

**PRESENT:** Mayor Paul B. Woodson Jr., Presiding; Council Members Mayor Pro Tem Maggie A. Blackwell, Karen Kirks Alexander, William (Pete) Kennedy, and William Brian Miller; City Manager Doug Paris; City Clerk Myra B. Heard; and City Attorney F. Rivers Lawther, Jr.

**ABSENT:** None

Salisbury City Council met in Council Chambers in City Hall located at 217 South Main Street. The meeting was called to order by Mayor Woodson at 10:00 a.m. The invocation was given by Councilmember Alexander.

**RECOGNITION OF VISITORS**

Mayor Woodson welcomed all visitors present.

**RESOLUTION - FINDING OF FACTS**

Assistant City Manager John Sofley addressed Council regarding the adoption of a Resolution of Finding of Fact for lease purchase financing up to \$8,370,000 for construction and equipping of an office building. He explained the process is required by the Local Government Commission for the issuance of debt.

Mr. Sofley indicated before Council can proceed with lease purchase financing under North Carolina General Statute 160A-20 it must make certain findings:

- The proposed construction and equipping of an office building is necessary
- The proposed lease purchase financing is preferable to a bond issuance
- The cost of financing is not excessive
- The City's debt management procedures and policies are adequate
- Whether or not a tax increase will be necessary for the proposed financing
- The City is not in default on any of its debt service obligations
- The City's attorney has rendered an opinion that the proposed project is authorized by law and is a purpose for which public funds may be expended
- The method by which the cost of financing will be funded

Mr. Sofley noted the Resolution of Findings of Fact before Council includes required findings, along with additional findings since this is an economic development project in the downtown area. He explained there is a General Statute which addresses municipalities engaging in economic activities in the downtown district.

Councilmember Miller clarified the financing is for up to \$8.37 million. He added bids came in lower than expected and the City will borrow only what is necessary to construct the building. Mr. Sofley stated that is correct, and he pointed out the final amount will be based on the awarded bid. He indicated Architect Bill Burgin is reviewing the bids and expects the contract to be approximately \$1 million less than anticipated.

Mr. Miller asked if the parking improvements for the project will be funded separately. Mr. Sofley stated that is correct, and he explained work will not begin on the parking lot until the Integro Technologies building is nearly complete since the projects will share a staging area.

Mayor Pro Tem Blackwell noted the Resolution before Council affirms each item noted by Mr. Sofley along with the attorney's statement that the proposed project is authorized by law in its purpose, and public funds can be expended.

Ms. Blackwell asked Mr. Sofley to address the City's current debt level. Mr. Sofley explained the City can have up to eight percent of its assessed valuation in debt. He added the City's debt service in the General Fund is extremely low. He noted the majority of the City's outstanding debt is in the Water and Sewer Fund and Fibrant. He stated outstanding debt in the General Fund is from old General Obligation Bonds for Parks and Recreation facilities and lease-purchase transactions for equipment and facility improvements.

Councilmember Kennedy pointed out the City has experience managing property and has a tenant committed to occupy the facility.

Councilmember Alexander stated she was impressed by the \$1 million savings in interest by reducing the lease term from 20 years to 15 years.

City Manager Doug Paris noted the City received excellent bids on the project and will save \$2.7 million on financing.

Mayor Woodson asked if the dome is a separate issue. Mr. Miller noted the dome was an option that would have been included if funded by a private donor. Mr. Sofley explained when the project was first considered, it was decided the dome would be added only if it was privately funded. He pointed out the building is now a City project, and the decision has not been made. He added there are possible funds available from a foundation for the dome, but actual amounts have not been confirmed. Mr. Miller indicated since the bids were low he is not opposed to funding the difference between the foundation funds and the actual cost of the dome. Ms. Alexander stated she would also support funding for the dome. She noted it is a governmental building and will last for generations. Ms. Blackwell agreed with Mr. Miller and Ms. Alexander and added the decision to strike the dome was a legacy decision from another government agency.

By consensus, Council agreed to include the dome in the construction of the building, if not funded privately.

Thereupon, Mr. Kennedy made a **motion** to adopt a Resolution of Findings of Fact for Lease Purchase Financing up to \$8,370,000 for construction and equipping of an office building. Mr. Miller seconded the motion. Messrs. Kennedy, Miller, and Woodson, and Ms. Alexander and Blackwell voted AYE. (5-0)

#### RESOLUTION OF FINDINGS OF FACT FOR LEASE PURCHASE FINANCING UP TO \$8,370,000 FOR CONSTRUCTION AND EQUIPPING OF AN OFFICE BUILDING

(The above Resolution is recorded in full in Resolution Book No. 14 at Page No. 19-20, and is known as Resolution 2013-13.)

#### **CONTRACT – STI INSTITUTIONAL AND GOVERNMENT, INC. AND RESOLUTION APPROVING FINANCING TERMS**

Assistant City Manager John Sofley noted staff requested 20-year financing bids for the proposed Central School Office Building. He stated after speaking with financial institutions, staff prepared a Request for Proposal. He explained staff received two bids: one from First Bank at 3.65 percent, and one from STI, a division of SunTrust Bank, at 3.12 percent. He pointed out, based on current economic conditions, banks prefer a 15-year term to a 20-year term. He indicated staff is pleased with the financing bids. He noted the project bids are approximately \$1 million less than anticipated.

Mr. Sofley reviewed a projection of comparison payments and explained the total payments for a 15-year term decreases the total paid over the life of the loan by approximately \$2,731,535. He pointed out during the first year construction phase a payment is not due. He noted during the second year four interest payments will be made totaling \$459,888. He explained due to the lower interest rate and the lower principal balance, there will be a savings of

approximately \$167,862 during the first two years. He pointed out even though the annual payment will be \$50,351 larger than anticipated, there will be savings over the life of the loan.

Mr. Sofley noted the bids and the interest rate ensures a good deal for citizens, and staff recommends approval of the project.

Councilmember Miller indicated he spoke with Architect Bill Burgin who explained the City's work to clean the site contributed to the low bids by eliminating some of the unknown issues for bidding contractors. He added the cleanup by the City is directly related to the cost savings.

City Manager Doug Paris stated the timing was excellent for the project. He reviewed anticipated costs going into the project versus current projected cost. He noted for an additional eight percent beginning in year three, there will be a savings of \$2.7 million over the financing life of the project. He pointed out the project has been full of positive surprises from the construction bids to the finance bids.

Mr. Sofley noted the bid from SunTrust is simple interest, with no prepayment penalties.

Ms. Blackwell explained every year the sum total payments on the loan will be paid to the City by the Rowan-Salisbury School System through a lease. She indicated it is a zero loss for the City who is facilitating the building for the School System.

Mayor Woodson noted the City will not raise taxes to cover the project, it will be paid for by School System funds. He indicated the project could leave over \$2 million in the School System budget to be used on other projects.

Mr. Paris indicated the price per square foot will be less for the proposed office building downtown than Rowan County spent on the Department of Social Services building. He added to go from a 20-year term to a 15-year term and save financing proceeds with an eight percent increase in the expected payment is a win-win situation.

Mr. Miller noted the timing is great, but the window for financing is closing. He pointed out the rate, the term, and no prepayment penalty are excellent.

Ms. Alexander noted there is almost 25 percent in overall savings in financing alone. She noted it would be a dereliction of duty as community leaders not to move forward with this project. She added to have the low construction bid and the financing come together at the same time is amazing.

Mayor Woodson noted with no prepayment penalty the building could be paid off and ownership transferred if the County decides to purchase the building.

Mr. Paris noted if favorable circumstances emerged, the City would be happy to transfer ownership to the County. He pointed out the loan is structured so there would not be a penalty to pay it off early.

Mr. Miller explained the Rowan-Salisbury School System has capital monies that will become available. He added, in theory, if funds are available and the County wanted to buy the building and finance the residual, it could. He emphasized the intent is not to make a profit on the building, but to facilitate the construction of a Central School Office Building for the Rowan-Salisbury School System.

Mr. Paris stated the City has the ability to facilitate the construction of a Central School Office Building without a negative impact on its finances until school funding becomes available. He added at that time ownership can be transferred without impacting either budget.

Ms. Blackwell asked Mr. Miller if Council waited two or three months to proceed with the project how it would affect financing. Mr. Miller explained capital market rates are expected to increase in the next year making the project less likely to receive long-term fixed rate options from banks. Mr. Miller asked Mr. Sofley how many bids were sent out. Mr. Sofley stated approximately 15 bids were sent out. Mr. Miller noted out of the 15 bids sent out, only two bids with 15-year financing were submitted.

Ms. Blackwell asked how the project would be affected if it was delayed for two years based on Mr. Miller's expertise as a lender and Ms. Alexander's expertise as an architect. Mr. Miller noted the increase in interest would be substantial. Ms. Alexander stated the bids could come in 15 to 20 percent higher.

Ms. Blackwell asked Ms. Alexander, if in her professional opinion, it is wise to proceed with the project. Ms. Alexander noted there could not be a better time to partner with the School System and enter into an agreement that will save taxpayers money while filling a critical need that has existed for over two decades.

Councilmember Kennedy explained citizens voiced their support of the project through the public hearing. He added the majority of citizens were from Rowan County, and they pleaded with Council to support the Central School Office Building.

Mayor Woodson stated if the community is to move forward it must improve education and infrastructure. He noted he supports the project and is glad that Council and staff support it.

Thereupon, Ms. Blackwell made a **motion** to award a contract in an amount up to \$8,370,000 for the Lease Purchase Financing of Construction and Equipping of an office building, contingent upon approval by the Local Government Commission. Mr. Miller seconded the motion. Messrs. Kennedy, Miller, and Woodson, and Ms. Alexander and Blackwell voted AYE. (5-0)

Thereupon, Ms. Blackwell made a **motion** to adopt a Resolution approving Financing Terms. Ms. Alexander seconded the motion. Messrs. Kennedy, Miller, and Woodson, and Ms. Alexander and Blackwell voted AYE. (5-0)

RESOLUTION APPROVING FINANCING TERMS

(The above Resolution is recorded in full in Resolution Book No. 14 at Page No. 21, and is known as Resolution 2013-14.)

Mayor Woodson explained the Central School Office Building is one of the most important decisions made by this Council. He thanked Council for its work to move the City forward.

**MAYOR'S ANNOUNCEMENTS**

(a) "Movies in the Park"

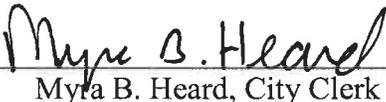
Mayor Woodson announced the Salisbury Parks and Recreation Department will host "Movies in the Park" at City Park Friday, August 2, 2013. Pre-movie activities begin at 8:00 p.m. The movie will begin at approximately 8:45 p.m. Bring a blanket or chair to watch the featured movie "Madagascar 3." The free event is sponsored by Fibrant and open to the public.

**ADJOURNMENT**

Motion to adjourn the meeting was made by Mr. Miller seconded by Ms. Alexander. All council members in attendance agreed unanimously to adjourn. The meeting was adjourned at 10:31 a.m.



Paul B. Woodson, Jr., Mayor



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Myra B. Heard, City Clerk