



**OAK RIDGE TOWN COUNCIL SPECIAL MEETING
OCTOBER 4, 2021 - 2:00 P.M.
OAK RIDGE TOWN HALL**

MINUTES

Members Present

Ann Schneider, Mayor
Jim Kinneman, Mayor Pro Tem
George McClellan
Martha Pittman

Members Absent

Doug Nodine

Staff Present

Bill Bruce, Town Manager
Ashley Royal, Deputy Town Clerk
Sean Taylor, Planning Director
Michael Thomas, Town Attorney
Terry Lannon, Parks & Recreation Director
Sam Anders, Finance Officer

1. CALL TO ORDER

Mayor Ann Schneider called the meeting to order at 2 p.m.

2. APPROVE AGENDA

Mayor Pro Tem Jim Kinneman motioned to approve the meeting agenda, and Councilman George McClellan seconded. The motion was passed unanimously (4-0).

3. CONSIDERATION/APPROVAL OF HERITAGE FARM PARK SITE PLAN AND CONSTRUCTION FINANCING OPTIONS

Town Manager Bill Bruce told Council that the purpose of the meeting was to review the cost opinion for construction of first phase of Heritage Farm Park and to advise staff whether to move forward with a bid advertisement for all or a portion of that construction. Bruce said that at staff's request, the Town's engineer had provided a cost opinion for construction of all of Phase 1, which equates to all of the elements included in the Parks and Recreation Trust Fund (PARTF) grant application, as well as a cost opinion for splitting Phase 1 into two subphases. The subphases were proposed by staff, reviewed, and revised by the engineer. Bruce said that the two cost opinions were included in Council packets. He said that a sample amortization schedule based on likely terms and rates, as researched by Finance Officer Sam Anders and Finance Committee Vice Chair Paul Benz, was also included in Council's packet.

Bruce said that the loan amount of \$2.75 million was based on constructing all of Phase 1 minus \$855,000 from fund balance included in this year's budget for construction of Heritage Farm Park. He said that the Town had hoped that the PARTF grant would offset this cost, but it was unsuccessful in obtaining the \$450,000 grant requested.

Bruce told Council members that the packets also included a fund balance projection based on likely terms and rates. He said that the Finance Committee met on September 27, 2021, to review this information and to advise Council. The Finance Committee recommended that the Town finance the cost of constructing all of the elements in one phase based on the cost projections for a 1-phase or 2-phase option prepared by McGill & Associates, the amortization schedule, and fund balance projections prepared by Finance Officer Anders. He said that the Finance Committee noted that if bids for the project come in higher than projected, it would request to re-visit its recommendation.

Council discussion:

Mayor Schneider advised Council to disregard the additional \$50,000 that was included in the cost opinion for a shade structure since Council had not discussed this expenditure before. She said that Council could discuss this topic at a later date.

Schneider referred Council members to the most recent copy of the Capital Improvement Plan (CIP), which was approved for planning purposes in February 2021 and said that the document should be used for reference only during the meeting discussion. She said that this Council had already briefly discussed the option of financing a portion of the new park costs as a means of smoothing its impact on the Town's reserves. Schneider said that since the Town did not receive the PARTF grant, the option of financing had become more attractive. She said that as Town Manager Bruce had mentioned, the Town's citizen-led Finance Committee was in favor of a loan. She said that Town Attorney Michael Thomas and Finance Officer Anders were available to answer questions about the timing and the required approval of any loan by the Local Government Commission (LGC), which is another step that will have to be taken. Schneider said that whatever motion Council made that day would be dependent on loan terms and recommendations for financing, timing, and the actual results of the bid packages. She said that Council only had estimates at this point both in terms of the loan rate, terms, and park construction costs.

Councilman McClellan confirmed that the estimate for construction of both phases was \$3,681,490, and Bruce said that was the current estimate of the probable cost. McClellan asked what the Finance Committee meant about if the costs come back higher than expected, and Bruce replied that was because this figure was based on the engineer's opinion of probable cost. He said that was possible that when the bids come in, they could be higher or lower than estimated. He explained that the Finance Committee respectfully asked that they be allowed to review their recommendation based on the actual bid if it is significantly different than that \$3.6 million figure.

Council McClellan asked if the loan is going to be \$3.6 million or \$2.75 million. Bruce replied that \$2.75 million was the loan amount modeled based on the fact that the Town has \$855,000 budgeted this year for the project. McClellan asked if the Town would not be better served if it thought the cost would be around \$3.6 million to borrow the total amount. Bruce said that that would be Council's discretion, but that was not how the proposed loan was modeled.

McClellan asked Finance Officer Anders his thoughts, and Anders said that Council had dedicated to putting some of the fund balance down against the loan. He said that normally he would counsel to hold cash position if the rates of earning were

equal, fairly close, or especially if they were higher than the loan rate. Anders said that currently the range is still around the .2 to .3 percent on earnings, so it would be totally up to Council to pay part of the costs and borrow the rest. He also said that makes the numbers work out a little better on the collateral issue.

Anders said that subsequent negotiations had been going on and that Finance Committee Co-chair Paul Benz had sent some information to Anders and Town Manager Bruce. He said they planned to reach out to one or two more banks for a rate quote. He said BB&T/Truist had made the Town's last two loans and historically have had 80 to 90 percent of the market for municipal loans in the state. Anders said BBT/Truist was willing to let the Town pay the loan either monthly, quarterly, semi-annually, or annually, which would help with interest. Anders said that lenders would take the existing town park and town hall for collateral. He told Council that he thought the Town preferred the pay-down option for loans as an effective cost savings since the amount charged will be higher than the rate the Town is earning. He added that other options could be considered.

Councilman McClellan asked if the Town would be able to pay the \$2.75 million loan off early, and Anders replied yes. McClellan asked if the term of the loan had to be 15 years, and Anders replied that they will be doing a 15-year amortization, which is consistent with what the Town did on the prior park and the town hall loan. He noted that the town hall loan was paid off in 42 months and the park loan was paid in full in 95 months. Anders said he advised the Finance Committee to negotiate an early payoff option on the proposed new loan. He said the Town could go with a higher loan amount if Council wanted. Anders reminded Council that if the construction bid comes in higher than expected, another set of assumptions could be run. He said that he did not believe the Town would have any problems obtaining any financing up to the full cost.

Mayor Pro Tem Kinneman asked if there was any way the Town could fund the cost solely out of its fund balance if the project goes over two years. Anders said no, given that the Town traditionally tries to maintain a \$1 million balance to cover a year's worth of normal expenditures. He said that future financial obligations would be coming soon from the Department of Transportation's infrastructure NC 68/150 intersection project starting next year, and money was already allocated in the long-term capital budget. Anders said it would be possible to pay for the entire project out of the fund balance, but the Town's reserves would decrease to lows that the Town had never seen in the past.

Kinneman asked about the timing of the construction bid, how the loan would be handled, and how long the bid was good, and Bruce replied that the Town would want to have the loan in place when the Council signed the contract with the contractor.

Mayor Pro Tem Kinneman said that the Council needed to anticipate how much money the Town would need to borrow if bids may come in for a higher amount than estimated. He asked if the Town could go back to the bank to request additional money if the construction bids come in higher than expected. Anders said that could be negotiated with the lender, or Council could consider using the fund balance to help with the difference between the loan amount and the construction bid. Kinneman said that he did not know what the threshold would be for Council's comfort level regarding how much money Council wanted to take out of fund

balance. He asked about a scenario where the Town secures a loan amount for \$2.75 million, and if the bids come in significantly higher, the Council could decide then to ask for additional funds from the lender. Anders said that the LGC requires that the Town have the paperwork turned about in one month in advance in order to get on LGC's agenda and to give time for the staff time to audit the paperwork. He said he and Bruce had discussed the timeline to possibly get the bid packets out, open the bids in December, and have the contract let in January 2022. Anders said in order to meet those dates, the Town would have to have the loan idea in November and get on the LGC agenda for December so that it would have approval. He said he thought that any change to that would have to go back through the whole cycle with LGC.

Mayor Schneider asked when the Town would get the bid numbers and then apply for the loan. Anders said the Town could go ahead and have the negotiations done with the bank and as long as bid results are relatively close, he said that he thought the Town could get a fairly quick turnaround with the bank. Anders said, however, that the LGC only met once a month.

Mayor Schneider said that she remembered that the Finance Committee had suggested some sort of pre-approval. Town Attorney Michael Thomas said that this is an approach that the Town had not done with large purchases in the past when requesting bids. He said that there is an uncertainty factor regarding whether the bids will come in above the estimates. He said that Council had to be prepared for the variance between what they hope the bids will be and what it may end up having to borrow. Thomas said that the LGC requirements were fairly tight in that they want to look at a sum certain, but we don't know yet what the sum certain will be until it had an approvable bid. He said the Town had the land, had an idea of what the costs will be, and had the taxing authority, so it could go to the proposed lender to work out a parameter of all of the loan details. Thomas said that Council would want some leeway with the bank to be able to see where the bids come in and what the Council could approve within those parameters from the bank. Then it could request a loan amount for the LGC to approve. He said that he wished that he could be firmer, but the Town had not done this before.

Councilwoman Pittman said she thought that the Town could talk to the bank about options, rates, and details on terms and almost get a pre-approval with no commitment until the bids are received. She said that the Town would not be securing a loan at the same time as it was receiving the bids and hope that they happen at approximately the same time and the same amount. Thomas said that he agreed with Pittman's assessment except that he would put the informal pre-approval ahead of anything else. He said that Council would want to know what it can pay for before the project goes out for bid.

Anders said that the loan model had been done for \$2.75 million, but the Finance Committee could talk with banks about a range up to a certain amount if the Town needed additional funds.

If the Council were to vote to move forward with the entire project, Councilman McClellan asked how long it will take to get all the numbers back. Bruce replied that the timeframe would depend on several factors. He said that McGill & Associates are under contract to prepare the bid documents for the Town. McClellan asked how long it would take for McGill to prepare the bid documents, and Bruce said that he hoped that they would be completed in the next couple of weeks. He said that

typically there is a 30-day response time for bids, but Council could make it longer if it wants to ensure more bids. Bruce said that bids would probably be opened in December, and Council could review a contract in January.

Mayor Pro Tem Kinneman asked how long it would take from first shovel to finish with the understanding that there might be construction delays. Bruce said the project would be completed in one season.

Councilwoman Pittman said that very detailed construction documents were included in the packet. She said the site plan had been extensively reviewed by the Parks & Recreation Advisory Board, but it had not yet been reviewed by the Planning & Zoning Board nor the Historic Preservation Commission. She asked if it was appropriate to be talking about bids and the financing now or if Council should be approving the site plan contingent on approval by the Town's advisory boards. Bruce replied that in terms of keeping the timeline moving forward he did not think so, but he had Planning Director Sean Taylor confirm that nothing been found on the site plan that might cause any redesign issues. He said permits for items such as erosion control and stormwater are still outstanding.

If the Council decides to make decisions at that meeting, Pittman asked if it would be the most efficient for Anders and Bruce to move forward with the work since the Town will have an approved site plan. Bruce said yes, particularly since McGill has said they have documents that are 80 percent complete. In order to finalize the documents, McGill is waiting to learn whether to phase the project or if Council wants to construct it all at once. Bruce said that McGill has a little work to finish the site plan, but the firm may suggest the Town wait two or three weeks to put the bid documents together until 95 percent of approvals are in place.

Schneider asked if the site plan could be approved at the November meeting, and Bruce replied that the authority to approve the site plan for zoning purposes belonged to the Planning & Zoning Board. Schneider asked if the Council should be on record as in support of the plan, just as the Parks & Recreation Advisory Board had been. Bruce said Council should support the final design plan.

Town Planner Taylor said the Planning & Zoning Board would review the technical requirements as far as stormwater design and site plan features. He said the Town's engineering firm had said the site plan complied with all the Town's ordinances.

Councilwoman Pittman asked if Council could approve the site plan design without actually approving the technicalities. Thomas replied that, per procedure, Council was submitting the site plan to the Planning & Zoning Board for approval.

Pittman summarized Council's actions for that day:

- To submit the Heritage Farm Park site plan to the Planning & Zoning Board
- To authorize the advertising for bids
- To authorize the financing for the loan

Thomas said that the Town should also submit a Certificate of Appropriateness application to the Historic Preservation Commission (HPC) since the Park is in the Historic District. Schneider said that the site plan is on HPC's agenda this month.

Councilwoman Pittman asked Finance Officer Anders if he recommended the Town pursue financing options up to \$3 million versus a hard number of \$2.75 million. Anders while he had not specified \$3 million, that would be a reasonable assumption. He said that conversations could begin with banks about the possibility of a \$2.7-million to \$3.2-million loan with the plan to select the lowest responsible bidder. Pittman asked Anders if he would be looking for a fixed rate, and Anders replied yes.

Schneider said that she appreciated Anders showing the \$2.75 million loan. She said she knew that the Town tended to estimate expenses high and revenues low. Schneider said that was why the Town had historically been able to increase its reserves. She said with this loan model, the Town could gradually build the reserves back up, but she noted that would rely on the Town keeping the tax rate where it is now. She said the Town had one of the lowest tax rates in the state, and Council had no interest in raising it. Schneider said that she knew people often talk about lowering taxes, but the projections shown would change for the worse if the Town were to lower the tax rate. Anders agreed.

Schneider said that she agreed that the Town needed a prepayment option, and she liked the idea of having the option of going up to a \$3.25-million loan. She said she agreed that the Town should pursue the best interest rate possible. Schneider said that she hoped that bids would not come back so high that Council would not want to move forward. She said if bids came back really high that Council would simply need to reconsider phasing the project. Schneider said that the Heritage Farm Park project had been enthusiastically embraced by residents, committees, and Council. She said she was in favor of moving forward with the entire project in order to achieve maximum cost savings as well as maximum efficiency in the timeline. Schneider said that with inflation rising and interest rates low, the Town has a great opportunity to lock in good rates and keep the costs of this project as low as possible. She said that by bidding this out as a single project, it will likely attract more and better bids from larger firms who are able to achieve maximum cost savings and lock in labor for this project because the Town gets it on their schedules early.

Mayor Pro Tem Kinneman said that when Council looked at the Capital Improvement Plan (CIP) again, it should be cautious about maintaining the existing schedule because items listed there will likely be more expensive too. He said that Council would need to look closely and push some projects out a bit to make sure that the Town does not put itself at risk if it finds out a project will cost twice as much as expected. He said in a perfect world that he would have liked to have looked at the annual CIP at the same time as making this decision.

Councilwoman Pittman made a motion to:

- *Submit the Heritage Farm Park site plan as presented to the Planning & Zoning Board and the Historic Preservation Commission,*
- *Instruct staff to work with McGill & Associates to advertise construction bids for Heritage Farm Park including all of the elements in phase one included in the PARTF grant application and referenced in the document that the Town received, which was the 80-percent preliminary option of probable cost, and*
- *Instruct staff, including the Finance Officer, to pursue financing options in the range of \$2.75 million - \$3.25 million in the form of a loan with a 15-year term with the best*

possible fixed interest rate under 3 percent, and to also would make a provision for prepayment without penalty in order to finance the specified construction cost. Councilman George McClellan seconded the motion, and it was passed unanimously (4-0).

4. PUBLIC COMMENTS

- None

5. ADJOURNMENT

Councilman George McClellan made a motion to adjourn the meeting at 2:57 p.m., and Mayor Pro Tem Jim Kinneman seconded the motion. The motion was passed unanimously (4-0).

