

**FAYETTEVILLE CITY COUNCIL
WORK SESSION MINUTES
LAFAYETTE ROOM
JANUARY 6, 2014
5:00 P.M.**

Present: Mayor Nat Robertson (arrived at 5:05 p.m.)

Council Members Kathy Jensen (District 1); Kady-Ann Davy (District 2); Mitchell Colvin (District 3); Chalmers McDougald (District 4); Robert T. Hurst, Jr. (District 5); William J. L. Crisp (District 6); Lawrence O. Wright, Jr.,(District 7); Theodore Mohn (District 8); James W. Arp, Jr. (District 9)

Others Present:

Theodore Voorhees, City Manager
Kristoff Bauer, Deputy City Manager
Rochelle Small-Toney, Deputy City Manager
Karen McDonald, City Attorney
Lisa Smith, Chief Financial Officer
Dwayne Campbell, Chief Information Officer
Steven Blanchard, PWC CEO/General Manager
Dwight Miller, PWC Chief Financial Officer
Mike Lallier, PWC Commissioner
Wick Smith, PWC Commissioner
Carolyn Justin-Henson, PWC Public Information Officer
Pamela Megill, City Clerk
Members of the Press

1.0 CALL TO ORDER

Mayor Pro Tem Davy called the meeting to order.

2.0 INVOCATION

The invocation was offered by Council Member Arp.

3.0 APPROVAL OF AGENDA

MOTION: Council Member Arp moved to approve the agenda.

SECOND: Council Member Mohn

VOTE: UNANIMOUS (10-0)

4.0 OTHER ITEMS OF BUSINESS

4.1 Council Policy 105.2 Assessments – Interest

Mr. Kristoff Bauer, Deputy City Manager, presented this item and stated assessments are an important part of financing critical infrastructure used most appropriately when the improvements being constructed have a localized benefit. The City has used this method to assist in the cost of paving soil streets and considered using it to support the cost of replacing the Reyconda Dam, but it has been used most in the past few years to support water and wastewater service connection in areas of the City without service. The Council's Policy 105.2 Assessments applies to all assessment activity guiding staff in providing notice to potentially impacted parties and preparing assessment documents for consideration by the Council. The current policy, revised in 2006, sets the interest rate for any unpaid assessment at 8%. That rate has been consistently applied to assessments since the policy was revised. On October 28, 2013, the Council held a public hearing regarding the adoption of assessment rolls for Phase V annexation areas 9, 10, 11, and 11-WS. The Council then acted to defer further consideration of the adoption of that assessment roll until January 13, 2014. The projects to be supported by these assessment rolls have been completed. Adoption of the assessment roll would authorize the collection of identified assessments and set the interest rate for any unpaid assessments. Staff prepared assessment notices and documents based on the existing policy including an interest rate of 8%. It is believed that the Council deferred action in order to further consider the appropriate interest rate for assessments. The Resolution Confirming Assessment Roll and Levying Assessments has been set for consideration by Council during the January 13th Regular

Meeting. The required public hearing having already been held, Council will have the opportunity to act without further process. The documents are currently drafted based on the existing Council Policy including an interest rate of 8%. Council certainly has the authority to set the interest rate at any level within legal bounds at the time that the assessment roll is confirmed. Staff recommends, however, that any changes in interest applied to unpaid assessments be established through a revision to Council policy in order to support consistency and preparation of assessment documents including appropriate notice to potentially impacted home owners.

Mr. Mark Brown, PWC Utilities Director presented a PowerPoint presentation on the Phase V Assessment Process (including the interest rates) and stated the City/PWC funding plan estimated \$244 million from: Assessment Interest \$42 million, PWC Water and Sewer Fund \$91 million, City from PWC Electric Fund \$91 million, and Interest on Project Balance \$20 million. Mr. Brown provided a graph that depicted the assessment interest historical revenue bond index. Mr. Brown stated that when the assessment interest rate was established the 25 year average revenue bond rate was 6.68%, the 20 year average revenue bond rate was 6.03% and the 8% was the maximum interest allowed by law. Mr. Brown provided a chart that showed the benchmarking of interest rates charged by the major cities of North Carolina and remarked that the City of Charlotte does not finance sewer assessments.

A brief discussion period ensued.

Consensus of Council was to ask staff to provide the following three options: (1) Prime Interest Rate + 2%, (2) Stay where we are with 8%, and (3) 6% - same rate used by the City of Raleigh.

Mayor Robertson requested item 4.3 as the next item for discussion

4.3 PWC Budget Guidelines

Mr. Theodore Voorhees, City Manager presented this item and stated budget guidelines are an industry best practice used by policy bodies to set the tone for the preparation of the budget. This practice is particularly valuable in instances of delegated authority to an appointed Board or Commission. The Public Works Commission's budget process is completed early and the resulting recommendations forwarded to the Council for consideration along with other operational budget recommendations during the budget process. The adoption of budget guidelines now will provide the Commission direction early in their process. This will be particularly helpful if the Council is seeking specific changes from past budgeting decisions as it provides the Commission and supporting staff time to develop and consider alternatives consistent with Council's stated interest. This is, however, a new process for Fayetteville. Last year was the first time that budget guidelines were proposed. While last year's draft guidelines for PWC were not adopted by Council, they did provide a basis for a number of productive conversations. Mr. Voorhees explained that now was the time to discuss and then decide to what extent the Council wishes to have an impact on the PWC budget. He also stated it is appropriate for the Council to provide guidance to the PWC.

A very brief discussion ensued.

Consensus of Council was to send all budget questions and concerns to Ms. Lisa Smith, Chief Financial Officer with courtesy copy to the Mayor and City Council, the City Manager, and the PWC Commission, and to bring this item back to Council for further discussion during the February Work Session.

Mayor Robertson requested item 4.4 as the next item for discussion.

4.4 Proposed amendments to the Coe of Ethics

Ms. Karen McDonald, City Attorney, introduced Mr. Bob Cogswell, Ethics Commission Attorney and Mr. Renny W. Deese, Ethics Commission Chair. Mr. Deese stated since the creation of the Ethics Commission the Commission has been reviewing complaints and rendering decisions in accordance with the City Code. In light of their experience during this time, the members of the Ethics Commission are proposing amendments to the Code of Ethics. With a couple of exceptions, these amendments pertain to the procedural aspect of the Code of Ethics. Mr. Cogswell provided a memorandum highlighting the proposed amendments for Council consideration.

A brief discussion ensued.

Consensus of Council was to bring the ordinance amendments pursuant to the agreed upon changes to the January 13, 2014 regular Council meeting for official review and action.

Mayor Robertson requested item 4.2 as the next item for discussion.

4.2 Debt Issuance Overview

Ms. Lisa Smith, Chief Financial Officer presented this item with the aid of a PowerPoint presentation and stated the City uses several different methods for financing capital investments. Each has a unique set of characteristics that make them more or less advantageous depending upon the nature of the project and the City's financial position. Each also has a unique set of procedural and process requirements that impact the Council's deliberations and the administrative or transaction cost of utilizing that financial tool. The Council will be called upon to consider procedural steps for debt issuance to support City operations in the next couple months. This presentation is simply intended to provide some context to assist the Council in making some of those decisions. Ms. Smith provided an overview of the following items: funding capital needs, types of debt, focus on general obligation and revenue bonds, and future debt issuance.

Mr. Dwight Miller, PWC Chief Finance Officer gave a brief overview of debt financing for PWC and stated PWC does have its own Comprehensive Annual Finance Report (CAFR). Mr. Miller stated PWC will be holding an orientation for newly elected officials in the near future.

Mayor Robertson thanked Ms. Smith and Mr. Miller for their respective briefings.

4.5 City Council Agenda Item Request – Public Forum Time Limit (City Council Policy # 120.9)

Council Member Mohn stated there are times citizens want to address the entire City Council. Our public forum is designed for this. Based on citizen input I ask Council to consider increasing the two minutes time limit per speaker to three minutes per speaker, and to allow the Mayor discretion to extend the Public Forum to whatever time necessary to listen to all speakers that are signed up to speak.

Council Member Crisp stated the Council owes it to the public we serve to allow them the requested three minutes.

Consensus of Council was to allow Public Forum speakers a maximum of three minutes to address the Council with a limit of 15 minutes for the duration of the Public Forum, and allowing the Mayor discretion to increase the duration of the Public Forum to a maximum of 30 minutes. This item to be placed on the January 27, 2014 City Council agenda for further consideration and formal vote.

5.0 ADJOURNMENT

There being no further business, the meeting adjourned at 7:40 p.m.