

CUMBERLAND COUNTY BOARD OF COMMISSIONERS  
THURSDAY, APRIL 26, 2018 – 1:00 P.M.  
JUDGE E. MAURICE BRASWELL CUMBERLAND COUNTY COURTHOUSE  
117 DICK STREET, 5TH FLOOR, ROOM 564  
SPECIAL MEETING MINUTES

PRESENT: Commissioner Larry Lancaster, Chairman  
Commissioner Jeannette Council, Vice Chair  
Commissioner Glenn Adams  
Commissioner Jimmy Keefe  
Amy Cannon, County Manager  
Melissa Cardinali, Assistant County Manager  
Tracy Jackson, Assistant County Manager  
Sally Shutt, Assistant County Manager  
Duane Holder, Assistant County Manager  
Rick Moorefield, County Attorney  
Brenda Jackson, Social Services Director  
Jeffery Brown, Engineering and Infrastructure Director  
Vicki Evans, Finance Director  
Deborah Shaw, Budget Analyst  
Heather Harris, Budget Analyst  
Bob Tucker, Accounting Supervisor  
Ivonne Mendez, Accounting Supervisor  
Doug Carter, President DEC Associates, Inc.  
Jeremy Carter, DEC Associates, Inc.  
Andrew Carter, Vice President DEC Associates, Inc.  
Candice White, Clerk to the Board  
Press

ABSENT: Commissioner Michael Boose  
Commissioner Charles Evans  
Commissioner Marshall Faircloth

Chairman Lancaster called the special meeting to order.

Chairman Lancaster recessed the Cumberland County Board of Commissioners' special meeting and convened the meeting of the Overhills Park Water and Sewer District Governing Board.

Chairman Lancaster called the meeting of the Overhills Park Water and Sewer District Governing Board to order.

Overhills Park Water and Sewer District Governing Board Items of Business

1) Approval of Minutes of the December 18, 2017 Meeting

MOTION: Commissioner Adams moved to approve the December 18, 2017 minutes.  
SECOND: Commissioner Council  
VOTE: UNANIMOUS (4-0)

2) Consideration of Second Amendment to Letter of Conditions from USDA Rural Development for the Overhills Park Grant and Associated Budget Ordinance Amendment B180890

BACKGROUND

The Board of Commissioners (BOC) accepted and approved the Letter of Conditions from USDA Rural Development for the Overhills Park Loan and Grant at their special meeting on April 14, 2014. The following conditions were accepted; a Rural Utilities Service (RUS) loan not to exceed \$819,000, a RUS grant not to exceed \$2,503,000 and a contribution from Cumberland County of \$50,700 for a total project cost of \$3,372,700.

The project was advertised, and the lowest bidder was Park Construction of NC, Inc. (Park) with a bid amount of \$4,308,506, which was higher than the County anticipated. After meeting with

Park, their concerns with the project were groundwater and soil conditions, however they agreed to commit to drilling excavation holes at two different locations on the site at the depth at which the sewer would be installed. Following the excavation, Park was able to determine the soil conditions were better than anticipated and little ground water would be encountered, therefore Park reduced their bid amount to \$3,600,000. The County worked with USDA to request additional funding to cover the higher than expected contract price. The BOC accepted and approved the First Amendment to Letter of Conditions at their special meeting on July 19, 2016. The following conditions were accepted; an initial RUS loan not to exceed \$819,000, a subsequent RUS loan not to exceed \$560,000, an initial RUS grant (Farm Bill) not to exceed \$2,503,000, an additional RUS grant not to exceed \$458,000 and a contribution from Cumberland County of \$50,700 for a total project cost of \$4,390,700. After receiving the additional funding, the BOC accepted and awarded a contract to Park for \$3,600,000 at their August 1, 2016 meeting.

Now that we are nearing the end of the project, it is apparent that the approved budget needs some slight adjustments to meet the needed modifications in the contract to complete this project.

The additional funding needed is due to following reasons:

- The Engineer had to complete a redesign for a portion of sewer along E. Manchester Road to avoid an existing 36-inch pressurized force main that transfers sewer from Fort Bragg to Harnett County. Due to this conflict, the sewer line had to be installed within a sewer easement along the rear of the properties.
- In addition to this conflict, three (3) of the properties had to be served using a grinder pump system since the location of their properties would not allow the sewer to flow by gravity to the main line.
- The repair costs to the NCDOT roads were also costlier than initially anticipated due to the fact that sewer laterals had to be installed via open cutting the roads instead of boring underneath the roads.

The Public Utilities Division of the Engineering and Infrastructure Department received notification from the USDA Rural Development on April 12th of their intent to grant the additional funding needed to complete the installation of sewer within the Overhills Park Water and Sewer District. USDA will provide a RUS grant not to exceed \$138,000 which requires a contribution from Cumberland County in the amount \$47,000 for a total additional cost of \$185,000. There is available funding within the Water & Sewer Fund to cover the increased cost of this project.

Judy Hunt and Steve Smith with USDA Rural Development will present, for approval by the Governing Board, the "Second Amendment to Letter of Conditions" outlining the conditions to be understood and agreed upon before further consideration will be given for the application. Following the presentation, the Chairman of the Board will have to sign the letter of acceptance on behalf of the Board and the County Clerk will need to be present to attest the document.

#### RECOMMENDATION/PROPOSED ACTION

The Engineering and Infrastructure Director and County Management recommend that the Board of Commissioners approve the following recommendations:

1. Approve the Second Amendment to Letter of Conditions for the Overhills Park Water and Sewer District presented by USDA Rural Development.
2. Approve Budget Ordinance Amendment #B180890 in the amount of \$185,000 to recognize funding to complete the construction of the Overhills Park Sewer Project.

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Amy Cannon, County Manager, introduced Judy Hunt and Steve Smith of USDA Rural Development and referenced the background information recorded above. Ms. Hunt presented the Letter of Conditions and stated the grant will provide \$138,000 in additional funding needed to complete the installation of sewer within the Overhills Park Water and Sewer District which will require a contribution from Cumberland County in the amount \$47,000 for a total additional

cost of \$185,000. Ms. Hunt stated the total project cost will end up being \$4,575,700 with the USDA contributing about 68% in grant funds for this project.

MOTION: Commissioner Council moved to approve the Second Amendment to Letter of Conditions for the Overhills Park Water and Sewer District presented by USDA Rural Development.

SECOND: Commissioner Adams

DISCUSSION: Questions and discussion followed about the initial bid/rebid amount, issues encountered during construction and who should be responsible for costs associated with asphalt patching.

VOTE: UNANIMOUS (4-0)

MOTION: Commissioner Adams moved to approve Budget Ordinance Amendment #B180890 in the amount of \$185,000 to recognize funding to complete the construction of the Overhills Park Sewer Project.

SECOND: Commissioner Lancaster

VOTE: UNANIMOUS (4-0)

Chairman Lancaster adjourned the meeting of the Overhills Park Water and Sewer District Governing Board and reconvened the special meeting of the Cumberland County Board of Commissioners.

Chairman Lancaster called the special meeting of the Board of Commissioners to order.

#### Board of Commissioners' Items of Business

1. Consideration of Budget Ordinance Amendment B180890 in the Amount of \$185,000 to Recognize Funding to Complete the Construction of the Overhills Park Sewer Project

MOTION: Commissioner Adams moved to approve Budget Ordinance Amendment #B180890 in the amount of \$185,000 to recognize funding to complete the construction of the Overhills Park Sewer Project.

SECOND: Commissioner Lancaster

VOTE: UNANIMOUS (4-0)

2. Capital Investment Fund - Review of the March 15, 2018 Capital Investment Fund Presentation and Action by the Board of Commissioners

Ms. Cannon recognized Doug Carter, President DEC Associates, Inc., and his partners Jeremy Carter and Andrew Carter. Mr. Carter stated the March 15 meeting was the start of creating a separate fund to account for and fund capital priorities. Mr. Carter provided highlights of the March 15 CIF presentation.

Mr. Carter stated after review of the model at the March 15 meeting, it was determined by the Board that policies would be brought back to govern operations of the fund and then to construct a model that is in conformance with those policies.

3. Capital Investment Fund Policy

- A. Presentation of the Proposed Capital Investment Fund Policy

Mr. Carter presented highlights of the Capital Investment Fund Policy recorded Under Item 3.C. Mr. Carter stated the CIF will have the major capital planning, but there will continue to be some operationally oriented small capital items that will flow through the general fund. Mr. Carter stated for the CIF to operate, it has to have revenues. Mr. Carter stated the policy identifies revenues coming in, states the county will maintain a CIF model that will project the ability to issue future debt, looks at dedicated revenues and looks at the adequacy of revenues to meet project costs. Mr. Carter stated the policy also defines the \$32.6 in revenues that would be

moved into the fund and states there can be annual or additional revenues added to the fund. Mr. Carter stated the Statement of Policy addresses a budget process, so the Board can at least annually as part of the budget process see how the CIF operates, receive a general review of the previous year, look at requests, receive a review of the debt affordability of the model for projects, and ultimately see the new model run and what decisions have to be made. Mr. Carter stated the policy also requires that the county meet certain debt affordability standards. Mr. Carter stated a number of these standards have already been adopted by the county in other policies, so the CIF policy defers to those adopted county policies versus repeating them. Mr. Carter stated the policy speaks to modes of debt and how they are issued, how decisions are made to issue debt and addresses the mix of pay-go and debt funding. Questions and discussion followed. Mr. Carter stated the policy further states the CIF will maintain a fund balance at a minimum of 25% of annual debt service for debt outstanding and debt projected to be issued in the CIF financial model.

B. Review of the March 15, 2018 Revised Capital Planning Model Consistent with the Proposed Policy

BACKGROUND

The financial advisors will be presenting a revised model which will capture all changes required to show the model consistent with the proposed Capital Investment Fund policy. The starting point for this model is the base model that was presented on March 15, 2018 to the Board of Commissioners.

RECOMMENDATION/PROPOSED ACTION

No action needed – for discussion and information purposes only.

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Mr. Carter reviewed the CIF model matrix below, comparing the timing of the illustrative projects to show how they had to be moved to meet the 25% minimum fund balance under the proposed CIF policy. Mr. Carter stated at the March 15 meeting, there was a request to add the water expansion project. In response to a question from Commissioner Keefe, Ms. Cannon clarified there are five phases of water with Grays Creek being the first and Cedar Creek being the second. Ms. Cannon stated the estimated dollars for the five water phases is \$120 million based on the 2009 study which was updated based on current dollars. Mr. Carter stated this model has been conservatively run to have all of the debt service paid out of the CIF, and the hope is that user or other fees can be put into place that may not cover the entire cost of debt but will make a significant contribution. Mr. Carter stated that money would flow back into the model and create capacities for general type projects.

Timing and Cost		
County Illustrative Projects	March 15, 2018	April 24, 2018
Takeout of 2017 CIP Projects	2019 - \$11.4 M	2019 - \$11.4 M
Grays Creek USDA	2020 - \$48 M	2020 - \$48 M
County EOC/911 and Civil War Museum	2020 - \$22.5 M	2021 - \$22.5 M
Administration and Courthouse Facilities	2021 - \$35 M	2023- \$35 M
Performing Arts	2023 - \$50 M	2023 - \$50 M
Water Expansion		2033 - \$35 M

C. Consideration of Approval of the Capital Investment Fund Policy

Capital Investment Fund Policy

1.0 PURPOSE

The Capital Investment Fund (CIF) is the primary fund/mechanism for investment in County capital facilities. The CIF will fund the current debt service on capital assets previously acquired by debt issuance and will project future resources for facility acquisition. The future acquisition will include debt and pay-go funded capital assets. The General Fund may continue to contain operational-oriented capital investments needed for cost effective County operations (as example, computers, communication device and similar capital assets).

## 2.0 SCOPE

The CIF will annually receive directly or by transfer from the General or another Fund of the County the revenues that are identified as resources to fund the capital investment of the County from the CIF. These revenues may be added to from time to time.

CIF financial model - The CIF will be operated/governed by a comprehensive financial/debt affordability model maintained and updated, as needed, by the County financial advisor. The model will contain the following elements:

- Project the ability to issue future debt or pay by the paygo method for future capital needs and current debt service
- Project the future dedicated revenues.
- Determine that revenues provide adequate capacity for capital expenditures and debt service

The CIF model will be presented to the County Commission as part of the annual budget adoption process and other times within a budget year, as needed.

Revenues dedicated to the CIF - The following revenues are dedicated to the CIF, into the future for payment of current debt, planned paygo and future debt. As a means to provide proper accountability, the revenues will be separated as allocated by state law or local practice for school purposes and the remainder to general capital needs of the County. The following revenues are allocated for the specified purpose:

General Purpose Capital	
2018 debt service from the Gen. Fund	\$15,731,356*
2018 budgeted Gen. Fund paygo	\$1,000,000*
2018 budgeted Comm. Coll. paygo	\$945,000*
2018 budgeted Info. Tech. paygo	\$1,000,000*
Public School Dedicated/Restricted	
2018 sales tax (Art. 40 and 42)	\$10,393,000**
2018 lottery funds	\$3,592,000**
*Base amount continuing into the future based upon 2018 budget appropriations and approved by County Commission on March 15, 2018.	
**2018 budget amount will change annually based upon revenue projections	

Future additional revenues - Additional revenues can be added annually in the future based upon capital need and priority.

## 3.0 STATEMENT OF THE POLICY

The CIF policy will include multiple elements that include, the budget process for establishing capital expenditure priorities, debt affordability elements, debt modes and pay/go debt ratios and CIF fund balance levels. These elements are discussed in more detail below.

Budget process for defining the capital expenditure priorities - The annual operating and capital budget process will begin in the spring of each year and will provide the timing for comprehensive review of the CIF and the capital needs for the County for the fiscal year beginning on July 1 of that year. The following elements will be part of the CIF review and ultimate decisions on the final capital investment budget:

- To establish context and prior decisions, review of the previous year CIF financial/debt affordability model
- Review of County departmental and County school capital investment project requests
- Review of updated debt affordability analysis including project requests
- Staff and potentially financial advisor, presentation of project affordability for issuance of debt or paygo
  - If financial model does not provide sufficient resources for project requests, County management staff alternatives will be provided
  - Additional revenue needs to meet unfunded projects will be identified
- County Commission review and approval or reorder of project priorities

- Final prioritization of projects and adoption of CIF budget by County Commission.

Debt affordability - The CIF will operate within N.C. Statutory requirements and guidelines/policies of the N.C. Local Government Commission (LGC). Additionally, rating agency guidance will be taken into consideration as well.

The County has debt structure and affordability elements contained in other parts of adopted policies that govern and meet statutory and other requirements.

The County will constantly monitor and meet debt metrics and affordability factors to retain rating in the double A category, working toward a triple A.

Modes of debt and paygo/debt ratios - The County has two primary means to issue general government debt, General Obligation and Limited Obligation Bonds issued under N.C. 160A-20. In selecting the most appropriate debt form the County will take into account several factors including:

- Timing of the project
- Flexibility needed to meet project timing needs
- Taxpayer or ratepayer equity
- Structure that will provide lowest cost of borrowing while meeting timing needs

The mix of funding for capital expenditures will be balanced between paygo and borrowed sources. As a guideline, the County will strive to achieve paygo at 25% of total capital funding sources of the CIF.

CIF fund balance target - As a means to maintain high credit ratings and to protect the County from future unforeseen economic or budget needs the CIF will maintain a fund balance at a minimum of 25% of annual debt service for debt outstanding and debt projected to be issued in the CIF financial model.

#### **4.0 IMPLEMENTATION**

Implementation of this policy shall be the responsibility of the Finance Officer.

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MOTION: Commissioner Keefe moved to approve the Capital Investment Fund Policy.  
SECOND: Commissioner Adams  
VOTE: UNANIMOUS (4-0)

#### **4. Discussion of Capital Investment Fund Project Priorities Based Upon the March 15, 2018 Illustrative Model and Assumptions**

##### **BACKGROUND**

At the conclusion of the March 15, 2018 Special Meeting, our Financial Advisor provided the next steps in the full implementation of the Capital Investment Fund (CIF).

- Consideration of CIF Financial Policies
- Review and discuss capital project priorities and establish preferred timing of each
- Update the CIF financial model to reflect Board of Commissioner priorities
- Develop the final CIF within capacity provided by the CIF Model projections
- Adopt the CIF in conjunction with the FY2018 Budget
- Perform periodic CIF Model review annually

With the CIF Policy discussed under Item 3.C. of this meeting, the next step is for the Board to review and discuss the capital expenditures and projects which are anticipated to be funded through the CIF. The CIF model that you have reviewed thus far was developed to illustrate the mechanics of the model. The assumptions used to develop this illustrative model are recorded below.

RECOMMENDATION/PROPOSED ACTION

Review and discuss the capital expenditures and projects anticipated to be funded through the CIF and develop capital project priorities, ranking them and setting preferred timing of each.

County of Cumberland			March 15, 2018
Current Capital Investment Fund Projects included in model			
			Funding or
Project	Projected Funding Need	Estimated Timing	Timing Change
County 911/Emergency Operations Center	\$793,191 – Design Contract	Authorization for next budget	
• MCP 2016 study for consolidated center	\$15,000,000 – Construction	Issued January 2020	
• Cedar Creek Business Center identified as good location			
• Need architectural design authorized to move forward with project			
• Civil War Museum Resolution	\$7,500,000 – Construction	Issued January 2020	
• Resolution passed in January 2017			
• One-time commitment needed from County			
• Commitment sunsets if construction has not started by 12/31/2020			
Gray's Creek Water Project	\$48,000,000 – Construction	Issued January 2020	
• GenX contamination discovered in FY18			
• Environmental & engineering study started in FY18			
Administration Building & Courthouse Renovation	\$500,000 – Feasibility Study	Authorization for next budget	
• Need feasibility study/design authorized to move forward with project	\$35,000,000 – Construction	Issued January 2021	
Crown Theatre/PAC	\$100,000 – Feasibility Study	Authorization for FY19-20 budget	
• Renovate or demo/rebuild existing theatre	\$50,000,000 – Construction	Issued January 2023	
• Need feasibility study to assess impact of baseball, location and existing Crown facilities			

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Ms. Cannon stated the request of the Board is to review and begin discussion of the timing of the capital expenditures and projects which are anticipated to be funded through the CIF.

Commissioner Keefe inquired regarding the five phases for water expansion and asked whether a referendum process would be required under the CIF. Ms. Cannon stated the five water phases are the Southwest District/Grays Creek, East Central/Stedman-Cedar Creek area, Linden area, Northeast/Godwin-Falcon area and Southwest District/Cedar Creek area. Ms. Cannon stated the thought process for Grays Creek today is to seek a forty-year low interest loan through USDA for the projected \$48 million to make it affordable. Ms. Cannon stated that area will not qualify for grants but will qualify for a long-term loan. Ms. Cannon stated once there is a better idea of the cost for Grays Creek water, the structure and payback for the extension of water will be developed. Ms. Cannon stated with a USDA loan, there would not have to be a referendum process. Questions and discussion followed about water expansion and the availability of water. Mr. Moorefield stated there is an ordinance in place that has to be applied to everybody and a water system cannot be done without availability charges and user fees.

Questions continued about whether monies generated from private investments/fund raising or land sales could be brought into the CIF model matrix. Mr. Carter stated unknown revenues cannot simply be put into the model because then the Board would be adopting a plan that is not really funded. Mr. Carter stated what it does do is to put the county in the framework of looking for those dollars so they can be identified and then be brought into the model. Discussion continued about the potential to infuse or move money into the model to dedicate to particular projects.

Ms. Cannon stated since the policy has been adopted and funds have been dedicated to the CIF, decisions will need to be made during the budget process on items for FY19. Ms. Cannon asked the Board to begin thinking about the \$793,000 plugged in to the FY19 model for County911/Emergency Operations Center study (location, schematics, drawings) and the \$.5 million for determining options for a county administration building and courthouse renovations. Ms. Cannon stated for FY20, there was \$100,000 plugged in to the model for a feasibility study for a Performing Arts Center. Ms. Cannon stated although timing will not necessarily have to be decided, a decision of those amounts will need to be made. Mr. Carter stated the FY19 financing will also need to be authorized for the take out for the 2017 CIP projects.

- MOTION: Commissioner Adams moved to adjourn.
- SECOND: Chairman Lancaster
- VOTE: UNANIMOUS (4-0)

There being no further business, the meeting adjourned at 2:45 p.m.

Approved with/without revision:

Respectfully submitted,

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Candice H. White  
Clerk to the Board