

**Town of Angier
Board of Commissioners
Work Session
Tuesday, September 19, 2023, 6:30 P.M.
Angier Municipal Building
28 North Raleigh Street
Minutes**

The Town of Angier convened during a regularly scheduled Board of Commissioners Work Session meeting Tuesday, September 19, 2023, in the Board Room inside the Municipal Building at 28 North Raleigh Street.

Members Present: Mayor Bob Smith
Mayor Pro-tem Loru Boyer Hawley
Commissioner Alan Coats
Commissioner Jim Kazakavage

Members Absent:

Staff Present: Town Manager Elizabeth Krige
Town Clerk Veronica Hardaway
Planning Director Jeff Jones
Public Works Director Jimmy Cook
Town Attorney Dan Hartzog, Jr.

Others Present: Kyle Laux, *Davenport & Co.*

Call to Order: Mayor Smith presided, calling the Board of Commissioners Work Session meeting to order at 6:30 p.m.

Pledge of Allegiance: Mayor Smith led the pledge of allegiance.

Invocation: Mayor Smith offered the invocation.

Approval of the September 19, 2023 meeting agenda: The Town Board unanimously approved the agenda as presented.

Board Action: The Town Board unanimously voted to approve the agenda as presented.

Motion: Mayor Pro-tem Hawley

Vote: 3-0; unanimous

Business Items

1. Davenport & Co. Financial Analysis Presentation by Kyle Laux

Kyle Laux with Davenport & Co. reviewed the National Credit Rating and the Credit Market's view of a Local Government like the Town of Angier. While the town does not currently have credit ratings, credit rating methodologies can still provide good context for local governments like the town on strong financial management practices. In developing the Town's Peer Comparative group, Davenport has selected cities and towns that are located within close proximity to the town that have similar populations. Credit ratings serve as a benchmark if money is borrowed especially in the public credit markets but with banking institutions too and are no different than your personal credit score. The same amount of work and the same process is going to be required whether or not there is a credit rating involved or not for the USDA loan.

The Town's General Fund Revenues have continued their trend of steady growth, even during the COVID19 pandemic in the latter portion of the fiscal year FY2020 and FY2021. General Fund Operating Expenditures have been growing at a steady pace with a larger jump in 2022 due to transportation, economic and physical development, and culture and recreation expenditures. The General Fund has produced a net surplus in four of the five past fiscal years. Fiscal year 2022 resulted in a decrease in Fund Balance but was due to planned cash funding of capital. FY2022 General Fund Revenues were approximately 12% higher versus 2021. This translated to an increase of approximately \$635,000 when compared to 2021.

FY 2022 General Fund Expenditures as stated in the Audit were substantially higher than 2021, but there are several important nuances to consider within these numbers.

1. Total expenditures of approximately \$6.2 million.
2. Less: Capital expenditures of approximately \$1 million.
3. Equals: recurring expenditures of approximately \$5.2 million.

Also, in FY2022, the Town proactively transferred \$1 million from General Fund to the Municipal Building Capital Project Fund. Both Total Fund Balance and Unassigned Fund Balance have grown during 4 out of the past 5 years. The Town has an adopted Unassigned Fund Balance policy that directs management to "maintain Unassigned Fund Balance of the General Fund as reported in the Town's Audit of equal or greater than 50% of actual General Fund expenditures as reported in the Audit for the year audited." The Town's Unassigned Fund Balance as a % of its budget (i.e. General Fund Revenues) is very strong when compared to regional peers. The Town's Assessed Value has been growing at an increasing rate. The next revaluation, which will impact FY2023, will create a substantial growth in the tax base for the Town.

Observations and/or Recommendations

- The General Fund has a history of producing year-end surpluses.

- FY2022 resulted in a decrease in General Fund Balance, but this was driven by a substantial and planned investment in Town capital projects via cash funding, not a structurally imbalanced budget.
- The General Fund has strong Fund Balance levels that are in compliance with Town policy.
- Fund Balance is a critical financial metric for operations as well as capital planning.
- Assessed value has been growing steady. This trend is expected to be enhanced with the next revaluation.

The Town's existing Tax-supported debt is minimal, the existing tax-supported debt service payment is approximately \$39,000 in FY2024, and the debt is expected to be paid off in FY2029.

Key Debt Ratios

- The ratios of Debt vs. Assessed Value and Debt Service vs. Revenues/Expenditures are important because they each serve as a barometer for two crucial debt-related concepts: Debt Capacity and Debt Affordability:
- Debt vs. Assessed Value: Defined as all of the locality's Tax-Supported Debt (debt repaid from general fund taxes) vs. its Total Assessed Value of taxable property (both real and personal).
- This is a Key Ratio because it measures Debt Capacity, i.e., the amount of General Obligation debt the government can legally borrow. This ratio is often subject to state or local limitations imposed by legislation, which may be further restricted by policy.
- Debt Service vs. Revenues/Expenditures: Total annual Tax-Supported Debt Service vs. Total General Fund Revenues or Expenditures.
- This is a Key Ratio because it measures how much of the annual budget is being spent to pay for debt, and can show how much additional revenue needs to be raised to pay for new debt being considered.

The Town should consider establishing a policy that sets a maximum Debt Service to Expenditures as well as considering a maximum Debt to Assessed Value Ratio.

Unassigned Fund Balance Current Outlook

The Town's Unassigned General Fund Balance for FY2022 is roughly 77% of General Fund Expenditures.

- Adopted Policy: *"Management is directed to maintain Unassigned Fund Balance of the General Fund as reported in the Town's Audit of equal or greater than 50% of actual General Fund expenditures as reported in the Audit for the year audited"*

Debt Service vs. Expenditures Current Outlook

The Town's General Fund Debt Service for Fiscal Year 2024 is roughly 0.60% of Estimated General Fund Expenditures.

- Potential Policy: *"Tax-Supported debt service as a percentage of approved General Fund Expenditures will be targeted at no more than 12% with a maximum of 15%"*

Debt vs. Assessed Value Current Outlook

The Town's General Fund Debt for Fiscal Year 2023 is roughly 0.05% of the Town's Estimated Total Assessed Value.

- Potential Policy: *"Tax-Supported outstanding debt as a percentage of the Town's Total Assessed Valuation will be targeted at no more than 2.5% with a maximum of 3.5%"*

Observations and/or Recommendations

- The Town has limited existing tax-supported debt.
- The Town has ample capacity for new tax-supported debt relative to Best Practices/Recommended Policy levels.
- The Town should consider adopting formal debt policy guidelines as it plans for future capital projects.

Davenport used the following key assumptions to prepare the Capital Funding Analysis for the Police Station Project:

Police Station Project

- \$6 million total project borrowing (note: this value is purposely conservative as a "high end" estimate for financial planning).
- 2 Years of Interim Financing beginning in FY2024 at 5.00%.
- 2 Full years of interest in FY2025 and FY2026.
- Permanent Financing via a USDA RD Loan beginning in FY2026 at 5.00%.
- 30 Years of level principal and interest payments begin in FY2027.

Available Revenues

- In the FY2024 Adopted Budget, the Town has included approximately \$38,890 for Existing Tax-Supported Debt Service.
- The Town also included approximately \$680,000 for one-time capital projects.
- For the purposes of this analysis, it has been assumed that a portion of these funds that are currently budgeted for capital are used to pay future debt service associated with the Police Station project beginning in FY2025.

Summary of Results – Police Station Project Analysis

- Payments on the interim financing are projected to occur in FY2025 and FY2026, and approximate \$300,000 annually.
- Annual principal and interest payments are projected to begin in FY2027, and approximate \$390,000.

Given the above assumptions, the Town has the financial capacity to move forward with the Police Station project.

- Assuming the Town uses a portion of the \$680,000 of revenues available to cover debt service associated with the Police Station Project, it would still have approximately \$290,000 of revenues available for other uses.
- This is equivalent to the debt service payment on a borrowing of approximately \$3.6 million over 20 years at 5%.

Next Steps

On/about August 31st – Town receives responses for Design/Build RFQ

Tuesday, September 19 – Regularly Scheduled Meeting of the Board of Commissioners
Davenport presents Financial Review
Town selects Design/Build Firm

Balance of Calendar Year 2023/Early 2024 – Town Staff/Davenport complete and submit application to USDA. Town works with selected Design/Build Firm to complete design and obtain Guaranteed Maximum Price (GMP).

Spring 2024 – Davenport distributes Request for Proposals (RFP) for interim financing to lending institutions (Note: timing dependent upon receipt of letter of conditions from the USDA).

TBD – Davenport receives RFP responses and analyzes results.

TBD – Regularly Scheduled Meeting of the Board of Commissioners
Davenport presents RFP results and recommended lender for interim financing.
Board considers approval

TBD – Regularly Scheduled Meeting of the LGC
The LGC approves the interim financing

2. Selection of Design-Build Firm for the new Police Station

Town Manager Elizabeth Krige stated the Board of Commissioners approved an RFQ for the future Police Department on June 20, 2023. On August 1st, the Board voted to add two commissioners to the RFQ Selection Committee. The committee was made up of three staff members and two elected officials. The Town received several proposals which were rated by the

selection committee. The three highest scoring firms were invited for an interview with the committee. While all three firms were highly qualified, the committee felt that Bobbitt and Davis Kane stood out due to their experience designing and building police stations and their knowledge of facility requirements and accreditation.

Board Action: The Town Board unanimously voted to award the design and construction of the Angier Police Department to Bobbitt and Davis Kane.

Motion: Mayor Pro-tem Hawley

Vote: 3-0; unanimous

3. Agreement with *Ting*

Mr. Hartzog, Jr. stated *Ting* has requested a space to set a cabinet on town-owned property. The cabinet is 4x4x6 and needs electricity. In exchange for setting the cabinet, *Ting* will provide free internet service to the Town.

Board Action: The Town Board unanimously voted to approve the Memorandum of Understanding with *Ting* to install a cabinet on Town approved property in exchange for internet services.

Motion: Commissioner Kazakavage

Vote: 3-0; unanimous

4. Resolution #R017-2023 – Fixing a Date for Annexation Public Hearing submitted by the Town of Angier

Planning Director Jeff Jones stated that the Town Clerk has investigated the sufficiency of the petition and the next step is for the Board to set a date of the Public Hearing for the October 3rd Board meeting.

Board Action: The Town Board unanimously voted to approve Resolution #R017-2023 Fixing a Date for Annexation Public Hearing submitted by the Town of Angier for approximately 41.82 acres located at 298 Smith Drive, Angier (Harnett County PIN: 0672-43-0254.000).

Motion: Commissioner Coats

Vote: 3-0; unanimous

Board Action: The Town Board unanimously voted to go into Closed Session pursuant to NCGS 143-318.11 (a)(5) to discuss possible property acquisition at approximately 7:27pm.

Motion: Commissioner Coats

Vote: 3-0; unanimous

Board Action: The Town Board unanimously voted to reconvene in open session at approximately 7:45pm.

Motion: Mayor Pro-tem Hawley

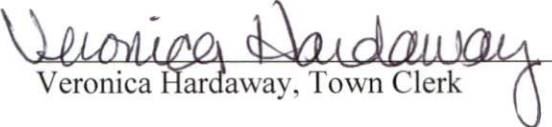
Vote: 3-0; unanimous

Adjournment: There being no further business, the Town Board voted unanimously to adjourn the meeting at 7:48pm.

Motion: Mayor Pro-tem Hawley

Vote: Unanimous, 3-0

Attest:


Veronica Hardaway, Town Clerk


Robert K. Smith, Mayor

