

TOWN OF BROADWAY
BOARD OF COMMISSIONERS
MEETING MINUTES
DECEMBER 22, 2016

A special meeting of the Board of Commissioners was held on Thursday, December 22, 2016 at 6:00 p.m. at the Council Chamber, 102 East Lake Drive, Broadway, North Carolina.

Board members present were Mayor Donald Andrews, Commissioners Tommy Beal, Woody Beale, Jim Davis, Lynne Green and Janet Harrington. Also, Town Attorney Jimmy Love, Town Manager Dustin Kornegay, Finance Director Barbara Cox and Town Clerk Laura Duval were present.

The meeting was called to order by Mayor Andrews. The Mayor gave the invocation, which was followed by the Pledge of Allegiance.

Commissioner Green made the motion to accept the Agenda as presented. The motion was seconded by Commissioner Woody Beale. Motion carried unanimously.

Allen Hart, USDA Area Director, reviewed the conditions for financing the new Town Hall/Police Department. This review is the next to the last step before loan approval. The Town should receive USDA approval within one week to 10 days.

The amount of the RD (Rural Development) loan is \$665,000 at an interest rate of 2.375%. The loan will be scheduled for repayment over a period not exceeding 40 years. Annual installments will be due one year following the date of the loan closing. The annual installment is \$25,942.

Security will consist of an installment purchase contract in the amount of \$665,000 secured by a Deed of Trust on the Town Hall facility. Prior to loan approval, a copy of the last audit review letter from the LGC must be provided. Annual installments will be paid by bank draft.

The total estimated cost of the Town Hall project is \$700,210 based on the architect's recommendation. The Town is required to put in \$35,210, and RD the remaining \$665,000.

RD requires interim financing obtained by the Town for temporary construction financing. Once the Town receives the loan commitment, has the bids in hand, receives LGC approval, then you may go to the construction lender of your choice.

An appraisal of the facility must be completed by a State Certified General Appraiser. Loan closing will be subject to the appraisal being an amount sufficient to adequately secure the proposed loan.

The Town must provide necessary certification, comments and recommendations concerning its organization and authority to construct, operate and maintain the proposed facility and must comply with special laws, regulations and federal laws.

The Town is also required to provide a copy of the annual budget and audit to RD each year.

Insurance and bonding are required for officials entrusted with the receipt and disbursement of funds and the custody of valuable property. Mayor Andrews advised that the Finance Director and Clerk are each covered by a \$50,000 fidelity bond.

During the meeting the Town Board will be asked to adopt a Loan Resolution. The Town must adopt an operating budget that provides adequate revenues for operations and maintenance expenses, debt service, and reserve payment after RD approval.

The Town must establish a Reserve Account and make monthly deposits of \$216.18 to that account (10% of the annual debt service.) These deposits will be made monthly until the reserve account has an amount equal to one full RD annual payment (\$25,942).

It is expected of the Town to refinance the unpaid balance of its debt upon the request of the Federal Government if the Town is able to refinance its loan by obtaining a loan for such purposes from a private source at reasonable rates and terms. Once the remaining debt is refinanced, RD expects payment in full.

Mr. Hart advised that the Application Certification (regarding federal collection policies) and the Debarment Certification (verifying the Town is not on the Government's unethical list) would be signed at the end of the meeting. This certification is also required of all vendors working on the project.

The Town will be required to use the Federal Government's System for Award Management (SAM), which tracks and reports use of funds. A new property survey and title insurance are required.

Procurement, bidding and construction must be completed in accordance with RD instructions. RD wants to ensure maximum free and open competition for qualified contractors when project is put out to bid. Once the architect has completed the plans and specifications, RD will review the plans and approve them, LGC will review and approve them, then the Town Board will review and approve the plans. The project will then be put out to bid. Typically, low bidder for the contract is selected.

RD must review final plans and specifications for the project to ensure the Town is building exactly what was put out for bid. Final plans and specifications must be ready

for review by RD and the Town within 13 months from today. RD wants to keep things pushed and moving forward.

Full-time inspection (construction monitoring) is required unless a written exception is made by the Agency upon written request. A designated Town staff or architect can do this to look after the Town's interest and to ensure building is done according to plans. RD must approve every invoice that comes in and every dollar going out for the project.

As mentioned earlier, the Town will take out a construction loan for this project budget. RD will come in at the end and take out that construction lender. They will make sure the Town has a certificate of occupancy, a final inspection by the Town's architect and RD's engineer. The Town will establish a construction account separate from General Fund. Also, the Town will not be required to borrow any more money than what is actually needed. If the project should come in under budget, only that amount would be borrowed.

The contractor must adhere to environmental mitigation measures including best management construction principles on this project.

Counsel Love asked Mr. Hart some questions. He asked who selects the title insurance. Mr. Hart stated the Town does. Mr. Love asked about the trust account, and Mr. Hart responded the Town attorney puts the money in the trust account.

Mayor Andrews asked Mr. Hart what would be the result of changes in the project cost. Mr. Hart stated that would not be earth shattering. Additional funds may be provided by the Town, USDA or the contractor could possibly help with that. The Mayor asked if it is possible to make larger payments. Mr. Hart said that it can definitely be done. There is no penalty for prepayment or extra payments. Mayor Andrews asked if the Town Manager should be bonded since the Clerk and Finance Director are bonded. Mr. Hart stated Mr. Kornegay should also be bonded. Mr. Hart advised RD will order the appraisal after bids have been received.

Mayor Andrews explained the architect will be visiting the construction site two or three times a week and asked if the full-time stipulation can be waived. Mr. Hart responded that one go to person should be designated and responsible for signing paperwork. The Mayor also asked if the building had to be completed within 12 months. Mr. Hart assured Mayor Andrews that the building doesn't have to be constructed within that time frame but expects construction to be finished and the facility operational within 15-16 months. USDA loan drops dead if it is not completed within five years.

Town Manager Kornegay asked when the project could be put out for bid. Mr. Hart stated two to four weeks after the plans are approved. Town Counsel is required to do a title search on the property. Also, a title insurance commitment is required before putting the project to bid. Mr. Kornegay explained the survey has already been completed.

Mr. Hart explained the Town could write a letter requesting additional funds if bids come in higher than the estimated \$572,625. Funds are determined by the money Congress appropriates to USDA. Mr. Hart reiterated that the project contingency is required.

Mr. Hart reviewed the remainder of the package. Contents included: Letter of Intent to Meet Conditions, Loan Resolution, Certification to be Executed at Loan Closing, Operating Budget, Request for Obligation of Funds, Certification Approval, USDA Equal Opportunity Agreement (contractors must abide by EO laws, treat everyone fairly, no discrimination), Assurance Agreement (Town abides by EO laws of the country), Application Certification (consequences of not making payments), Debarment Certification, Certification for Contracts, Grants and Loans, Representations Regarding Felony Conviction, Assurance Regarding Felony Conviction, and Draft of the Installment/Purchase Contract (signed at closing and lower interest rate is always given).

Mayor Andrews asked for clarification on the numbers contained in the Operating Budget. These numbers were a projection for the 2017-2018 annual operating budget.

Commissioner Harrington made the motion to accept the Resolution Accepting Conditions set forth in a Letter of Conditions dated 12-22-16 and Form RD-NC 1942-47-1, "Loan Resolution(s). The motion was seconded by Mayor Pro Tem Beal. Motion carried unanimously.

Since the LGC has approved the financial audit, it should be released to USDA. Mayor Pro Tem Beal made the motion to release the FY 2015-16 audit to USDA. The motion was seconded by Commissioner Harrington. Motion carried unanimously.

No action was taken on Item B. Approval to Put Town Hall Project Out to Bid.

Mayor Andrews requested Town Board approval for staff to obtain preliminary proposals for a construction loan. Commissioner Harrington made the motion to authorize the Town Manager to obtain proposals for the construction loan. The motion was seconded by Commissioner Green. Motion carried unanimously.

Mayor Andrews reported that Tim Sherman will have the final plans ready the first week in January. The next step in the process is loan approval from USDA, then final plans must be approved and bid packages should be ready to go out. Once the bids are received, the Town must go before the LGC to get permission to borrow money to build the Town Hall.

The Mayor expressed his appreciation to the Town Board for meeting on such short notice. He extended a Merry Christmas to all in attendance.

With no further business to come before the Town Board, Commissioner Woody Beale made the motion to adjourn the meeting. The motion was seconded by Mayor Pro Tem Beal. Motion carried unanimously to adjourn.

Donald F. Andrews
Mayor

Laura K. Duval
Town Clerk