

**MINUTE BOOK 23, PAGE 460
CONTINUED CITY OF STATESVILLE COUNCIL MEETING – May 12, 2010
CITY HALL COUNCIL CHAMBERS – 4:00 p.m.
STATESVILLE, NORTH CAROLINA**

Mayor Kutteh presiding:

Council Present: Eisele, J. Johnson, M. Johnson, Matthews, Stallard, Steele, Huggins, Gregory

Staff Present: Hites, Fugett, Gaines, Smyth, Salmon, Pressley, Davis, Currier, Bullins

Media Present: Dave Veiser – Charlotte Observer
J. McNally – Record & Landmark

Visitors: Matt Messick – Walter, Robbs, Callahan & Pierce Architects

Mayor Kutteh opened the continued meeting by thanking everyone for attending. He stated since the architect had not yet arrived, City Manager Rob Hites would present for discussion the use of Recovery Zone Bonds (RZB) for funding the City Hall project and the Streetscape project.

Mr. Hites reported staff was informed the North Carolina Commerce Department is receiving applications for RZB financing on a monthly basis until the Recovery Zone Bond funds provided to North Carolina are depleted. Mr. Hites reminded Council this was the same program the City used to finance Fire Station #4. He stated if Council should wish to use this financing for the City Hall renovation and the Streetscape project, design must be complete and the projects bid by early December in order to have financing in place by December 15th. Mr. Hites believed the City Hall project fit this schedule. Dale Stewart verified that his firm could meet that schedule for the Center Street project should the City choose to approve construction of the project. Mr. Hites reminded Council that NCDOT approved the layout and signalization of the Center Street streetscape last week. Mr. Hites explained that Council could request either project be approved for RZB financing, but the Streetscape project must be accompanied by a project that a lending institution could "attach" should the City default on the loan. If Council chooses to move forward with the City Hall project and leave the Streetscape project to a later date, staff recommends using the future Public Works Center or Fire Station #1 as collateral. The Streetscape project could be funded on its own without collateral by using a voter approved bond, since the financing is backed by the faith and credit of the city. Mr. Hites reported the Commerce Department's Recovery Zone Committee meets on May 17, 2010. If Council wishes to adopt the resolutions at this time, they will be submitted for the May 17, 2010 Recovery Zone Committee meeting.

Council member Steele explained if the projects are put on hold in the future, the financing can be rejected.

Mayor Kutteh stated Council must first pass the resolutions to start the process, but the funding can be turned down later if Council chooses to do so.

Mr. Hites explained that is exactly why funding is available, because other cities had decided not to accept it, then it becomes available again for reallocation.

Council member Stallard asked what the cost to borrow the money would be. Finance Director Lisa Salmon replied she did not have that information yet.

Council member J. Johnson stated the City spent \$21,000 to obtain the funds for Fire Station #4. Ms. Salmon agreed the cost to issue the debt was approximately \$21,000.

Council member J. Johnson emphasized the City should not be borrowing money when Capital Outlay funds were not available. He stated loan payments would have to be

made eventually and Capital Outlay could not be delayed indefinitely. Council member J. Johnson reported the State had predicted a \$3 billion shortfall next year which would result in state funding being taken from counties and cities. He declared he would not vote for either one of these resolutions.

Mayor Kutteh stated these resolutions were only putting in place another option for financing should Council choose to go forward with the projects.

Council member M. Johnson asked Ms. Salmon if the interest rate was fixed over the term of the bond. Ms. Salmon replied it was. M. Johnson stated for example, if the cost of the loan was 1%, the 1% would be amortized over the term of the loan, if interest rates rise then we get spread on our cash but costs are fixed. So to say the interest rate we're paying is going to be over the current yield of the current investment is incorrect.

Council member Stallard asked what the process was if we are allocated the funds. Ms. Salmon replied we would still have to negotiate and enter into a contract to design the projects.

Council member Matthews made a motion to adopt the resolutions in support of RZB financing for the Statesville City Hall renovation and the Center Street Streetscape project, seconded by Council member Steele.

Mayor Kutteh asked if there was any further discussion.

Council member Gregory asked what \$5 million will complete in the Streetscape project. Larry Pressley replied Center Street from Water Street to Sharpe and Broad Street from Center to Tradd Street. Council member Gregory asked of the \$2 million for the City Hall renovation, if we only wanted to spend \$1 million could we get that. Mr. Hites answered yes; we would only need to borrow the amount needed.

Council member M. Johnson asked permission to distribute a handout to Council. Mayor Kutteh asked if it related to this discussion. Council member M. Johnson replied it did.

Council member J. Johnson stated eventually Council would need to give City employees a pay raise. He emphasized he felt the City was getting deeper and deeper in debt and would eventually need to raise taxes to make the payments.

Council member M. Johnson reviewed with Council the handout he distributed. He reported there was an uncommitted balance in the Electric Fund of \$5.117 million, the Electric Capital Reserve cash, \$196,000. Electric Stabilization fund, \$44,250.00, Electric Delivery, \$846,000 to be returned to fund, Sewer and Water fund, \$8.924 million, Water and Sewer Capital Reserve of which the System Development Fees are \$2.02 million and \$1.23 million. Council member M. Johnson stated if Council chooses not to finance the entire amount for the City Hall renovation and the Streetscape projects, there are adequate funds available to finance the projects. Council member J. Johnson asked if the City is charging too much for water, sewer and electric in light of the amount of unmarked funds available.

Mayor Kutteh stated the only item before Council right now is a request for approval of the resolutions. Council will decide financing issues at a later date.

Mayor Kutteh stated if there is no further discussion on the resolutions themselves he would ask for a vote on the proposed resolutions. The vote was as follows:

Ayes: Eisele, M. Johnson, Steele, Gregory, Stallard, Huggins, Matthews
Nays: J. Johnson

Council member Gregory made a motion to reconsider the nine points from GSDC to lease the third floor space of the City Hall building, seconded by Stallard.

Council member Stallard reviewed with Council excerpts from the March 27, 2008 City Council minutes, the August 13, 2009 Quality of Life minutes, and the November 12, December 17, 2009 pre-agenda minutes relating to leasing the third floor of the City Hall building to GSDC. Council member Stallard stated up to this point, these were the only discussions relative to leasing the third floor to GSDC, and it wasn't until the Monday, May 3, 2010 Council meeting that Council received the list of GSDC's demands. He stated Council went from leasing them 750 square feet for \$850.00 a month, to 2,200 square feet for the same amount of money. Councilman Stallard reminded Council the comment had been made that GSDC was the lifeblood of Statesville. He stated companies do not locate to an area because of an office building. The decision for the location of a company is based on many factors such as, where their supplies come from, the quality of life, roadways, railways, the workforce, and the availability of water, sewer, and electricity. Council member Stallard stated the lifeblood of this city is the location and the people, not GSDC. Council member Stallard emphasized that no organization should be put above the running of this city. He felt the functionality and needs of this city should be put first.

Council member M. Johnson asked Council member Gregory if his concern was the numbers. Council member Gregory stated his primary concern was the City had several projects that must be completed, such as the Wastewater Treatment Plant and the Fire Department and he questioned if the City really needed to spend \$2 million on the City Hall building.

Council member M. Johnson reviewed an excerpt from the April 26, 2010 Continued Council meeting minutes relating to who would be located on the third floor of the City Hall building.

Mayor Kutteh reminded Council the motion was to discuss the nine points.

Council member M. Johnson stated he was just explaining to Council member Gregory that the project cannot be bid until the criteria is known. Councilman M. Johnson felt the \$850.00 rent is irrelevant at this point considering what GSDC does for the City.

Council member Steele stated maybe the issue is that everybody wants GSDC to pay a higher rate.

Council member Stallard felt Council should depend on the City Manager to decide the location of staff and how to best utilize the available space.

Mayor Kutteh commented this Council has always been responsible and careful when making capital improvement decisions and will ultimately reach a good decision about this issue.

Council member Flake Huggins stated that capital improvement projects which need to be completed now should be completed, and projects that could be started in the future should be postponed.

Mayor Kutteh called for a vote on the motion to reconsider the nine points form GSDC. The vote was as follows:

**Ayes: Gregory, Stallard, Huggins, J. Johnson
Nays: Eisele, M. Johnson, Steele, Matthews**

With Mayor Kutteh breaking the tie vote, the motion by Council member Gregory was approved.

Mayor Kutteh instructed staff to add this item to the June 3, 2010 pre-agenda meeting for discussion.

Mr. Hites stated if Council chooses to renovate the third floor, the costs must be determined. At this point it doesn't matter who will be using the space because the renovation will be the same. Mayor Kutteh agreed.

Matt Messick with Walter, Robbs, Callahan & Pierce Architects distributed two revised optional floor plans and a floor by floor price breakdown of the design recommendation (incorporated into the minutes by reference-attachment A).

Mr. Messick explained regardless of who occupies the third floor; the third floor plan would remain the same for both options. No load bearing walls are being moved. All the offices will be executive size, but if needed, could possibly be subdivided. The main exterior shell of these spaces will remain basically as they are. Both restrooms will be renovated and the Conference Room maintained as is with upgraded finishes.

Council member Stallard stated he likes these plans much better than previous ones and that the City Manager is in the building.

Mayor Kutteh said he prefers Option 2. He felt the private conference room for Mr. Hites was a better use of space than the catering area shown in Option 1.

Mr. Messick explained a refrigerator/coffee station could be added in the second floor conference room if Council chose Option 2 and felt such an area was needed.

Mayor Kutteh asked if a majority of Council preferred Option 2.

Council member J. Johnson asked if the cost sheet that was distributed was for Option 1 or Option 2. Mr. Messick replied it can be applied to either option.

Mr. Messick explained there was a 15% design contingency built into the budget. He stated that number would reduce as the design develops.

Mr. Messick reported the budget includes funds for an AV system and historic bench seating in the Council Chambers. Funds are included for an AV system in the third floor conference room, but Council may choose to install only the infrastructure for the system.

Council member Gregory stated he thought Council decided against installing the podium front and center of the rostrum. Mr. Hites replied he recommended using a podium similar to what the County uses. He explained the County's podium is portable and contains a computer, microphone and an area for documents. Mr. Hites also recommended installing microphone jacks at various locations in the floor in the Council Chambers.

Mr. Messick stated the configuration of the rostrum and the podium is not yet decided. He reported \$40,000 had been included in the budget to lower the rostrum and improve sight lines and accessibility.

Mr. Messick informed Council he needs an approved option from Council to satisfy his contract with the City.

Upon a motion by Council member Stallard, seconded by Council member Eisele, Council approved Conceptual Design-Option 2 for the renovation of the City Hall building.

Council member M. Johnson asked if everyone realized they were voting to redo the restroom on the third floor. Mr. Messick explained contractually, Council is not obligated

to build anything until bids are received, accepted and a contract signed with a contractor. Mr. Hites stated Council is only accepting the Conceptual Design recommendation from the architect. Council M. Johnson asked if Council is voting on a plan that may or may not be like Option 2. Mayor Kutteh answered no, we are voting on a plan that may or may not include any or all of the aspects of Option 2. Mr. Messick reiterated Council is not obligated to build anything by accepting this design concept.

The vote was as follows:

Ayes: Stallard, Eisele, Gregory, Steele, Matthews, M. Johnson (abstained)

Nays: J. Johnson

Mr. Messick reviewed the cost breakdown by floor with Council. He stated this is not an all inclusive list, but general highlights for all floors and the exterior restoration. Mr. Messick explained the Mechanical and Electrical items listed under the Basement Level section are not exclusive to the basement, but general to the entire building. He pointed out the budget includes pricing to refinish the hardwood floors and doors on the second and third levels. Pricing does not include refinishing the baseboards, crown molding or chair rails. Mr. Messick estimated the 15% design contingency would cover that cost. He advised all the millwork should be refinished at the same time.

Mr. Hites asked if the millwork would be restored to its original color. Mr. Messick replied the pricing includes total restoration of the millwork. Mr. Hites asked what the cost would be to use stone or hardwood in the public areas rather than carpet. Mr. Messick replied he did not have a price for that, but he anticipated having a hardwood border defining the perimeter with a flush inlay of carpet.

Mr. Hites stated the millwork is not in poor condition, but the current color is not the original color. The original color is much darker and can be seen on the third floor. If Council is satisfied with the millwork as it currently appears, it would not need to be restored. Mr. Messick explained the stairwells need some major structure and finish work. He advised at least restoring the stairs and the common areas of the building.

Council member M. Johnson questioned whether the pricing included restoring the stairwell from the second to the third floor. Mayor Kutteh stated if it did not, it could be added.

Mayor Kutteh asked how much the architect fee would be. Mr. Messick answered he would need to discuss that with his consultants, but it would be at least 6-7% of the gross cost, because typically renovations are more complicated than new buildings and this is also an historic renovation.

Mr. Pressley asked Mr. Messick what he needs from Council today. Mr. Messick replied he needed their approval of Option 1 or Option 2 and their approval of the proposed budget amount of \$2,290,522.

Mayor Kutteh asked if Council was comfortable with Option 2 and this maximum budget proposal amount. Details of items to include or omit will be decided at a later date.

Larry Pressley stated a consensus from Council will also assist staff with obtaining financing.

Council member M. Johnson expressed agreement with the cumulative number but he did not understand the rostrum amount. Mr. Messick stated the amount budgeted for the rostrum indicates the level of detail Council requested.

Council member M. Johnson asked what type of restoration was planned for the inside of the elevator. Mr. Messick replied that decision had not yet been made, but there were many options available.

Mayor Kutteh asked for a motion.

Upon a motion by Council member M. Johnson, seconded by Council member Steele, Council approved the proposed budget, not to exceed \$2,290,522 for the renovation of the City Hall building. The vote was as follows:

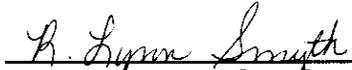
Ayes: M. Johnson, Steele, Stallard, Gregory, Huggins, Eisele
Nay: J. Johnson

Upon a motion by Council member Steele, seconded by Council member Huggins, Council unanimously approved the motion to adjourn.

ATTEST:



Mayor



Deputy City Clerk

