

Aiken City Council Minutes

WORK SESSION

February 13, 2017

Present: Mayor Osbon, Councilmembers Dewar, Diggs, Ebner, Merry, and Price.

Councilmember Homoki arrived at 6 p.m.

Others Present: John Klimm, Stuart Bedenbaugh, Gary Smith, George Grinton, Michelle Jones, Kim Abney, Joy Gillespie, Jessica Campbell, Cam Scott, Ryan Bland, Tim O'Briant, John McMichael, Sara Ridout, Dan Brown of the Aiken Standard, and about 20 citizens.

CALL TO ORDER

Mayor Osbon called the meeting to order at 5:03 P.M. and stated Council had two items to discuss at the work session, including an update of the Eustis Park Community Center, and proposed infrastructure financing.

EUSTIS PARK

Update

Eustis Park Community Center

Ms. Joy Gillespie, Capital Projects Sales Tax Manager, stated she would like to discuss the design of Eustis Park with Council as we are in design development at this time. She stated she wanted to bring Council up to date as far as the size of the building. She pointed out that, based on estimates received for the project, it is felt that we may need to reduce the size of the building down to about 300 feet for the banquet facility. The proposed option, if we receive a grant, will keep us within budget and also allow for three meeting room spaces for the facility, which provides more programming options. If a grant for \$350,000 is not received, the size of the building would need to be reduced further to 256 feet which would provide two rooms for programming that could also be expanded to one large room. She pointed out that Mr. Cam Scott, Architect, was present to answer any questions. She noted that the grant that she had mentioned is through the SC Lieutenant Governor's Office on Aging. The grant would provide \$350,000 towards construction costs for the project. She pointed out that an item on the regular Council agenda is a request for a letter of recommendation of support from Council for the grant for the project.

Mr. Klimm noted that Councilmembers Diggs, Price and Ebner had spent a lot of time with staff in working and reworking the numbers. He pointed out the goal is, within the limits of our budget, to go forward with the project. Mr. Klimm pointed out the two proposals for the building, include one with the \$350,000 grant and the second without the grant. He asked that Council give approval to move forward.

Mr. Cam Scott then reviewed the differences between the two options. Mr. Scott showed a plan of the building as currently designed. He noted that two estimates had been submitted for the current design for the building, but the cost was more than the budgeted amount. The current design has a meeting hall space which can be divided into three spaces, and as one space it could hold 376 seats at round tables. It is felt to get the project down to the budget, we would have to cut the banquet room so we could get about 296 seats at round tables. This proposal would be possible if we get the \$350,000 grant. If we don't get the grant, then we would have to eliminate one of the meeting rooms and only have two which could open to one large room that would hold 256 seats at round tables. More people could be seated at rectangular tables.

Ms. Gillespie reviewed the process for application of the \$350,000 grant. She noted that the grant is due this month and must be submitted by the end of February. We should hear whether we received the grant or not by the end of March or the first of April.

Council then discussed the project. Councilman Dewar asked if we were still working on decontamination of the land bought from the School District. He wondered if we could go out to bid while the company finishes the decontamination work. Ms. Gillespie responded that the asbestos abatement bid is out now and will be coming back to Council for approval at the February 27, 2017, meeting. At the same time we are going to start writing the specs for the demo so when the abatement is done demo will begin. Ms. Gillespie stated we can probably start construction in mid-July.

Councilwoman Price asked Ms. Gillespie to give the timeline for the Eustis Park Community Center. Ms. Gillespie noted that the abatement contract should be awarded February 27 by Council. The contract should be completed by late April. During that time we will be bidding the demo for the building with demo, hopefully, completed by the first part of May. Then we will go out for bids for the project with bids to be opened by mid-June with a mid-July construction date.

Councilwoman Price asked if we could get bids out and do things simultaneously and not have to wait for the bids to go out following Council's approval for the building plan. Mr. Scott pointed out that a lot depends on whether we get the grant and Ms. Gillespie had stated the grant would not be awarded until the end of March or first of April. Mr. Scott pointed out that he could not release his engineers on the final drawings until he knows what size building is to be built as it affects all the mechanical systems, plumbing, etc. He noted that if we know about the grant at the end of March, then the drawings could probably be ready by the end of April and ready to go out for bid. He said we would probably get bids around the first of June.

Councilwoman Price pointed out that we had been working on a plan for a couple of years, and if there are changes and delays, the more the project will cost, as construction cost increases. She pointed out that people in the area are frustrated that the project is not underway yet. The project has been delayed for several years. She pointed out that she appreciates the effort of staff in trying to move the project forward.

It was noted that almost \$4.4 million is available for the project, with the environmental abatement work costing about \$150,000.

Councilman Merry asked about the purpose of the proposed building at Eustis Park. He noted that it had been called a Youth/Senior Center, now a banquet facility. He wondered what was the top priority and goal for the building. He wondered if there would be a gym for basketball, etc. Mr. Scott responded that the facility is a Youth/Senior Center. The large room is called a banquet facility because it can be opened up for large crowds or used as three small rooms for various activities such as aerobics, crafts, etc. It was pointed out by Councilman Ebner that the voters voted on the facility as a Youth/Senior Center. It was noted that we had been working for seven years to get to this point. Councilman Merry stated he was just wondering about the priority for the building and what its use will be since we may have to cut the size of the building.

Councilwoman Price noted that the proposed facility is a multi-purpose facility which may largely be used by low income people for health and wellness purposes. Many volunteers will come in to tutor children and spend time with children in the space provided. The time the banquet area would be used is for large events such as family reunions.

Councilman Ebner noted that the contingency is 10% of construction cost. The reason for that is because we will be going into next year for construction and there will probably be a price increase for materials.

Ms. Ann Dicks, 314 Jehossee Drive, asked if the proposed building and the large room could be used for things such as volleyball or basketball. Councilwoman Price responded that was discussed, but the height of the room is not high enough for basketball.

INFRASTRUCTURE FINANCING

Mr. Klimm noted that the next item deals with the Infrastructure Plan. About a year ago Council met in session at the Airport to put together a strategic plan. Every member of Council had the issue of infrastructure as their highest priority. From that strategic process we began a journey that Mr. Grinton will discuss. We started with having relatively little information about the condition of our present infrastructure. Mr. Grinton will discuss the progress of our gathering information on the condition of our infrastructure. Mr. Klimm noted that Mr. Grinton had done so much work over the past year so that now we are light years ahead of where we were just 12 months ago. He began a process of evaluating our existing infrastructure and through the assistance of some consultants and a state of the art software package, we have identified a path forward in terms of beginning to address our infrastructure needs. Mr. Grinton will make a presentation at this time, which is Phase I of the Infrastructure Plan. The purpose of this meeting is not to debate the details of any specific proposal because all of the projects will come before Council as part of the budgetary process and then Council can argue the merits of any specific component of the plan. There will be public hearings on each project, and we will need Council's vote and support on the improvement plan. The goal at this meeting is to familiarize Council with what staff believes are the highest priority projects that should be incorporated in Phase I of the Infrastructure Plan. He noted that sometime next winter or early spring staff will come before Council with Phase II of the Infrastructure Plan. Phase III of the Infrastructure Plan would be a request from staff for City Council to consider Capital Projects Sales Tax IV which brings in about \$30 million a year. He said the feeling is that most, if not all of the CPST IV funds if approved by the citizens, should be committed to infrastructure repair. It is felt that if Council approves Phase I and then next year approves Phase II and a large amount of CPST IV is approved for infrastructure, that Council can fundamentally change the course of events and stop Aiken from becoming a community that begins to be in fiscal crises because of lack of attention to our infrastructure.

Mr. Klimm stated this is a proud day to be able to come before the Council who made infrastructure their number one priority a year ago. Another thing is that we are marrying the Engineering Team led by Mr. Grinton, Ms. Jones, and our consultants with the Finance Team being led by Ms. Abney, Finance Director, and First Tryon who put the financial package together to show us how we can afford Phase I of the Infrastructure Plan without any increases in rates or taxes. He said that was the desire and goal for Phase I of the Infrastructure Plan. Mr. Klimm pointed out, however, that we know, and it was clearly stated by Mr. Grinton, Ms. Jones and him at the last worksession, that there is a deficit in the area of stormwater. The present rate structure will not allow us to comprehensively address the issue of stormwater in the future. He said we know there are major needs in neighborhoods like Houndslake and Woodside because the pipe that was used needs to be replaced. Next year in Phase II of the Infrastructure Plan, we have to face the reality that the revenue stream is not sufficient in stormwater as it is in water and sewer. He said he wanted to reiterate that matter. He then asked Mr. Grinton to talk about what staff's recommendations are for Phase I of the Infrastructure Plan. Then the presentation would be from Ms. Abney and First Tryon to talk about the financing of the plan.

Mr. Grinton stated his objective was to review and refresh everyone's memory on the process they went through to develop the projects, review some of the proposed projects, and how we are going to afford them financially. He pointed out that Council had authorized the purchase of software in September, 2015. He noted that they have completed putting all the drawings and information in GIS. The new software takes the GIS information entered, the attributes about the infrastructure, and looks at and establishes the likelihood of failure and consequence of failure and when these are put together you can calculate the risk associated with any given segment of pipe. He said this information had been done for water and sanitary sewer, but had not done it for stormwater yet. The software has a lot of statistical capabilities that generates a prioritized capital plan. In this case it gives us a risk analysis to know which sections we should consider first, second and third based on actual risk of failures and consequence of failures. He pointed out maps that show red zones of areas that need to be looked at. The yellow zones are the ones in the batter's box, and the green zones are the ones at this time

in good condition and repair and do not require as much attention at this time. He showed the Risk Assessment maps for sanitary sewer and water. He noted that the downtown area is a big concern for the city with 106 year old water lines in the downtown area.

Mr. Grinton stated they are using the same principles for stormwater, but because they don't have the same funding for stormwater, they were not able to get consultants to do a lot of the work, but they are doing the stormwater work at a slower pace in-house. He said they apply the same evaluation of risk for failure and consequence for failure. He pointed out pictures of Houndslake where corrugated metal pipe was installed in 1970's. Corrugated metal pipe has about a 25 year service life before it starts to fail under conditions in the Aiken area. He noted areas such as Houndslake and the downtown where corrugated metal pipe had been used.

Mr. Grinton stated the next step is to determine when we would be implementing the projects, the timeline, how long it will take to do the work, and when we can start sending out RRP's or RFQ's to get the work done. He said there is a lot to do, but we don't have staff to do all the work. He said they would be using a lot of consultants to do the design, bid specifications, etc. to go out for completion of the work.

Mr. Grinton then reviewed the proposed list of projects for sanitary sewer, water, and stormwater. He said the proposed projects are for Phase I of the Infrastructure Plan. Phase II will occur next year. At budget time staff will update the information available and run through the risk analysis programs, the age of pipes, etc. The process continues every year with some good years and some bad years. This will mirror the age of when developments were brought into the city. If we had a lot of activity in the 1990's, then 30 years or so later there will be a lot of activity. He said each year Engineering will update the risk analysis, defining new projects, assigning priorities for future infrastructure project evaluation and rehabilitation construction. He said they would be creating another list of projects for funding.

Mr. Klimm noted that Council will have the opportunity during the budgetary process to go through each of the projects reviewed by Mr. Grinton, to learn more about them, debate them, and support or not support projects. Mr. Klimm stated the real purpose of this work session is to turn to the financial people and show that if we were to support a Phase I Infrastructure Plan what the projected cost would be and how we might be able to finance it. Mr. Klimm stated the focus on this part of the presentation is the many millions of dollars of projects and how we can go about financing them.

Council then briefly discussed the information presented by Mr. Grinton. Councilman Dewar expressed concern overall about the projects and was concerned about how quickly we could do many of the projects. He noted there are a lot of projects, and he was concerned about how much we can do at the same time. He pointed out the citizens are only going to stand for so much congestion that will be caused by some of the projects. Mr. Klimm stated project management is a serious issue, and there is an outer capacity in terms of our capability to take on so many projects at one time.

There was a question about the downtown valve and fire hydrant improvements project and the replacement of the valves. Mr. Grinton stated all the valves could be replaced, but he did not see the value of that, and it would probably double the cost of everything. He said they would replace whatever is necessary. In response to a question by Councilwoman Price that Mr. Grinton rate the highest priority items, Mr. Grinton responded that the projects listed were all highest priorities. He pointed out that some of the projects are pay me now, or pay me later at a higher rate.

Councilman Ebner pointed out that with the capability of our systems for the future, there are lots that are already authorized by Council which should be noted. Coming from Whiskey south there are probably 1,500 to 1,800 lots that can be built on in the future. Going the other way, there are probably 600 to 700 lots. He felt it would be wise to put a chart together to be sure that with all that's going on that we can handle what we have already authorized with water, sewer and storm water. Mr. Grinton stated that is where

the modeling that is being recommended would come in, both for water and sanitary sewer.

Mr. Klimm pointed out that we have married Engineering with Finance and also marrying Planning with all of those because we have to consider and plan for the future also.

Councilwoman Price asked that Mr. Grinton pay close attention to the northside, east and west, as they look at the age of this part of the community from downtown going north. She pointed out this is an old community, and there are a lot of infrastructure issues that we may not be paying close attention to because the people are not complaining. Mr. Grinton pointed out that the software system looks at the facts and every statement is evaluated individually. Then it is listed on the merits of the material, the ground it is in, the age, etc. and done on an equal basis. It does not know northside, east, west, or south.

Mr. Klimm stated that Mr. Grinton had projected the cost of the proposed projects, and then we sat down with David Cheatwood, Director of First-Tryon Advisors. He asked that Mr. Cheatwood give Council an idea of the financial snapshot of what we are looking at and the approach he would recommend that we take to finance these projects.

Mr. David Cheatwood stated a few months ago, he met with Council and demonstrated a capital planning model, an excel based model, where we could basically load up a list of projects with a list of available revenue sources and marry those up and see if the available revenue sources could fund a certain list of projects. They can turn projects on; they can turn them off; they can change the amounts, etc. With this tool they converted that over to a tool for the utility system. He said they created a model for the water and sewer and also for stormwater.

Mr. Cheatwood referred to the copy of the presentation that Council had been given. He said the projects listed on page 1 are the list of projects that Mr. Grinton reviewed for water and sewer. He noted that the city has identified \$16,345,000 of water and sewer projects over the next several years. He pointed out the listed project, the project need amount and then funding source. He said they tried to marry the funding sources with the project need. He noted that the available funding sources for water and sewer are: annual revenue through service charges, Capital Projects Sales Tax, State Revolving Fund loans, and revenue from revenue bonds. The City would issue the bond and get the money up front to pay for the projects and pay the bond back over time.

Mr. Cheatwood stated the \$16,345,000 for water and sewer projects had been broken down between the various funding sources as follows:

\$10,000,000 for the Sand River Sanitary Sewer Basin funded from a State Revolving Fund Loan.

The application for the State Revolving Fund Loan is in the process and will be sent in later in the spring to the State Revolving Fund. That is essentially a bond issue and is paid back over a certain period of time. The assumption is for a pay back over a 30 year period of time.

Various projects are listed as funded through the Capital Projects Sales Tax III funds in hand. Those include \$250,000 for the Sandhurst Sewer Aerial Crossing Replacement, \$120,000 for the South Wood discharge assemblies, \$350,000 to replace Pine Log HS pump, \$400,000 for Vale Tank maintenance rehab, \$250,000 for the Lime Slurry System, and \$350,000 to Paint Chesterfield Street water tank.

The project listed as Replace Shaw's Creek Electrical Panel in the amount of \$200,000 is listed as Pay-Go as well as the New Purchase 3,500 gallon truck. That is essentially the Water and Sewer Fund Balance.

Three projects including: \$1,350,000 for Water Main Replacements, \$1,500,000 for Downtown Valve & Hydrant Improvement, and \$1,200,000 for Banks Mill Lift Station

Capacity Improvement are listed to be funded through a Revenue Bond. He pointed out for a Revenue Bond the money comes in upfront and the money is paid back over a period of time 10, 15, 20 years, etc. That would be paid back with system revenues on an annual basis.

Mr. Cheatwood then reviewed page 2 of the handout regarding Debt Service Coverage/Liquidity – Water and Sewer. He said two main financial factors were looked at when evaluating the financial feasibility of funding these projects. The two factors are the Debt Service Coverage and the Days Cash on Hand. He said the Debt Service Coverage is defined as the net revenues, the operating revenues less your operating expenses, not including Depreciation. That is divided by the amount of Debt Service to determine the Debt Service Coverage. He said that is one key financial ratio that they track and that banks track. If the City gets a Revenue Bond, they would set up a base bond document that would control the Revenue Bond, set out all the terms and conditions. Typically with a Revenue Bond document there is a minimum debt service coverage level required level of 1.20x. That means 20% higher between the revenue and expenses. The net revenues have to cover the debt service by 1.20x. That is a cushion that is beneficial to banks and lending institutions as they want to know that you are not running a straight 1 to 1 coverage, but that you have some cushion. The Bond documents will set out a minimum coverage level, typically 1.20x that the City would covenant to maintain the rates at whatever level necessary to hit the 1.20x coverage. He said typically they like to have some cushion above that and try to target it around 1.50x coverage so there would be revenue covering any debt service by 1.50x.

Mr. Cheatwood stated the other key financial metric is Days Cash on Hand / Liquidity. That is looking at unrestricted cash and investments in the Water and Sewer Fund divided by the operating expenditures. There is no rule that you have to maintain a certain amount, but they would say, by looking at other entities similar to Aiken with water and sewer funds, that around five months is a good target. More would be great.

Mr. Cheatwood stated when they look at the financial feasibility of the water and sewer projects and whether the water and sewer revenues can fund these projects, they are keeping in mind Debt Service Coverage and Days Cash on Hand / Liquidity. Mr. Cheatwood noted that they have shown funding the city's projects with \$10,000,000 from a State Revolving Fund loan and another \$4,050,000 out of a Revenue Bond. The city would maintain Debt Service Coverage starting out with FY 18 with 3.5x and drop down to just under 2.0x and then from 2020 for the next 10 years it would be 4.3x. He said the City of Aiken had ample debt service coverage levels if the City borrowed approximately \$14 million from SRF and Revenue Bonds.

Mr. Cheatwood stated on Days Cash on Hand they have \$575,000 of pay-go being funded. He said the Days Cash on Hand level is easily achieving the 150 days level. He pointed out that these are projected out many, many years, but the City will have more projects that will come up over the years. He noted that things will change, revenues will change, and expenditures will change. He said the model is a capital planning tool to see how you can fund the projects and be sure that you are meeting the levels based on the current picture. He noted that on the water and sewer side the City would meet those criteria.

Mr. Cheatwood then reviewed the Proposed Debt Service for Water and Sewer on page 3 of the hand out. The chart shows the city's existing water and sewer debt (internal loan) as well as the estimated debt service on the proposed SRF loan and revenue bond borrowings to fund \$14,050,000 in projects. He said this has to do with the two borrowings that the city would have, including the \$10 million SRF loan and the \$4 million Revenue Bond. The chart shows the existing debt service, which is an interfund loan of approximately \$975,000, and the new debt service that would be incurred. The interfund loan pays off in FY 19 so there would be more debt service capacity at that time. He said about \$800,000 in new debt service would come on line in 2019 and stay approximately at that level. He said they are assuming that for the SRF loan that the city would be borrowing for 30 years at an estimated interest rate of 1.8%. Then for the \$4

million Revenue Bond they are assuming that the city would borrow that and repay over a 15 year at 4% interest rate.

Council then briefly discussed the proposal for the water and sewer funding for infrastructure projects. Councilman Dewar asked if the City would be limited as to what they could do. He noted that through the years various other projects will come up. He wondered if the debt would limit what the city could do. Mr. Cheatwood responded that on the debt side, once the City issues the debt they are committed to repaying the debt. He stated if other things come up outside the proposed debt, that would come into consideration. That is why you want the coverage level or cushion as you don't want to spend all of your cash. Councilman Dewar then commented that the debt payment would then mandate in some cases rate increases to keep the numbers in line. Mr. Cheatwood stated the revenue could come from a decrease in expenditures or an increase in revenues. There was a question as to whether the City could apply for more than a \$10 million loan from the State Revolving Fund since the interest rate is 1.8% and can be paid back over 30 years. Ms. Abney responded that there are a lot of plans. She pointed out that the target for the downtown is one loan that meets their parameters. She pointed out that the City could not just get a SRF loan for anything. It was pointed out that the loans are competitive loans. Another question was when you get the loan would you start paying interest on the full amount of the loan or as you draw money, as you would not spend all of the loan at one time. Mr. Cheatwood responded that if you borrow \$4 million you would start paying interest on \$4 million plus principal. He said if the spend down is 5 years for the project, he would suggest that the city not borrow the full amount at one time. It was pointed out that once the interest rate is locked in for the SRF loan it is locked in. There was also a question if there was overhead and insurance on the loan. Mr. Cheatwood stated there is no insurance related to financing that has to be paid. Any legal fees are included in the loan. Mr. Grinton responded for the SRF loan that you start paying interest on what you draw down, not on the full amount of the loan. It was noted that for bonds you would pay interest on the full amount of the bond. However, on the SRF loan which costs less for interest rate, you only pay interest on the spend down not the full amount of the loan. It was felt that the SRF loan would be the best loan for the projects. Mr. Cheatwood responded that the SRF loan is a great source of money, but it depends on whether the project would qualify for the loan, whether funding is available, and the timing associated as there is an application process.

Councilman Ebner stated for the next Council meeting he would like some information. He stated for a debt of \$980,000 a year the payback is less. He said over 30 years there is about \$7 million available. He said you start paying \$800,000 a year and we have \$980,000 available. He asked that staff explain what would be done with the other \$180,000. He also noted \$500,000 a year for 14 years. That adds up to \$7 million to \$8 million for something else. He said his concern is, especially for water and sewer, there is a lot of energy involved and the day to day costs. He wondered how we would handle inflation. He noted that rates had not been increased since 2014. He pointed out we have changed out meters and gained revenue and fixed leaks. He noted that the last report showed a drop of leaks from 22% to 14%. He noted revenue would not increase that much and there would be inflation to consider. He asked that staff look into this and see where the other money is going and how inflation will be handled.

There was a question as to whether legal fees had been included in the bond projections. Mr. Cheatwood responded those fees were not included. He pointed out that the numbers in the projection are not the exact numbers, but will vary some. He noted that the presentation was for illustration purposes.

Mr. Cheatwood then reviewed the Stormwater project summary on page 4 of the presentation. The City has identified \$12,007,681 for stormwater projects over the next several years. The City has the ability to fund this amount of projects by accessing a variety of sources, including pay-go from cash on hand, the monthly service fees, capital projects sales tax II and III, grants and revenue bonds. He noted that the chart states the proposed funding source for the listed projects. He pointed out that \$2,504,500 would be funded by Revenue Bond, \$5,678,181 would be funded by CPST II and III, \$2,110,000 from Pay-Go – cash on hand in Stormwater Fund, and \$1,715,000 from grants. He noted again that the two things looked at include Debt Service and the Days Cash on Hand. He

pointed out that if the city issued a \$2.5 million revenue bond, based on operating revenues over operating expenditures, the net revenue would cover the debt service on the Revenue Bond by about 1.7x. That is assuming 15 year borrowing at a 4% rate for the \$2.5 million. On the Days Cash on Hand there is a minimum target of 150 days. There is cash on hand in the Stormwater fund. We would be funding the \$2.1 million out of that over the next couple of years so the city would still meet a good target level on Days Cash on Hand.

Mr. Klimm asked if all of the projects were combined into one package what would be the SRF loan amount and the Revenue Bond amount. Mr. Cheatwood stated the total SRF loan would be \$10,000,000 which would be for the Water and Sewer Fund as no SRF loan is included in the Stormwater Fund. There would be a \$4 million Revenue Bond for Water and Sewer and a \$2.5 million Revenue Bond for Stormwater for a total of \$6.5 million for Revenue Bonds.

Councilman Dewar pointed out that none of the funding includes the \$8.7 million for stormwater for Houndslake. He wondered how we would ever find the money for Houndslake or Woodside to replace the corrugated metal pipe.

Mr. Klimm stated we would not be able to fund the needed repairs at Houndslake or the needed repairs in Woodside without stormwater revenue increases. He pointed out we do not have sufficient revenues in the Stormwater Fund for the foreseeable future to fund the entire needs into the future. He said those are major projects in Houndslake and Woodside, and he felt they should be included in Phase II or we will start having emergency repairs.

Mr. Cheatwood stated the goal of the model was to play with the amount to see how much we could fund and still meet the main targets. He said there are the other needs to be considered, but we could only possibly get another \$1 million or \$1.5 million of stormwater projects and still meet the targets, but when you start talking about \$8 million or \$10 million projects, you cannot get there based on the existing revenue stream.

Mr. Klimm stated another thing is the capacity to take on a certain number of projects. He said there is a limit on the capacity of what we are able to do. We have to address the stormwater in Houndslake and Woodside, but even it were approved today, there is a question as to whether we would get to it until next year anyway.

Mr. Cheatwood pointed out that on the \$2.5 million Revenue Bond for the Stormwater Fund we are looking at 15 years annual Debt Service at about \$225,000 per year at 4% interest.

Councilman Merry pointed out that for the Days Cash on Hand for Stormwater he could not figure why the amount would drop from \$794 to \$601 from 2016 to 2017. He thought that was still close to two years cash on hand now. Mr. Cheatwood stated there was good cash in the Stormwater Fund, but it drops from \$794 to \$601 because there are a couple of projects currently ongoing that are being paid out of cash that are not on the list, so that is why it is dropping. A slight surplus has been generate in the Stormwater Fund for the last couple of years. When we look at projections going forward, we flat line the revenues. Councilman Merry pointed out that a surplus has been projected every year and there is a potential to do more in Phase II.

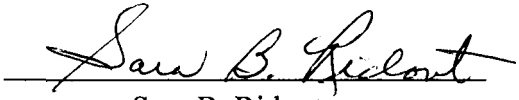
Mr. Cheatwood stated when they start layering on the Phase II projects, they may find that X amount is available and a project could be funded with cash on hand. He pointed out that in projecting the revenues for both Water and Sewer and the Stormwater Fund, they just flat line the revenues and expenditures and did not project any growth on either side.

Councilman Ebner asked that at the next meeting that staff show how we calculate our Stormwater fee. He pointed out he did not think the revenue will grow 10% a year if our water usage keeps going down because of leaks. He felt it would be good to go through the calculation that is based on three months of the year which fixes the fee for the year.

Mr. Klimm stated the Engineering staff and Finance staff have put together a feasible, reasonable Phase I Infrastructure Plan that does \$28 million of work patching together SRF loans from the State, Revenue Bonds, CPST money that we already have, pay-as-you-go cash that we already have, and grant funding, for what we feel is a reasonable first step in the Infrastructure Plan. That is done without increasing fees or taxes for Phase I. He said, of course, we can't go on forever doing that, and we need to look at Phase II. He said we definitely need to look at the stormwater issue, and we need to start thinking about CPST IV and how that can help fund our long range Infrastructure Plan.

ADJOURNMENT

Councilwoman Diggs moved, seconded by Councilwoman Price, that the worksession adjourn. The meeting adjourned at 6:34 P.M.


Sara B. Ridout
City Clerk