



MINUTES

The Holly Springs Town Council met in a workshop session on Tuesday, October 13, 2020 at the Holly Springs Law Enforcement Center and via video conferencing. Mayor Sears presided, calling the meeting to order at 6:00 p.m. A quorum was established as the Mayor and five Councilmembers were present as the meeting opened.

Council Members Present: Mayor Sears, Councilmen Dan Berry, Peter Villadsen, Shaun McGrath, and Aaron Wolff, and Councilwoman Christine Kelly

Council Members Absent: none

Staff Members Present in the room: Randy Harrington, Town Manager; Linda McKinney, Town Clerk (recording the minutes); Scott Chase, Assistant Town Manager; Daniel Weeks, Assistant Town Manager; Patty Dressen, Interim Finance Director; Corey Petersohn, Finance; Jeff Wilson, IT Director; John Schifano, Town Attorney; Kendra Parrish, Executive Director, Utilities & Infrastructure; Daniel Colavito, Utilities & Infrastructure; Kimberly Keys, Utilities & Infrastructure; LeRoy Smith, Fire Chief; Luncie McNeil, Director of Public Works; Cassie Hack, Director, Communications and Marketing.

2. Workshop Overview

Staff Resource: Randy Harrington, Town Manager

Mr. Harrington gave an overview of the items on the agenda.

3. Financial Advisor Engagement

Staff Resource: Randy Harrington, Patty Dressen

Randy Harrington introduced Doug Carter and Andrew Carter from DEC Associates Inc., the Town's new financial advisors. Mr. Doug Carter gave his background and the background of their company. He said the purpose of their presentation was to talk about resource and capital affordability planning. He gave examples of how Holly Springs has moved in a positive direction in capital and debt planning with expanding the use of the Capital Improvement Plan (CIP) and debt affordability. He outlined the Town's current debt profile and financial situation. He talked about ways to move to the next level, and why the Town would want to do that. He suggested that the Town use a rate consultant to set rates in order to see where rates would have to grow to account for growth, maintenance, and debt maintenance.

Mr. D. Carter said that separating Operating and Capital funds is a good thing the Town has done, as that keeps the budget from being balanced with capital funds in years when debt is low. He discussed the possibility of creating a Community Investment Fund (CIF). He then went into more detail on how a CIF works and what the benefits to the Town would be.

Andrew Carter discussed what the model for a CIF could be and what Holly Springs has done to move in this direction. He said that setting aside money for capital service creates additional capacity once debt is paid off, and creates the ability to run various models to set priorities and account for changing costs. Finally, he summarized what the Town has accomplished thus far, and that there is the ability to afford the upcoming debt service.

Mr. D. Carter said that if the Town moved to a CIF, their firm could inform the Town, by budget time, what the needs would be and what the timing of those needs would be. They could then run the various "what if" scenarios. In summary, he said that the Town has done a lot to

move in the right direction, and the Town has strong growth which will drive investment needs. DEC sees the potential for Holly Springs to move to a higher credit rating, and he outlined potential next steps to get there.

Randy Harrington, Town Manager said that the Town is already moving in the CIF direction and if Council was ok with that, they would see more of it in the next budget. Councilman McGrath asked what policies made other municipalities falter or fail. Mr. D. Carter said: issuing debt more rapidly than they can afford, which can't be done in NC because of the LGC; not looking at long-term capital needs; not maintaining enough fund balance; and not being in sync on how resources are allocated. The separation of debt service is a big solution to that problem.

Councilwoman Kelly asked what staff needed from Council at this time. Mr. Harrington said that he wanted Council to understand the way staff is moving on the financial front to position the Town for the future. Council has made the right policy choices to set the Town in the right direction. Councilwoman Kelly asked how long the rating process took. Mr. Harrington said that we would get a new rating in February. Councilwoman Kelly asked if staff needed anything from Council to get to that place. Mr. D. Carter said if we can say definitively that the Town is moving in that direction, his professional opinion is that Holly Springs will get the new rating. By that time, we will have a model close enough to make the rating agencies happy. He said that typically the way the rating works, you show the rating agency positive movement and they say show us more, and then they move you up. But there is a possibility to skip that intermediate step. Because DEC advises many large municipalities in NC, Moody's accepts that as a positive step.

MPT Berry asked if the CIF the model allows you to see what we can prioritize and what we can afford in the future. Mr. D. Carter said that typically DEC can show ten years out, and, based on the pay off, what new capacities the Town would have.

4. Stormwater Fee Implementation and Policy Updates

Staff Resource: Scott Chase, Administration; Daniel Colavito, Utilities & Infrastructure

Scott Chase, Assistant Town Manager, said that the purpose of this item was to provide an update on the pending stormwater fee increase, public education, and outreach efforts, and the efforts to memorialize Town Policy as it relates to fee crediting and expected citizen level of service. He reminded Council that the fee adjustment was effective January 1, 2021, and is a new model of \$5.20 per month residential, with non-residential properties moving to an Equivalent Residential Unit (ERU) billing model. The purpose of the fee increase is to reduce the funding gap, which is currently subsidized by the General Fund, and address current fee inequities and disproportionate revenue sourcing. Additional factors driving the change are a backlog of identified stormwater repair needs, increased frequency of intense weather events and additional state and federal mandates.

Mr. Chase said that public education and outreach are ongoing. A consultant is working with the Finance Department to ensure implementation readiness. This is currently in the testing stage. Stormwater improvement projects are being prioritized, including those being identified through Watershed Management Plan Phase II, many of which are on private property. A consultant provided a fee crediting model and staff and legal are drafting a drainage policy and proposed ordinance revision.

Daniel Colavito, Utilities & Infrastructure, showed the interactive map created by the IT and Utilities & Infrastructure staff to enable non-residential users to check the new fees by property. This web page will be going live this week. Further outreach, in collaboration with Communications and Marketing, could include social media efforts, inserts in water bills, direct business engagement, and virtual events with the Chamber of Commerce or with the Business Park. The Economic Development team is assisting with this process for non-residential property owners. He discussed internal plans to have the front-line employees empowered to answer rate-payers' questions.

Mr. Colavito outlined the highlights of a needed ordinance update and policy considerations, including updating terminology, technical updates to match current NCDEQ/EPA language requirements, and updates to reflect the organizational realignment in the Town. The policy would also address fee credits and an appeals process. Staff is also drafting a stand-alone drainage policy to address stormwater repairs outside of the right of way.

Mr. Colavito gave an explanation of fee credits, including what they are, how they would be determined, and what the benefits to the Town would be.

He said the Town does not have a current drainage policy, and he outlined some potential considerations for a policy to make prioritizing of repair projects less subjective. He outlined the current prioritization mechanism, and how that would be made more transparent with a policy.

Mr. Chase said that next steps would include continuing the education and outreach efforts, integration and testing of the new fee in the financial billing system. Due to the impacts of COVID many of the education and outreach events may take place virtually, rather than face to face. Council will be asked to take action at the November 17th meeting on a stormwater ordinance update, a separate drainage policy, and the possibility of cost-sharing partnerships. The new program will be implemented on January 1, 2021.

Councilwoman Kelly thanked Mr. Colavito for his years of work. Mr. Colavito said that he understood that this was going to have a big impact on some residents and businesses, especially with COVID, but we need to move in this direction to balance the program. Councilwoman Kelly asked if there needed to be special messaging to those homes that had to go on a payment plan due to COVID, to avoid losing their water. Mr. Harrington said we cannot turn off the stormwater, but people get a single bill for water, sewer, and stormwater. So, if someone pays a partial amount, it could be applied non-proportionally. Patty Dressen, interim Finance Director, said If Council directed to have the payment go to stormwater first, then Finance could do that. She said that there are only two customers who have not set up a payment plan and Finance is working with them. The past due money is coming in faster than she expected it to, and the number of those with outstanding balances is about twice what it normally is.

MPT Berry asked if the term “threat to public infrastructure” was too broad, and what is the Town’s stance going to be to help people who have a threat to their infrastructure. Mr. Colavito said the Clay Ridge incident has a high rating to public infrastructure, because it is storm drain to storm drain. Staff assigns a number to each project based on various criteria. There is still some subjectivity to it, but we want to be as transparent as possible, while maintaining flexibility to meet current situations. MPT Berry asked how are the Town is communicating with HOAs on this cost-sharing, because subdivisions built in the last ten years ought to have a responsibility to maintain certain infrastructure. Councilman McGrath added on to that, by asking how much forensic analysis staff is able to do to find out what went wrong to cause these emergency repairs. Mr. Colavito said that unless it is explicitly outlined in the covenants, HOA’s typically do not maintain stormwater infrastructure. If it is clear that it was built to the Town standard at the time, the Town inspects pipes, so there may be some liability because the Town inspected it and passed it to the standard at the time. To begin to understand when we should do a cost-share, he recommends looking at the policy for the Town of Cary, which has the most widely respected program in the region. One aspect of it is that it has to come from the public right of way. Then, how do we start to rank that, how does cost sharing affect it? We don’t want to get into a situation where only rich people get their pipes repaired. We have to work on a case by case basis, but with the prioritization scale to allow us to bring the projects to Council.

5. Fire Station 3 & Operations Campus Updates

Staff Resource: Daniel Weeks, Scott Chase, John Schifano, Kimberly Keys, LeRoy Smith, Luncie McNeil

Daniel Weeks said the purpose of this item was to provide a status update, potential key considerations, and share next steps for the following upcoming facility investment projects:

- Fire Station #3
- Operations Campus (formerly Public Works Campus)

He showed the locations of the current fire stations and the location of proposed Fire Station 3 (FS3) along with the two current fire stations and the temporary FS3 on Friendship Rd. Currently staff worked with ADW Architects on site suitability analysis and conceptual design services. The results of that analysis indicate that the 4.6-acre site offered by Carolina Springs contains topographical challenges and sewer timing challenges. They sat down with David Stallings and conveyed these concerns. Shenandoah Homes is currently evaluating the purchase of additional acreage to add to the 4.6 acres to reduce these challenges and perhaps bring sewer to the site sooner.

Mr. Weeks said that potential design service considerations for FS3 are: a community room to provide gathering space for community events and meetings, as well as training space for Fire Department and other Town staff; a Police workspace for basic office work, relief and more efficiency in the Police Department; and potential sustainability elements of low impact design natural lighting HVAC, solar etc.

Mayor Sears asked how many fire stations are in each of the towns in the area. Chief Smith said that Apex is doing a lot of expansion. They have moved apparatus out of the downtown station and are in the design stage of a new station. Fuquay-Varina is also planning to build a new station, and Cary has been building a lot, too.

Next steps will include reaching an agreement with Shenandoah Homes on a suitable site, completing a conceptual design and space needs assessment; Then it would be time to engage an architect for full design. There is \$303,000 in FY21 budget for partial design, but we would probably need to identify some additional funds. The CIP includes \$5,815,000 in FY22 for design and construction, creating a total, preliminary project budget of \$6,118,000.

Councilman Wolff asked if ADW gave any information about energy/financial savings for different aspects of sustainable building. If it pays for itself, that would be a big incentive to incorporate these in the design. Mr. Harrington said that ADW has a lot of experience with this and will be able to give us an idea. Councilman Wolff said that also we could look into building to LEED standards without seeking the certification if that made financial sense. Councilman McGrath said that we need to look at the return on investment when making those decisions. And if the bridge isn't completed before FS3, the engines will not be able to cross it and do any good, so that needs to happen. Mr. Harrington said a key thing to consider with the community room is that we plan to have one in the Operations Campus, which can also be used for a getting ready room. If it is not financially feasible, we could remove the community room from FS3 to save money. Councilwoman Kelly said that the Fire crew will also have a kitchen and a microwave, does Police space need to be separate? Chief Smith said that if we put a kitchen in a community room it has to be a commercial kitchen, and that is a huge cost difference. A kitchen in the living quarters of a fire station is treated like a residential kitchen. Mr. Harrington said there might be some opportunities for Police and Fire to share, but there might need to be some privacy for them. But we will try to have overlap where we can. Mr. Weeks said that having the community room will require more parking, so that is another consideration. MPT Berry asked if staff was looking at the community room as a revenue generating room. In his past experience there was limited rental opportunity for that. Is this more for Town operations, or will it be made available to be rented? Mr. Harrington said we haven't worked through all of those pieces but it is possible that it could be a mixture. It could be rented out for HOAs, nonprofits, etc. It is not going to be a revenue generator that would move the needle on the general fund. He asked what Council thought would be an appropriate use for it. MPT Berry said that we continually run out of space in the buildings we have so it probably makes sense to have the room, but he doesn't think we would see your full investment back. Chief Smith said that there have been more and more requests to use the training room in Station 1 from Girl

Scouts, CPR classes, HOA meetings. It might be used as a polling place. Plus, if there is a storm it would give us a comfort station for people to warm up, charge their phones, etc.

Scott Chase gave an update on the Operations Campus. He showed where the new facility would be in relation to current Town wastewater treatment facility. He showed the conceptual campus footprint from 2017 and how it would fit in with existing facilities. He showed where the Town sought land adjacent to that parcel, and that could be expanded onto. Mr. Chase then discussed the current operational deficiencies which could be cured with the new facility, and showed the new Public Works facility in Fuquay-Varina and discussed what we would do the same and differently. It is important to build to the future, and not for the present. He said that key design considerations would be a vehicle wash area and treatment of stormwater/hazardous materials, covered, climate-controlled equipment, vehicle, and materials storage; fleet service and parking area; preliminary design for yard waste processing and storage, which is an immediate need. He discussed sustainable best practices for the facility and gave a preliminary project budget of \$15-\$18 million, to be cost shared between the Utilities Fund and the General Fund.

Mr. Chase said that the facility would provide multi-disciplinary department space needs, serving Utilities & Infrastructure, Public Works, and possibly others. There would be a phased approach to site development that was scalable to adjust for population and service growth. A large conference room/meeting space is planned, a warehouse for onsite storage of materials and equipment, and locker rooms with changing areas and showers.

Mr. Chase said that next steps include Council being asked to vote to approve closing on the property at the November 3rd Council meeting, as the sale was recently approved by the Utilities Commission. A design RFQ for a conceptual design would be issued in the spring of 2021. There is \$500,000 included in the adopted CIP for partial planning and design, and there is \$325,000 remaining in funds approved in prior budgets. The project budget would be refined in the FY2021-22 budget, with a total of \$18,500,000 including design and construction.

Mr. Harrington said that the \$18.5 million is a very preliminary estimate. There will have to be more work done before the actual cost is known. It may be lower, but we have to go through the process before we know. Mr. Chase there are design things that we can explore to keep the costs down also.

Councilwoman Kelly asked what would happen to the existing public works building when this is done. Would it be used as a satellite location? Mr. Harrington said the value in that area is in the land, not the building, so there will come a point when Council has to decide whether there is more value to the Town to keep the land for another purpose, or sell it for an economic development purpose. That has not been decided.

6. Open Discussion:

Councilwoman Kelly asked if there were any precautions that the Town is taking for safety of early voting. Mr. Weeks said that Captain Mike Patterson has devised a plan for patrolling the area. Councilwoman Kelly asked if there was going to be a statement from the Town on trick or treating. Mr. Harrington said that Halloween is not cancelled. The NCDHHS has come out with recommendations and guidelines for celebrating safely that Communications will roll out. Cassie Hack, Director of Communications and Marketing, said the Town doesn't regulate Halloween. We have been directing people to the NCDHHS web site. We can put something out if Council desires. But the Town does not regulate Halloween. Mr. Harrington said staff will work on some more concentrated posts on this subject. He said managers and Police Chiefs in Wake County are talking about plans for election day and immediately after to insure a safe voting experience.

7. Closed Session: The Council entered into closed session, pursuant to N.C.G.S. 143-318.11(a)(3) to discuss three potential litigation matters.

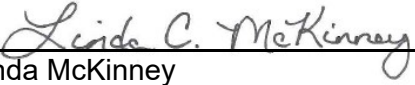
Motion by: Villadsen
Second by: Kelly
Vote: Unanimous

Motion was made to leave closed session by Villadsen seconded by Kelly, and passed unanimously.

8. Adjournment:

Motion to adjourn was made by Councilman Villadsen, second by Councilwoman Kelly, and passed with a unanimous vote. The October 13, 2020 workshop meeting of the Holly Springs Town Council was adjourned at 9:00 pm.

Respectfully Submitted on Tuesday, October 20, 2020.



Linda McKinney
Town Clerk