

## BOARD OF ALDERMEN

ITEM NO. D(1)

### AGENDA ITEM ABSTRACT

MEETING DATE: June 25, 2002

**TITLE: Public Hearing: Use of Installment Financing to Purchase Property for A Future Public Works Facility**

DEPARTMENT: <b>Management Services</b>	PUBLIC HEARING: YES <u>X</u> NO <u>    </u>
ATTACHMENTS: <b>A: Comparison of Bid Proposals</b> <b>B: Resolution Awarding Financing to Mechanic and Farmers' Bank</b> <b>C: Resolution Authorizing the Filing on an Application for Approval of a Financing Agreement Authorized by NC General Statute 160A-20</b> <b>D: Reimbursement Resolution</b> <b>E: Budget Ordinance</b>	FOR INFORMATION CONTACT: <b>L. Bingham Roenigk, 918-7300</b>

#### PURPOSE

The purpose of this agenda item is to hold a public hearing to receive public comment on the proposed installment financing for property that has been identified for a future public works facility. This public hearing was set on June 2, 2002 and advertised on June 11 and June 15, meeting the legally required minimum of ten days notice prior to this hearing. Upon closing the public hearing, the Board is requested to adopt several resolutions that allow the town to proceed with steps needed to implement financing for the property (Attachments B, C, D, and E).

#### INFORMATION

On June 4, 2002, the Board authorized town staff to proceed with a request-for-proposal process to finance the property for a future public works facility. The Board then set a public hearing on June 25, 2002 to receive citizen comments.

A notice of the public hearing was posted at least ten days before the public hearing as required by law. The notice was posted on the town's website and published on June 11, 2002 in the Chapel Hill Herald and on June 15, 2002 in the Chapel Hill News. Meanwhile, the Management Services Department sought proposals from banking institutions to get quotes on debt financing. The Town is not required by law to request proposals but does so to ensure competitive financing. Request for proposals were sent to 10 banking and financing institutions; three responded.

Of primary importance in evaluating the proposals were the proposed financing structures, interest rates offered, total financing costs and prepayment penalties required if the Town chooses to retire the loan early. Analysis of the proposals reveals that Mechanic and Farmers' bank offers the most competitive financing arrangement. Mechanic and Farmers' Bank offered the most competitive interest rate and lowest out-of-pocket costs. In the event that the Town decides to exercise prepayment on the loan, the prepayment penalty charged by Mechanic and Farmers' Bank in addition to interest and one-time costs paid by the Town will be lower than offered by other banks. Depending on interest rates and competitive proposals, the Town could consider retiring this loan at the time of financing for construction of the

public works facility. Attachment A shows prepayment penalty costs associated with early loan payoffs at five years and at ten years.

It is recommended that the Town, with Board approval and then with LGC approval in August, enter into a lease-purchase contract with Mechanic and Farmers' Bank for the installment financing of the property for a future public works facility. Attachments B and C are the initial steps required in proceeding with installment debt financing. The first resolution (Attachment A) authorizes town staff to award a contract with Mechanic and Farmers' Bank to finance \$767,000 for the purchase of the property (contingent upon LGC approval) and the second resolution (Attachment C) authorizes the Town Manager to file an application with the Local Government Commission for approval of the financing agreement as required by the NC General Statute GS160A-20.

In addition, costs associated with closing (other than land) are likely to occur prior to financing and a reimbursement resolution allowing these expenditures to be reimbursed from lease proceeds is required (Attachment D). The resolution indicates that the Board intends to use installment financing to reimburse the Town for those expenditures that occur prior to financing. A budget ordinance also needs to be established within the capital projects fund for the total costs of purchasing this property (Attachment E).

#### ADMINISTRATION'S RECOMMENDATION

The Board is requested to accept comments from the public hearing and to approve three resolutions: 1.) A resolution approving the lease-purchase installment financing for the property with Mechanic and Farmers' Bank (contingent upon LGC approval); 2.) A resolution authorizing the Town Manager to file an application for approval to finance; and, 3.) A reimbursement resolution authorizing expenditures associated with purchasing the property (other than land). In addition, the Board is requested to approve a budget ordinance establishing a budget for the purchase of the property.