



**DAHLONEGA CITY COUNCIL
SPECIAL CALLED MEETING
MAY 9, 2016
8:00 A.M.**

The Dahlongega City Council met Monday, May 9, 2016 for a Special Called Meeting at City Hall. The following Council Members were present: Michael Clemons, Roman Gaddis, Bruce Hoffman, Ron Larson, Sam Norton, Mitchell Ridley and Mayor Gary McCullough

Mayor McCullough called the meeting to order at 8:00 a.m. and said consideration of proceeding with streetscape is the only item on the agenda.

Mayor McCullough asked City Manager Bill Schmid if he would like to say anything.

City Manager Schmid replied by saying, "if you would allow me, I would like to read a prepared statement that I have and then I would ask several others here that have interest in the matter to offer conferred perspective. Those would be Finance Director Sabrina Cape, Transportation Manager Charles Trammell, Public Works Director Mark Buchanan and Downtown Development Authority Director Joel Cordle.

City Manager Schmid read the following from the prepared statement:

Why are we here now? This past Friday morning project management and cash flow discussion was held with Sabrina Cape, Finance Director, Charles Trammel retired GDOT employee and consultant to the City and County, and Mark Buchanan, City Engineer. They raised serious matters beyond my authority. Late Friday morning Mayor McCullough was brought into the discussion, who decided it was serious enough to merit immediate discussion by the Council. This would not be a true "emergency meeting", under the Open Meetings Act, but involved critical deadlines, so he called it for the next available opportunity. It was noticed to the press and posted to the public.

How did we get here? How we got here is not as important as "what are our options?" However, we got here by applying for and accepting a variety of competitive grants. Each of these has specific performance requirements. In combination, these are quite complex, interrelated and have the significant potential to deplete the City's reserves (think of wiping out your savings and checking accounts). In addition, the City would be forced to borrow money on top of its already high debt burden. I offer some observations regarding the status of implementation of various phases and finances.

In terms of implementation. Phase 1 right-of-way acquisition is complete. Design was needed and is complete, as are the identification of needed right-of-way and acquisition. The project has been bid and is pending award. The serious financial commitment coincides with issuance of a Notice to Proceed to an apparent low bidder.

Phase 2 is approaching right-of-way acquisition. Design is also complete.

Phase 3 consists of Phase 3A and Section 4, which is West Main. Design is complete here as well, and right-of-way is almost complete. Submission of reimbursement for Phase 3 right-of-way acquisition would bind us to completing Phase 3.

Proceeding with Phases 1 and 3 would require the completion of Phase 2, which is the most costly phase in terms of costs not covered by grant funds. I should mention that this is necessary to connect Phase 1 with Phase 3.

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To complicate the financial concerns the composite schedule calls for construction cycle of all three phases in a 17-month window. Even though this work would be intended to minimize the impact to the degree practical, this would have the equivalent effect of shutting down West Main from Sunset to the Square and South Chestatee from the Square to Morrison Moore Parkway. Adverse economic impacts to tourist and local sales would likely be significant. Efforts by the City to lengthen the time frame for the project and make the work sequential instead of concurrent have not been successful, to date, and the time frame to have those changes approved by FHWA is now overlapped by earlier date commitments made by the city.

As to our finances, the City has a respectable, but not excessive, financial reserve this is unassigned fund balance. This cushion against unknown uncertainties needs to be maintained for emergency needs, contingencies, internal borrowing, debt avoidance and special opportunities. Maintaining a buffer (for example \$2 million) is important to maintain options.

Additional grants are not available in the timeframe needed to commit to the overall project. Other traditional partnering agencies have been asked but chose not to participate in this project. Borrowing is not a real option because of the significant existing debt burden. Further, no mechanism is in place to capture additional revenue realized from properties along the corridor.

So, what are our options and where do we go from here? The first thing to consider would be a time-out. Unfortunately, we do not have a time-out option because of various commitments previously made. Nor do we have the option of doing part of the project via grants, we could not choose to just do Phase 1 and ignoring the rest. It is either all-in or all-out. The City tried to amend the construction completion deadline in March. Unfortunately, the amendment/appeal process does not stop the clock. At this point, the requirement remains a 17-month construction cycle to complete all three phases. This will deplete the City's reserves, force borrowing for the balance not funded by grants and cause significant strain to our limited transportation system. As appealing as the idea is of simply closing one lane and one block face at a time, it would not get the job done on schedule of the grants. Nor is it the way contractors work.

The second option would be to proceed. If we proceed, we need to immediately close on the right-of-way purchases for Phase 3 and submit for reimbursement, which triggers a commitment to perform all of Phase 3. We would issue a Notice to Proceed for Phase 1, which triggers a commitment to perform all of Phase 1. Because Phase 2 lies in-between Phases 1 and 3 and is also constrained by grant deadlines, we would need to move forward with all of Phase 2. Our shortage of available cash to fund the project and high debt level would force us to look for a benefactor for \$2-2.5 million. In the absence of clear economic benefit to the overall community such a gift is highly unlikely. We would seek additional grant funding from GDOT to be taken from other projects that have been planned for the City, County, Region or State. We would complete all underground work for Phases 2, 3A and 4 in an expedited fashion and hope we do not discover adverse surprises. We would assume the engineer's and contractor's estimates are accurate and that we will not incur additional change orders. Finally, we would assume there are no contingencies, which may have been overlooked.

Our other option is to suspend. If we suspend: we eat humble pie and offer sincere apologies to all who assisted us in getting this far; we recognize the design work is complete and serves as a base for smaller projects of shorter duration and less impact to our tourism-driven small town; we evaluate whether a Business Improvement District or Special Assessment District make sense as part of the financing structure for Streetscape; and we consider other projects that having reserves allows us to evaluate.

In short, we learn valuable lessons from the experience and move forward.

City Manager Recommendation & Why? I and the rest of staff will do whatever you ask of us and will do it to the best of our abilities, but after due consideration of the perspectives of key staff with experience in several different fields that have bearing on the matter, I respectfully recommend the Council vote to suspend for reasons outlined above.

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I have provided you with a tabulation of the cost of the project broken down by phase and itemized by areas of cost. This is the primary basis for our concern. It expresses over a three-year term, three fiscal years 2016, 2017 and 2018. You can see that by the second year our fund balance would be depleted, leaving nothing for completion of the project. The challenge here is that this is the best-case scenario. The seventeen-month deadline, which is currently in front of us, is not presented here so, actually our cash depletion would occur sooner.

I have Sabrina, Charles, Mark and Joel present and each of them can address areas of questions.

Finance Director Sabrina Cape's statements regarding Streetscapes – When the project started the funding plan was to set aside \$150,000.00 each year to fund the \$1.5 million in matching funds required for Streetscapes at the time. A case like this would require a much longer time-period for pay back. You always have to think of what your cash and cash flow are. It is one thing to float a grant and wait for reimbursement. This project would receive some reimbursement so you would have to float that portion and pay outright for the remaining portion. Dahlonega has no capital projects fund balance to pull from. The capital improvement program has just started this year and has no resources. If this project goes forward, the city's fund balance including emergency fund balance will be completely depleted.

Council Member Hoffman asked if state law requires cities to maintain a certain amount of reserve money. Finance Director Cape replied there is no provision in the law that requires this, but it is highly recommended by the Georgia Government Finance Officers Association that cities have at least one-month cash flow in reserve, preferably 3 months. Finance Director Cape explained the need for operational cash flow is because there can always be unanticipated issues. Tax Anticipation Notes can only be for 75% of anticipated tax revenue, that amount will not be enough for the project, so the city would need to find other funding for the portion of the project not funded by grant monies. Finance Director Cape said financial people prefer a 25% reserve to begin a project and the numbers presented today show no reserve. Finance Director Cape said she did not think anyone could know all of this information until this point in time due to the complexity of the project.

Mayor McCullough said that the city's portion of this project could go up as time passes.

City Manager Schmid stated that the tabulation presented today does not have escalation in figures for the future.

Council Member Ron Larson asked what the most significant reason is for the five million over run in the project.

Finance Director Cape replied there several reasons. The time-period from when the Streetscapes began to now; transitions in management; and cost of construction coupled with administrative costs. Finance Director Cape said the necessity to complete all three phases together also contributes.

Downtown Development Authority Director Joel Cordle's statements regarding Streetscapes. The project began eight years ago. When the project applications began, underground construction costs were not anticipated; those costs have been added to the project over the last six months.

Council Member Gaddis asked if the underground work would still necessary if Streetscapes does not go forward. Public Works Director Buchanan replied yes.

Council Member Ridley asked if the underground construction needs have caused some of the over run in costs. Public Works Director Buchanan replied yes, as other underground work took place, more infrastructure issues have been discovered.

Council Member Norton asked if property acquisition costs have been higher than anticipated. D.D.A. director Cordle replied that the numbers for acquisition of property were in the project as good projections and some acquisition costs have actually been lower due to donations of property.

Mayor McCullough reiterated that all underground construction for repair of infrastructure would be at the cost of the City of Dahlonega.

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Council Member Larson asked if the city will required to repay the grant funds that have already been spent. City Manager Schmid replied we may, however the purpose of the funds received so far have been met, the money was spent for the purposes intended which was design.

Mayor McCullough thanked Downtown Development Director Joel Cordle and Project Coordinator Rebecca Shirley for all the hard work they both put into applying for the grants for Streetscapes. D.D.A. Director Cordle said the reason for applying for Federal grant funds was due to the city not having capital projects funds.

Council Member Clemons asked if we decided to go forward and think out of the box would the ramifications be that bad. Does our town not deserve this? Is it time to say we are at status quo or, is it time to just go forward? We had 1.5 million in the budget for city hall that was squandered. Do we have numbers people saying we cannot do this project and visionary people saying we need to go forward? We can blame the 2008 recession on this all we want to but we are not in it any more. Council Member Clemons said, I appreciate everyone's opinions, but I am playing devil's advocate, we are at a cross-roads, our town has a niche which is tourism. We do not have anyone bringing industry to this town, we do not have anyone bringing medical to this town. When will we find 5 million dollars ten years from now? Someone made this same type of decision fifty years ago and they didn't have any money either. Council Member Clemons said if everyone would pay attention to social media they would see criticism that Mayor and Council do not do things. Council Member Clemons said in city council time we have probably spent 250 hours on this project and he is just playing devil's advocate asking for a look in the other direction. Council Member Clemons asked what does not going forward with Streetscapes do for the overall picture of the town.

Council Member Larson thanked Council Member Clemons for his observations and thinks most of us have probably stepped back And given that perspective serious thought. Council Member Larson said we are held accountable for the fiscal responsibility of this city. Part of the problems with our country today is visionary overspending and now is the time to be fiscally responsible and develop a capital projects fund over the next years. We can recoup, revisit, re-plan something that's affordable in our budget and reposition ourselves in a fiscally responsible way so we may develop a capital projects fund, continue to be an outstanding community and move forward.

Mayor McCullough said he does not like the term squandered our money, we have old water and sewer infrastructure here and from time to time have to spend fifty, one hundred or three hundred thousand dollars on to repair. Mayor McCullough said this is going to continue, it is a time bomb. I don't think we have squandered our money, I think we have been conservative

Council Member Sam Norton said the city can not afford the project. We are about four million dollars short in making it happen and by rough estimate it is going to cost about forty cents on the dollar to execute this grant which is beyond our means, even though the project is appealing we have to be fiscally responsible and this is beyond our means. We need to pull back need to take it in smaller pieces as the general fund can afford it and be fiscally responsible.

Mayor McCullough said there is no guarantee this will make our town better, the university will get the most benefit from it. If you will all recall, Toccoa did a similar project, closed their square then ended up undoing it ten years later.

Council Member Gaddis asked if suspending the project would be indefinite. City Manager Schmid replied, at this point it is, there is no definite date to pick back up and move forward, I would hope it is sooner than later and my interest would be to complete Phase 1 due to visual impact from any direct approach to the square. City Manager Schmid said the problem is three-fold, overall cost of the project, the timing because the project has to be completed so quickly and economic benefit of the project. City Manager Schmid said covering the cost of the first one million dollars with property tax revenue will take twelve years eve if property value is tripled.

Council Member Gaddis said, we need to be mindful because if we suspend this project we will have not freed up funds for any other projects. We have a million dollars-worth of work that needs to take place underground that should be paid for from the capital projects fund we have yet to establish.

Council Member Sam Norton stated we are simply avoiding more incurred debt for the city.

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Council Member Ridley said how long have we discussed over \$600,000.00 in storm water issues that need to be fixed, it makes no sense to make the exterior look good if the infrastructure is crumbling underneath.

Public Works Director Mark Buchanan referred to the bi-weekly update sent to Mayor and Council that shows several infrastructure projects needed.

Council Member Clemons said he used the term squander to get people thinking about this, for eight years we have been thinking this is all o.k. then in three days we find out it is not. I agree with what staff recommends, but hate the waste of time.

Council Member Clemons asked for explanation of the need for one million dollars in infrastructure and if that will still be necessary if Streetscapes does not go forward. Public Works Director Mark Buchanan said \$300,000.00 has already been used due to issues found earlier this year and there are approximately \$600,000.00 in additional repairs needed. As those repairs are completed, more issues could be discovered that need repair. Public Works Director said the infrastructure repairs are necessary to proceed with Streetscapes.

Finance Director Sabrina Cape said the issue with cost of infrastructure repairs is timing because they will have to occur before or at the same time as Streetscapes which causes more cash flow issue.

Council Member Larson said if the infrastructure repairs are removed from cost of Streetscapes the overrun is still 4 million dollars that the city does not have.

City Manager Bill Schmid said at the same time we have the renovations at the waste water treatment plant that is funded by S.P.L.O.S.T. monies not yet received. City Manager Schmid said the renovations, mandated by E.P.D., are to be paid from the general fund, which will be reimbursed as S.P.L.O.S.T. funds are received in an attempt to not incur any debt for the renovations.

Mayor McCullough called for a motion to suspend Streetscapes. Motion made by Council Member Ridley and seconded by Council Member Larson.

Mayor McCullough asked for any additional comment or discussion.

Council Member Ridley reminded everyone Streetscapes was the number one priority for the Down Town Master Plan and he does not want to see it shelved.

Council Member Ridley stated that the project can be completed in smaller phases without having to meet the deadlines set by using Federal funding.

Mayor McCullough said Federally funded projects have many more restrictions and red tape than other grants, hopefully with other smaller grants we will be able to move forward with the project at a slower pace.

City Manager Schmid suggested prior to call for a vote that staff will commit to developing a list of items for council to prioritize moving forward, it is clear that this does not clear up the general fund to do everything that you would want, but not having the pressure of completing Streetscape in the timeframe does allow you some flexibility.

Council Member Gaddis said establishment of a special assessment or business district needs to be a priority and is a very important thing to do.

Mayor McCullough called for a vote of all in favor of suspending Streetscape Project to raise their hand. All Council Members raised their hands. Mayor McCullough stated motion approved.

Mayor McCullough called for a motion to adjourn the meeting. Motion made by Council Member Norton and seconded by Council Member Hoffman. Mayor McCullough asked for all in favor of the motion to say aye, all opposed like sign. The motion carried unanimously.

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The meeting adjourned at 8:43 a.m.

APPROVED THIS _____ DAY OF _____, 2016.

_____ Gary McCullough, Mayor

Attest:

_____ Kimberly A. Smith, City Clerk

(seal)