

Mount Pleasant

North Carolina

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**Town of Mt. Pleasant
Special Called Meeting
Monday, August 2, 2021
5:00 PM- Town Hall Commissioners Room**

Attendance: Mayor Del Eudy
Mayor Pro-Tem/Commissioner Lori Furr
Commissioner Steve Ashby
Commissioner William Meadows
Commissioner Justin Simpson
Commissioner Jim Sells
Town Administrator Randy Holloway
Town Attorney John Scarbrough (absent)
Town Clerk Amy Schueneman

Also Present: Crystal Smith, Victoria Young (Independent Tribune), Deissy Honea by phone (USDA), LKC Engineering: Adam Kiker, Rob McIntyre, Brandon Lovelace, and Sam Tracy.

Mayor Eudy opened the meeting.

Town Manager Randy Holloway stated the Town received the offer from USDA. He then turned the meeting over to LKC Engineering and asked Adam Kiker to come to the podium.

Adam Kiker introduced his team of Rob McIntyre, Brandon Lovelace, and Sam Tracy.

Mr. Kiker stated that USDA had extended an offer. Tonight's meeting is an important formality. Because the Town has a high median income, grants were not an option. USDA has given the details of their loan offer in the Letter of Conditions which includes interest rate (2.25%), loan term (40 years), and other requirements. This is all for the water and sewer project that LKC Engineering has been working on for the last year. The projected cost is \$8,053,000. The interest rate will be either 2.25% or if it is lower at the close of the loan in two or three years down the road, the Town could choose the lower rate. There are some things that USDA requires be done and others they recommend be done. Their (USDA) requirements are not negotiable. If you want to use their program, you must follow their rules. Mr. Kiker wanted Ms. Honea to do the presentation of Letter of Conditions.

Town Clerk Amy Schueneman reached out to Deissy Honea of USDA by conference call.

Deissy Honea from USDA Rural Development addressed the Board. She asked if the Board had a chance to look over the Letter of Conditions that had been sent to the Town Clerk last week. The Board agreed they had received them and looked over the information. Ms. Honea went over the Key Points of Letter of Conditions (*included in the Minute Book*):

- \$8,053,000 Water and Sewer Improvements Project
- RUS Loan \$8,053,000 and \$0.00 applicant contribution from the Town
- Interest Rate 2.25% for 40 Years
- Loan security will be Water and Sewer Revenue Bond

- Town's CAGE Number must remain current (annual expiration date) in the System for Award Management (SAM) as long as loan funds are being disbursed. The Town's number expires 6-11-2022 and should be updated prior to that date.
- A restricted Debt Service Reserve Account must be established with at least 10% of the annual payment deposited into the account annually for ten (10) years or until balance equals one annual payment. (Annual payment estimated on \$307,464).
- A Short-Lived Asset Reserve Account must be established with at least \$123,967 deposited into account until balance equals \$1,044,000.

Commissioner Simpson asked about the Short-Lived Asset Reserve Account and where that comes into play with our budget. Ms. Honea stated this account is not part of the payment. Funds will be used to replace items associated with the project as they wear out. Mr. Holloway addressed Ms. Honea to say \$149,500 a year is already in our water/sewer budget for maintenance/repairs of equipment which exceeds the \$123,967 minimum set by USDA. This is used upgrade and maintain water meters, keep water tanks painted, etc. Ms. Honea agreed that we were already meeting that requirement without having a separate account.

The second question by Commissioner Simpson was about "supplying USDA with a budget each year as a part of the Terms & Conditions. That is essentially sending our budget that we have already created to them (USDA) for them to see for the duration of the terms. There was one part on page 8 of the letter where it talks about Rules and Regulations approved by USDA Rural Development. What Rules and Regulations does that cover and what does USDA Rural Development have to say about Rules and Regulations goes over that?"

Ms. Honea replied that USDA would be notified of any changes to the water and sewer system. If, for example, the Town would sale the water system, they would need to be informed. Any major change with the system would require the Town to let USDA know.

Commissioner Simpson said is last question was on page 10 concerning Audits. "Would that be an additional different Audit than what we go through as a Town each year? Or is the audit that we already go through sufficient for that?"

Ms. Honea replied as part of the audit requirement USDA wants to see reports of each account separate (Yellow Book Audit). They want to see a detailed report of the water fund and the sewer fund to make sure they are sustainable by themselves. It would be for all future audits for the next 40 years.

Town Clerk stated that we will have to do a more in-depth audit due to American Recovery Plan (ARP) funds anyway.

Ms. Honea said she was available for any questions at any time. She asked that the packet of information be sent to her on Tuesday to secure the funds. Adam Kiker asked if there is a certain procedure the Board should follow tonight to accept the offer. A "Be It Resolved" page in the packet provides the motion needed to accept and move forward with the USDA project. Town Clerk was instructed to send signed packet to Ms. Honea on Tuesday by email and a certified copy of the minutes from this meeting when they are available.

Adam Kiker stated the timing was crucial with the deadline being this Wednesday to secure the funds. Due to the current environment (COVID), "it has taken longer to get to this day than we would normally see with a project like this. Especially a project that we knew going in that is was all loan. The grant dollars, rightfully so, are much more heavily scrutinized than a loan. There have been some

complexities, staff turnover at USDA that have caused a little bit of this, so we find ourselves here. Everything that has happened so far has really been a lot of planning and analysis and some financial analysis...from tonight, if you are inclined to accept the funds, in a subsequent meeting we will come back with our engineering services agreement that would officially engage us with the Town, if you are so inclined. Then, the real lines to the paper will start. You will start to see more of our crews in Town. Our staff will be out here to start mobilizing all of our resources to actually get the scope on paper and in the contract documents from an engineering standpoint. That will probably take nine months maybe faster if things go a certain way. But I would expect about nine months. And then there is another permitting USDA approval process. Long story short, you are at least a year away from actually seeing construction activities. Just to manage your expectations on timing that's what we see happening. We will come back to you periodically for updates. There may be sometimes during design when we will need to come back to you with questions that maybe your staff wanted to kick up to the Board for consideration. And then of course, as we finish design there will be an equally lengthy checklist of things relative to the actual design documents and construction that you as the Board and staff will have to put together. We are always happy to come for updates."

Randy Holloway stated that when staff saw the Short-Lived Asset Reserve Account, we reached out to Adam Kiker very quickly. But this is stuff that we are already doing and is already covered in the Budget.

Commissioner Simpson feels good with it since staff laid it all out for the Board during the Budget Workshop. Commissioner Furr agreed that it is completely necessary.

Commissioner Simpson made a motion that *(read from the Resolution of Board in the Agenda Packet)* "the TOWN OF MOUNT PLEASANT accepts the conditions set forth in a Letter of Conditions dated August 2, 2021, and RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)" for the WATER AND SEWER IMPROVEMENTS PROJECT:

That the MAYOR AND TOWN CLERK be authorized to execute all forms necessary to obtain a loan from USDA Rural Development, including, but not limited to the following forms:

RUS Bulletin 1780-27	Loan Resolution (Public Bodies)
Form RD 1942-46	Letter of Intent to Meet Conditions
Form RD 1940-1	Request for Obligation of Funds

That if the interest rate charged by USDA Rural Development should change between this date and the date of actual approval, MAYOR AND CLERK be authorized to execute new forms reflecting the current interest rate and revised payments as required by USDA Rural Development.

That the TOWN OF MOUNT PLEASANT elects to have the interest charged by USDA Rural Development to be the lower of the rate in effect at either the time of loan approval or loan closing.

TOWN OF MOUNT PLEASANT hereby agrees to abide by the mitigation requirements in the Letter of Conditions."

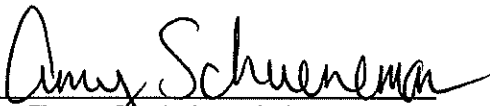
Commissioner Ashby seconded the motion. All Board Members were in favor. (5-0)

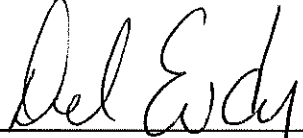
All document received in the USDA Letter of Conditions Packet, LKC Engineering project summary, and the Town's Short-Lived Asset fund list with How to Pay for the USDA Loan sheet are included in the Minute Book.

Adjournment

With nothing else to come before the Board, Commissioner Furr made a motion to adjourn. Commissioner Sells seconded the motion. All Board Members were in favor. (5-0)

By our signatures, the following minutes were approved as submitted and amended on Monday, August 9, 2021 in the Regular Meeting.


Town Clerk Amy Schueneman


Mayor W. Del Eudy

