

STATE OF NORTH CAROLINA )  
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COUNTY OF STOKES )  
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OFFICE OF THE COMMISSIONERS  
STOKES COUNTY GOVERNMENT  
DANBURY, NORTH CAROLINA  
DECEMBER 20, 2016

The Board of Commissioners of the County of Stokes, State of North Carolina, met for an Emergency Session in the Commissioners' Chambers of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Tuesday, December 20, 2016 at 11:00 am with the following members present:

Chairman Jimmy Walker  
Vice Chairman Ernest Lankford  
Commissioner James D. Booth  
Commissioner Ronda Jones  
Commissioner Ronnie Mendenhall

County Personnel in Attendance:  
County Manager Richard D. Morris  
Clerk to the Board Darlene Bullins  
County Attorney Tyrone Browder  
Finance Director Julia Edwards

Chairman Jimmy Walker called the Emergency Meeting to order and welcomed those in attendance today.

Chairman Walker noted the reason for the Emergency Meeting was for the Board to take certain steps in a timely and appropriate manner to secure funding from the Department of Agriculture (USDA) for the Community College Facility and the Proposed Jail Expansion Project.

#### INVOCATION

Chairman Walker invited those who wished to join in the invocation to please do so.

Chairman Walker delivered the invocation.

## **GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE**

Chairman Walker invited the citizens in attendance to join the Board in the Pledge of Allegiance.

## **GENERAL GOVERNMENT – GOVERNING BODY – APPROVAL OF AGENDA**

Chairman Walker proposed the following Agenda for the Emergency Meeting:

- Discussion of the USDA Loan Application
- Action if so desired by the Board

Chairman Walker entertained a motion to approve or amend the Agenda for the Emergency Meeting.

Commissioner moved to approve the Agenda for the Emergency Meeting as presented.

Commissioner Jones seconded and the motion carried unanimously.

### **United States Department of Agriculture (USDA) Loan Application Community College Facility and Proposed Jail Expansion Project**

County Manager Rick Morris introduced Area Specialist Joshua Carswell and Area Specialist Alexandra Batista from the United States Department of Agriculture who were present for today's Emergency Meeting to present the loan application for funding for the Community College Facility and the Proposed Jail Expansion Project for the Board's review and consideration.

County Manager Morris commented:

- Have been working with Joshua and Alexandra for several months
- Would like to note that it has been unbelievable how responsive these two individuals have been
- If it were not for the aggressive support from Joshua, we would probably have not received the USDA Grant Funding for the Art Council Project
- Joshua alerted the County last week about the interest rate increase and recommended this meeting in order to lock in the County's 2.375% rate
- Has been great to work with both individuals
- Both have taken ownership of both projects to make sure the County received the best financial arrangement
- Had to make several adjustments for the application regarding the Community College Facility since the project was already underway when the County started the USDA Loan Application

- Need to get the loan applications approved before the first of the year in order to secure the interest rate
- Would like to turn the meeting over to Joshua for a brief presentation regarding the USDA Loan Application for both projects

Area Specialist Carswell commented:

- Appreciate the Governing Body coming together in such a quick matter
- National Office is going through some transition due to the Presidential Election along with the ending of the fiscal and calendar year
- Interest rates will be going up in January by 1% which would be a lot on money for these two projects – Community College Facility and proposed Jail Expansion Project
- My objective today is to briefly go over the Letter of Conditions; there is a set time frame of 12 months that these conditions must be met
- Will be discussing both projects (Community College Project and proposed Jail Expansion Project)

Area Specialist Carswell presented the following information regarding loan applications for the Community College Facility and the Proposed Jail Expansion:

- Community College Facility loan application is not to exceed \$5,657,000
- Proposed Jail Expansion Project loan application is not to exceed \$5,597,000
- The interest rate will be the lower of the rate in effect at the time of the loan approval or the time of loan closing (whichever is lower)

Area Specialist Carswell presented the following information relating to both loan applications to the Board of County Commissioners:

- Repayment Schedule
  - The loans are scheduled for repayment over a period of 40 years at a 2.375% Interest Rate
    - County will have the option to send additional payments without any prepayment penalties
    - County will have the option to pay the loan off at any time without any repayment penalties
  - Each installment will be due annually beginning twelve (12) full months following the date of the Rural Development loan closing
  - The first installment will be a full amortized installment
- Security Requirements
  - Security will consist of an Installment Purchase Contract secured by a first lien on all real property financed with Rural Development Loan Funds and an Instalment Purchase Contract
  - Title Insurance will be required
  - Appraisal prepared by an independent qualified appraiser confirming the present market value is required

- Approved of this loan is subject to confirmation of adequate security
- Local Government Commission
  - Prior to loan approval, the applicant must provide a copy of the last audit review letter from the Local Government Commission for the proposed loan to be obtained under the Installment Purchase Contract
  - Local Government Commission must be notified about the USDA Loan
- Preauthorized Debit Payments (PAD)
  - Prior to loan closing, the applicant must complete US Department of Treasury Form SF 5510, "Authorized Agreement for Preauthorized Payments"
  - This form will authorize the government to electronically debit your Rural Development loan payments from your specified bank account on a predetermined date
  - As soon as we get the loan closing instructions on the community college and get the USDA loan closed, the BB&T Construction Loan will be paid off
  - County will make the first payment to USDA one year from the payoff date of the BB&T Loan
  - The jail expansion project will work the same way
- Procurement, Bidding, and Construction
  - Procurement and bidding must be accomplished in accordance with the requirements of RD Instruction 1942-A, 1942.18(k)
  - Final plans, specifications and contract documents will be prepared in a manner that meets all state requirements as well as those of Rural Development
  - All construction should also meet the requirements of the American Disabilities Act (ADA)
  - Construction plan should include a method of inspection that is acceptable to Rural Development
  - Rural Development's approval and concurrence must be obtained for all contracts, agreements, plans, and specifications
  - USDA has an architect, engineer, and state environmental coordinator on staff that will make sure all requirements are met
- Interim Financing
  - The applicant will obtain temporary construction financing in accordance with RD Instructions 1942-A, Subpart 1912.17(n)(3)
  - Once approved today, can write any bank the County wishes to use for the construction loan to let them know the County has the \$5,597,000 USDA Loan waiting
- Mitigation Measures
  - The construction of the project must follow federal, state, and local building regulations
- Loan Resolution
  - The applicant must formally adopt the following at a properly called meeting of the Governing Body:
    - Form RD-NC 1942-47 "Loan Resolution Security Agreement"
    - Form RD400-1 "Equal Opportunity Agreement"
    - Form RD 400-4 "Assurance Agreement"

- Adoption of these documents should be made part of the official minutes of the meeting
- A certified copy of the minutes is to be attached to the Resolution and delivered to Rural Development
- Will be voting on both loans today
- Operating Budget
  - The applicant must formally adopt Form RD 442-4 “Operating Budget” at a properly called meeting of the Governing Body
  - The budget must provide sufficient revenue to meet the requirements of operations and maintenance and debt service
  - Adoption of these documents should be made part of the official minutes of the meeting
  - A certified copy of the minutes is to be attached to the Resolution and delivered to Rural Development
- Reserve Requirement
  - The applicant must establish a Reserve Account in accordance with RD-NC 1942-47 ‘Loan Resolution Security Agreement’
  - Applicant must make monthly deposits to that account in an amount of equal to ten percent of the Rural Development monthly payment
  - These deposits shall be made on a monthly basis until the reserve account has an amount equal to the equivalent of one full year of payments

Commissioner Booth confirmed with Area Specialist Carswell that the loan application for the community college facility project is complete and just needs to be approved by the Governing Body.

Commissioner Booth confirmed with Area Specialist Carswell the process for obtaining the USDA funding for the proposed Jail Expansion Project can continue with approval by the Governing Body today without the project being approved.

Area Specialist Carswell responded:

- This approval today does not obligation the County in any way to continue with the proposed jail expansion
- If the Board decided to not approve the jail expansion project, the funding can be sent back to USDA
- If you decide later to proceed with the jail expansion project, there will probably be a higher interest rate
- County has no obligation to continue with the jail expansion project just because the funding has been secured from USDA
- Would want to probably move on the approval of the jail expansion project in order to get things underway

Area Specialist Carswell continued with his presentation.

- Applicant Contribution/Other Funds
  - Prior to the beginning of construction the applicant will provide \$383,000 (community college facility) of its own resources and any difference needed between the Rural Development loan, applicant's contribution, and any required legal expenses, interim interest, closing cost and bank fees in connection with the interim financing
  - Prior to loan approval, the applicant must provide evidence that any other funds needed in addition to the Rural Development loan are available
- Graduation
  - Applicant will refinance the unpaid balance, in whole or in part, of its debt upon the request of the Government, if at any time it should appear to the Government that the applicant is able to refinance its note by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and term
- Disbursement of Funds
  - Funds contributed by the applicant will be first funds disbursed
  - Rural Development direct loan funds will be disbursed after all construction improvements have been completed
  - After providing for all authorized costs, any remaining funds will be considered Rural Development loan funds and refunded to Rural Development
- Accounting, Audits, and Reports
  - Applicant's account systems, audits, and management reports will be established and maintained as required by North Carolina General Statutes, RD Instructions 1942-A, Section 1942.17(q), and OMB Circular A-133
  - Audit will be prepared in accordance with OMB Circular A-133 with a copy furnished to Rural Development
- Insurance and Bonding
  - Insurance and bonding should be obtained as required by NC General Statutes and Rural Development Instructions 1942-A, Subsection 1942.17(j)(3)
  - Evidence of required coverage must be provided to Rural Development prior to loan closing
  - Evidence that coverage is being maintained must be provided annually thereafter
    - Position Fidelity Bond
      - Applicant will provide fidelity bond coverage for the positions of officials entrusted with the receipt and disbursement of its funds and the custody of valuable property
      - The amount of the bond will normally approximate the total annual debt service requirements for the Rural Development loan(s)
    - Corporate Liability and Property Damage Insurance
      - Applicant will provide public liability and property damage insurance in an amount to adequately protect the applicant

from civil action arising from the function of the applicant relative to the project

- Real Property Insurance
  - Applicant will provide fire and extended coverage in the amount equal to the replacement value of the building and improvements
  - The United States of America will be named first mortgagee for all real property held as security for the Rural Development loan
- Workman's Compensation Insurance
  - Applicant will provide adequate Workman's Compensation Insurance if applicable
- Organization
  - Applicant must provide certification concerning its organization, in accordance with the Rural Development Instructions 1942-A, Subsection 1942.17(k)
- Applicant Certifications
  - Form AD-1047
    - Certification Regarding Debarment, Suspension, and other Responsibility Matters – Primary Covered Transactions, must be executed by the applicant prior to loan approval
  - Form AD-1048
    - Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier covered transactions must be executed by the Contractor(s), supplier(s), and/or dealers prior to any purchase that exceeds \$25,000.00
  - Form RD 1910-11
    - Applicant Certification/Federal Collection Policies for Consumer or Commercial Debts, must be executed by the applicant prior to loan closing
- Closing Instructions
  - The loan will be closed in accordance with instructions issued by Rural Development State Office, applicable Rural Development State and National procedures and instructions from the Office of General Counsel
- Other Conditions
  - All applicable items set out in Form 1942-13 "Processing Checklist (Community Facilities)(Public Body)" apply to this project and become a part of the Letter of Conditions
  - All requirements of the following must be met:
    - a. Compliance with special laws and regulations
    - b. State Pollution Control or Environmental Protection Agency Standards
    - c. Consistency with other development plans
    - d. Civil Rights Act of 1964
    - e. Title IX of the Education Amendment of 1972
    - f. Section 504 of the Rehabilitation Act of 1973
    - g. Age Discrimination Act of 1975

h. Compliance with OMB Circular A-133 Audit Requirements

- Would be glad to answer any questions

Chairman Walker opened the floor for discussion.

Chairman Walker commented:

- Appreciate the information presented to the Board today
- Appreciate the work done by both Joshua and Alexandra on behalf of the County and working diligently with staff to get the paperwork completed for the loan applications
- Confirmed with Finance Director Edwards and County Attorney Browder that they had no issues with the documentation

County Manager Morris commented:

- Have no issues
- Great deal for the County with an interest rate of 2.375%
- Just want to let the Board know that the Jail was cited last week during inspection for being overcrowded
- Probably need to get moving with deciding on the jail expansion project

Commissioner Mendenhall commented:

- Great opportunity for the County to get two (2) forty year loans at 2.375%

Vice Chairman Lankford commented:

- Confirmed with Area Specialist Carswell that each loan application requires an operating budget that can be changed

Commissioner Jones commented:

- Have no issues
- Need to move forward

Commissioner Booth commented:

- Great opportunity for the County
- Glad the County can make early payments without penalties

Vice Chairman Lankford commented:

- Confirmed with Area Specialist Carswell that he would be involved with the bid process for the jail expansion project to make sure all requirements are met

Area Specialist Carswell responded:

- Have to make sure that all payments from the loan funds are executed for payment for the specific projects

Area Specialist Carswell read and presented the following Resolution for the Board's

Consideration:

BE IT RESOLVED:

That the Board of Commissioners of Stokes County accepts the conditions set forth in a Letter of Conditions dated December 20, 2016 and Form RD 1942-9 "Loan Resolution Security Agreement"

That the Board of Commissioners of Stokes approves the budget as shown on Form RD 442-7 "Operating Budget."

That the Chairman and Clerk be authorized to execute all forms necessary to obtain a loan from Rural Development, including, but not limited to the following forms:

- Form RD 1942-46 Letter of Intent to Meet Conditions
- Form RD 1940-1 Request for Obligation of Funds
- Form RD 1942-9 Loan Resolution Security Agreement
- Form RD 442-7 Operating Budget
- Form RD 400-1 Equal Opportunity Agreement
- Form RD 400-4 Assurance Agreement
- Form RD 1910-11 Applicant Certification Federal Collection Policies
- Form RD 1047 Certification Regarding Debarment
- Form RD 1048 Certification Regarding Debarment – Lower Tier

That if the interest rate charged by Rural Development should change between this date and the date of actual approval, the Chairman and Clerk be authorized to execute new forms reflecting the current interest rate and revise payments as required by Rural Development.

That the Board of Commissioners' elects to have the interest charged by Rural Development to be lower of the rate in effect at either the time of loan approval or loan closing.

This Resolution is to become a part of the official minutes of the Board of County Commissioners meeting held on December 20, 2016.

Motion made by: \_\_\_\_\_ and Seconded by: \_\_\_\_\_ that the Resolution be approved.

Chairman Walker entertained a motion.

Commissioner Booth moved to approve the Resolution submitted by USDA Area Specialist Joshua Carswell. Commissioner Jones seconded and the motion carried unanimously.

Chairman Walker extended the Board's appreciate to Joshua and Alexandra for their serve to Stokes County.

**Adjournment**

There being no further business to come before the Board, Chairman Walker entertained a motion to adjourn the Emergency Meeting.

Commissioner Jones moved to adjourn the Emergency Meeting. Commissioner Mendenhall seconded and the motion carried unanimously.

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**Darlene M. Bullins**  
**Clerk to the Board**

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**Jimmy Walker**  
**Chairman**