

Minutes of the Regular Work Session of the
Board of Mayor and Aldermen, City of Kingsport, Tennessee
Monday, October 5, 2009, 4:30 PM
Council Room – City Hall

PRESENT:

Board of Mayor and Aldermen

Mayor Dennis R. Phillips	
Alderman Valerie Joh	Alderman Larry A. Munsey
Vice-Mayor Benjamin K. Mallicote	Alderman Tom C. Parham
Alderman Charles K. Marsh, Jr.	Alderman Jantry Shupe

City Administration

John G. Campbell, City Manager
J. Michael Billingsley, City Attorney
James H. Demming, City Recorder

1. **CALL TO ORDER:** 4:35 p.m., by Mayor Phillips.
2. **ROLL CALL:** By Deputy City Recorder Gilbert.
3. **WORK SESSION TICKLER.** Alderman Marsh requested, for a second time, that the red light camera fine be added to this tickler for further review and discussion. Mayor Phillips mentioned the progress on the boat ramp and commented on the meeting State Representative Tony Shipley is calling regarding issues in Cooks Point subdivision. In response to an inquiry from Alderman Joh, completion of the Netherland Inn Road Bridge project is still awaiting light installation by AEP.

Alderman Parham provided a summary of the Planning Commission's discussions and actions on Rock Springs area annexations and the need to finalize the long range plan before the end of December 2009.

4. **FINALIZE DKA/DBA FUNDING FOR FISCAL YEAR 2010.** Alderman Munsey, having been given the opportunity to meet with both groups to encourage resolution since the Board's last discussion, reported he had done so – meeting with DKA's mediation team on September 24, 2009 and DBA's mediation team on September 25, 2009. After reviewing the "contract responsibilities" received at the BMA's last meeting from Vice-Mayor Mallicote and an additional list of "desired functional needs" from DBA, he believes there are still two issues left to resolve.

First, "term limits" are not defined in the DKA bylaws and DBA would like to see a three-year limit instituted. The suggestion was made that a fourth year could be served as an executive committee member.

Next, regarding the election process, DKA representatives agreed to allow DBA six seats on the board, preferring to proceed with the current election process, as is. DBA believes there are currently six available slots open and would like the opportunity to fill those immediately.

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Alderman Munsey recommend that, with holiday events looming, both groups join together right now and put off any changes until the regular DKA election on November 12, 2009 and let the newly, integrated board make decisions going forward. Those elected at that time will take office on January 1, 2010.

Board discussion ensued regarding how the merge will be undertaken, how DBA members will be elected and the required membership in DKA to serve on its board. Alderman Munsey reported that there will be more than six openings on the 24-member DKA board and DBA can submit more than six names to be considered by the DKA nominating committee, which currently has three members (past, present and future DKA presidents) but DKA has agreed to increase to six members, although he is unsure of when that increase will take place. After further questions raised by Alderman Marsh about the process, Mr. Munsey conceded that this becomes more of a "selection" process than an election and DBA would like to see that change in the future.

Alderman Munsey further recommended the BMA do two things, because of the funding consideration: 1) allow a City staff member to assist DKA with addressing these changes over the next six months; and 2) consider allocation of additional resources to DKA in next year's budget process to allow it to accomplish all the City expects under the annual agreement.

Alderman Marsh asked DKA and DBA attendees if, aside from these two issues identified, there was agreement on all other issues and DBA representative, Doug Beatty, replied "yes." The DKA representative (unidentified) mentioned that there are still questions whether DBA will have six (6) positions out of 24 or six (6) positions out of 30. Mr. Marsh stated his support for opening up the election process to create a more flexible, all-encompassing organization, as he considers the current DKA bylaws to be very narrow. He added that the upcoming election needs to be open and he believes a 24-member board is unwieldy, so there is no reason to increase this number. Regarding term limits, he can see where nine (9) years could be excessive, but three (3) years is pretty limiting for someone just getting into the process. He suggested a compromise of six (6) years— two, three-year terms, with time off after two terms.

Alderman Parham shared his view, from his extensive experience serving on various boards, that the term limits should be included in the bylaws and he favored three-year terms, staggered, so new members are working with established members. He was comfortable with a three-year term limit and an additional year served on the executive committee, as discussed earlier. He added that he would like to see the DKA board trimmed to 9 to 12 members rather than 24.

Board members decided to have the main points still requiring attention and resolution written on the Council Room Smartboard. Alderman Marsh started by stating that DKA needs to consider reducing the size of its Board. Alderman Joh wanted to ensure term limits that allow Board turnover on a regular basis to guard against a tenured attitude.

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Board discussion followed regarding these issues, as well as the basic election process. Vice-Mayor Mallicote summarized his recommendation by stating that DBA is willing to hold six (6) seats and DKA can fill these immediately as many seats are vacant due to unexpired terms not being served. A question arose whether these positions, according to the bylaws, would be "elected" or "selected," and, if filled, would be subject to a new vote at next month's election.

[Around 5:35 p.m., Alderman Munsey suggested representatives of the two groups resolve these issues and Alderman Marsh suggested they step outside the Council Room to discuss the items listed further and report back what, if any, decisions are reached. The BMA resumed with the next agenda item.]

5. REVIEW OF AGENDA ITEMS ON OCTOBER 6, 2009 REGULAR BUSINESS AGENDA. City Manager Campbell, members of staff and community members provided a summary or presentation for each item on the proposed agenda. Those items the Board discussed at greater length or which received specific questions or concerns included:

VI.AA.1 and 2 Public Hearing and Consideration of Ordinances to Annex/Amend Zoning of the RS7 and RS8 Annexations and Consideration of Resolutions Adopting the Plan of Services (AF: 309 and 310-2009). City Planner Ken Weems went over both proposed annexation actions. Alderman Marsh questioned the rationale behind the expense of annexing these properties (\$2.3 million) in light of the nominal revenue generated (around \$64,000 annually). He added that it appears delusional to believe the City will not have to raise taxes in the future to meet these expenses.

Alderman Munsey believes it foolish to consider annexation from an investment standpoint. Public Works Director Ryan McReynolds indicated that City staff has been meeting with developers who will absorb some of the required infrastructure expense as areas are developed.

VI.B.4 Consideration of an Ordinance to Establish the Model City Motors Parking Lot Budget by Transferring Funds from the Street Resurfacing Project (AF: 337-2009). City Manager Campbell explained that, due to partial roof collapse in this City-owned building, this property would be fiscally better utilized as additional downtown parking rather than making roof repairs. Alderman Marsh would like to see the Model City Motors building back in the hands of the private sector and Mr. Campbell indicated there have been nonprofit organizations looking at purchasing the property.

On a related subject, Alderman Munsey asked about the status of the downtown parking garage construction. City Manager Campbell replied that proposals have been received from the engineers and a sketch was shown to Board members.

[Around 6:10 p.m., members of DKA and DBA returned, having named Mr. David Quisenberry of DKA as the spokesman for both groups.]

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Mr. Quisenberry stated the groups have agreed to two three-year terms with one required year off to follow. DKA representatives will work with DBA members, John Vachon and Kanishka Bindanda, to establish a six (6) member nominating committee which will gather 12 names from the DBA pool and the nominating committee will pick six to serve immediately and any other could run for an elected position in November. The election process this year will allow members to vote without being required to attend the dinner. He further clarified that the DKA will be granted six Board places out of a total 24. Mr. Quisenberry believes these actions will be a great move toward unifying downtown Kingsport.

Vice-Mayor Mallicote encouraged the BMA to approve the contract, making payment contingent upon completion of all actions discussed and agreed upon. Further, City Manager Campbell agreed to sit down with City department heads to find a staff person to assist in the unifying process.

Mr. Larry Crawford of DKA mentioned that, while the groups have come a long way toward resolving these issues, there is still a long way to go. He mentioned issues of trust erosion on both side, but with level heads and unified goal, they can work together for the betterment of this City.

Mr. John Vachon of DBA echoed the same sentiments and said he looks forward to working together and unifying the efforts downtown.

6. DISCUSS FISCAL YEAR 2010 AND 2010 CAPITAL IMPROVEMENT FINANCING. City Manager Campbell wanted to summarize projects previously discussed by this Board that will require a bond sale. The purpose of the presentation was two-fold: 1) to decide on projects the City is planning to do; and 2) if project must be done, when is the best time to sell bonds to finance. With bond rates the lowest in 42 years, it is a prime time to looking at financing some projects that might have, otherwise, been a couple years out. The other benefit of financing these projects now is the reasonable construction rates available, also lower than normal due to difficult economic times.

Mr. Campbell went over four projects in the General Fund not previously discussed: Renaissance Center Roof (\$200,000); Communication System Improvements (\$250,000); Downtown Parking Lot (\$100,000); and Stadium Park and Dog Park Parking Lot Improvements (\$200,000). He assured Board members that City staff will continue to look for grants and donations whenever and wherever possible and will capitalize on using BABS – *Build America Bonds* – when qualified.

Mr. Campbell's PowerPoint illustrated projects included in the *General Fund Approved CIP* from FY10 through FY14 and then showed the *Projects Funded With Proposed Bond Issue* (\$12,266,000). He went over road projects included (\$6,000,000), as well as school facility improvement projects (\$2,550,000), *Solid Waste and Wastewater Projects Funded with BABs* (\$6,000,000) and *Water Projects Funded With BABs*

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(\$4,000,000). Mr. Campbell moved on to *Regional Sales Tax Funded Projects* such as the Aquatic Center (\$15,000,000) and Meadowview Expansion (\$1,000,000), bringing the total bond issue to \$41,116,000.

Mr. Marsh is opposed to any further borrowing for water and sewer projects when his understanding has been, for the last 10 years, that the need to substantially increase rates for those services was to allow the City to do expansions out of the cash flow generated. After further explanation by Mr. Campbell and Mr. McReynolds, Alderman Marsh stated he might feel better about proceeding with this bond issue if two pieces of information could be provided to him: 1) in the next two years, how much City debt will roll off? and 2) in the next five years, how much cash will come in, based on revenue? Mr. Campbell indicated he could probably have that information for Mr. Marsh by tomorrow night.

Board members discussed the timeframe for sale of these bonds, the financial consequences of not selling these bonds, the need to provide services to annexed areas, and the need to look more closely at the projects proposed and the amounts attached to it.

Mr. Campbell went over debt schedules (FY07-FY14), including proposed debt for the five-year CIP plan (with FY10-FY14 approved CIP projects and the BABs issue). He walked through the City's debt service and debt trends, along with various funding histories. The PowerPoint information also contained a list of *Commitments to Other Organizations* and the expiration date of each.

Alderman Munsey and Mayor Phillips expressed concern about approving all of these projects by voting for this bond action tomorrow night and believe the public would be better served if the BMA had a dedicating meeting to further review and discuss this bond issue and the projects involved.

Bond counsel and managing director of Morgan Keegan & Company out of Nashville, Rick Dulaney, provided information to the Board regarding variable things that affect interest rates and how hard it is to say where interest rates are going or whether this low interest rate environment will last. He pointed out that this is still a very difficult economy and may take awhile to recover. Mr. Dulaney also spoke to how a municipality's "credit worthiness" is determined by the various bond rating entities and how the City of Kingsport currently is rated by *Standard & Poors (S&P)* and *Moody's*. He stated that, while these are both reputable rating firms, Kingsport may want to consider using *Fitch* in place of *S&P*. He further explained that, about two years ago, credit agencies wanted to homogenize the ratings and *S&P's* ratings are a little higher.

City Manager Campbell reminded Board members that, last fall the City was unable to sell any bonds and had to wait. Basically, the City had no plan four months ago to come to the Board with this proposal but when BABs became available and the lure of record low interest rates, it made sense to fund those projects, already in the approved CIP slated for commencement or completion within the next two to three years and take

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advantage of those interest rates. That being said, he sees no need to issue any bonds next year.

Mayor Phillips asked why the Library expansion is not included and Mr. Campbell replied that this Board has approved the initial planning funds for this project and the architect is on schedule to bring a design concept to the Board the second meeting in November, followed by a more detailed stage with construction estimates. It is still hoped that private donations can be raised as has been done in Bristol, Tennessee and Johnson City.

Mayor Phillips began wrap up of this conversation but remained concerned about approval of all these projects. Mr. Campbell offered to lower the amount in the initial bond resolution and that would allow some of these projects to get started. When asked, Board members were divided on whether they were ready to vote on this issue by tomorrow night's business meeting.

City Manager Campbell reminded the Board that they have a fiduciary duty to deal with project costs as effectively as possible and all indications, at this time, are that this market will be a much different situation a year from now.

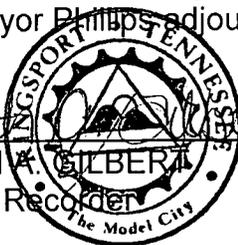
Mayor Phillips requested that Board members let City Manager Campbell know of any specific concerns involved in this bond issue action item prior to tomorrow night's meeting.

BOARD COMMENT. None.

PUBLIC COMMENT. None.

7. ADJOURN. Seeing no other matters presented for discussion at this work session, Mayor Phillips adjourned the meeting at 8:05 p.m.


ELIZABETH A. GILBERT
Deputy City Recorder




DENNIS R. PHILLIPS
Mayor