

City of Graham
City Council Special Meeting Minutes
February 9, 2025
1:00 PM



The City of Graham City Council held a special meeting at 1:00 p.m. on February 9, 2026, in the Council Chamber, City Hall, located at 201 South Main Street, Graham, NC.

Council Members Present:

Mayor Chelsea Dickey
Mayor Pro Tem Ricky Hall
Council Member Bobby Chin
Council Member Bonnie Whitaker
Council Member Jim Young

Staff Present:

Megan Garner, City Manager
Aaron Holland, Assistant City Manager
Bryan Coleman, City Attorney - *Absent*
Bob Ward, City Attorney - *Absent*
Renee Ward, City Clerk

CALL TO ORDER: Mayor Chelsea Dickey

FINANCIAL ADVISORS – DAVENPORT ASSOCIATES:

City Council reviewed potential funding for General Fund and Water/Sewer Fund capital improvement projects.

City Manager Megan Garner explained that the City hired Davenport & Associates to assist with long-term financial planning focused on capital needs rather than day-to-day operations. Ted Cole from Davenport led the discussion, which was based on the current Capital Improvement Plan (CIP) and priorities set by Council in December.

The Utility Fund discussion focused on capital projects and future rate structures in coordination with Hazen & Sawyer. The City had never undertaken long-term financial planning of this scope before. Current utility debt is approximately \$85 million, mostly in low-interest revolving loans. A significant increase in annual debt service is expected in FY2027, rising from about \$600,000 to \$3.4 million. Capital needs total about \$61 million through FY2031 and approximately \$69 million through FY2035. The proposed funding mix includes about \$48 million in debt and \$13 million in cash. To meet these needs, revenue growth will be required at levels of 10–12% for several years, with one year near 19%, and then 5–6% thereafter. The goal is to maintain a minimum debt coverage ratio of 1.4 times and cash reserves between 50% and 100% of the operating budget. Detailed rate-structure recommendations will be provided later by Hazen & Sawyer.

The General Fund discussion highlighted that the City's fund balance was strong at about 55%, well above the policy minimum of 30%. It may be possible to allocate approximately \$3.3 million to capital projects while maintaining at least 40% in reserves. Current general fund debt was very low at \$1.9 million and would be fully retired by 2030, leaving ample capacity for new borrowing. Projects discussed included a fire station estimated at \$6-\$8 million, a fire apparatus at \$1 million, a Graham Regional Park design at approximately \$4.1 million (with potential for phasing), and additional street resurfacing funding of \$550,000 per year for five years. One penny on the tax rate generates about \$270,000 in revenue. Depending on the scenario, additional revenue needs range from about \$0.079 for the fire station and apparatus to \$0.028 when including

park design and \$0.024 when adding street resurfacing. Fire station financing would likely be through a bank installment loan, which does not require a referendum. Design costs must be paid upfront.

Council discussed interest rates, which are currently around 4.5% for bank loans and less than 2% for state revolving loans. Council expressed interest in designing the fire station for future expansion, such as starting with two bays and planning for additional bays later. There was discussion about phasing park design to reduce upfront costs, though concerns were raised about redesign expenses later. Street resurfacing needs were confirmed at an additional \$550,000 per year to catch up and keep pace. Council agreed that the fire station was a priority and acknowledged the need to balance tax impacts and timing.

The next steps include holding a special meeting on Monday, February 23, 2026, at 3:00 PM. Staff will refine scenarios, including financing the fire station through a bank loan and funding the apparatus from reserves. Staff will also gather fire comparative design costs for fire stations, explore phased park design options, confirm street resurfacing plans, and verify eligibility for special obligation bonds for parks. City Manager Garner shared that Department budget requests are due February 27, 2026.

Mr. Cole shared that the City was in a strong financial position but faced significant capital needs. He said planning now would help avoid surprises and support Local Government Commission approval.

City Manager Garner shared this type of multi-year capital review would become an annual process, which would keep the City Council informed and moving forward with updated modeling.



Summary of Scenarios Analyzed

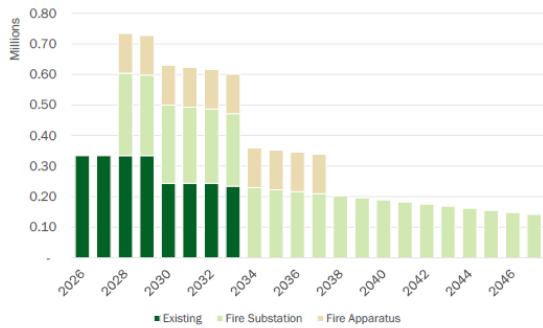
A	B	Scenario 1: \$6 Million Fire Substation Project Cost			Scenario 2: \$8 Million Fire Substation Project Cost		
		C	D	E	F	G	H
Case:		Scenario 1A	Scenario 1B	Scenario 1C	Scenario 2A	Scenario 2B	Scenario 2C
		Fire Substation & Fire Apparatus	All Major Capital	Fire Substation, Fire Apparatus & Add'l Street Resurf.	Fire Substation & Fire Apparatus	All Major Capital	Fire Substation, Fire Apparatus & Add'l Street Resurf.
1	Case Descriptions						
2	Capital Improvement Plan (Funding Year)						
3	Fire Substation (FY 27)	6,000,000	6,000,000	6,000,000	8,000,000	8,000,000	8,000,000
4	Fire Apparatus (FY 27)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
5	GRP Design (FY 27 & 28)	-	4,100,000	-	-	4,100,000	-
6	Annual Capital Allocation (\$1,427,400 Annually FY 26-30)	7,137,000	7,137,000	7,137,000	7,137,000	7,137,000	7,137,000
7	Street Resurfacing (\$750,000 Annually FY 26-30)	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000
8	Additional Street Resurfacing (\$550,000 Annually FY 27-30)	-	-	2,200,000	-	-	2,200,000
9	Total CIP Projects (FY 26 - 30)	\$ 17,887,000	\$ 21,987,000	\$ 20,087,000	\$ 19,887,000	\$ 23,987,000	\$ 22,087,000
10	Debt Financing	3,700,000	7,000,000	7,000,000	5,700,000	9,000,000	9,000,000
11	Pay-Go / Reserve (FY 26 - 30)	14,187,000	14,987,000	13,087,000	14,187,000	14,987,000	13,087,000
12	FY 2027 Upfront Tax Impact	0.99¢	2.79¢	2.43¢	1.55¢	3.19¢	2.99¢
13	Additional Capital Funding Available (FY 26-40)						
14	FY 2026	-	-	-	-	-	-
15	FY 2027	-	-	-	-	-	-
16	FY 2028	-	-	-	-	-	-
17	FY 2029	-	61,738	-	-	-	-
18	FY 2030	-	175,397	-	-	98,713	-
19	FY 2031	-	198,237	-	-	127,687	-
20	FY 2032	1,846	221,155	-	-	156,749	-
21	FY 2033	20,034	252,756	-	8,636	194,506	-
22	FY 2034	264,508	510,695	-	259,746	458,612	-
23	FY 2035	274,149	533,853	-	276,040	487,950	-
24	FY 2036	283,819	557,093	-	292,379	517,381	-
25	FY 2037	293,519	580,415	-	308,764	546,906	-
26	FY 2038	432,753	733,326	73,239	454,701	706,031	94,445
27	FY 2039	442,512	756,815	95,628	471,179	735,748	123,546
28	FY 2040	452,301	780,390	118,090	487,705	765,562	152,737
29	Additional Street Resurfacing (\$550,000 Annually)	-	-	7,700,000	-	-	7,700,000
30	Total Additional Funding Available	\$ 2,465,440	\$ 5,361,870	\$ 7,986,956	\$ 2,559,150	\$ 4,795,845	\$ 8,070,728
31	Key Debt Ratios	Policy Range	Worst Shown	Worst Shown	Worst Shown	Worst Shown	Worst Shown
32	Projected 10-year Payout	Min 50% - 60%	70.25%	60.68%	60.68%	63.43%	57.75%
33	Projected Debt to AV	Max 2% - 3%	0.21%	0.34%	0.34%	0.29%	0.41%
34	Projected Debt DS vs. Exp.	Max 15% - 20%	3.67%	5.24%	5.24%	4.63%	6.17%

Existing and Proposed Debt Service

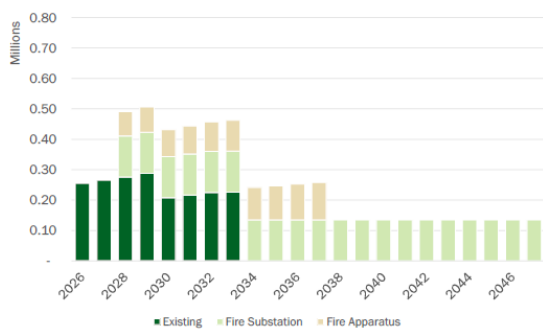
Scenario 1A



Proposed Tax Supported Debt Service



Proposed Principal



Summary

- **Fire Substation Financing Assumptions:**
 - Term: 20-Years
 - Interest Rate: 5.00%
 - Amortization: Level Principal
 - First Interest: FY Following Issuance
 - First Principal: FY Following Issuance

- **Fire Apparatus Financing Assumptions:**
 - Term: 10-Years
 - Interest Rate: 5.00%
 - Amortization: Level Debt Service
 - First Interest: FY Following Issuance
 - First Principal: FY Following Issuance

- **Par Amount:**
 - FY 2026: \$0
 - FY 2027: \$3,700,000
 - Total: \$3,700,000

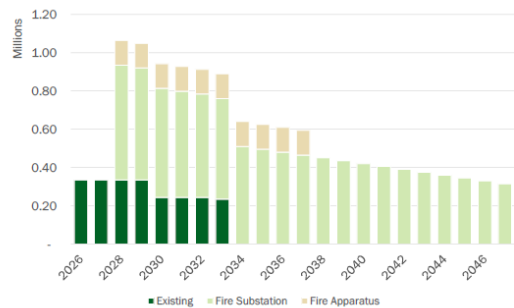
- **Total Debt Service: \$5,412,546**

Existing and Proposed Debt Service

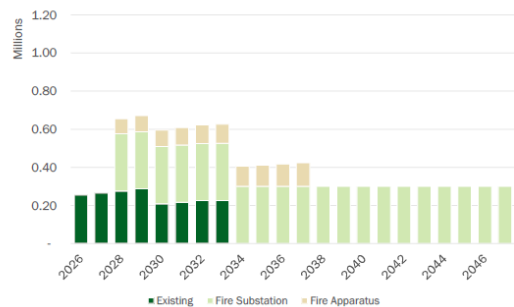
Scenario 1B



Proposed Tax Supported Debt Service



Proposed Principal



Summary

- **Fire Substation Financing Assumptions:**
 - Term: 20-Years
 - Interest Rate: 5.00%
 - Amortization: Level Principal
 - First Interest: FY Following Issuance
 - First Principal: FY Following Issuance

- **Fire Apparatus Financing Assumptions:**
 - Term: 10-Years
 - Interest Rate: 5.00%
 - Amortization: Level Debt Service
 - First Interest: FY Following Issuance
 - First Principal: FY Following Issuance

- **Par Amount:**
 - FY 2026: \$0
 - FY 2027: \$7,000,000
 - Total: \$7,000,000

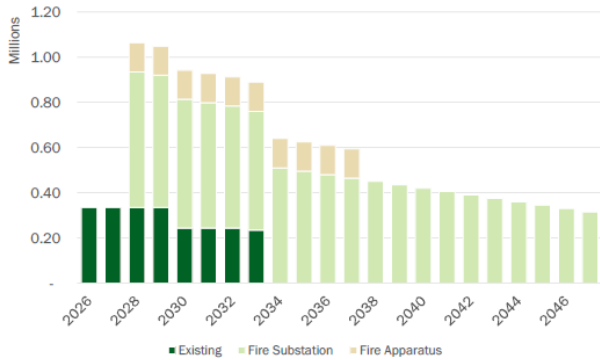
- **Total Debt Service: \$10,445,046**

Existing and Proposed Debt Service

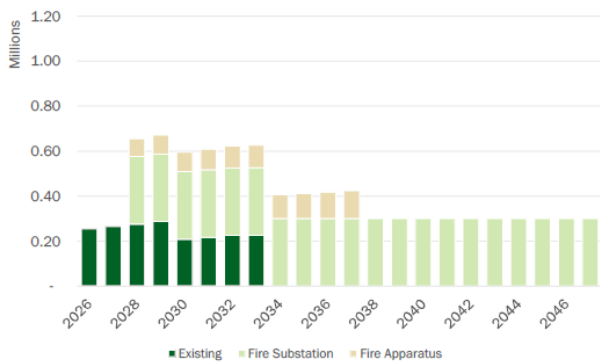
Scenario 1C



Proposed Tax Supported Debt Service



Proposed Principal



Summary

- **Fire Substation Financing Assumptions:**
 - Term: 20-Years
 - Interest Rate: 5.00%
 - Amortization: Level Principal
 - First Interest: FY Following Issuance
 - First Principal: FY Following Issuance

- **Fire Apparatus Financing Assumptions:**
 - Term: 10-Years
 - Interest Rate: 5.00%
 - Amortization: Level Debt Service
 - First Interest: FY Following Issuance
 - First Principal: FY Following Issuance

- **Par Amount:**
 - FY 2026: \$0
 - FY 2027: \$7,000,000
 - **Total**: \$7,000,000

- **Total Debt Service:** \$10,445,046

ADJOURN

Mayor Pro Tem Hall motioned to adjourn, seconded by Council Member Whitaker. The motion passed unanimously. Chin/Hall

The meeting was adjourned at 2:43 p.m.

Renee M. Ward, CMC
City Clerk