



# Town of Carrboro

Town Hall  
301 W. Main St.  
Carrboro, NC 27510

## Meeting Agenda Town Council



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Tuesday, May 3, 2022

7:00 PM

Council Chambers- Room 110

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### 7:00-7:05

#### A. POETRY READING, RESOLUTIONS, PROCLAMATIONS, AND ACKNOWLEDGEMENTS

### 7:05-7:10

#### B. ANNOUNCEMENT OF UPCOMING MEETINGS

### 7:10-7:20

#### C. PUBLIC COMMENT

*Comments are limited to three minutes per speaker.*

### 7:20-7:25

#### D. CONSENT AGENDA

1. [22-145](#) Approval of Minutes from the February 22, and March 1, 2022 Meetings
2. [22-135](#) Affordable Housing Advisory Commission Funding Recommendation

**PURPOSE:** The purpose of this item is for the Town Council to consider approving recommended funding for one nonprofit affordable housing application to the Affordable Housing Special Revenue Fund.

**Attachments:** [Attachment A - Resolution for AHSRF Award 04.26.22/V2 ALM](#)  
[Attachment B AHAC Recommendation AHSRF 4.20.22](#)  
[Attachment C- Funding Request Summary and Application](#)

3. [22-115](#) Independent Audit Contract for Fiscal Year Ending June 30, 2022  
**PURPOSE:** The purpose of this item is to award a contract for the Town's annual independent audit for the fiscal year ending June 30, 2022

**Attachments:** [Attachment A - Resolution to Award Audit Contract 5-03-2022](#)  
[Attachment B: RFP for Audit Services 2022](#)  
[Attachment C: DHG Response to RFP for Audit Services](#)

4. [22-147](#) Updates to Town Code Illicit Discharge Provisions  
**PURPOSE:** The purpose of this item is to update the Illicit Discharge provisions in Chapter 5, Article IV of the Town Code

**Attachments:** [Att A - IDDE Town Code Amendment](#)  
[Att B Town Code Illicit Discharge Provisions Changes memo 050322](#)  
[Att C SWAC recommendation - Illicit Discharge Ordinance changes signed](#)  
[Att D NCDEQ Guidance Document Salt Water Pool Discharges](#)

## E. OTHER MATTERS

### 7:25-8:10

1. [22-155](#) Annual Update from OWASA Representatives and Long-Range Water Supply Plan Update  
**PURPOSE:** The purpose of this item is to receive an annual update from the Town's appointees on the OWASA Board of Directors as well as an update to the Long-Range Water Supply Plan.

**Attachments:** [April 2022 OWASA Quarterly Report - CTC](#)  
[LRWSP CTC May2022](#)

### 8:10-8:35

2. [22-154](#) Resolution for Council Final Approval for Financing up to \$12,650,000 for the 203 Project and Approval of Financing Contract with Truist Bank

**PURPOSE:** The purpose of this item for the Town Council to approve a final resolution for financing the 203 South Greensboro Street Project and approve a financing contract with Truist Bank.

**Attachments:** [Attachment A: Final Resolution Carrboro 203 updated April xxxx ALM](#)  
[Attachment B: Financing Contract and DT - Carrboro updated draft of April xxx ALM](#)

## F. MATTERS BY COUNCIL MEMBERS



# Town of Carrboro

Town Hall  
301 W. Main St.  
Carrboro, NC 27510

## Agenda Item Abstract

**File Number:22-145**

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**Agenda Date:** 5/3/2022

**File Type:**Agendas

**In Control:** Board of Aldermen

**Version:** 1

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Approval of Minutes from the February 22, and March 1, 2022 Meetings



# Town of Carrboro

Town Hall  
301 W. Main St.  
Carrboro, NC 27510

## Agenda Item Abstract

**File Number:22-135**

**Agenda Date:** 5/3/2022

**File Type:**Agendas

**In Control:** Board of Aldermen

**Version:** 1

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### TITLE:

Affordable Housing Advisory Commission Funding Recommendation

**PURPOSE:** The purpose of this item is for the Town Council to consider approving recommended funding for one nonprofit affordable housing application to the Affordable Housing Special Revenue Fund.

**DEPARTMENT:** Housing and Community Services

**CONTACT INFORMATION:** Anne-Marie Vanaman, Housing and Community Services Management Specialist, [amvanaman@townofcarrboro.org](mailto:amvanaman@townofcarrboro.org) <<mailto:amvanaman@townofcarrboro.org>>; Rebecca Buzzard, Housing and Community Services Director, [rbuzzard@townofcarrboro.org](mailto:rbuzzard@townofcarrboro.org) <<mailto:rbuzzard@townofcarrboro.org>>

**INFORMATION:** In the April 1, 2022 application cycle, two requests were received and forwarded to the Affordable Housing Advisory Commission (AHAC) for review. However, one application was subsequently withdrawn by the nonprofit agency to assess a potential eligibility issue.

On April 20, 2022, the AHAC heard from the remaining applicant, EMPOWERment, and discussed the request. They voted to make the following funding recommendation to the Town Council:

**EMPOWERment - Recommendation: Fully Fund - \$100,000**

EMPOWERment requested \$100,000 for the purchase of one condominium unit at 105 Fidelity Street that will be deed-restricted for permanent affordability and rented to households earning below 60% of the Area Median Income.

The funding request can be found in Attachment C. Noting the opportunity to purchase a desirable unit at below market rate, the AHAC recommended Town Council consider utilizing payment in lieu (PIL) funds to support the request. They also recommended leaving a balance of at least \$15,000 in the current fiscal year AHSRF budget in case requests of \$5,000 or less are submitted to the Town Manager for consideration before the end of the fiscal year. No additional application cycles remain in the fiscal year.

The full AHAC recommendation can be found in Attachment B and provides additional comments encouraging EMPOWERment to speak with financial lending institutions to explore financing mechanisms that might expand or leverage future affordable housing acquisition opportunities.



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The FY2021-2022 Affordable Housing Special Revenue Fund (AHSRF) revised budget has a current balance of \$143,240. For FY 2022 the AFHSRF adopted budget included \$325,585 from tax revenues. In reviewing the quarterly budget status report with Finance (see Budget Status Report to Council on April 19, 2022) \$82,025 carried over from the prior year(s), which includes receipt of all PIL funds. With this carryover amount, the AFSRF has a revised operating budget of \$420,551 available for use through June 30, 2022. (Note: Carryover funds must be confirmed in the annual independent audit prior to posting to the General Ledger. Audit for 2021 was not completed until January 2022.). Below is current summary of AFHSRF.

FY 22 Appropriation	\$ 338,525
Carryover	\$ 82,026
Total Revenues	<u>\$ 420,551</u>
YTD Expenditures	\$ 151,461
YTD Encumbrances	\$ 125,850
Total	<u>\$ 277,311</u>
<b>Available Budget</b>	<b><u>\$ 143,240</u></b>
Empowerment Request	\$ 100,000
Remaining Budget	\$ 43,240

**FISCAL & STAFF IMPACT:** Sufficient budget funds are available in the Town’s Affordable Housing Special Revenue Fund for this award. If the request is fully funded the FY2021-22 AHSRF budget balance will be \$43,240.

**RECOMMENDATION:** Staff recommends the Town Council consider the AHAC’s funding recommendation. A resolution for approval is provided in Attachment A.

**A RESOLUTION AUTHORIZING GRANT FUNDING FROM THE  
AFFORDABLE HOUSING SPECIAL REVENUE FUND TO EMPOWERMENT, INC.**

WHEREAS, the Town Council on, June 27, 2007 adopted resolution no. 244/2006-07 creating the Affordable Housing Special Revenue Fund (AHSRF); and

WHEREAS, the goal of this Fund is to increase and maintain the stock of affordable housing within the Town and its planning jurisdiction; and

WHEREAS, the Affordable Housing Advisory Commission (AHAC) has reviewed and determined that the application from Empowerment meets the criteria for funding under the Affordable Housing Special Revenue Fund; and

WHEREAS, the AHAC has recommended awarding a grant to EMPOWERment in the amount of \$100,000.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF CARRBORO THAT:

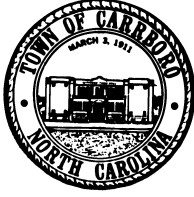
Section 1. A grant in the amount of \$100,000 is awarded to EMPOWERment for the acquisition of real property provided that:

- a) The property located at 105 Fidelity Street, A-20 is deed-restricted for permanent affordability for 99 years;
- b) The property is leased to households earning under 60% of the area median income as determined annually by HUD.

Section 2. The Town Manager is authorized to develop and execute agreement(s) as necessary and appropriate to carry out the Council's action.

Section 3. This resolution shall become effective upon adoption.

Section 4. The Town Clerk shall provide a copy of this resolution to the Finance Officer within five days of adoption.



## TOWN OF CARRBORO

### Affordable Housing Advisory Commission

*301 West Main Street, Carrboro, North Carolina 27510*

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## RECOMMENDATION

April 20, 2022

### Affordable Housing Special Revenue Fund Funding Recommendations

Motion was made by Heather Nash, and seconded by Amy Singleton, that the AHAC recommends that the Town Council consider the following funding recommendation:

The AHAC received one application to review in the April 1, 2022 funding cycle. With \$57,971 available in the Affordable Housing Special Revenue Fund budget for the current fiscal year (FY 21-22), the AHAC recommends to:

Fully fund the request from EmPOWERment for \$100,000

Comments:

The AHAC recommends that additional funds can be made available in the AHSRF to support these funding requests: Payments in Lieu totaling \$82,086. If payment in lieu funds are appropriated and added to the budget balance of \$57,971, a total of \$140,057 would be available to fund the requests.

The AHAC recommends that \$10,000 for reserves and \$5,000 for critical repairs is retained in the AHSRF budget.

The AHAC recommends Empowerment speak with financial lending institutions to explore financing mechanisms that might expand or leverage future affordable housing acquisition opportunities.

**VOTE:**

YES: (Bobby Funk, Betty Curry, Amy Singleton, Lindsay Griffin, Heather Nash, Quinton Harper)

ABSENT/EXCUSED: (0)

NOES: (0)

ABSTENTIONS: (0)

By a unanimous show of hands, the AHAC membership also indicated that no members have any financial interests that would pose a conflict of interest to the adoption of this amendment.



April 26, 2022

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(Chair)

(Date)

## TOWN OF CARRBORO AHSRF APPLICATION SUMMARY SHEET

**APPLICANT:** EMPOWERMENT, INC.

**PROJECT TYPE:** Acquisition

**AMOUNT REQUESTED:** \$100,000

**TOWN AFFORDABLE HOUSING GOALS ADDRESSED:** 2.1 Increase the number of rental units that are permanently affordable to individuals and families earning less than 60% of AMI.

**PROJECT ADDRESS:** 105 Fidelity Street, White Oak community, Carrboro

**PROJECT SUMMARY:** Acquire one, 2-bedroom, 1.5 bath condominium to place in EMPOWERment's affordable rental program, thus adding one unit to the Town's permanent affordable housing stock. EMPOWERment will lease the unit to a household earning between 31-60% AMI, within 60 days of closing, which is anticipated in June 2022.

The project cost is \$225,000. EMPOWERment is providing \$20,000 and was recommended to be awarded \$105,000 in HOME funds to help acquire the property.

This project is an opportunity to acquire a desirable dwelling unit at below-market value because the sellers wish to contribute to the Town's affordable housing goals.

**POPULATION SERVED:** The unit will be leased to a household earning 31-60% AMI. Within EMPOWERment's rental program, 48% of households are Housing Voucher holders.

**ENVIRONMENTAL IMPACT:** The unit is well-maintained and in good condition. As EMPOWERment manages and maintains the property, energy efficient appliances, fixtures, and materials will be used to extend the life span of the property.

# FUNDING APPLICATION

DATE:

## Section 1: APPLICANT AND PROJECT OVERVIEW

### A. Applicant Information

Applicant/Organization's Legal Name: EMPOWERment, Inc.  
 Primary Contact Person and Title: LaTanya Davis, Operations Manager  
 Applicant/Organization's Physical Address: 109 N. Graham Street, #200, Chapel Hill, NC 27516  
 Applicant/Organization's Mailing Address: 109 N. Graham Street, #200, Chapel Hill, NC 27516  
 Telephone Number: 919-967-8779  
 Email Address: empowermentincnc@gmail.com

### B. Project Information

Project Name: EMPOWERment Affordable Rental Program: 105 Fidelity Street A-20, Carrboro, NC-Acquisition

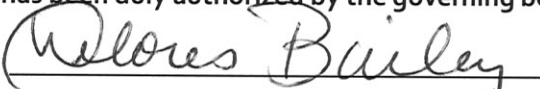
Total Project Cost: \$225,000.00

Total Amount of Funds Requested: \$100,000.00

Please specify **which permitted use of funding is being requested** (as listed in Section 2: B.1.):

EMPOWERment is requesting this funding for the acquisition of a townhouse located in the White Oak Community of Carrboro.

To the best of my knowledge all information and data in this application are true and current. The document has been duly authorized by the governing board of the applicant.

Signature:   
 Executive Director or other Authorized Signatory

3-31-22  
 Date

## Section 2: PROJECT DESCRIPTION

Please provide a thorough description of the project (by answering the "who," "what," "when," and "where" questions about your project). **Do not assume the reader knows anything about the project.**

### A. "Who"

1. Who is the target population to be served and how will their needs be addressed through this project? If this is a repair or rehabilitation project, please address how the beneficiary meets eligibility requirements and provide substantiation, such as a deed, homeowner insurance policy statement, etc.

In this acquisition, this project will be 100% affordable housing to the most vulnerable populations in Orange County. The target populations to be served will be residents earning 31 to 60% AMI, those residents that rely on Housing Choice vouchers, people with disabilities, people experiencing homeless, veterans, and single female heads of households. All of these groups have been adversely affected by the increasing rental costs in OC and the rise in construction costs being passed down to renters. Through acquiring 105 Fidelity Street # A-20 St, Carrboro EI will be in the unique position to price this unit at below market-rate.

2. Please indicate the income of the beneficiaries (households) to be served through the proposed project. Please see Attachment A for the current income limits for the Durham-Chapel Hill MSA.

**\*This projection is based on past history of EI affordable rentals, however EI did not designate race at this time**

Income Group (Area Median Income)	Number of Beneficiaries	% of Total Beneficiaries
<30% of AMI		
31%-60% of AMI	3	3
61-80% of AMI		
81-100% of AMI		
101-115% of AMI		
<b>TOTAL</b>	3	3

Income Group	Seniors (age62+)	Children	Disability Present	Asian	Black	Hisp./ Latinx	Mixed Race	Other	White
<30% of AMI									
31%-60% of AMI		2							
61-80% of AMI									
81-100% of AMI									
101-115% of AMI									
<b>TOTAL</b>		2							

**3. Project Staff.** Please provide names of staff, contractors, and/or volunteers that will be involved with the project. Describe their responsibilities with the project and track record in successful completion of similar projects in the past:

**Delores Bailey, Executive Director**

Ms. Bailey will be responsible for the reviewal and signing of contracts and documents in regard to the 105 Fidelity Street A-20, Carrboro acquisition. In the past she has been responsible for the following:

- Managing the construction of six new homes and 22 major rehab projects throughout Orange County during her tenure with EMPOWERment, Inc. (EI).
- Increasing rental inventory from 12 to 64 units, including three manufactured homes during her leadership at EI.
- Overseeing ten acquisitions in the last five years collaborating with the Town of Carrboro (TOC) and Orange County (OC) for these acquisitions.
- Working through the pandemic to complete EI's goals of acquiring two properties for affordable rental housing development in 2020.
- Preparing 20 Year proformas for the acquisition of affordable housing properties.
- Collaborating closely with municipalities, departments, and staff.
- Leading as Executive Director of EI for 20 years overseeing all aspects of the mission.

**La Tanya Davis, Operations Manager**

Ms. Davis will hold the following responsibilities for the acquisition:

- Overseeing for 105 Fidelity Street A-20, Carrboro acquisition.
- Managing timelines, budgets, and communications.
- Managing administrative duties pertaining to the project, i.e., miscellaneous repairs
- Reporting financials to Ms. Bailey.
- Working with maintenance staff and Property Manager for tenant selection.

In the past, Ms. Davis has been responsible for the following:

- Overseeing EI's five most recent acquisitions
- Serving as EI's finance manager and as the rental property manager before being promoted to Operations Manager
- Developing budgets and managing the day- to-day work of rehabilitation for these types of projects
- Providing 17 years of extensive knowledge of EI's tenant base to the project.

**B. "What"**

**1. Type of Activity.** Please check the category under which your project falls.

- Acquisition
- Pre-development costs
- Rental subsidy
- Ownership subsidy
- New construction for homeownership
- New construction for rental
- Rehabilitation for owner-occupied or rental (including urgent repairs - see \*)



- Land banking
- Grant to land trust
- Foreclosure assistance
- Other (specify):

*\*Starred items requesting no more than \$5,000 or 15% of the existing fund, whichever is lower, do not have to provide performance measures and can apply outside of the funding cycles.*

**2. Project Description.** Please provide a general overview of your project, including what you are planning to produce, how the requested funds will be used and how you are planning to carry out the project. Include how your project meets the criteria of eligible uses.

EMPOWERment, Inc. (EI) is requesting funding needed to acquire the property at 105 Fidelity Street A-20 Carrboro, NC to continue to add to the affordable housing rental stock in Carrboro. EI was awarded funding for the acquisition from HOME for \$105,000 and EI is providing \$20,000 which combined covers 55% of the cost. EI is requesting \$100,000 from the Town of Carrboro (TOC) to cover the remaining 45% of the acquisition cost. EI has created a unique collaboration with the owners of the property, whose wishes are to help increase affordable rental inventory in Carrboro. Once purchased, EI will produce affordable housing for 31 to 60% AMI and other vulnerable populations. EI plans to carry out this plan by partnering with the TOC and OC to reach the affordable housing goals set by both municipalities. The unit is in good condition and should be ready for tenants within 60 days from closing.

**C. "Where"**

**1. Project Location.** Please be as specific as possible. 105 Fidelity Street #A-20, Carrboro, NC 27510

**2. Project Size (if applicable).** Please provide the size of development site:  N/A  acres

Please attach the following:

- Site map showing lot boundaries, locations of structure(s), and other site features
- General location map (at least 1/2 mile radius)

**D. "When"**

Attach a **detailed** timetable showing when each work task will be completed (e.g., planning; obtaining financial commitments; design; environmental review; bidding; loan closing; key milestones in construction; marketing; final inspection; occupancy; etc.)

**E. Project Details**

If the questions below are not applicable or the requested information is not currently available, please insert N/A.

**1. Property Acquisition.**

- a. Has your agency acquired real property in order to carry out the project, or is property acquisition planned?

This is property acquisition.

- b. Is the property currently occupied? If so, attach a description of your plan to relocate.

The property is currently occupied by the owners who will relocate after the acquisition. There will be no need for relocation plans.

- c. Please attach an appraisal of the property. Attached

## 2. Construction/Rehabilitation Detail.

- a. How many units will be newly constructed? None

- b. How many units will be rehabilitated? None

- c. What is the square footage of each unit? 1017

- d. What is the number of bedrooms in each unit? 2

- e. What is the number of bathrooms in each unit? 1.5

- f. How many units will have full ADA accessibility? 0

- g. Is the proposed project located in Carrboro Town limits, ETJ, or transitional area?

Yes

- h.** Please attach the following:

- Floor plan(s)
- Elevation(s)
- List of Energy Efficiency measures included in the project (if applicable)
- List of Universal Design principles included in the project (if applicable)

## 3. Design, Affordability, Marketing, and Supportive Services.

- a. Describe any methods to ensure long-term affordability of housing units, including subsidy recapture, equity sharing, deed restrictions, etc.:

To ensure long-term affordability this rental project will be designated to remain permanently affordable for 99 years. The project will be further subsidizing by offering below market rental rates so that low-income families can be served. Orange County, Town of Carrboro, and EMPOWERment Inc. funds will be fully leveraged to maintain long term affordability. The following documents will ensure long-term affordability of this rental housing unit:

- Deed Restrictions
- Performance Agreement
- Development Agreement

- b. What are the proposed rents (including utility costs) or sales prices for completed units?  
\$950.00 to \$1000.00

- c. Explain your agency's process for marketing to ensure an adequate pool of income-eligible renters to buyers:  
 EMPOWERment Inc. (EI) has used a successful and proven multi-pronged approach for over twenty years to ensure a pool of income-eligible renters are considered by our Rental Property Management team. This process includes recommendations from the EI HUD Certified Housing Counselors and community partners such as Community Empowerment Fund, Department of Social Services, Family Success Alliance, Interfaith Council (IFC) and local churches. Our first and best marketing tool is current tenants and their testimonials that EI shares with the public. In caring for both tenants and our properties, EI has maintained a vacancy rate of less than 5%. In addition to tenant promotion, when there is a vacant unit, EI's in-house waitlist of eligible individuals is consulted. The vacancy is also marketed through our website at [www.empowermentincnc.org](http://www.empowermentincnc.org). and [NCHousingSearch.org](http://NCHousingSearch.org).
- d. Describe the use of **energy efficient principles**, universal design, and/or materials with extended life span.  
 Since this project is an acquisition, these principle energy efficient design elements are not involved in carrying out the project. However, when EI replaces appliances and fixtures, energy efficient materials will be used to extend the life span of the property.
- e. What supportive services, if any, will be provided through this project  
 EI supports our tenants through our own Rental Counseling Program. As a HUD approved counseling agency with nationally certified counselors, EI provides support to rental tenants through services such as budget counseling, eviction prevention, and financial literacy. Other supportive services EI provides include:
- Utility supportive fund known as "The MOM Fund"
  - Assistance securing down payments from Orange County's Emergency Housing Assistance (EHA).
  - Community outreach programs.
  - Tenant Association meetings.
  - COVID-19 wellness check-ins.
  - Meal and gift card giveaways.

### Section 3: PERFORMANCE MEASUREMENTS

#### A. Goals and Objectives

*Please complete the following chart with information about the project's goals and objectives.*

Goal/Objective	Measurement
Increase affordable housing inventory	Acquisition of affordable housing rental units.

Provide housing for low to moderate income individuals such as housing choice voucher holders, single female heads of households, veterans, people with disabilities, and the homeless.	By the end of each year, provide housing for new families that fall under these vulnerable populations.
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**B. Alignment with Town Goals and adopted affordable housing strategies.**

Please explain how the proposed project aligns with the Town Council Goals and adopted affordable housing strategies.

The TOC Affordable Housing Goals and Strategies number 2.1 is to increase the number of rental units that are permanently affordable to individuals and families earning less than 60% of AMI. The acquisition of 105 Fidelity Street #A-20, Carrboro, NC will help reach that goal of providing and maintaining more affordable rental properties in Carrboro, NC. This acquisition further aligns with the Town Council’s 2.1 goal in that:

- It is easily accessible to retail, schools, healthcare, and local employers.
- EI welcomes tenants that are voucher holders.
- EI gives priority to applicants who are homeless, veterans, and seniors.
- EI has been providing affordable housing in Orange County since 1996, and continues to be committed to providing affordable, safe and compliant rental units to the underserved populations of Orange County.

**Section 4: PROJECT BUDGET AND PRO-FORMA**

**A. Project Budget**

Attach a **detailed project budget** in Excel format showing all sources and uses of funds. Indicate which funds are committed or pending and include the % of committed funds toward this project. Attach funding commitment letters where available or copies of funding applications previously submitted.

Has an appraisal been conducted? If so, please attach.

**B. Terms of Project Funding**

Please specify the type of funding request for which you are applying:

- Grant       Loan

**C. Pro-forma (for rental property only)**

If you are developing a property for rent, please attach a 20-year pro-forma showing estimated income, expenses, net operating income, debt service, and cash flow.

## Section 5: ORGANIZATION DESCRIPTION

If you have already provided this information on a previous application in the current fiscal year, you do not need to provide this information again.

### A. Organization

What is your organization's . . .

1. Mission statement?  
EMPOWERment Inc. seeks to empower people and communities to determine their own destinies through affordable housing, community organizing, and grassroots economic development.
2. Incorporation date (Month and Year)? 03/1996
3. Estimated Total Agency Budget for this fiscal year? \$1,097,696.00
4. Total number of agency staff (full time equivalents): 4-Full-Time 1-Part-Time

### B. Organization Track Record and Community Support

Please describe your organization's experience and ability to carry out the proposed project, including:

1. Evidence of coordination of this application with other organizations to complement and/or support the proposed project  
EI's most recent projects in the last three years have been acquisitions and renovations done with the TOC. The projects have been on time and on budget. For this project EI worked closely with the owner of the home and the staff of Carrboro's Housing Department to create this proposed project. EI regularly works with other nonprofits, Town of Carrboro, and Orange County to acquire affordable housing to meet the affordable housing crisis in Orange County. Through our collaboration with these organizations, EI has been able to refer and receive clients, jointly sponsor events, and marshal resources to support the under-served populations.
2. Involvement of intended beneficiaries of the project in the planning process  
EI has involved intended beneficiaries through community outreach meetings. These meetings allow us to receive direct feedback from community members, current and future tenants. Since the COVID-19 pandemic, we have expanded to providing these meetings virtually. We also receive suggestions for walk-ins, normally those in dire need of affordable housing and those on our waiting list. We update the waitlist every six months to keep expecting tenants informed.
3. Past achievements in carrying out similar projects and evidence of successful record of meeting proposed budgets and timetables  
For the last three years the rental inventory increased by an average of two units per year. These acquisitions included properties in the Chapel Hill (Northside & Pine Knolls), Carrboro, and Hillsborough areas. Upon receiving funding for each acquisition, EI followed the projected timelines which kept EI on track to close on time for quick tenant move in. This prevents unintended expenses and allows EI to remain on budget. One specific example of past achievements was the very successful renovation project at Hillmont Apartment at 124 Fidelity Street.
4. Collaborative relationships with other agencies,  
EMPOWERment Inc. has an established track record of collaborative relationships with agencies such as the Department of Social Services, Jackson Center, Community Home Trust, Interfaith

Council, Family Success Alliance, Community Empowerment Fund, and Self-Help. This large network has allowed EI to help place qualified residents in affordable rental units. EMPOWERment has partnerships with local churches and other faith-based organizations to provide temporary financial assistance to residents in need. EI also collaborated with the Emergency Housing Assistant to provide a virtual information session to over 84 community members to inform them about the COVI-19 related emergency housing fund.

5. Plans to develop linkages with other programs and projects to coordinate activities so solutions are holistic and comprehensive

EMPOWERment Inc.'s mission is holistic in that it not only seeks to promote affordable housing, but also to support the communities, school systems, and the places of employment where the heads-of-households and their families live. EMPOWERment has worked with the area police and fire departments, and school system to bring resources to the communities we serve. EI also involved the police department in Community Outreach meetings where they regularly attended to provide comprehensive insight and solutions to community issues. EI led volunteer events such as The Community Beautification Project to renovate and landscape EI's rentals. EI works with UNC Students and administrators to address the needs of underserved individuals in our community through program assistance and information sharing. EI has also sought to address not only long term but short-term housing and financial needs of the community through the establishment of the M.O.M utility fund in 2017 thanks to funding from supporters, local non-profits, and churches. This fund has helped over 400 families by aiding with utility payments when they are experiencing financial hardships. EI continues to partner with The Partnership to End Homelessness to transition homeless individuals into permanent housing through "home sharing" as housemates when possible.

6. Any other features relating to organization capacity that you consider relevant, (i.e. property management experience, including accepting Section 8 Vouchers, etc.).

EI's is the only nonprofit in OC that has managed affordable rentals for over twenty years. EI's property management team consists of real estate brokers who bring expertise to research possible affordable rental acquisitions. In 2021, EI's Affordable Rental Program has successfully served 64 households; of those, 48% are Housing Choice vouchers holders. The remaining 52% of our units are subsidized with below market monthly rentals.

## Section 6: DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Are any of the Board Members or employees of the agency which will be carrying out this project, or members of their immediate families, or their business associates:

- a) Employees of or closely related to employees of the Town of Carrboro  
YES  NO
- b) Members of or closely related to members of the governing bodies of Carrboro?  
YES  NO
- c) Current beneficiaries of the project/program for which funds are requested?

YES  NO

d) Paid providers of goods or services to the program or having other financial interest in the program? YES  NO

If you have answered YES to any question, **please explain below**. The existence of a potential conflict of interest does not necessarily make the project ineligible for funding, but the existence of an **undisclosed** conflict may result in the termination of any grant awarded.



# Town of Carrboro

Town Hall  
301 W. Main St.  
Carrboro, NC 27510

## Agenda Item Abstract

**File Number:22-115**

**Agenda Date:** 5/3/2022

**File Type:**Agendas

**In Control:** Board of Aldermen

**Version:** 1

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### TITLE:

Independent Audit Contract for Fiscal Year Ending June 30, 2022

**PURPOSE:** The purpose of this item is to award a contract for the Town's annual independent audit for the fiscal year ending June 30, 2022

**DEPARTMENT:** Finance

**CONTACT INFORMATION:** Arche McAdoo, Finance Director 918-7439; Cary McNallan, Budget Analyst, 918-7301; Donald Coble, Assistant to Finance Director, 918-7302

**INFORMATION:** The Local Government Budget and Fiscal Control Act (LGBFCA) requires each local government to prepare an annual financial report on their financial position at the end of the fiscal year and financial results of operations. The LGBFCA also requires that this financial report be audited by an independent certified public accountant.

On February 28, 2022, the Town issued RFP for Audit Services for fiscal year ending 2022 through 2024 (see Attachment B). The standard audit services RFP template provided by the Local Government Commission was used. This RFP was advertised in the local newspaper, posted to the Town's web site, and distributed to firms who had requested to be include in such solicitations. Responses were due on March 31, 2022. The Town received one response from its current audit firm, Dixon Hughes Goodman LLP (DHG). The response from DHG met all requirements of the RFP (see Attachment C).

DHG has provided audit services to the Town for over ten years. Their work has been professional, timely and at reasonable costs. The recent Financial Performance Indicator of Concern from the LGC for filing the Town's 2021 audit after the due date has been satisfactorily resolved and steps taken to avoid future occurrences.

The audit cost proposed by DHG for fiscal year ending June 30, 2022 is \$48,600, unchanged from 2021. Depending upon the total expenditures of state and/or federal funds (i.e., Powell Bill Funds, federal grants, etc.), the Town may be required to have one or more single audits prepared. The cost for a single audit is \$5,000 for up to two major programs and \$2,500 for any additional major program thereafter. The cost for preparation of annual financial statements is \$7,500.00. The total cost for the FY 2022 audit is \$61,100. Estimated audit costs for FY 2023 and FY 2024 are \$62,930 and \$64,810, respectively. These estimates are subject to change based on the scope of work to be determined annually.



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**Agenda Date:** 5/3/2022

**File Type:**Agendas

**In Control:** Board of Aldermen

**Version:** 1

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All independent audit contracts must be approved by the staff of the LGC. Invoices from the audit firm must be approved by LGC prior to payment by the Town. The LGC approves up to 75% of the total fee prior to submission of the final audited financial statements to the LGC.

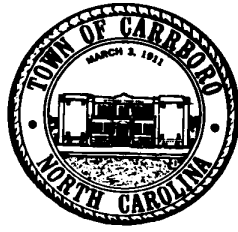
**FISCAL & STAFF IMPACT:** The total cost for FY22 audit and financial statement preparation with no more than two single audits will not exceed \$61,100. However, if more than two major programs require a single audit, the cost will be \$2,500 per single audit. Funds for the annual audit, single audits, and financial statement preparation are included in the Finance Department's General Fund operating budget.

**RECOMMENDATION:** That the Council adopt Attachment A to: 1) award a contract to Dixon Hughes Goodman LLP for a total cost not to exceed \$61,100 to perform independent audit, two program single audits, and annual financial statements for the fiscal year ending June 30, 2022; and 2) authorize the Mayor and Town Manager to execute the Contract to Audit Accounts (form LGC-205 or equivalent), engagement letter and/or additional items not addressed in the LGC-205. The continuation of DHG services in subsequent fiscal years ending June 30, 2023 and June 30, 2024 will be based on negotiation of scope of work and costs with approval by the Town Council and LGC.

RESOLUTION TO AWARD CONTRACT FOR INDEPENDENT AUDIT SERVICES FOR  
FISCAL YEAR ENDING JUNE 30, 2022

BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF CARRBORO THAT:

- Section 1: A contract for fiscal year ending June 30, 2022 is awarded to Dixon Hughes Goodman LLP for a total cost not to exceed \$61,100 to perform independent audit, two program single audits, and annual financial statements. If more than two program single audits are necessary, the cost of each single audit above two will be \$2,500.
- Section 2: The Mayor and Town Manager are authorized to execute the Contract to Audit Accounts (form LGC-205 or equivalent), engagement letter and/or additional items not addressed in the LGC-205.
- Section 3: Since the governing board may not obligate future governing boards, it is the intent of the Town Council to renew the annual audit contract with DHG for the fiscal years ending June 30, 2023 and June 30, 2024 based on negotiation and approval by the Town Council
- Section 4: This resolution is effective upon adoption by the Town Council.
- Section 5: Within five (5) days after adoption of this resolution the Town Clerk shall file a copy of this resolution with the Finance Officer. |



## **Town of Carrboro**

### **Request for Proposal (RFP) To Provide Audit Services RFP No. 2022-445-01**

**Issue Date: February 28, 2022**

**Responses Due: March 31, 2022**

#### **Contact information:**

Arche L. McAdoo  
Finance Officer  
Town of Carrboro  
301 West Main Street  
Carrboro, North Carolina 27510

General Phone: (919) 918-7300  
Direct Phone: (919) 918-7439

Email: [amcadoo@carrboronc.gov](mailto:amcadoo@carrboronc.gov)

## Town of Carrboro Request for Proposal (RFP) To Provide Audit Services

### Request for Proposal

The Town Council of Town of Carrboro, North Carolina (hereinafter called the "Town") invites qualified independent auditors (hereinafter called "auditor") having sufficient governmental accounting and auditing experience in performing an audit in accordance with the specifications outlined in this Request for Proposal (RFP) to submit a proposal.

There is no expressed or implied obligation for the Town of Carrboro to reimburse firms for any expenses incurred in preparing proposals in response to this request.

The specific details shown herein shall be considered minimum unless otherwise shown. The specifications, terms, and conditions included with this RFP shall govern in any resulting contract(s) unless approved otherwise in writing by the Town of Carrboro. The bidder consents to personal jurisdiction and venue in a state court of competent jurisdiction in Orange County, North Carolina.

### Type of Audit

1. The audit will encompass a financial and compliance examination of the unit's Annual Comprehensive Financial Report (ACFR) in accordance with the laws and/or regulations of the State of North Carolina, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with generally accepted auditing standards; Government Auditing Standards, July 2018 revisions; the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the State Single Audit Implementation Act; and all other applicable laws and regulations.
2. The scope of the audit and all fee quotes presented should include all approved and known pronouncements through the date of proposal submission. This includes, but is not limited to, the Governmental Accounting Standards Board (GASB) statements and Government Auditing Standards. Although some pronouncements will not be in effect until after the first year of the audit, estimates for future years should include pronouncements that will become effective during that contract period. The audit firm will be expected to advise appropriate Town staff on the applicability of accounting and reporting standards as they become effective.
3. The financial audit opinion will cover the financial statements for the governmental activities, the business-type activities, each major fund, and the remaining fund information, which collectively constitutes the basic financial statements. The combining and individual financial statements, schedules, and related information are not necessary for fair presentation, but will be presented as additional analytical data. This supplemental information, as required by GASB 34, will be subjected to the tests and other auditing procedures applied in the audit of the basic financial statements, and an opinion will be given as to whether the supplemental information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The auditor shall express an opinion on the budgetary comparison information for the General Fund, the major funds, and any annually budgeted special revenue funds. An opinion will not be given on the Management Discussion and Analysis.

The working papers shall be retained and made available upon request for no less than three years from the date of the Audit report.

4. The audit will also include the following:
  - a. Pre-planning conference with Finance staff in April/May timeframe where both the auditor and Finance staff discuss their expectations of the audit.
  - b. Interim audit work prior to June 30th and/or prior to final close.
  - c. Attendance at Town Council meeting in late October or early November for presentation of the audit and financial statements by Manager or Partner of the Audit Staff with comments and potential questions from Council as requested.
5. The audit should encompass all funds and entity-wide activities as reported in the Town's Annual Comprehensive Financial Report (ACFR) or Audit report at June 30 and any additional funds or entity-wide activities that may be added after that date.
6. If required, the audit firm will issue a management letter to the Town after completion of the audit and assist management in implementing recommendations, as is practical. Town staff also request that an informal letter be addressed to the Finance Officer with any efficiency, internal control or accounting improvements that could be made based on the audit staff's observation during their fieldwork. All content must be discussed with the Finance Officer prior to issuance. The audit firm is encouraged to discuss the content while the management letter is in draft form to ensure that all parties fully understand the circumstances that lead to auditor comments.
7. The Town staff may require the auditor's guidance or input on the completion of certain schedules/documents as to proper format and content, so that they can be used in the audit process as well as inclusion in the Town's financial statements. Guidance may be required for new note disclosures, all outstanding and effective authoritative standards and other reporting requirements at June 30 year-end. Cost for providing these services should be included in the auditor's base fee quote and will not be considered extra for additional billings. In cases, however, where services requested would require a more in-depth scope and require work significantly above the original fee quote, such additional fees must be negotiated prior to commencement of work.

### **Auditor Requirements**

The audit firm is an independent contractor and will be wholly responsible for the services and the supervision of its own employees and permitted sub-contractors.

A planning meeting will be held each year to determine schedules that the Town will be responsible for preparing. Estimated timeframes will be established and interim audit work will be planned. Adequate notification will be given prior to any changes in estimated times.

If the Town audit engagement is subject to the standards for audit as defined in Government Auditing Standards, 2018 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in Government Auditing Standards. The Auditor must provide a copy of their most recent peer review report with their proposal.

The Town staff will prepare all standard year-end accruals and other adjusting journal entries. The Financial Statement Preparer will prepare the government wide year-end adjusting journal entries as well as any necessary entries to allocate the state pension balances. The Town shall designate an individual, such as the Finance Officer, with the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the services and accept responsibility for the results of the services performed. The Town management will ultimately be responsible for the preparation and fair presentation of the financial statements, which includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements. The Town will need the assistance of the Financial Statement Preparer for the preparation, typing, proofing, printing, and copying of the Basic Financial Statements, supplementary information, and compliance reports. The Town of Carrboro's Finance Officer will prepare the MD&A. A preliminary draft of the audit and required adjusting journal entries must be submitted to the Finance Officer by October 1 for proofing and reconciliation to the Town's records to allow ample time for review and corrections before it is sent to the Local Government Commission. The Town's Finance Officer will return the draft to the Financial Statement Preparer with proposed revisions within 10 working days. The financial statement preparer will be ultimately responsible for the preparation, typing, proofing, printing, and copying of the Basic Financial Statement, supplementary information, and all applicable compliance reports.

Meeting LGC deadlines is a high priority for the Town. Therefore, the Town prefers interim fieldwork be completed in early June. Year-end fieldwork should begin by or before mid-August and be completed by late September. While many documents can be shared electronically, the Town expects that the audit firm staff will be onsite for fieldwork, including manager and partner level staff for at least a portion of the onsite work. **An agreed upon post-closing trial balance must exist by September 30.** The Finance Officer will expect a listing of requested information needed for the audit at the preplanning conference, periodic conferences during the conduct of the audit, as well as an exit conference prior to the completion of fieldwork.

**The timing of the draft and review should insure final completion of the Financial Statements by the annual October 31st deadline or no later than the annual grace period of December 1. For every week the audit is late due to no fault of the Town, there will be a reduction in the audit fee of \$100.00.**

Twelve (12) copies of each Audit report, management letter, and other applicable reports must be supplied to the Finance Officer within the time frame cited above. In addition, the auditor is responsible for complying with the requirements of the LGC for submitting the audit and all associated documents and forms as required for the year under audit when (or prior to) submitting the final invoice for audit services rendered to the Commission.

If circumstances arise during the audit that require work to be performed more than the original estimates, any additional costs will be negotiated prior to commencement of the work and an amended contract will be approved by the governing board and forwarded to the staff of the LGC for approval.

Either the manager or partner of the audit staff is required to present and attend the Town Council's meeting in which the Audit report is presented. Required communications to the Council can be delivered at this point, as well as general comments regarding the audit process and the results of the audit. Finance staff will coordinate this presentation and determine the date and time of the meeting, typically held in late October or early November following the audit completion.

**Audit Contract: Period & Payment of Audit Fees**

The Town intends to continue the relationship with the auditor for no less than three years on the basis of annual negotiation after the completion of the first-year contract. Each year after negotiation has taken place an annual contract documenting the terms of the audit will be signed. Since one governing board may not obligate future governing boards, the remaining years of the agreement are subject to annual governing board approval. The Town reserves the right to request proposals at any time following the first year of this contract. It is requested that proposals be prepared for the following years, with year one being the only obligated year:

July 1, 2021 to June 30, 2022  
July 1, 2022 to June 30, 2023  
July 1, 2023 to June 30, 2024

The required current revision of the form “Contract to Audit Accounts” (form LGC-205) is required to be executed as the contract document; however, the auditor and the Town may also execute an engagement letter and/or a Town contract to include additional terms not addressed in the LGC-205. The entire audit contract package must be approved by the staff of the Local Government Commission. Invoices are subject to approval by the LGC prior to payment by the Town. Interim or progress billings for services rendered marked approved by the LGC will be paid up to 75% of the total fee prior to submission of the final audited financial statements to the staff of the Local Government Commission. The final 25% of the Audit fees (final invoice) will be paid when the financial statements, single audit (if applicable), management letter and amended contract (if applicable) have been reviewed or approved by the LGC.

The LGC only approves invoices for audit related work. Requests for payment related to any additional agreed upon procedures or AFIR work do not require LGC approval. Final invoices for these services will be paid after the final report results and findings have been reviewed and deemed satisfactory by Town staff.

**Description of Selection Process**

The Town requests that no Town officials or staff be contacted during this proposal process. Submit questions regarding the RFP in writing via email to Finance Officer at [amcadoo@carrboronc.gov](mailto:amcadoo@carrboronc.gov). Any additional information disclosed to participating audit firms prior to bid submission will be shared with all interested parties

Proposals are to be submitted in two sections:

- a . Section 1 will be comprised of the audit firm’s experience and qualifications of its personnel in performing governmental audits; and,
- b. Section 2 will consist of completed cost estimate sheets.

Proposals must be physically signed by an authorized representative of the Audit firm.

The Finance Office staff will evaluate the proposal on experience and technical qualifications. The firm best meeting the Town’s expectations for experience, audit approach, technical qualifications and cost requirements will be selected.

Keep in mind that cost, while an important factor will not be a sole determining factor. Unusually low bids that are obviously out of line with other bidders or are significantly lower than our current fees will raise concern. The lowest bid will not automatically be awarded preferential consideration.

The Town reserves the right to reject any or all proposals, waive technicalities, and to be the sole judge of suitability of the services for its intended use and further specifically reserve the right to make the award in the best interest of the Town.

Failure to respond to any requirements outlined in the RFP, or failure to enclose copies of the required documents, may disqualify the proposal. Firms must be registered with the North Carolina State Board of CPA Examiners.

### **Section 1 – Experience and Qualifications**

#### **A. Profile of the Firm**

The first section should address the requested information below. The corresponding responses should begin with the number below for the requested information.

1. Indicate the Audit firm's North Carolina office location(s) that will handle the audit.
2. Indicate the number of people (by level) located within the Audit firm's local office that will handle the audit.
3. Provide a list of the audit firms' local office's current and prior government audit clients, indicating the type(s) of services performed and the number of years served for each.
4. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the year(s) of engagement.
5. Describe your audit organization's participation in AICPA sponsored or comparable quality control programs (peer review). Provide a copy of the firm's current peer review.
6. Describe the professional experience in governmental audits of each senior and higher-level person assigned to the audit, the years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher-level personnel will be on site. Relevant experience and education with the new GASBS reporting requirements should be clearly communicated.
7. Describe the relevant educational background of each person assigned to the audit, senior level and higher. This should include seminars and courses attended within the past three years, especially those courses in governmental accounting and auditing.
8. Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions (e.g., Water/Sewer,



Electric service function).

9. Describe any specialized skills, training, or background in public finance of assigned individuals. This may include participation in State or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles and books.
10. Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contracted for a reference.
11. Describe the firm's Statement of Policy and Procedures regarding Independence under Government Auditing Standards (Yellow Book), July 2018 Revision. Provide a copy of the firm's Statement of Policy and Procedures.
12. Is the firm adequately insured to cover claims? Describe liability insurance coverage arrangements.
13. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.
14. Comment on your knowledge of and relationship with the NC Local Government Commission and the University Of North Carolina School of Government in Chapel Hill.

## **B. Audit Approach**

Proposals should include completed cost estimate sheets and any other necessary cost information in a **separate, sealed envelope marked – "Cost Estimate."** The Town will evaluate the qualifications of all firms submitting proposals before considering the Cost Estimate.

1. Type of audit program used (tailor-made, standard government, or standard commercial).
2. Use of statistical sampling.
3. Use of automated processes and internal control testing methods.
4. Use of computer audit specialists.
5. Organization of the audit team and the approximate percentage of time spent on the audit by each member.
6. Information that will be contained in the management letter.
7. Assistance expected from the government's staff, if other than outlined in the RFP.
8. Tentative schedule for completing the audit within the specified deadlines of the RFP.
9. Please list any other information the firm may wish to provide.

**Section 2 - Cost**

Specify costs using the format below for the audit year July 1, 2021 to June 30, 2022. For the two audit years, which follow, list the estimated costs. The cost for the audit year ending June 30, 2022 is binding, while the second and third years are estimated costs. Cost estimates must indicate the basis for the charges and whether the amount is a “not-to- exceed” amount.

- A. Personnel costs – Itemize the following for each category of personnel (partner, manager, senior, staff accountants, clerical, etc.) with the different rates per hour.
  - 1. Estimated hours: please categorize estimated hours into the following: on-site interim work, year-end on-site work, and work performed in the auditor’s office.
  - 2. Rate per hour.
  - 3. Total cost for each category of personnel and for all personnel costs in total.
- B. Travel – itemize transportation and other travel costs separately.
- C. Cost of supplies and materials – itemize.
- D. Other costs – completely identify and itemize.

If applicable, note your method of determining increases in audit costs on a year-to-year basis.

Please include the attached Summary of Audit Costs Sheet with your proposal.

**Time Schedule for Awarding the Contract**

RFP Release Date	<b><i>February 28, 2022</i></b>
Deadline for RFP Questions *	<b><i>March 7, 2022 by 5:00 pm</i></b>
Questions to be Answered No Later Than	<b><i>March 21, 2022 by 5 pm</i></b>
Deadline for Receipt of Proposals **	<b><i>March 31, 2022 by 3:00 pm</i></b> Town of Carrboro Finance Department Attn: Arche L. McAdoo, Finance Officer 301 West Main Street Carrboro, NC 27510
Notice of Recommended Firm	<b><i>April 11, 2022</i></b>
Council Approval ***	<b><i>April 19, 2022</i></b>

\*Any questions should be directed to Arche L. McAdoo, Finance Officer, at (919) 918-7439 or [amcadoo@carrboronc.gov](mailto:amcadoo@carrboronc.gov). Appointments may be scheduled to discuss further any specific matters necessary in preparing your proposal.

\*\* Proposals can either be submitted electronically (email) to [amcadoo@carrboronc.gov](mailto:amcadoo@carrboronc.gov) or on paper by March 31, 2022. Your email should include two separate pdf attachments for sections 1 and 2. Envelopes containing proposals on paper should be clearly identified on the front with the words "RESPONSE TO RFP FOR AUDIT SERVICES". Envelopes should include One (1) original and Four (4) copies of the bound proposal (clearly separating section 1 and 2) should be delivered to:

Town of Carrboro  
Finance Department  
Attn: Arche L. McAdoo  
Finance Officer  
2301 West Main Street  
Carrboro, NC 27510

\*\*\* The Finance Office will review the proposals and make a recommendation to the Town Council on April 19, 2022, at which time the contract may be awarded.

### **Description of the Governmental Entity and Its Accounting System**

Reference should be made to the most recent Annual Comprehensive Financial Report and Audit Report for a general overview of the Town. A PDF copy of the most recent ACFR/Audit report is located on the Town's website at <http://www.townofcarrboro.org/> or by emailing [amcadoo@carrboronc.gov](mailto:amcadoo@carrboronc.gov).

### **Funds**

The Town of Carrboro maintains the following funds:

#### Governmental Funds

General Fund

#### Special Revenue Funds

Affordable Housing  
Grants Administration  
Powel Bill  
Revolving Loans for Energy Efficiency  
Revolving Loans for Economic Development  
American Recovery Plan Act

#### Capital Projects Funds

Capital Projects  
GO Bonds for Sidewalks and Greenways  
Facilities Rehab Fund  
Capital Reserve  
Payment In Lieu

Proprietary Funds

Storm Water Utility Enterprise Fund  
Parking Enterprise Fund

Carrboro Tourism Development Authority (Component Unit)

**Grants, Entitlements, and Shared Revenues**

A copy of the Schedule of Federal and State Expenditures and a Summary of Auditor's Results showing the major programs for the year ended June 2021 can be found in the ACFR located on the Town's website.

**Budgets**

The Town's annual budget is adopted for the General Fund and the two enterprise funds. Multi Year project ordinances are prepared for Capital Project and Special Revenue funds.

All budgets are prepared using the modified accrual basis of accounting. All appropriations are made at the functional and departmental level. The Town also maintains an encumbrance system. Both the budgetary and encumbrance systems are integrated with the accounting system to provide comparison with actual expenditures.

**Accounting Records**

The Town maintains all its accounting records at the finance office located at Town Hall, 301 West Main Street, Carrboro, NC 27510. All accounting journals and subsidiary ledgers are maintained on paper and within the accounting software, MUNIS by Tyler Technologies.

**Assistance Available to Auditor**

The Town has designated the Finance Officer as a person with the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the services and accept responsibility for the results of the services performed. The Town will make available to the auditor sufficient help to pull and re-file records and prepare necessary confirmations. An electronic version of the trial balance with budgeted amounts will be made available in late August. The following accounting procedures will be completed, and documents prepared by the Town's staff no later than September 1.

- The books of account will be fully balanced.
- All subsidiary ledgers will be reconciled to control accounts.
- All bank account reconciliations for each month will be completed.

The Town's personnel will prepare the following items:

**General**

1. Working Balance Sheet for each fund.

2. Working Statement of Revenues, Expenditures, and Transfers for each fund.
3. General Ledger transaction detail report for each account.
4. A copy of the original budget, all amendments, and the final budget as of June 30, 2022.
5. A copy of all project ordinances and all amendments for active projects during the audit period.
6. A copy of Town policies, including travel policies, investment policies, debt policies, fund balance policies and purchasing policies including how the pre-audit process is performed.
7. Copies of all signed Council meeting minutes.
8. Copies of all correspondence with the staff of the Local Government Commission, including semiannual Cash and Investment Reports (LGC-203), unit letters, letters regarding the audited financial statements and compliance reports for the previous year.
9. Required supplementary information, e.g., actuarial information for the Law Enforcement Officers' Separation Allowance.

#### **Cash and Investments**

1. All bank reconciliations for each month
2. List of outstanding checks by account, showing check number, date, and amount.
3. Schedule of all investments for all funds at the audit date, showing book value and estimated market value at fiscal year-end.

#### **Receivables**

1. Listing of unpaid tax bills in detail totaled by year as of fiscal year end.
2. Listing of outstanding receivables by account as of the fiscal year end.
3. Listing of outstanding receivables in detail as of the fiscal year end.
4. Schedule of miscellaneous receivables booked as of the fiscal year end.

#### **Other Assets**

1. Schedule of insurance coverage.

#### **Capital Assets**

1. Listing of all capital assets
2. Printout of all capital asset acquisitions made during the audit year.

3. Printout of all capital asset dispositions made during the audit year.
4. Printout of depreciation expense posted for the audit year.

**Current Liabilities**

1. Schedule of accounts payable including batch printouts.

**Long-Term Debt**

1. Computation of vested vacation payable as of the audit date.
2. Debt Schedule for each debt issue and related payments.

**Grants**

The following will be compiled for each grant:

1. Grant agreement.
2. Grant Budget.
3. All financial reports.
4. Correspondence with the grantor agency, including monitoring reports.
5. CFDA # and/or pass-through grant #.

**Size and Complexity of Town**

**Personnel/Payroll**

Number of employees	165.9
Frequency of payroll	<u>Bi-Weekly</u>
Number of payroll direct deposit advises monthly	<u>405</u>

**Property Tax collected by Orange County**

Total dollar amount of most recent year's collections	\$ <u>13,679,213</u>
Total dollar amount of levy	\$ <u>2,474,230,018</u>

**Purchasing**

Number of purchase orders issued (FY 2021)	<u>213</u>
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**Bank Accounts**

Number of bank accounts	<u>5</u>
Number of investment accounts (NC Cash Management Trust Government Portfolio)	<u>2</u>
Average monthly activity in main accounts	\$ <u>6,286,238</u>
Number of deposits: Central Depository	<u>164</u>
Number of checks: Central Depository	<u>274</u>

**The following financial applications are on the computer system:**

General Ledger  
Accounts Payable  
Capital Assets

Accounts Receivable  
Cash Receipts  
Fixed Assets

**SUMMARY OF AUDIT COSTS SHEET**

- 1. Base Audit  
Includes Personnel costs, travel, and on-site work      \$ \_\_\_\_\_
  
- 2. Extra Audit Services  
\$ \_\_\_\_\_ Per hour      \$ \_\_\_\_\_
  
- 3. Other (explain)  
\_\_\_\_\_ \$ \_\_\_\_\_
  
- 4. Other (explain)  
\_\_\_\_\_ \$ \_\_\_\_\_
  
- TOTAL**      \$ \_\_\_\_\_

FIRM:	Primary Contact:
Address:	Telephone:
	Fax:
	E-mail:
	Date:

**PROPOSAL CERTIFICATION**

**Proposers Signature:** \_\_\_\_\_ **Date** \_\_\_\_\_

**By Signing above, I Certify that I have carefully read and fully understand the information contained in this RFP; and that I have the capability to successfully undertake and complete the responsibilities and obligations of the Proposal being submitted and have the authority to sign Proposal on behalf of my organization.**

BY (Printed): \_\_\_\_\_

TITLE: \_\_\_\_\_

COMPANY: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

TELEPHONE: \_\_\_\_\_

EMAIL: \_\_\_\_\_





### PROPOSED FEES

The proposed fees reflect DHG’s engagement strategy to provide high-quality services using the number of individuals needed to perform the work in the most cost-efficient manner. We strive to use a mix of professionals who can provide the necessary levels of experience and subject matter knowledge at the lowest possible cost.

If our fee estimate is significantly different from other estimates provided, we would appreciate the opportunity to discuss the matter with you further. We do not want professional fees to be the determining factor in your final selection. We strongly believe that DHG's services are price-competitive, taking into account our industry emphasis and level of skilled professionals. We respectfully request the opportunity to discuss our fees further if they are out-of-line with our competitors or your expectations.

Title	Rate Per Hour	Onsite		Auditor Office	Total Audit Hours	Audit Costs
		Interim	YE			
Partner	375	8	8	8	24	\$9,000
EQR	375			8	8	3,000
Sr Manager	250	12	18	12	42	10,500
Senior Associate	185	24	24	24	72	13,320
Associates	165	24	80	60	164	27,060
Clerical	75			5	5	375
		68	130	117	315	\$63,255
					Discount	(2,155)
					<b>FY 2022</b>	<b>61,100</b>
					<b>FY 2023</b>	<b>62,930</b>
					<b>FY 2024</b>	<b>64,810</b>

#### Breakout of \$61,100

48,600	Base Audit
7,500	F/S Preparation
5,000	Single Audit*
<b>61,100</b>	

*\*Up to 2 major programs; thereafter, \$2,500/program*

# DHG

**GOVERNMENTAL**

**A PROPOSAL FOR / The Town of Carrboro**

**MARCH 2022**

## SECTION 1: PROFILE OF THE FIRM

**DHG**

## PROFILE OF THE FIRM



Indicate the Audit firm's North Carolina office location(s) that will handle the audit.

### LOCAL PRESENCE

DHG maintains the local connection with The Town and looks forward to the opportunity of continuing to serve you from our High Point and Winston-Salem locations. DHG High Point delivers timely and innovative solutions to businesses of all sizes and scale with the goal of creating space for growth and profitability for our clients. Nearly ten partners call High Point home and offer focused experience to clients in all industry areas.

#### DHG High Point

1829 Eastchester Drive  
High Point, NC 27265  
p 336.889.5156  
f 336.889.6168

#### DHG Winston-Salem

100 N. Main Street / Suite 2300  
Winston-Salem, NC 27101  
p 336.714.8100  
f 336.714.8145



Indicate the number of people (by level) located within the Audit firm's local office that will handle the audit.

STAFF CLASS	NUMBER OF PROFESSIONALS
Partner / Principal / Director	1
Senior Manager	1
Manager	-
Senior Associate / Senior Consultant	1
Associate / Consultant	2
Client Accountant	1
Administrative Staff	1

## PROFILE OF THE FIRM / CONTINUED



Provide a list of the audit firms' local office's current and prior government audit clients, indicating the type(s) of services performed and the number of years served for each.

Below and on the following pages is a list of current and prior government audit clients served within the last seven years by the Triad DHG offices including the number of years the units have been served by DHG and services performed.

Unit	Years Served	Services Performed
<b>Bald Head Island Transportation Authority</b> Bald Head Island, North Carolina	3	Financial Statement Audit Preparation of Financial Statements
<b>Beaufort County Schools</b> Washington, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements
<b>Bladen County Schools</b> Elizabethtown, North Carolina	15+	Preparation of Financial Statements
<b>Brunswick County Schools</b> Bolivia, North Carolina	5	Assistance with CAFR Preparation
<b>Cabarrus County Schools</b> Concord, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements
<b>Carrboro Tourism Development Authority</b> Carrboro, North Carolina	10+	Financial Statement Audit Preparation of Financial Statements
<b>CenterPoint Human Services</b> Winston-Salem, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Information Technology Advisory Services Maintenance of Fixed Assets Listing Preparation of Financial Statements
<b>Centralina Council of Governments</b> Charlotte, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements

## PROFILE OF THE FIRM / CONTINUED

Unit	Years Served	Services Performed
<b>Charlotte - Mecklenburg Schools</b> Charlotte, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance CAFR Assistance State Retirement Plan Examination Agreed-Upon Procedures
<b>City of Danville</b> Danville, Virginia	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Agreed-Upon Procedures Preparation of Financial Statements
<b>City of Mount Airy</b> Mount Airy, North Carolina	10+	Financial Statement Audit
<b>City of Winston-Salem</b> Winston-Salem, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form State Retirement Plan Examination
<b>Cleveland County Schools</b> Kings Mountain, North Carolina	5+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements State Retirement Plan Examination
<b>Elkin City Schools</b> Elkin, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements
<b>Franklin County Schools</b> Louisburg, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements CAFR Assistance

**PROFILE OF THE FIRM / CONTINUED**

Unit	Years Served	Services Performed
<b>Guilford County Schools</b> Greensboro, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements CAFR Assistance State Retirement Plan Examination
<b>Harnett County Schools</b> Lillington, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements CAFR Assistance
<b>Hillsborough Tourism Board</b> Hillsborough, North Carolina	5	Financial Statement Audit Preparation of Financial Statements
<b>Hillsborough Tourism Development Authority</b> Hillsborough, North Carolina	5	Financial Statement Audit Preparation of Financial Statements
<b>Lee County Schools</b> Sanford, North Carolina	10+	Preparation of Data Collection Form Preparation of Financial Statements
<b>MI Connection Communications Systems</b> Mooresville, North Carolina	7+	Financial Statement Audit Preparation of Financial Statements
<b>Moore County</b> Carthage, North Carolina	5	Preparation of Data Collection Form CAFR Assistance
<b>Moore County Airport</b> Pinehurst, North Carolina	5+	Preparation of Financial Statements
<b>Moore County Schools</b> Carthage, North Carolina	15+	Preparation of Data Collection Form Preparation of Financial Statements
<b>Mount Airy City Schools</b> Mount Airy, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements
<b>Mount Airy Tourism Development Authority</b> Mount Airy, North Carolina	10+	Financial Statement Audit

## PROFILE OF THE FIRM / CONTINUED

Unit	Years Served	Services Performed
<b>Nash-Rocky Mount Schools</b> Nashville, North Carolina	5+	Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements
<b>New Hanover County Schools</b> Wilmington, North Carolina	5+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements
<b>Piedmont Authority for Regional Transportation</b> Greensboro, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Forms Internal Control Risk Advisory Services Agreed-Upon Procedures Preparation of Financial Statements
<b>Richmond County Schools</b> Hamlet, North Carolina	15	Preparation of Financial Statements
<b>Rowan-Salisbury Schools</b> Salisbury, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Agreed-Upon Procedures Preparation of Financial Statements
<b>Sandhills Mental Health Center</b> West End, North Carolina	15+	Financial Statement Audit Preparation of Data Collection Form
<b>Sanford ABC Board</b> Sanford, North Carolina	10+	Financial Statement Audit State Retirement Plan Examination
<b>Sanford Lee County Airport</b> Sanford, North Carolina	20	Preparation of Financial Statements
<b>Stanly County Schools</b> Albemarle, North Carolina	3	Financial Statement Audit Preparation of Data Collection Form State Retirement Plan Examination



## PROFILE OF THE FIRM / CONTINUED

Unit	Years Served	Services Performed
<b>Stokes County Schools</b> Danbury, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Agreed-Upon Procedures Preparation of Financial Statements
<b>Surry County Schools</b> Dobson, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance IT Advisory Services (Training) Agreed-Upon Procedures Preparation of Financial Statements
<b>Town of Aberdeen</b> Aberdeen, North Carolina	20+	Financial Statement Audit Preparation of Data Collection Form Preparation of Financial Statements
<b>Town of Biscoe</b> Biscoe, North Carolina	5+	Preparation of Financial Statements Preparation of Annual Financial Information Report
<b>Town of Carrboro</b> Carrboro, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements
<b>Town of Dobbins Heights</b> Dobbins, North Carolina	15+	Preparation of Financial Statements
<b>Town of Hillsborough</b> Hillsborough, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements
<b>Town of Jamestown</b> Jamestown, North Carolina	10+	Financial Statement Audit CAFR Assistance

## PROFILE OF THE FIRM / CONTINUED

Unit	Years Served	Services Performed
<b>Town of Kernersville</b> Kernersville, North Carolina	10+	Financial Statement Audit Preparation of Annual Financial Information Report Preparation of Financial Statements
<b>Town of Oak Ridge</b> Oak Ridge, North Carolina	10+	Financial Statement Audit Preparation of Financial Statements
<b>Town of Siler City</b> Siler City, North Carolina	5	Financial Statement Audit Preparation of Financial Statements
<b>Town of Southern Pines</b> Southern Pines, North Carolina	10+	Financial Statement Audit Preparation of Financial Statements
<b>Vance County Schools</b> Henderson, North Carolina	2	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements
<b>Village of Pinehurst</b> Pinehurst, North Carolina	10+	Financial Statement Audit
<b>Wake County Public Schools</b> Raleigh, North Carolina	1	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance CAFR Assistance
<b>Winston-Salem/Forsyth County Schools</b> Winston-Salem, North Carolina	10+	Financial Statement Audit Preparation of Data Collection Form Reconciliation of Federal and State Financial Assistance Preparation of Financial Statements State Retirement Plan Examination



Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the year(s) of engagement.

A listing of our Triad offices' current and prior governmental clients, including the number of years the units have been served by DHG and additional services performed, can be found on [page 3](#). In addition to financial statement preparation, we also provide the following services to our governmental clients:

- Implementation Assistance on New GASB Pronouncements
- Agreed-Upon Procedures Reports for Various Needs
- Assistance with Initial and/or Subsequent ASBO and/or GFOA Submissions
- Bookkeeping Assistance
- Budget Consultation and Assistance
- Capital Asset Depreciation Computations
- Internal Control Assessments
- Assistance with Physical Inventories
- Consultation on Accounting Policies and Procedures Manual
- Sales and Use Tax Services
- Payroll Tax Consultation Services
- Forensic Audit Services
- Cash Flow Forecasts and Projections
- Pension Examinations
- Long-Term Debt Restructuring Alternatives
- IT Risk Assessments
- Security Assessments
- Procurement Policy Implementation
- Annual Financial Information Report (AFIR) Preparation



Describe your audit organization's participation in AICPA sponsored or comparable quality control programs (peer review). Provide a copy of the firm's current peer review.

Our commitment to quality is demonstrated by our enrollment in the AICPA Governmental Audit Quality Center. The firm's latest peer review, conducted in 2020, resulted in the issuance of an unqualified opinion that the system of quality control for the accounting and auditing practice met the objectives of quality control standards established by the AICPA and was in compliance during the year under review. No letter of comments was issued, which indicates that no deficiencies were detected and no recommendations for corrections or improvements were necessary. The review included engagements performed under Government Auditing Standards. Our most recent peer review report can be found in [Appendix A](#).



Describe the professional experience in governmental audits of each senior and higher-level person assigned to the audit, the years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher-level personnel will be on site. Relevant experience and education with the new GASB reporting requirements should be clearly communicated.

We have assembled an audit team that encompasses the capabilities and experience necessary for The Town's engagement. The team assembled has significant experience in:

- A wide variety of governmental audits, including municipalities, counties, school boards, mental health authorities, and federal and state grants.
- Auditing under the single audit concept.
- Auditing entities with utilities, enterprise funds and internal service funds.
- Accounting, auditing and financial reporting principles for local governmental units.
- Audit sampling techniques.
- Auditing local governments that utilize data processing equipment.
- Accounting systems analysis.
- Successful implementation of GASB and FASB pronouncements.
- A wide variety of consulting services tailored for local governments.

For resumes that describe the professional experience auditing relevant government organizations of each senior and higher-level person assigned to the audit, please see the Client Service Team section of this proposal in [Appendix B](#).

The percentage of time we anticipate each senior associate and above will be on site is as follows:

Engagement Partner	25%
Senior Manager	50%
Senior Associate	90%

## PROFILE OF THE FIRM / CONTINUED



**Describe the relevant educational background of each person assigned to the audit, senior level and higher. This should include seminars and courses attended within the past three years, especially those courses in governmental accounting and auditing.**

For resumes that describe the relevant educational background of each individual assigned to the proposed audit, senior level and higher, please see the complete biographies of all team members of the Client Service Team in [Appendix B](#).



**Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions (e.g., NCDOT, FTA, Water/Sewer, Electric service function).**

We have extensive experience serving government entities with utilities, enterprise funds, and internal service funds. All of the key members of your proposed service team have experience auditing governments in accordance with generally accepted auditing standards, Government Auditing Standards, the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, the provisions of the Uniform Guidance, the State Single Audit Implementation Act, and a variety of other applicable laws and regulations. For individual experience, please review biographies of team members in [Appendix B](#).



**Describe any specialized skills, training, or background in public finance of assigned individuals. This may include participation in State or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles and books.**

By performing numerous governmental audits, our team has hands-on experience in all facets and levels of local government. With a team that understands the complexities of governmental operations, we provide effective and innovative solutions to problems which will enable The Town to operate more efficiently and help meet your financial objectives.

To further our commitment to local governments, we spend our time learning all we can about the issues and challenges facing your industry. We actively support and are involved in numerous local, regional, and national associations and organizations. We take pride in advising association leaders in how to help their members.

Our involvement in these groups includes activities such as serving on boards, speaking, and exhibiting at trade shows, writing articles for industry publications, and sponsoring special events. Several of the organizations we are actively involved with include:

- AICPA Government Audit Quality Center
- Association for Government Accountants
- National Association of Local Government Auditors
- North Carolina Association of Certified Public Accountants - Governmental Accounting and Auditing Committee
- North Carolina Citizens for Business and Industry
- North Carolina Government Finance Officers Association
- North Carolina League of Municipalities

For resumes that describe the relevant skills, training, and background of each partner/director, manager or senior associate assigned to the proposed audit, please see the Client Service team section of this proposal in Appendix B.

## PROFILE OF THE FIRM / CONTINUED



Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contracted for a reference.

Providing exceptional client service is a cornerstone of our success and integral to our firm's core values. To uphold this quality of service, we meet with our clients on a regular, proactive schedule to understand fully their needs and assess our performance in meeting our clients' expectations. This communication process ensures a more efficient and effective response to the opportunities and challenges our clients face.

Please feel free to contact any of our current governmental audit clients listed below.

UNIT	CONTACT
<b>Town of Kernersville</b> 134 East Mountain Street Kernersville, NC 27284	<b>Samuel Johnson,</b> Accountant 336.992.5457
<b>Piedmont Authority for Regional Transportation</b> 107 Arrow Road Greensboro, NC 27409	<b>Connie Conklin</b> Finance Director 336.291.4320
<b>Town of Jamestown</b> Post Office Box 848 Jamestown, North Carolina 27282	<b>Judy Gallman</b> Finance Officer 336.454.1138



Describe the firm's Statement of Policy and Procedures regarding Independence under Government Auditing Standards (Yellow Book), July 2018 Revision. Provide a copy of the firm's Statement of Policy and Procedures.

DHG recognizes that independence, integrity, and objectivity are essential elements of its practice and, accordingly, we have established policies and procedures that provide reasonable assurance that independence is maintained in fact as well as in appearance. The policies and procedures adopted by the firm supplement the AICPA's Code of Professional Conduct, the rules and regulations of applicable state boards, and any other regulatory agency under which we practice. DHG acknowledges that in some instances the independence rules of certain regulatory agencies are more restrictive than those of the AICPA. It is the policy of our firm and a professional requirement that professional personnel performing engagements subject to such rules be familiar with and comply with the rules of those agencies. As a further commitment to professional independence standards, DHG early implemented the more restrictive GAO independence standards. Please see our firm's Statement of Policy and Procedures related to independence in [Appendix C](#).



**Is the firm adequately insured to cover claims? Describe liability insurance coverage arrangements.**

Over the course of our more than 50-year history, DHG has maintained the financial strength and liquidity necessary to serve our clients. In the opinion of the firm's counsel, DHG has adequate coverage for general liability and other insurance claims. The firm has a standard policy with an independent insurance carrier, which includes a normal deductible. No breaks in coverage due to changes in insurers or other events have occurred. Please see our firm's certificate of insurance in [Appendix D](#).



**Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.**

There has been no regulatory action or investigation taken by any oversight body against DHG or the North Carolina offices.



**Comment on your knowledge of and relationship with the NC Local Government Commission and the University Of North Carolina School of Government in Chapel Hill.**

DHG has had a close working relationship with the NC Local Government Commission for several years. The primary engagement team is on a first-name basis with many of the LGC's staff, and have an open line of communication. In addition, we have attended several events with members of the University of North Carolina School of Government in Chapel Hill, and often use them a resource during the course of our audits, as necessary.

## SECTION 2: AUDIT APPROACH

**DHG**



## AUDIT APPROACH



### Type of audit program used (tailor-made, standard government, or standard commercial).

We will prepare tailor-made audit programs to be used in The Town's audit. We will start with a standard governmental audit program for each significant audit area and add or remove audit procedures based on risk assessment of each audit area. Our risk assessments are based on various factors and whether The Town has internal controls in place to mitigate those risk factors. We make these assessments during our "brainstorming" planning meetings.



### Use of statistical sampling.

Auditing standards generally accepted in the United States of America and Government Auditing Standards permits the use of both statistical and non-statistical sampling techniques. DHG primarily uses non-statistical sampling techniques for both control and substantive tests. Sampling forms published by Practitioners Publishing Company (PPC) and the AICPA Guide on Audit Sampling are the primary sources we use to determine sample sizes. We also use a data extraction and analysis software program called IDEA, whenever possible, for sampling applications. IDEA enables us to generate systematic, monetary unit, and random sample sizes more efficiently than manual methods.



### Use of automated processes and internal control testing methods.

DHG deploys the latest advanced technologies to bring efficiencies and greater value to our assurance practice. For example, we use Kira Systems' machine learning and document analysis software and MindBridge AI (artificial intelligence) for machine learning-based data analysis.

Machine learning platforms like Kira can automatically identify and extract information from contracts, leases and purchase agreements and highlight only the relevant data to be used in an audit. Using Kira for machine learning-assisted review of contracts has been helpful in strengthening audit quality while improving efficiency.

MindBridge AI is a data analytics tool used by DHG for private company audits that leverages machine learning to quickly analyze financial transactions. The use of this capability saves time in that it allows our professionals to more quickly reach an in-depth understanding of a company's financial position and identify risks. We spend less time searching through large volumes of data and more time analyzing it, verifying accuracy and performing high-level functions throughout the audit. MindBridge also helps reduce audit risk by limiting human error and providing more comprehensive sample sets for analysis.

Learn more about DHG's use of MindBridge in our [case study](#).

## AUDIT APPROACH / CONTINUED



### Use of computer audit specialists.

DHG has dedicated Information Technology (IT) staff who can accompany audit engagement teams to the client's facilities. They have helped a variety of organizations adapt information technology risk management capabilities in times of significant expansion and other regulatory change. They can provide insights that will benefit IT management in the areas of business continuity, security issues, systems integration risks, internal controls and internal audit activities.



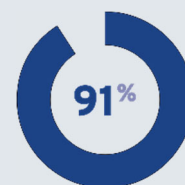
### Organization of the audit team and the approximate percentage of time spent on the audit by each member.

Please refer to the Client Service Team segment included in Appendix B of our proposal for the name and role of each person assigned to the audit engagement. See below for approximate percentage of time spent on the audit.

EMPLOYEE LEVEL	PERCENTAGE OF TIME SPENT ON THE AUDIT
Partner	11%
Engagement Quality Reviewer	3%
Senior Manager	22%
Senior Associate	31%
Associate	31%
Clerical	3%

### GREAT PLACE TO WORK AWARD

In 2021, DHG was re-certified for the 6th year in a row as a Great Place to Work.



of our people say DHG is a Great Place to work.



## STAFF CONTINUITY

DHG's core objective to attract, develop and retain the best and brightest people. Numerous initiatives designed to support this goal have resulted in the firm being named one of the best accounting firms to work for in the U.S. Striving to have low staff turnover helps to build solid, long-lasting relationships. Retaining staff also means recruiting and appropriately training them. DHG maintains one of the most respected programs of in-house training in the industry. With DHG, you can expect an experienced, consistent team that will be responsive to SSI throughout the year.

## AUDIT APPROACH / CONTINUED



### Information that will be contained in the management letter.

Our management letter will conform to auditing standards generally accepted in the United States of America and Government Auditing Standards. It will contain internal control-related matters that we identify during the course of the audit. In addition, we may communicate immaterial instances of noncompliance and other matters that come to our attention, along with recommendations for improvement. Any matter that we consider to be a material weakness, significant deficiency or material noncompliance is required to be communicated in our reports on internal control and compliance under Government Auditing Standards. All comments will be submitted to management in draft form prior to issuance so there are no surprises.



### Assistance expected from the government's staff, if other than outlined in the RFP.

In addition to the level of assistance from The Town's staff identified in the RFP, we would also provide a separate list of requests during the pre-planning conference. We will work with your staff to ensure that the various schedules are prepared in an appropriate format. We will request that your staff type all confirmations, complete all internal control narratives for significant transaction cycles, and pull and/or copy all supporting documentation we request.




### Tentative schedule for completing the audit within the specified deadlines of the RFP.

The prospective schedule for the audit is listed below. The actual dates will be determined in the spring of each year after consultation with management and will depend upon the availability of the appropriate The Town personnel.

AUDIT ACTIVITY	DATE
Pre-planning conference	May 2022
Interim fieldwork completed	June 2022
Year-end fieldwork completed	August 2022
Preliminary financial statement comments to Finance Director	October 10, 2022
Final report to The Town	October 31, 2022

The Finance Director will receive a listing of requested information needed for the audit at the pre-planning conference, periodic conferences during the conduct of the audit, and an exit conference prior to the completion of fieldwork.

## AUDIT APPROACH / CONTINUED

-  Specify costs using the format below for the audit year July 1,2021 to June 30,2022 and audit year July 1,2022 to June 30, 2023. For the three audit years, which follow, list the estimated costs. The cost for the audit years ending June 30,2022 and June 30,2023 is binding, while the third, fourth and fifth years are estimated costs. Cost estimates must indicate the basis for the charges and whether the amount is a “not-to-exceed” amount.
- A. Audit firm personnel costs – Itemize the following for each category of personnel (partner, manager, senior, staff accountants, clerical, etc.) with the different rates per hour.
    - 1) Estimated hours: categorize estimated hours into the following: on-site interim work, year-end on-site work, and work performed in the auditor’s office.
    - 2) Rate per hour.
    - 3) Total cost for each category of personnel and for all personnel costs in total.
  - B. Travel – itemize transportation and other travel costs separately.
  - C. Cost of supplies and materials – itemize.
  - D. Other costs – completely identify and itemize.
    - 1) If applicable, note your method of determining increases in audit costs on a year-to-year basis

Per the RFP requirements, our cost information can be found in the separate attachment labeled “Cost Estimate”.

-  Please list any other information the firm may wish to provide.

We have included information regarding our Inclusion and Diversity (I&D) initiatives within [Appendix E](#) of the proposal.

-  Please include the Summary of Audit Costs Sheet (Attachment 1).

Per the RFP requirements, our cost information can be found in the separate, sealed envelope labeled “Cost Estimate”.



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A Professional Accounting Corporation

## Report on the Firm's System of Quality Control

To the Partners of  
Dixon Hughes Goodman LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Dixon Hughes Goodman LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended February 29, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, an audit of a broker-dealer, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As part of our peer review, we considered reviews by regulatory entities as communicated to the firm, if applicable, in determining the nature and extent of our procedures.

### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Dixon Hughes Goodman LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended February 29, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Dixon Hughes Goodman LLP has received a peer review rating of *pass*.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
November 13, 2020



National Peer  
Review Committee

December 11, 2020

Ralph Snow  
Dixon Hughes Goodman LLP  
4350 Congress ST Ste 900  
Charlotte, NC 28209-4866

Dear Ralph Snow:

It is my pleasure to notify you that on December 11, 2020, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is August 31, 2023. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

Michael Fawley  
Chair, National PRC  
+1.919.402.4502

cc: Candace Wright, David Hinshaw

Firm Number: 900010017108

Review Number: 576076

220 Leigh Farm Road, Durham, NC 27707-8110  
T: +1.919.402.4502 F: +1.919.419.4713  
[aicpaglobal.com](http://aicpaglobal.com) | [cimamaglobal.com](http://cimamaglobal.com) | [aicpa.org](http://aicpa.org) | [cima.org](http://cima.org)



John Frank, CPA / Engagement Partner / High Point, NC  
336.822.4308 / john.frank@dhg.com

## Experience

John Frank has served as engagement partner for The Town for more than 10 years. Since joining the firm in 1984, John has gained a broad-based knowledge of accounting and auditing for governmental entities and closely held companies and their owners. During his career, he has developed a strong working knowledge of numerous industries including local governments, manufacturing, furniture, and construction and real estate. Admitted to partnership of the firm in 1997, he has assisted governmental clients with various accounting and financial reporting issues including CAFR preparation, accounting for debt issuances, grant compliance, and reporting, agreed-upon procedures engagements, and internal control assessments. Additionally, John serves as concurring review partner on numerous governmental audit engagements throughout the firm.

## Professional and Civic Involvement

- American Institute of Certified Public Accountants (AICPA)
- North Carolina Association of Certified Public Accountants (NCACPA)
- High Point Chamber of Commerce, Treasurer
- Immaculate Heart of Mary Church, Finance Committee

## Licenses and Certifications

NC Certified Public Accountant #15854

## Education

University of North Carolina at Chapel Hill, Bachelor of Science, Business Administration, concentration in Accounting

Audit	Year(s) Served		
Carrboro Tourism Development Authority	3	Town of Carrboro	10+
City of Winston-Salem	2	Town of Hillsborough	10+
Hillsborough Tourism Development Authority	4	Town of Jamestown	10+
Hillsborough Tourism Board	4	Town of Kernersville	10+
Mount Airy/Surry County Airport Authority	3	Town of Oak Ridge	10+
Piedmont Authority for Regional Transportation	10+	Town of Siler City	3
Town of Aberdeen	3	Town of Southern Pines	3
Town of Biscoe	3	Sandhills Center for Mental Health	3
		Village of Pinehurst	3

John has attended the following governmental related courses over the past few years:

- Cultivate 2017 Audit Technical Conference
- Development: An Auditing Introduction
- Local Government Conference
- Navigate: Governmental and Not-for-Profit Technical Conference (Instructor)
- Single Audit Training



Mark Nicolas, CPA / Managing Partner / Memphis, TN  
901.259.3647 / mark.nicolas@dhg.com

### Experience

Mark is managing partner of DHG’s Non-Profit, Education and Government industry group, overseeing the services of more than 1,400 clients nationwide. He spearheads the practice's focus on important industry issues that affect our clients and helps identify timely solutions. Mark’s accounting career spans more than 25 years and he has been with DHG’s audit practice since 2004.

Board members and management seek Mark’s advice on improving efficiency, transparency and accountability. Recently he has been focused on helping clients comply with CARES Act funding requirements and implement new accounting standards such as revenue recognition guidance for both for-profits and non-profits and lease accounting under GASB and FASB.

## Professional and Civic Involvement

- American Institute of Certified Public Accountants (AICPA)
- American Institute of Certified Public Accountants (AICPA)
- Government Finance Officers Association (GFOA)
- National Association of College and University Business Officers (NACUBO)
- American Associate of Airport Executives (AAAE)
- Association of Certified Fraud Examiners (ACFE)
- Tennessee Society of Certified Public Accountants
- University of Memphis Accountancy Advisory Board
- University of Memphis MILE Mentor
- C12 Christian CEO Peer Advisory Group

## Licenses and Certifications

TN Certified Public Accountant - TN - 14560

## Education

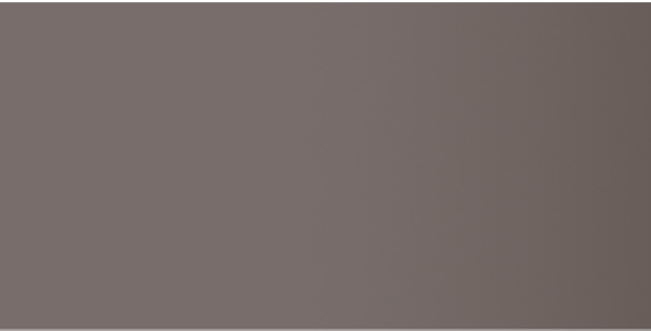
University of Mississippi, Masters in Accounting, Bachelors in Accounting

Audit	Year(s) Served
Town of Collierville, TN	9
Collierville Schools, TN	7
Millington Schools, TN	7
Metropolitan Nashville Airport Authority	5
Memphis Shelby County Airport Authority	17
Virginia OPED Trust	3

Mark has attended the following governmental related courses over the past few years:

- Internal Controls: Cradle to Grave
- Technical Deep Dive: Leases
- Client & Engagement Management Tools (Engagement Tracker, MyDHG, etc.)
- Assurance Innovation - What's Here & What's on the Horizon
- 2021 GASB Summary
- 2021 Single Audit Summary
- 2021 EBP Update (Part 2)
- Preventing, Detecting and Deterring Fraud in the Not-for-Profit, Higher Education and Public Sectors
- 2021 EBP Update (Part 1)





Chad Cook, CPA / Engagement Sr. Manager / High Point, NC  
336.822.4494 / chad.cook@dhg.com

**Experience**

Chad has served The Town for six years. Chad has eleven years of public accounting experience in the areas of audit and accounting. Chad has provided accounting services for governmental clients, as well as a variety of clients in the affordable housing industry, real estate industry, construction industry, and non-profit sectors. These services range from financial statement audits, agreed-upon procedure reports, cost certifications, evaluation of internal controls, and the supervision and guidance of staff performing these services. Further, Chad has experience performing services which ensure compliance with government and other regulatory restrictions in conjunction with financial statement audits.

**Professional and Civic Involvement**

- American Institute of Certified Public Accountants (AICPA)
- North Carolina Association of Certified Public Accountants (NCACPA)
- Family Service of Greensboro Foundation, Board Member

**Licenses and Certifications**

NC Certified Public Accountant #37209

**Education**

Appalachian State University, Master of Science, Accounting, Bachelor of Science in Business Administration, Accounting

Audit	Year(s) Served		
Bald Head Island Transportation Authority	3	Town of Hillsborough	4
Carrboro Tourism Development Authority	6	Town of Jamestown	3
City of Goldsboro	2	Town of Oak Ridge	7
City of Winston-Salem (single audit)	3	Town of Southern Pines	6
Hillsborough Tourism Board	4		
Hillsborough Tourism Development Authority	4		
Mount Airy/Surry County Airport Authority	3		
Piedmont Authority for Regional Transportation	7		
Town of Carrboro	6		

Chad has attended the following governmental related courses over the past few years:

- Local Government Conference
- Navigate: Governmental and Not-for-Profit Technical Conference (Instructor)
- Excellence in Assurance
- Yellow Book & Single Audit Update
- ONEDHG Industries Conference



## APPENDIX C: STATEMENT OF POLICY AND PROCEDURES

At this time, we are not aware of any relationships or conflicts with your organization that would be a risk to our firm's independence and we will take all steps to maintain that condition. If a conflict occurs, we will discuss it with you immediately and a decision will be mutually agreed upon.

It is the policy of the firm that each Partner, Principal, Director, and professional employee is expected to be familiar with and to comply with the independence, integrity and objectivity rules, interpretations and ethics rulings of the AICPA Code of Professional Conduct, and the rules and regulations of other state boards of accountancy as appropriate, state societies as appropriate, state statutes, and any other regulatory agency under which we practice. Firm policy states that, for engagements that are subject to Government Auditing Standards and other regulatory agencies, all professional personnel must be familiar with and adhere to the independence rules included in those standards and that personnel will always act in the public interest. Examples of other regulatory agencies under which we practice include the Securities and Exchange Commission, the PCAOB, the Federal Deposit Insurance Corporation, the U. S. Government Accountability Office (GAO), the Department of Labor, and other governmental agencies. Professional personnel performing engagements for these and other regulatory agencies must also be familiar with and comply with independence rules that, in some instances, are more restrictive than the AICPA rules.

# APPENDIX D: CERTIFICATE OF INSURANCE



## CERTIFICATE OF LIABILITY INSURANCE

DIXON-2

QP ID: CM

DATE (MM/DD/YYYY)  
03/29/2022

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

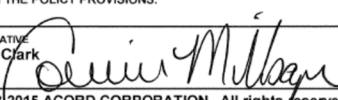
PRODUCER Patton, Morgan & Clark P O Box 1027 Canton, NC 28716 Patton, Morgan & Clark	828-648-2632	CONTACT NAME: Patton, Morgan & Clark PHONE (A/C, No, Ext): 828-648-2632 FAX (A/C, No): 828-648-2642 E-MAIL ADDRESS:
	INSURER(S) AFFORDING COVERAGE INSURER A: The Travelers Companies Inc, NAIC # 25682 INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:	
INSURED Dixon Hughes Goodman LLP P.O. Box 3049 Asheville, NC 28802		

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD. WVD.	POLICY NUMBER	POLICY EFF. (MM/DD/YYYY)	POLICY EXP. (MM/DD/YYYY)	LIMITS
A X	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PER <input type="checkbox"/> LOC OTHER:		630-5E183024-COF-21	06/01/2021	06/01/2022	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMPI/OP AGG \$ 2,000,000
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO OWNED AUTOS ONLY <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY		BA-1N048382-21-43-G	06/01/2021	06/01/2022	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
A X	UMBRELLA LIAB EXCESS LIAB DED <input checked="" type="checkbox"/> RETENTION \$ 10000		CUP-1J921907-21-43	06/01/2021	06/01/2022	EACH OCCURRENCE \$ 15,000,000 AGGREGATE \$ 15,000,000
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input type="checkbox"/> N/A	UB-6K186824-21-43-G	06/01/2021	06/01/2022	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER Town of Carrboro 301 West Main Street Carrboro, NC 27510	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE Patton, Morgan & Clark 
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# APPENDIX E: ADDITIONAL INFORMATION

## INCLUSION, DIVERSITY & DHG

Inclusion and Diversity (I&D) are essential and foundational to achieving DHG's mission of building valuable careers with all of our people and helping our clients achieve their goals. At DHG, we are passionate about fostering an inclusive environment that celebrates diversity and creates a workplace where everyone can experience belonging.



When there is a sense of belonging, it empowers people at DHG to bring their best and authentic self to work every day, focusing their workday energy on what matters most – their career and our clients.

**Kevin Price** / Senior Vice President, Inclusion & Diversity

Our dedication to I&D allows us to examine every facet of our firm, and to build an I&D strategy focused on three pillars:



### INDIVIDUAL JOURNEY

We concentrate on the talent lifecycle of our team members. From recruitment, to development and through the advancement of our people, we commit to ensure the appropriate application of equity. Our goal is to foster an environment that enables all of our professionals to plan their future in a way that successfully integrates their career with their lifestyle, regardless of gender, race, skill set, age or other factors.



### WORKPLACE CULTURE

DHG supports the distinctive characteristics of our work environment that promote belonging. Our firmwide Inclusion Networks, such as Women Forward, the African American Network, PRIDE+ (LGBTQ) and others, facilitate crucial conversations while promoting greater awareness through connections. In conjunction with a leading human resources consulting firm, DHG participates in nationwide benchmarking studies to measure our progress toward best-in-class diversity representation.



### ORGANIZATIONAL IDENTITY

DHG believes Inclusion and Diversity are integral to our organization and brand identity. We embrace I&D as a key component to the success of our people, our clients and the communities we serve. Firm leadership encourages and facilitates open discussions on I&D topics and uses our pillars of focus to guide the strategic direction of the firm. We strive to be a thought leader, sharing our I&D perspectives in industry-based publications and as a member of the CNBC Workforce Executive Council.

We accomplish our I&D Strategy at the individual, workplace and organizational levels through:

- AWARENESS:** We pursue and share experiences that drive a deeper acceptance and understanding of everyone.
- ACTION:** We contribute to diverse environments, promote authentic expression and work to build understanding with others.
- ALLYSHIP:** We actively seek to understand others and be the support they need as they encounter challenges.
- ACCOUNTABILITY:** We consistently hold ourselves and others accountable for creating and expanding a culture of inclusion.



Our efforts are considered successful when we are thriving in differences, celebrating unique perspectives and encouraging authentic expression. With diverse and inclusive teams, we bring unique perspectives and better serve our clients through DHG's client experience model of being responsive, taking action and adding value.



Learn more about our I&D efforts in our [I&D Magazine](#).

### TABLE OF CONTENTS

#### **I&D at DHG / 6**

Learn more about why Inclusion & Diversity are essential and foundational to achieving DHG's mission.

#### **Year in Review / 8**

Look back on the past year and all that we have achieved together as a firm.

#### **Focus Areas / 10**

We accomplish our I&D Strategy at the individual, workplace and organizational levels through four main focus areas.

#### **Awareness / 12**

Learn more about how DHG pursues and shares experiences that drive a deeper acceptance and understanding of everyone.

#### **Action / 14**

Read how DHG contributes to diverse environments, promotes authentic expression and works to build understanding with others.

#### **Allyship / 18**

We actively seek to understand others and be the support they need as they encounter challenges.

#### **Accountability / 20**

Learn more about how we consistently hold ourselves and others accountable for creating and expanding a culture of inclusion.

# DHG

**John Frank**  
Engagement Partner  
336.822.4308  
john.frank@dhg.com



# Town of Carrboro

Town Hall  
301 W. Main St.  
Carrboro, NC 27510

## Agenda Item Abstract

**File Number:22-147**

**Agenda Date:** 5/3/2022

**File Type:**Agendas

**In Control:** Board of Aldermen

**Version:** 1

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### TITLE:

Updates to Town Code Illicit Discharge Provisions

**PURPOSE:** The purpose of this item is to update the Illicit Discharge provisions in Chapter 5, Article IV of the Town Code

**DEPARTMENT:** Public Works Department

**CONTACT INFORMATION:** Emily Cochran, Stormwater Administrator (919) 918-7435;  
Randy Dodd, Stormwater Utility Manager (919) 918-7341

**INFORMATION:** Under the Town's NPDES stormwater permit, the Stormwater Management Plan (SWMP) requires periodic review and updates of surface water protection regulations, and specifically requires that the review for illicit discharge provisions be completed by June 30, 2022. Staff have drafted several recommended changes, and conferred with the Town Attorney, Stormwater Advisory Commission (SWAC), and NCDEQ (see Attachments C and D) about the proposed changes and followed up on the SWAC's input. The changes are:

1. Additions to Section 5-31 Definitions, for the definitions of "Pollutant" (to add "salt" and "chemical additives") and "Surface waters" (to include "Town regulated streams")
2. Changes to Section 5-32 Illicit Discharges Prohibited, to specify that residential or charity car washing discharges must not directly enter the stormwater system, and that runoff from swimming pool discharges and residential properties must be discharged as diffuse flow in a non-erosive manner outside the stream buffer
3. Addition to Section 5-34 Inspections, to add the collection of samples as an explicit right of Town Staff in the investigation of illicit discharges
4. Under Section 5-35 Enforcement, specify that the Administrator is authorized to enforce this article through Section 5-21 Penalties and Remedies.

An ordinance is attached for Council's consideration with the amendments to the Town Code along with a staff memo, Stormwater Advisory Commission recommendation, and NCDEQ document on swimming pool discharges that provide additional information and background on the proposed changes.

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**Agenda Date:** 5/3/2022

**File Type:**Agendas

**In Control:** Board of Aldermen

**Version:** 1

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**FISCAL & STAFF IMPACT:** None anticipated

**RECOMMENDATION:** It is recommended that the Illicit Discharge provisions in the Town Code be updated by approving the attached ordinance.

AN ORDINANCE AMENDING THE CARRBORO TOWN CODE PROVISIONS FOR  
ILLCIT DISCHARGES TO THE TOWN'S STORM SEWER SYSTEM

THE TOWN COUNCIL OF THE TOWN OF CARRBORO ORDAINS THAT:

Section 1. Chapter 5 (General Offenses) Article IV of the Carrboro Town Code is amended as follows:

Section 5-31. Definitions

(1) *Pollutant*. Anything which causes or contributes to pollution. Pollutants may include, but are not limited to: paints, varnishes, and solvents; soaps and cleaning solutions; kerosene, gasoline, oil and other automotive fluids; liquid and solid wastes and yard wastes; refuse, rubbish, garbage, litter, or other discarded or abandoned objects or accumulations, to the extent that the same may cause or contribute to pollution; pesticides, herbicides, and fertilizers; hazardous substances and wastes; sewage, sewage sludge, fecal coliform and pathogens; dissolved and particulate metals; animal wastes; dredged spoil; filter backwash; salt; chemical wastes; biological materials; toxic materials; radioactive materials; wrecked or discarded equipment; sand; dirt; ashes and incinerator residue; wastes and residues that result from constructing a building or structure; and noxious or offensive matter of any kind. This includes any chemical additive to water potentially causing or contributing to pollution.

(9) *Surface waters*. All, streams, lakes, and ponds that appear as surface waters on either the most recent version of the soil survey map prepared by the Natural Resources Conservation Service of the United States Department of Agriculture or the most recent version of the 1:24,000 scale (7.5 minute) quadrangle topographic maps prepared by the United States Geologic Survey (USGS) as well as Town regulated streams.

Section 5-32 Illicit Discharges Prohibited

(b) Notwithstanding the other provisions of this article, the following shall not be regarded as constituting an illicit discharge:

13. Individual residential car washing or charity car washing that does not allow water to directly enter the stormwater system

15. Dechlorinated swimming pool discharges that discharge across ground in a diffuse and non-erosive manner outside the stream buffer

19. Runoff from residential properties that is discharged as diffuse flow in a non-erosive manner outside the stream buffer

Section 5-34 Inspections

(a) Upon the presentation of proper credentials, Town officers, agents, and employees engaged in the enforcement of this article shall have a right to enter on any premises within the Town at all reasonable hours for the purpose of making inspections, collecting samples, or carrying out other enforcement actions under this article.



Section 5-35 Enforcement

The Administrator is authorized to enforce the provisions of this article through the penalties and remedies available for enforcement as set forth in Section 5-21 of this chapter.

This is the 3rd day of May in the year 2022.



## TOWN OF CARRBORO

NORTH CAROLINA

### TRANSMITTAL PUBLIC WORKS DEPARTMENT

**To:** Town Council

**From:** Emily Cochran, Stormwater Administrator  
Randy Dodd, Stormwater Utility Manager

**Cc:** Richard White, Town Manager  
Daniel Snipes, Interim Public Works Director  
Heather Holley, Stormwater Specialist

**Date:** May 3<sup>rd</sup>, 2022

**Subject:** Updates to Town Code Illicit Discharge Provisions

**Summary:**

The purpose of this memo is to provide a summary of and justification for proposed changes to the Illicit Discharge provisions in Chapter 5, Article IV of the Town Code.

**Information:**

Under the Town's EPA/NCDEQ issued NPDES stormwater permit, the Town's Stormwater Management Plan (SWMP) requires periodic review and updates of the regulations through which it protects surface waters. One requirement is that "The Town shall ensure the continued applicability, accuracy and legal standing of the [Illicit Discharge Detection and Elimination] provisions in the Town Code." The SWMP specifies that the following measurable goals be achieved in Permit Year 1 (by June 30, 2022):

1. Coordinate with the Town Attorney to conduct a review of the Illicit Discharge provisions; and
2. Update the Illicit Discharge provisions.

The Stormwater Division has conducted a review, drafted several recommended changes, and conferred with the Town Attorney and Stormwater Advisory Commission (see Attachment C). These specific changes were the result of the Stormwater Division's recommendations based on experience and coordination with other municipalities as well as a NCDEQ guidance document regarding swimming pool discharge (see Attachment D). The changes are not due to a State or federal regulatory requirement; however, as indicated above, the SWMP is a regulatory document, and the first annual report on the achievement of the written measurable goals must address the above SWMP requirements. Thus, this review and these proposed changes should be completed by June 30<sup>th</sup>.

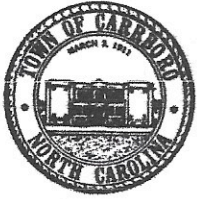
Proposed Changes

The changes shown below are proposed. Specific language to be changed or added is shown in red and boldfaced font. A justification is provided for each change.

**Recommendation:**

It is recommended that the Town Code be updated to reflect these recommended changes to the Illicit Discharge provisions.

Citation	Provision with Updated Language	Justification
<b>Section 5-31 Definitions</b>	(5) <i>Pollutant</i> . Anything which causes or contributes to pollution. Pollutants may include, but are not limited to: paints, varnishes, and solvents; soaps and cleaning solutions; kerosene, gasoline, oil and other automotive fluids; liquid and solid wastes and yard wastes; refuse, rubbish, garbage, litter, or other discarded or abandoned objects or accumulations, to the extent that the same may cause or contribute to pollution; pesticides, herbicides, and fertilizers; hazardous substances and wastes; sewage, sewage sludge, fecal coliform and pathogens; dissolved and particulate metals; animal wastes; dredged spoil; filter backwash; <b>salt</b> ; chemical wastes; biological materials; toxic materials; radioactive materials; wrecked or discarded equipment; sand; dirt; ashes and incinerator residue; wastes and residues that result from constructing a building or structure; and noxious or offensive matter of any kind. <b>This includes any chemical additive to water potentially causing or contributing to pollution.</b>	This change adds “salt” and “chemical additives to water” to address discharges from swimming pools that do not use chlorine as a sanitation method. A growing classification of swimming pools often referred to as “fresh water pools” do not use chlorine, but they do typically use a proprietary blend of chemical additives (which may include salts) that should not be allowed to enter surface waters or the MS4.
<b>Section 5-31 Definitions</b>	(9) <i>Surface waters</i> . All, streams, lakes, and ponds that appear as surface waters on either the most recent version of the soil survey map prepared by the Natural Resources Conservation Service of the United States Department of Agriculture or the most recent version of the 1:24,000 scale (7.5 minute) quadrangle topographic maps prepared by the United States Geologic Survey (USGS) <b>as well as Town regulated streams.</b>	This change acknowledges that surface waters include both federally and State regulated streams and Town-regulated streams, i.e. smaller ephemeral streams.
<b>Section 5-32 Illicit Discharges Prohibited</b>	(13) Individual residential car washing or charity car washing <b>that does not allow water to directly enter the stormwater system;</b>	This change requires charity or residential car washing to occur in accordance with best management practices, including washing cars on pervious areas and/or directing the flow over landscaped areas to increase infiltration and prevent pollutants from reaching the MS4.
(b) ..... the following shall not be regarded as constituting an illicit discharge:	(15) Dechlorinated swimming pool discharges <b>that discharge across ground in a diffuse and non-erosive manner outside the stream buffer;</b>	This change acknowledges that dechlorinated swimming pool discharges must not be directed to streams in a concentrated flow in such a way that would be erosive.
	<b>(19) Runoff from residential properties that is discharged as diffuse flow in a non-erosive manner outside the stream buffer.</b>	This change is an addition to allow runoff from residential properties that is discharged in a non-erosive manner outside the buffer.
<b>Section 5-34 Inspections</b>	(a) Upon the presentation of proper credentials, Town officers, agents, and employees engaged in the enforcement of this article shall have a right to enter on any premises within the Town at all reasonable hours for the purpose of making inspections, <b>collecting samples</b> , or carrying out other enforcement actions under this article.	This change adds the collection of samples as an explicit right of Town staff to enforce in the investigation of illicit discharges.
<b>Section 5-35 Enforcement</b>	<b>The Administrator is authorized to enforce this article through the penalties and remedies as set forth in Section 5-21 of this chapter.</b> In addition, nothing in this article is intended to preclude the Town from resorting in appropriate circumstances to the procedures set forth in Chapter 11, Article V, Part 2 of the Town Code dealing with the summary abatement of conditions dangerous or prejudicial to the public health.	This sentence specifies/reinforces that the Administrator has the authority to implement these provisions.



# TOWN OF CARRBORO

## Stormwater Advisory Commission

301 West Main Street, Carrboro, North Carolina 27510

# **R E C O M M E N D A T I O N**

WEDNESDAY, APRIL 13<sup>TH</sup>, 2022

### Illicit Discharge Ordinance Changes

Motion was made by Mike Paul and seconded by Robert Dickson that the Stormwater Advisory Commission of the Town of Carrboro recommends that the ordinance be adopted once the following concerns have been addressed:

- Confirm with the Town Attorney that Section 5-34 is consistent with procedures required for enforcement action to not run afoul of potentially getting thrown out as evidence in the courtroom.
- Confirm whether or not NCDEQ currently has a provision governing pool discharges by regulation which would supersede the Town's authority.

**VOTE:**

AYES: (5)

NOES: (0)

ABSTENTIONS: (0)

ABSENT/EXCUSED: (1)

Jeanette E. Connor 4/19/22  
(Chair) (Date)

# ATTACHMENT D



## FREQUENTLY ASKED QUESTIONS Salt Water Pool Discharges

### **How do salt water pools differ from regular pools?**

Chlorine is the most common chemical additive to control bacterial growth in swimming pools. Salt water pools use a chlorine generator to produce chlorine by breaking down salt. These pools generate chlorine and produce bromoform as a byproduct. Bromoform is a persistent organic pollutant that accumulates in the environment and is very harmful to aquatic life.

### **How should salt water pool discharges be handled?**

Ideally, *all* pool discharges should be routed to the sanitary sewer in accordance with the system operator's requirements. However, dechlorinated pool discharges may be routed to a vegetated area where the water can soak into the ground, but cannot reach or impact:

- Storm drains,
- Stormwater conveyances such as curbs, gutters, pipes and ditches,
- Septic system drain fields,
- Natural waterways and surface water bodies, or
- Adjoining property.

Keep in mind that pool chemicals can significantly impact vegetation and soils, and high velocity discharges may result in erosion.

### **Can I discharge pool water into my septic system?**

Routing pool discharges to a septic system could result in failure of the system. While septic systems are on-site wastewater treatment devices, they are not typically sized to handle the extra volume of water associated with a pool discharge. Overloading the septic drain field, either by discharging pool water on top of the drain field or directly into the septic system, can cause system failure. Pool chemicals can also harm the bacteria in the septic system that break down waste.

### **Can I discharge pool water into the storm drain system?**

Pool filter backwash and saltwater pool discharges to the storm sewer system are prohibited in all cases. Unlike sanitary sewer systems that carry wastewater to a treatment plant, storm sewer systems collect and carry water directly to local surface water bodies such as creeks, streams, lakes and drinking water reservoirs. Saltwater swimming pool water contains a variety of chemicals and products that are harmful to the environment; and it is illegal to discharge these into surface waters via the storm sewer system.



# Town of Carrboro

Town Hall  
301 W. Main St.  
Carrboro, NC 27510

## Agenda Item Abstract

**File Number:22-155**

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**Agenda Date:** 5/3/2022

**File Type:**Agendas

**In Control:** Board of Aldermen

**Version:** 1

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**TITLE:**

Annual Update from OWASA Representatives and Long-Range Water Supply Plan Update

**PURPOSE:** The purpose of this item is to receive an annual update from the Town's appointees on the OWASA Board of Directors as well as an update to the Long-Range Water Supply Plan.

**DEPARTMENT:** N/A

**CONTACT INFORMATION:** Andrea Orbich, OWASA Clerk to the Board,  
[aorbich@owasa.org](mailto:aorbich@owasa.org) <<mailto:aorbich@owasa.org>>, 919-537-4217

**INFORMATION:** Yinka Ayankoya, OWASA Appointee, and Jody Eimers, Chair of the OWASA Board, will be at the meeting to provide the annual update to Town Council. In addition, the Town Council will receive updates from Ruth Rouse, OWASA Planning and Development Manager, on OWASA's Long-Range Water Supply Plan. Todd Taylor, OWASA Executive Director, will also be in attendance. Information attached includes the OWASA quarterly report and the Long-Range Water Supply Plan document.

**FISCAL & STAFF IMPACT:** There is no Fiscal or Staff impact.

**RECOMMENDATION:** N/A



## Orange Water and Sewer Authority

OWASA is Carrboro-Chapel Hill's not-for-profit public service agency delivering high quality water, wastewater, and reclaimed water services.

April 25, 2022

Mayor Pam Hemminger  
Town of Chapel Hill  
405 Martin Luther King Jr.  
Blvd Chapel Hill, NC 27514

Mayor Damon Seils  
Town of Carrboro  
301 West Main Street  
Carrboro, NC 27510

Chair Renee Price  
Orange County Board of  
Commissioners  
Post Office Box 8181  
Hillsborough, NC 27278

Dear Mayor Hemminger, Mayor Seils, and Chair Price:

We are pleased to submit this report on our services, projects, and initiatives since January 2022. This report includes information on the following items:

1. Standard Collection Practices
2. Fiscal Year 2023 Budget
3. Long-Range Water Supply Plan
4. Diversity and Inclusion
5. Strategic Plan
6. OWASA Board Updates
7. Youth Water Academy
8. Wastewater Report Card
9. Lake Recreation
10. Key Infrastructure Investments

### **Standard Collection Practices:**

As you are aware, Orange County recently announced that the local State of Emergency that has been in place since March 2020 will expire at 5 p.m. on Sunday, May 1.

OWASA has had a moratorium on service disconnections in place for more than two years in response to the COVID-19 pandemic. We have also committed throughout the pandemic to providing 30-days' notice before resuming Standard Collection Practices. Therefore, OWASA will issue a notice on Monday, May 2, that we will be resuming Standard Collection Practices on June 1, 2022. Under Standard Collection Practices, a customer who misses two consecutive payments is subject to service disconnection. Given this timeline, the earliest that a customer would be subject to service disconnection would be August 1, 2022.

Currently, 544 households are 60 days or more past due on their water and sewer bill; the average amount past due is \$452.

We have been working with local organizations and directly with these customers who have bills that are past due to let them know where funding assistance is available. Since the beginning of



the pandemic, OWASA customers have received over \$22,000 in bill assistance from various programs, including the Orange County Emergency Housing Fund, the Low-Income Household Assistance Program, and OWASA's Care to Share program.

We are planning to boost our outreach efforts leading up to resuming Standard Collection Practices on June 1 and throughout the summer. We will be offering fee-free 6-, 12-, and 18-month payment plans to customers who have bills that are past due to avoid service disconnections wherever possible.

Through our Affordability Program, we have stayed in regular contact with partner organizations throughout the pandemic. Many of them have committed to helping us spread the word about the change in our practices and help connect people to assistance.

We understand the impact the pandemic has had on all customers, especially those who have now accumulated bills throughout the last two years, and we are committed to working with them wherever possible to keep their water and sewer service connected.

### **Fiscal Year 2023 Budget:**

Over the next several weeks, the OWASA Board of Directors will be working with staff on the Fiscal Year 2023 (FY23) budget. OWASA is committed to the affordability of our services, and we regularly look for cost-saving opportunities. Financially, there are a few challenges in the year ahead.

Approximately half of OWASA's annual budget is invested in making improvements to the community's water and sewer system, primarily to repair and replace existing infrastructure and ensure the reliability and resiliency of water and sewer services in the community. The other half is used for the operations and maintenance of the entire system and to ensure that our essential services are available around-the-clock to serve the community. OWASA is exclusively funded by the rates and fees charged for services.

Drinking water sales volume fell below normal early in the pandemic. Even as things have reopened to an extent, drinking water sales remain below projections for a "normal" year. Many expenditures and capital investments were deferred in the last two fiscal years to balance the budget and minimize rate adjustments during an economically challenging time. The draft FY23 budget includes funding for some of these projects for which further delay could be costly and/or detrimental to utility operations. Additionally, like many sectors across the country, inflation is impacting many costs associated with OWASA's operations – including chemicals and materials vital to providing services to the community in a safe manner. Inflation and supply chain issues have also impacted construction costs.

The draft of the FY23 budget staff developed is based on the needs of the organization and would require a 15% increase in monthly drinking water and sewer rates. At the Board's request, staff will also develop alternative scenarios with lower rate increases and identify what would need to be removed from the budget and the consequences of removing them.



A public hearing on the FY23 budget proposal is scheduled for May 12, 2022, and the Board will vote on the final budget in June 2022.

**Long-Range Water Supply Plan:**

OWASA is continuing the process of updating the community’s [Long-Range Water Supply Plan](#) and is working to ensure that the community remains informed and engaged in the decision-making process.

After completing a methodical analysis of alternatives, the OWASA Board of Directors has determined that augmenting our local supplies (Cane Creek Reservoir, University Lake, and the Quarry Reservoir) with treated drinking water from Jordan Lake is the most viable alternative for providing resilient, high-quality, and cost-effective drinking water for years to come. Following the OWASA Board of Directors’ decision to move forward with Jordan Lake as the preferred alternative, OWASA Team members have been sharing information with the public using the OWASA website and social media channels, local media, and presentations to local advisory boards and elected officials. OWASA worked with the Chicle Language Institute, Refugee Community Partnership, and the Chinese School at Chapel Hill to translate and share information to non-English speaking members of our community.

An event was also held at the Chapel Hill Public Library on Saturday, April 23, to provide updates to library visitors and provide another opportunity for the general public to learn more and ask questions of the OWASA Team.

An update on the Long-Range Water Supply Plan was shared with the Orange County Board of County Commissioners on February 17, 2022. OWASA is scheduled to present to the Town of Chapel Hill Town Council and the Town of Carrboro Town Council on April 27 and May 3, respectively.

Feedback received throughout this round of community engagement will be shared with the OWASA Board of Directors this summer. Meanwhile, OWASA has continued discussions with the local government bodies forming the Western Intake Partnership – the City of Durham, the Town of Pittsboro, and Chatham County – as they move forward with the design of an intake and water treatment facility on the western side of Jordan Lake and the associated transmission lines needed to provide those communities with treated drinking water.

The OWASA Board of Directors will be considering next steps to take regarding the Long-Range Water Supply Plan in the coming months.

We will work collaboratively with our community partners to ensure that our customers have high-quality, sustainable water resources for generations to come.

**Diversity and Inclusion:**

Promoting diversity and inclusion is a top priority for OWASA, which has had an active Diversity and Inclusion program since 2016.

OWASA's diversity and inclusion efforts have included increases in trainings for the OWASA Board and Team.

An organization-wide survey was completed in March through working with Government Leadership Solutions. This effort was part of an organizational assessment intended to enhance our diversity and inclusion work.

OWASA's Team presents diversity and inclusion updates to the Board of Directors three times per year, with the latest presentation occurring in [January 2022](#).

Our diversity and inclusion efforts go beyond OWASA staff trainings and policies by extending into growing partnerships within our community and expanding the minority- and women-owned businesses that are bidding for and being awarded our projects.

### **Strategic Plan:**

OWASA is developing a new strategic plan to help guide OWASA investments and priorities for OWASA Board and staff over the next 5-6 years.

Since the January 2021 update, the task forces on the OWASA Team have focused on tackling strategic priorities that have been identified to this point. These task forces will develop strategies and metrics to determine success for inclusion in the strategic plan.

OWASA staff will continue to provide updates to stakeholders and the community throughout the strategic planning process.

### **OWASA Board Updates:**

The OWASA Board of Directors is a governing body. Among the Board's responsibilities are setting policy, approving the annual budget, approving large contracts for maintenance and capital improvements, and selecting the Executive Director. Each Board member receives small remuneration to cover expenses associated with serving on the Board.

There remain two openings on the OWASA Board of Directors: one Carrboro seat, and one Chapel Hill seat. As is typical, the OWASA Board is facing many important decisions in the coming year, including approving next year's budget, updating the Long-Range Water Supply Plan, and developing a new strategic plan that will guide our investments and priorities for the next 5-6 years. Having a full Board is critical to being able to keep the important work of the community's water and wastewater utility moving forward and preparing for the future.

The Board is piloting a new meeting schedule to consolidate meetings to once per month. The Board had previously been meeting twice per month. This new schedule went into effect in March and will be reevaluated over the summer.

The Board approved at the March 10 meeting an increase in Board compensation to encourage public interest in applying for appointments to the Board.

Thank you for your continued support in appointing members to OWASA's Board of Directors.

### **Youth Water Academy:**

Another cohort of interested area high school students graduated from the 2022 Youth Water Academy in April 2022.

We were excited to be able to welcome these leaders of tomorrow into our facilities for an in-person Youth Water Academy after having to move to a virtual setting in 2020 due to the COVID-19 pandemic.

These students heard first-hand from OWASA Team members about our water supply, drinking water treatment process, resource recovery work at the Mason Farm Wastewater Treatment Plant, and more. This opportunity is open to high school students in Carrboro and Chapel Hill. The Youth Water Academy is geared toward helping these students understand the work that goes into providing these essential services to the community. This program meets several goals: educating the community, engaging with young people in our service area, and – hopefully – opening their eyes to the possibility of this as a future career opportunity to serve their community.

### **Wastewater Report Card:**

OWASA met or surpassed all state and federal wastewater regulations in 2021, as shown in the annual wastewater report card released in English and Spanish on February 25, 2022.

Highlights from this year's report card include all regulatory data, as well profiles on some of the OWASA Team members critical to successfully treating the community's wastewater, an update on our wastewater monitoring program for COVID-19 in our community, and what you can do as a community member to help maintain the community's infrastructure.

OWASA's Mason Farm Wastewater Treatment Plant Team is responsible for operating the plant that treats an estimated 7.5 million gallons of the community's wastewater each day. The community's wastewater infrastructure includes approximately 350 miles of underground pipes, connecting homes, schools, and businesses across the service area to the sanitary sewer system.

Maintaining the community's wastewater infrastructure is a major priority for OWASA. Roughly half of every dollar OWASA receives through rates and fees is put back into the water and wastewater system infrastructure. These investments help maintain the system's reliability and resiliency, while also improving how efficiently we can operate.

You can find more information about the community's wastewater infrastructure and treatment process [here](#). The full 2021 wastewater report card is available in [English](#) and [Spanish](#).

### **Lake Recreation:**

The 2022 recreation season opened at Cane Creek Reservoir and University Lake on Saturday, March 26, 2022. The opening of the recreation season at the reservoirs is following the same guidelines that were in place at the close of the 2021 season.

Cane Creek Reservoir and University Lake offer options for residents to get outside and enjoy these reservoirs as a place to take a kayak on the lake, fish, or just relax and enjoy the surroundings. Cane Creek Reservoir is open Friday and Saturday during the recreation season, and University Lake is open Friday-Sunday.

The recreation season typically runs through late October.

OWASA is excited to welcome visitors back to the reservoirs for the 2022 season.

### **Key Infrastructure Investments:**

Several large projects investing in the community's water and wastewater infrastructure are either recently completed, underway, or soon to begin.

A large project replacing the sewer line in downtown Carrboro began in February 2022. OWASA Team members coordinated with local government partners and local business stakeholders throughout that project to keep the community informed. Restoration work is now underway after the installation of the new sewer line ahead of the North Carolina Department of Transportation repaving the roadway in Carrboro and Chapel Hill beginning later this spring.

OWASA's contractor began work on the second phase of the West Cameron Avenue water line replacement project in early April. The initial phase of the project was completed in August 2020 in the intersection of West Cameron Avenue and Columbia Street. Phase 2 will take place roughly from Pittsboro Street to Merritt Mill Road. The OWASA Team has been coordinating with partners at the Town of Chapel Hill and UNC throughout planning and early stages of this project. The West Cameron Avenue Water Line Replacement Project is expected to be complete by March 2023.

About \$4 million in work at the Jones Ferry Road Water Treatment Plant (WTP) to improve chemical facilities and our finished water pumping system has recently been completed, while a \$2.6 million project is underway to make improvements to water lines on the WTP site and in Jones Ferry Road. These water line improvements will add redundancy and increase resiliency to support the community's water infrastructure and maintain a high level of service for our customers. Design work and the State Revolving Fund application process are underway for electrical system improvements at the WTP.

OWASA's contractors are also gearing up for significant work focusing on the biosolids processes at the Mason Farm Wastewater Treatment Plant. Digester cleanout and repairs are set to begin at the end of April and fermenter improvements and rehabilitation are set to begin in fall 2022. These improvements will increase the resiliency of the biosolids process to support the community's wastewater treatment and disposal.

OWASA construction crews are also making progress on several smaller water line replacement projects in neighborhoods across the service area.

You can track the status of OWASA's capital projects through a dynamic map [on the OWASA website](#).


We would be happy to provide more detailed information on the items above or other topics of interest as desired. Please feel free to contact our Executive Director, Todd Taylor ([ttaylor@owasa.org](mailto:ttaylor@owasa.org) or 919-537-4216), or me.

Sincerely,



Jo Leslie Eimers, Chair  
Board of Directors

cc: Mr. Richard White III, Carrboro Town Manager  
Ms. Bonnie Hammersley, Orange County Manager  
Mr. Maurice Jones, Chapel Hill Town Manager  
OWASA Board of Directors  
Todd Taylor, OWASA Executive Director



# Long-Range Water Supply Plan Update: Information to Carrboro Town Council

Ruth Rouse, Planning and Development Manager

May 3, 2022



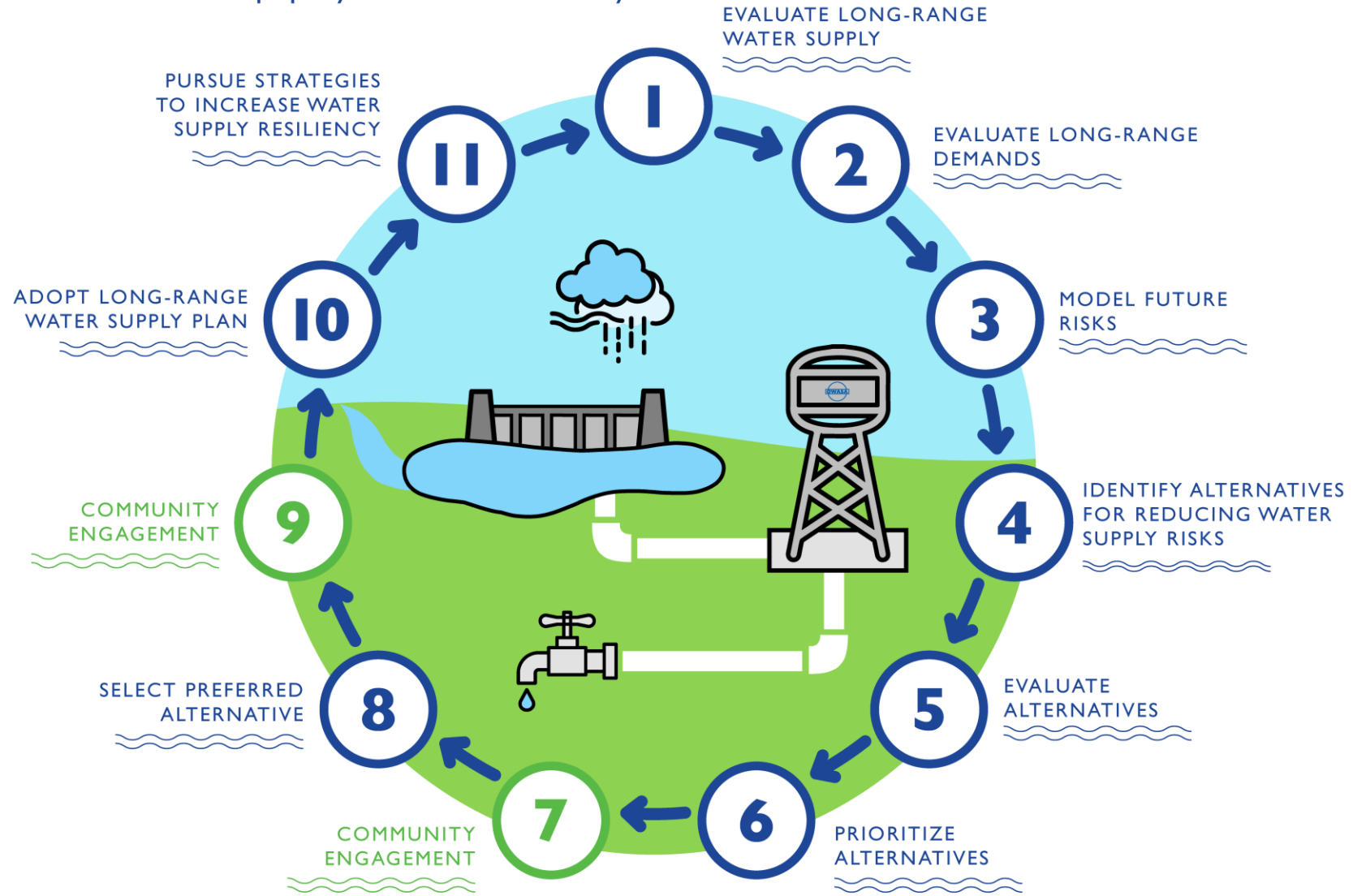
Carrboro-Chapel Hill's not-for-profit public service agency delivering high quality water, wastewater, and reclaimed water services.

# Key Messages

- We have a low risk of running out of water.
- Our largest vulnerability is in extended drought.
- After methodical and inclusive process, Jordan Lake is best option to augment our current supplies.
- A group of local utilities is partnering to design and build new treatment facilities on Jordan Lake.

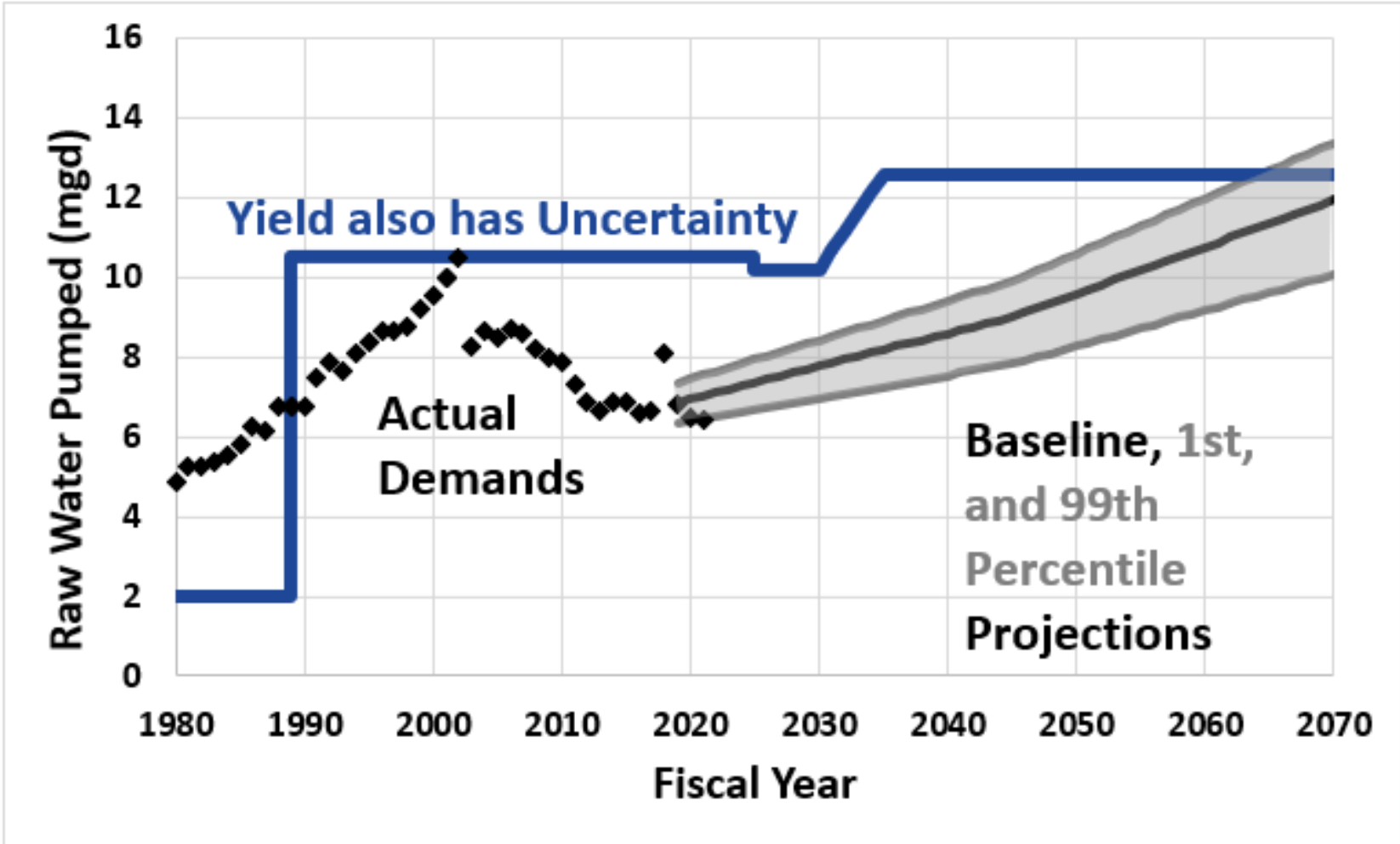


# Ensuring Long-Range Water Supply Resiliency

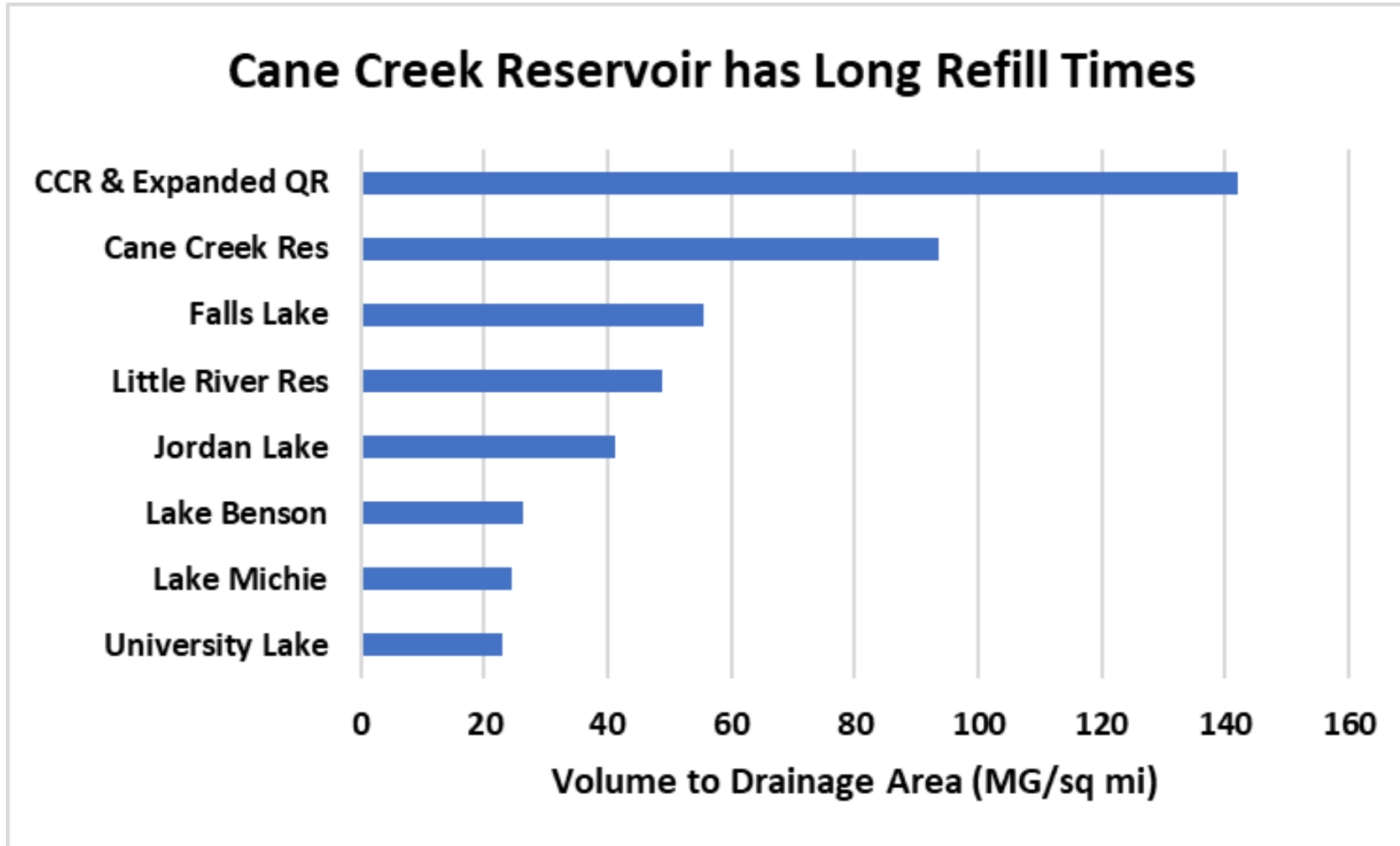




# Our Planned Water Supply Meets Demands Under Most Conditions



# Our Current Water Supply Risk is the Long Refill Time of Cane Creek Reservoir



1970

1995

2020

2045

2070

University Lake: 450 million gallons

Cane Creek Reservoir: 3 billion gallons

Quarry Reservoir Phase 1: 200 million gallons

Quarry Reservoir Phase 2: 1.5 billion gallons

Jordan Lake Allocation: 750 million gallons



# Jordan Lake Water Quality

- Hundreds of thousands of people drink treated water from Jordan Lake daily
- Reviewed drinking water quality from Cary and Chatham County
- Drinking water from Jordan Lake meets all state and federal criteria
- Proposed WTP being designed to remove contaminants of emerging concern



# Process for Narrowing Alternatives

Community Engagement

Options Eliminated

All supply and demand management possibilities

Alternatives with potential

Best alternatives

Jordan Lake alternatives

TBD

- None

- Groundwater
- Stormwater
- Some demand side management

- Demand side management
- Indirect potable reuse

- Direct potable reuse
- Deep Quarry

- TBD



 Direct outreach



# Guiding Principles

## Must Have

- A. drinking water meets or surpasses public health requirements.

## Highest Priority

- B. reduce vulnerability to extended drought;
- C. improve the reliability and resiliency of our water supply;
- D. impact on current rates.

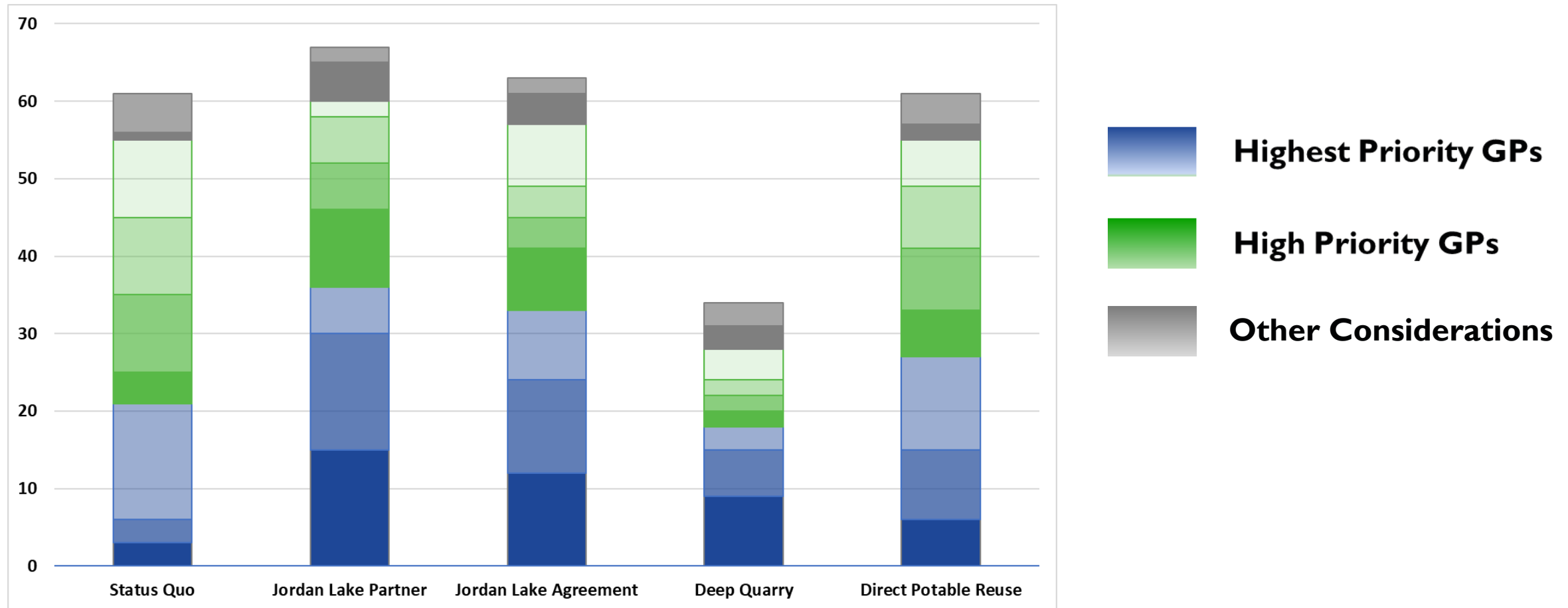
## High Priority

- E. impact on future rates;
- F. incremental long-term impacts on the environment;
- G. incremental impacts on the community;
- H. flexibility to change course.

## Other Considerations

- I. support for regional water supply planning efforts;
- J. incremental short-term impacts on the environment.

# Jordan Lake Alternatives Rank Highest Against Guiding Principles



# Western Intake Partnership (WIP)

- City of Durham, Chatham County, and Town of Pittsboro
- Working since 2014 on regional approach
- Plans to build new Drinking Water Treatment Plant
  - Phase 1: 2031
  - Phase 2: 2050
- OWASA beginning discussions with WIP





# Interests in Western Intake Partnership Discussions

- OWASA has access to its Jordan Lake allocation.
- We maintain our allocation of Jordan Lake water.
- Intake and transmission infrastructure are built to meet OWASA's demands.
- Impact on near-term water rates is minimized.
- Our working relationships with our utility partners are important to OWASA, and we are committed to maintaining them.
- We share with those partners a commitment to providing our customers high quality drinking water.

# Questions and Discussion

- Does the Council have any questions on our long-range water supply planning process?
- What feedback would you like shared with the OWASA Board of Directors regarding our Long-Range Water Supply Plan?
- Other?

Ruth Rouse

[rrouse@owasa.org](mailto:rrouse@owasa.org)





# Town of Carrboro

Town Hall  
301 W. Main St.  
Carrboro, NC 27510

## Agenda Item Abstract

**File Number:22-154**

**Agenda Date:** 5/3/2022

**File Type:**Agendas

**In Control:** Board of Aldermen

**Version:** 1

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### **TITLE:**

Resolution for Council Final Approval for Financing up to \$12,650,000 for the 203 Project and Approval of Financing Contract with Truist Bank

**PURPOSE:** The purpose of this item for the Town Council to approve a final resolution for financing the 203 South Greensboro Street Project and approve a financing contract with Truist Bank.

**DEPARTMENT:** Town Manager, Finance,

**CONTACT INFORMATION:** Richard J. White III, Town Manager, 919-918-7315; Arche McAdoo, Finance Officer, 919-918-7439.

**INFORMATION:** On April 5, 2022, the Carrboro Town Council held a public hearing on the proposed financing for the 203 South Greensboro Street Project and adopted a resolution supporting an application to the North Carolina Local Government Commission (LGC). The Town's financing application has been submitted to the LGC for approval at its meeting on May 3, 2022, and we anticipate no issues with receiving this approval. North Carolina law requires approval of the LGC for local government installment financing contracts.

The total project cost including design, construction and furniture, fixtures and equipment is \$41,174,840. The County will pay \$22,218,882 of the total project costs. The Town's share of the project costs is \$18,955,958 and will be paid as follows:

- a. Tax-exempt financing in the amount of up to \$12,595,000 for Design and Construction.
- b. Cash contribution of \$6,319,358 for FF & E, contingency, and construction; and,
- c. Cash contribution of \$41,600 from Stormwater Utility Enterprise Fund for

soil cell.

The financing contract will be for 20 years with semi-annual interest payments on March 1 and September 1 commencing September 1, 2022; and annual principal payments on March 1, commencing March 1, 2024. The Town is securing the contract by a deed of trust on the Project site and the Town's interest in the Project. Closing for this financing is anticipated to take place on May 10, 2022.

Bond Counsel has prepared the Resolution Providing Final Council Approval for Financing up to \$12,650,000 (Attachment A). The resolution approves substantially the final form of Installment Financing Contract with Truist Bank (Attachment B) for the 203 South Greensboro Street Project, and authorizes Town staff to complete the closing.

**FISCAL & STAFF IMPACT:** Repayment of the debt will be annual fixed payments of approximately \$662,000 and semi-annual interest payments at the rate of 2.82%.

**RECOMMENDATION:** It is recommended that the Town Council adopt the Resolution Providing Final Council Approval for Financing up to \$12,650,000 (Attachment A).

**Resolution Providing Final Council Approval for Financing up to \$12,650,000 for the 203 Project**

***Introduction –***

The Town of Carrboro has previously determined to carry out a plan to acquire, construct, equip and finance the 203 South Greensboro Street Project (the “Project”) for proposed Town recreation, parks, & cultural resources operations and other various office spaces.

The Town has also determined to finance Project costs through an installment financing, as authorized under Section 160A-20 of the General Statutes. In an installment financing, the Town’s repayment obligation is secured by a mortgage-type interest in all or part of the property being financed, but not by any pledge of the Town’s taxing power or any specific revenue stream. In this case, the project site and the Town’s interest in the constructed building will serve as the collateral.

The Town has solicited competitive proposals from banks and other financial institutions to provide the desired financing, and Town staff has recommended that the Town accept the proposal submitted by Truist Bank (the “Lender”). The Town’s Finance Officer has made available to this Council a draft financing contract between the Town and the Lender, which will be used in carrying out the Town’s financing plan.

In this resolution, the Council formally approves financing terms, approves substantially final documents, and authorizes Town representatives to complete the financing.

**The Town Council of the Town of Carrboro, North Carolina, RESOLVES as follows:**

- 1. Determination To Proceed with Financing*** – The Town confirms its plans to undertake the Project. The Town will carry out the Project with financing from the Lender substantially in accordance with a financing proposal dated April 4, 2022.

Under the financing plan, the Lender will make funds available to the Town for use on Project costs. The Town will repay the amount advanced, with interest, over time. The Town will grant to the Lender a mortgage-type interest in the Project site and the Town's interest in the constructed building to secure the Town's repayment obligation.

**2. Approval of Financing Contract; Direction To Execute Contract --** The Council approves the draft submitted to this meeting of a Financing Agreement and Deed of Trust (the "Contract") for use in the Project. The Council authorizes the Mayor and the Town Manager, or either of them, to execute and deliver the Contract in its final form. The Contract in its final form must be in substantially the form presented, with such changes as the Mayor or the Town Manager may approve. The execution and delivery of the final Contract by an authorized Town officer will be conclusive evidence of that officer's approval of any changes.

The Contract in final form, however, must be consistent with the financing plan described in this resolution and must provide (a) for the amount financed by the Town not to exceed \$12,650,000, (b) for an annual interest rate not to exceed 2.82% (in the absence of default, or a change in tax status, as described in the Contract), and (c) for a financing term not to extend beyond December 31, 2042.

**3. Officers To Complete Closing -** The Council authorizes the Town Manager, the Finance Officer and all other Town officers and employees to take all proper steps to complete the financing in cooperation with the Lender and in accordance with this resolution.

The Council authorizes the Town Manager to hold executed copies of all financing documents authorized or permitted by this resolution in escrow on the Town's behalf until the conditions for their delivery have been completed to that officer's satisfaction, and then to release the executed copies of the documents for delivery to the appropriate persons or organizations.

Without limiting the generality of the foregoing, the Council authorizes the Town Manager to approve changes to any documents previously signed by Town officers or employees, provided that the changes do not conflict with this resolution or substantially alter the intent from that expressed in the form originally signed. The

Town Manager's authorization of the release of any document for delivery will constitute conclusive evidence of that officer's approval of any changes.

In addition, the Council authorizes the Town Manager and the Finance Officer to take all appropriate steps for the efficient and convenient carrying out of the Town's on-going responsibilities with respect to the financing of the Project. This authorization includes, without limitation, contracting with third parties for reports and calculations that may be required under this resolution or otherwise with respect to the financing, and making appropriate payments prior to the loan closing for costs related to the financing and the Project.

**4. Resolutions as to Tax Matters** – The Town will not take or omit to take any action the taking or omission of which will cause its obligations to pay principal and interest (the "Obligations") under the Contract to be "arbitrage bonds," within the meaning of Section 148 of the "Code" (as defined below), or "private activity bonds" within the meaning of Code Section 141, or otherwise cause interest components of the installment payments to be includable in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Town will comply with any Code provision that may require the Town at any time to pay to the United States any part of the earnings derived from the investment of the financing proceeds. In this resolution, "Code" means the United States Internal Revenue Code of 1986, as amended, and includes applicable Treasury regulations.

**5. Additional Provisions** – The Council authorizes all Town officers and employees to take all further action as they may consider necessary or desirable in furtherance of the purposes of this resolution. The Council ratifies all prior actions of Town officers and employees to this end. Upon the absence, unavailability or refusal to act of the Town Manager, the Mayor or the Finance Officer, any other of those officers may assume any responsibility or carry out any function assigned in this resolution. The Council authorizes the Clerk to apply the Town's seal, and to attest to the seal, on any document related to the purposes of this resolution. The Mayor Pro Tem or any Deputy or Assistant Clerk may in any event assume any responsibility or carry out any function assigned to the Mayor or the Clerk, respectively, in this resolution. All other Council proceedings, or parts thereof, in conflict with this resolution are repealed, to the extent of the conflict. This resolution takes effect immediately.

**ATTACHMENT B**

*Prepared by and return after recording to:*

Robert M. Jessup Jr.  
Sam Smotherman Barnes  
Sanford Holshouser LLP  
209 Lloyd St., Suite 350  
Carrboro, NC 27510

**Financing Agreement and Deed of Trust**

**STATE OF NORTH CAROLINA        )**     **COLLATERAL IS OR**  
   **)**     **INCLUDES FIXTURES**  
**ORANGE COUNTY                    )**

Brief description: “203 Project” property at 203 South Greensboro Street, Carrboro

PIN: 9778-85-7932

**THIS FINANCING AGREEMENT AND DEED OF TRUST** (this “Agreement”) is dated as of May 10, 2022, and is granted by the **TOWN OF CARRBORO, NORTH CAROLINA**, a North Carolina municipal corporation (the “Town”), to BB&T Collateral Service Corporation, a North Carolina business corporation (the “Deed of Trust Trustee”), for the benefit of **TRUIST BANK** (“Truist”).

***Introduction --***

The Town has previously determined to carry out a plan (the “Project”) for the acquisition, construction, equipping, and financing of the 203 South Greensboro Street Project for proposed Town recreation, parks, & cultural resources operations and other various office spaces. Truist has agreed to advance funds to the Town for this purpose.



This Agreement provides for Truist's advance of funds, and the Town's obligation to repay the funds with interest. In accordance with the Town's authority under Section 160A-20 of the North Carolina General Statutes, the Town will secure its obligations under this Agreement by granting to Truist a security interest in the Facility and the Site, as defined below.

The Site includes the property described in Exhibit A. The Town is the record owner of the property described in Exhibit A.

This Agreement secures current advances of \$12,578,000. The current scheduled date for final repayment is on or about March 1, 2042.

**NOW, THEREFORE,**

(1) in consideration of the execution and delivery of this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged;

(2) to secure the Town's performance of all its covenants under this Agreement, including the repayment of amounts advanced and to be advanced, together with interest on all advances as provided in this Agreement or any amendments hereto, and all charges and expenses of collection (including court costs and reasonable legal fees and expenses); and

(3) to charge the Mortgaged Property (as defined below) with such payment and performance,

the Town hereby sells, grants and conveys to the Deed of Trust Trustee, its heirs and assigns forever, in trust, with power of sale, the following (collectively, the "Mortgaged Property"):

(a) the property described in Exhibit A and any real property later acquired by the Town in exchange for, or in consideration of the exchange of, or with the proceeds from any disposition of, all or any part of any property described in this paragraph, and in all cases together with all easements, rights, rights-of-way and appurtenances belonging to any of that property (collectively, the "Site"); and

(b) all buildings and other improvements and fixtures (including any "Fixtures," as defined in Section 2.05) now or later attached to or used in or on those improvements or the Site, including (i) all renewals, replacements, and additions, (ii) all articles in substitution, (iii) all building materials for construction, improvement, modification or repair of improvements upon their delivery to the Site, and (iv) all proceeds of all the foregoing in whatever form resulting from the loss or disposition of the foregoing, including all proceeds of and unearned premiums for any insurance policies covering the Site and the improvements, proceeds of title insurance and payments related to the exercise of condemnation or eminent domain authority, and all judgments or settlements in lieu of any of the foregoing (collectively, the "Facility"); and

**TO HAVE AND TO HOLD** the Mortgaged Property with all privileges and appurtenances thereunto belonging thereto, to the Deed of Trust Trustee, its heirs and assigns forever, upon the trusts, terms and conditions and for the purposes set out below, in fee simple in trust;

**SUBJECT, HOWEVER,** to the Existing Encumbrances (as defined herein);

**BUT THIS CONVEYANCE IS MADE UPON THIS SPECIAL TRUST:** if the Required Payments (as defined herein) are paid in full in accordance with this Agreement, and the Town complies with all of the terms, covenants and conditions of this Agreement, this conveyance shall be null and void, Truist shall cancel it of record at the Town's request and cost, and title shall revert as provided by law.

**BUT IF, HOWEVER, AN EVENT OF DEFAULT OCCURS UNDER THIS CONTRACT,** then Truist shall have the remedies provided for in this Agreement, including directing the Deed of Trust Trustee to sell the Mortgaged Property under power of sale.

**THE TOWN COVENANTS AND AGREES** with the Deed of Trust Trustee and Truist (and their respective heirs, successors and assigns), in consideration of the foregoing, as follows:

## ARTICLE I

### DEFINITIONS; INTERPRETATION

**1.01. Defined Terms.** Unless the context clearly requires otherwise, capitalized terms used in this Agreement and not otherwise defined shall have the following meanings:

“Additional Payments” means any of Truist’s reasonable and customary fees and expenses related to the transactions contemplated by this Agreement, any of Truist’s expenses (including attorneys’ fees) in prosecuting or defending any action or proceeding in connection with this Agreement, any required license or permit fees, state and local sales and use or ownership taxes or property taxes which Truist is required to pay as a result of this Agreement, inspection and re-inspection fees, and any other amounts payable by the Town (or paid by Truist on the Town’s behalf) as a result of its covenants under this Agreement (together with interest that may accrue on any of the above if the Town shall fail to pay the same, as set forth in this Agreement).

“Amount Advanced” has the meaning assigned in Section 2.02.

“Business Day” means any day on which banks in the State are not by law authorized or required to remain closed.

“Closing Date” means May 10, 2022.

“Event of Default” means one or more events of default as defined in Section 9.01.

"Event of Nonappropriation" means a failure or refusal by the Town Council to include funds for Required Payments in the Town’s budget for any Fiscal Year, or any reduction or elimination of an appropriation for Required Payments, all as further described in Section 3.06.

“Existing Encumbrances” means the encumbrances on the Town’s title to the Site existing as of the Closing Date.

“Finance Officer” means the Town’s statutory finance officer, however designated.

“Fiscal Year” means the Town’s fiscal year beginning each July 1, or such other fiscal year as the Town may later lawfully establish, and includes the period between the Closing Date and June 30, 2022.

“Installment Payments” means the payments payable by the Town pursuant to Section 3.01.

“Net Proceeds,” when used with respect to any amounts derived from claims made on account of insurance coverages required under this Agreement, any condemnation award arising out of the condemnation of all or any portion of the Mortgaged Property, or any amounts received in lieu or in settlement of any of the foregoing, means the amount remaining after deducting from the gross proceeds thereof all expenses (including legal fees and costs) incurred in the collection of such proceeds, and after reimbursement to the Town or Truist for amounts previously expended to remedy the event giving rise to such payment or proceeds.

“Payment Dates” means the dates indicated in Exhibit B.

“Permitted Encumbrances” means, as of any particular time, (a) the Existing Encumbrances, (b) interest in Orange County, North Carolina, as contemplated in Section 2.08(a), (c) liens for taxes and assessments not then delinquent, (d) the “WCOM Lease,” as described in Section 2.08(b), and (e) easements, rights-of-way and other such minor defects or restrictions as normally exist with respect to property of the same general character as the Mortgaged Property which will not impair the Town’s intended use of the Mortgaged Property.

“Prime Rate” means the interest rate so denominated and set by Truist (whether or not such bank, or any affiliate thereof, is at any time the beneficiary under this Agreement) as its “Prime Rate,” as in effect from time to time.

“Project” has the meaning assigned in the Introduction to this Agreement.

“Project Costs” means all capital or capitalizable costs related to the

acquisition, construction, equipping and general carrying-out of the Project and placing the Facility in service, as determined in accordance with generally accepted accounting principles, including (a) sums required to reimburse the Town or its agents for advances made for any such costs, and (b) all costs related to the financing of the Project through this Agreement and all related transactions.

“Required Payments” means Installment Payments and Additional Payments.

“State” means the State of North Carolina.

“Town” means Town of Carrboro, North Carolina, and its successors.

“Town Certificate” means any written document (in whatever form, however designated) executed and delivered by a Town Representative.

“Town Council” means the Town’s governing Town Council as from time to time constituted.

“Town Representative” means the Town Manager or the Town’s statutory finance officer, or any other officer or representative designated to Truist by a certificate signed by the Town Manager or the presiding officer of the Town Council to act on the Town’s behalf for any purpose (or any specified purpose) under this Agreement.

**1.02. Interpretation.** All references in this Agreement to designated “Sections” and other subdivisions are to the designated sections and other subdivisions of this Agreement. The words “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision unless the context indicates otherwise. Words importing the singular number shall include the plural number and vice versa. All uses of the term “including” should be understood to mean “including, but not limited to.”

## ARTICLE II

### SECURITY PROVIDED BY THIS CONTRACT; ADVANCE; OBLIGATIONS OF THE BORROWER

**2.01. Security for Payment and Performance.** This Agreement secures the Town's payment, as and when the same become due and payable, of all Required Payments and the Town's timely compliance with all terms, covenants and conditions of this Agreement (together, the "Obligations").

**2.02. Advance.** Truist advances \$12,578,000 (the "Amount Advanced") to the Town. Truist will disburse the full Amount Advanced (less a fee of \$6,500 to be paid directly by Truist to its legal counsel) on the Closing Date as described in Section 4.01. This transaction will therefore be fully funded at closing.

**2.03. No Abatement.** There shall be no abatement or reduction of the Required Payments for any reason, including, but not limited to, any defense, recoupment, setoff, counterclaim, or any claim (real or imaginary) arising out of or related to the Mortgaged Property, except as expressly provided in this Agreement. The Town assumes and bears the entire risk of loss and damage to the Site, the Facility or any component of the Mortgaged Property, from any cause whatsoever. The Town shall make the Installment Payments in all events unless the Town's obligation to make Installment Payments is terminated as otherwise provided in this Agreement.

**2.04. Town's Continuing Obligations.** The Town remains liable for full performance of all its covenants under this Agreement, including payment of all Required Payments, notwithstanding the occurrence of any event or circumstances whatsoever, including any of the following:

- (a) Truist's waiver of any right granted or remedy available to it;
- (b) The forbearance or extension of time for payment or performance of any obligation under this Agreement, whether granted to the Town, a subsequent owner of the Facility or any other person;

(c) The release of all or part of the Mortgaged Property or the release of any party who assumes all or any part of such performance;

(d) Any act or omission by Truist (but this provision does not relieve Truist of any of its obligations under this Agreement);

(e) The sale of all or any part of the Mortgaged Property; or

(f) Another party's assumption of the Town's obligations under this Agreement.

**2.05. Security Interest in Fixtures.** This Agreement is intended to be a security agreement pursuant to the Uniform Commercial Code as in effect in North Carolina for the "Fixtures," as defined below. The Town grants to Truist and the Deed of Trust Trustee a security interest in the Fixtures to secure the Obligations.

The Town agrees to execute, deliver and file, or cause to be filed, in such place or places as may be requested by Truist or the Deed of Trust Trustee, financing statements (including any continuation statements) in whatever form either party may reasonably request to evidence the security interest provided for in this Section. Upon the occurrence of an Event of Default under this Agreement, Truist or the Deed of Trust Trustee is entitled to exercise all rights and remedies of a secured party under the Uniform Commercial Code as in effect in North Carolina and may proceed as to the Fixtures in the same manner as provided in this Agreement for the real property.

The "Fixtures" are all items of personal property attached or affixed to the Facility in such a manner that removing the items would cause damage to the Facility. The Fixtures may include plumbing, heating, lighting, electrical, laundry, ventilating, refrigerating, incinerating, air-conditioning, fire and theft protection and sprinkler equipment, including all renewals and replacements thereof and all additions thereto, and all articles in substitution thereof, and all proceeds of all the foregoing in whatever form.

The Town is not obliged to renew, repair or replace any undesirable or unnecessary Fixture. If the Town determines that any Fixture has become

undesirable or unnecessary, the Town may remove that Fixture from the Facility and sell, trade-in, exchange or otherwise dispose of it (as a whole or in part), with an amount equivalent to the fair market value of the Fixture as removed becoming Net Proceeds and subject to the provisions of Section 6.09.

With respect to those items of the Mortgaged Property that are or are to become Fixtures, this Agreement constitutes a financing statement filed as a fixture filing. The Town agrees that the security interest in the Fixtures granted in this Section is in addition to, and not in lieu of, any security interest in the Fixtures acquired by real property law. The fixtures are located on the land described on Exhibit A, and the Town is the record owner of that land. The name and address of the Town, as debtor, and Truist, as secured party, are set forth in Section 12.01.

#### **2.06. Releases; Grants of Easements and Other Transfers.**

(a) So long as no Event of Default is continuing, Truist and the Deed of Trust Trustee are required, upon the Town's request and at any time, to execute and deliver all documents necessary to effect the release of all or a portion of the Mortgaged Property from the lien of this Deed of Trust upon the Town's compliance with the requirements of this Section.

(b) In connection with the release of a portion (but less than all) of the Mortgaged Property, the Town must file with Truist and the Deed of Trust Trustee evidence that the value of the portion of the Mortgaged Property that is proposed to remain subject to the lien of this Deed of Trust will not be less than 75% of the aggregate principal component of the Amount Advanced outstanding at the time the release is effected.

(c) In the case of a proposed release of all the Mortgaged Property without full repayment of the Amount Advanced, the Town must comply with the requirements of Section 2.07.

(d) In any event, the Town must file with Truist and the Deed of Trust Trustee (i) a Town Certificate stating the purpose for which the Town desires the release, giving a brief and general description of the portion of the Mortgaged Property to be released and requesting the release, (ii) a copy of the proposed



instrument of grant or release, including a complete legal description of the property to be released, (iii) a Town Certificate requesting the execution and delivery of the instrument and certifying to the effect that (A) that no Event of Default is continuing and (B) the grant or release will not materially impair the intended use of the Facility.

(e) In addition to the provisions for release described above, the Town may from time to time grant easements, licenses, rights-of-way and other similar rights with respect to any part of the Mortgaged Property, and the Town may release similar interests, with or without consideration. The Town must send notice of any grant or release to Truist, along with a Town Certificate to the effect that the grant or release will not materially impair the intended use of the Facility.

(f) In all cases, the Town's written representation as to value will be measured at the time of the release or exchange, and the Town may establish value by reference to appraised, taxable or insured value (and the Town may use different criteria for different portions of the Mortgaged Property).

**2.07. Release upon Defeasance.** Truist will release the lien of this Deed of Trust but only upon the Town's compliance with the requirements of this Section. No consent or acknowledgment by the Deed of Trust Trustee is required for any release under this Section.

(a) To obtain a release, the Town must pay to Truist, or to some other fiduciary reasonably acceptable to Truist, an amount (A) that is sufficient to provide for the full and timely payment of the outstanding Amount Advanced and (B) that is required to be used for that payment. This payment may rely for its sufficiency on earnings from United States government securities provided to the fiduciary at the time of the deposit. The sufficiency of the deposit must be evidenced or verified by a certificate or other writing, in form and substance reasonably satisfactory to Truist, of a person or entity experienced in making these calculations as the Town may select.

(b) The Town must also provide Truist with an opinion of counsel reasonably satisfactory to Truist to the effect that the payment or deposit of cash or securities will not cause the Town's obligations to pay principal or interest to become "arbitrage bonds" within the meaning of the Code and that the release will not adversely affect the exclusion from gross income for federal income tax purposes of

the interest component of Installment Payments.

**2.08. Other Transfers and Encumbrances.**

(a) *County's Interest.* The Town and Orange County, North Carolina (the "County"), have entered into an agreement dated \_\_\_\_\_, 2022. The Town has provided a copy of this agreement to Truist. Under this agreement, the County is paying a portion of the Project Costs and in return, the Town will convey a condominium interest in the Facility. Truist agrees that the Town may convey this interest to the County as provided in that agreement, free of the lien of this Agreement. Truist agrees to execute and deliver appropriate documents to evidence the free transfer of that interest to the County. The Town will notify Truist of any changes to that agreement and provide copies of the changes with the notice.

(b) *WCOM Lease.* The Town may enter into any lease or similar agreement for the use of a portion of the Facility comprising not more than \_\_\_\_\_ square feet (plus any right to use common areas of the Facility), so long as (i) the lease will not materially impair the Town's intended use of the Facility and (ii) the lease is with a corporation recognized under Code Section 501(c)(3). The Town intends to enter into a lease like this with [WCOM], which operates a community radio station. The Town may not have more than one lease of this type in effect for the Facility at any one time.

**ARTICLE III**

**BORROWER'S PAYMENT OBLIGATION AND RELATED MATTERS**

**3.01. Installment Payments.** The Town shall repay the Amount Advanced by making Installment Payments to Truist in lawful money of the United States at the times and in the amounts set forth in Exhibit B, except as otherwise provided in this Agreement. As indicated in Exhibit B, the Installment Payments reflect the repayment of the Amount Advanced and include designated interest components, with interest accruing at the annual rate of 2.82%, subject to adjustment as provided in this Agreement.

**3.02. Additional Payments.** The Town shall pay all Additional Payments on a

timely basis directly to the person or entity to which such Additional Payments are owed in lawful money of the United States.

**3.03. Prepayment.** The Town may prepay the outstanding principal component of the Amount Advanced, at its option, in whole but not in part, at any time on or after April 5, 2032 (but not before), by paying (a) all Additional Payments then due and payable, (b) all interest accrued and unpaid to the prepayment date, and (c) 100% of the outstanding principal amount, without premium or penalty.]

**3.04. Late Payments.** If the Town fails to pay any Installment Payment when due, the Town shall pay additional interest on the principal component of the late Installment Payment (as permitted by law) at an annual rate equal to the Prime Rate from the original due date.

**3.05. Interest Rate and Payment Adjustment.** (a) “Rate Adjustment Event” means (i) any action by the Internal Revenue Service (including the delivery of a deficiency notice) or any other federal court or administrative body determining, or (ii) receipt by Truist of a Bond Counsel Opinion to the effect that the interest component of Installment Payments related to the Amount Advanced, or any portion thereof, is includable in the gross income for federal income tax purposes of any counterparty to this Agreement as a result of any misrepresentation by the Town or as a result of any action the Town takes or fails to take.

(b) Upon any Rate Adjustment Event, (i) the unpaid principal portion of the Amount Advanced shall continue to be payable as shown on Exhibit B, but (ii) the interest components of the Installment Payments shall be recalculated, at an interest rate equal to an annualized interest rate equal to the Prime Rate plus 2% (200 basis points), to the date (retroactively, if need be) determined pursuant to the Rate Adjustment Event to be the date interest became includable in any counterparty’s gross income for federal income tax purposes. Truist shall provide to the Town a restated schedule of payments.

(c) The Town shall pay interest at such adjusted rate (subject to credit for interest previously paid) to each affected counterparty, notwithstanding the fact that any particular counterparty may not necessarily be a counterparty to this Agreement on the date of a Rate Adjustment Event. The Town shall additionally pay to all affected

counterparties any interest, penalties or other charges assessed against or payable by such counterparty and attributable to a Rate Adjustment Event, notwithstanding the prior repayment of the entire Amount Advanced or any transfer to another beneficiary.

### **3.06. Appropriations.**

(a) The Town will cause the officer who prepares the draft Town budget initially submitted for Town Council consideration to include in the initial proposal each year the amount of all Installment Payments and estimated Additional Payments coming due during the Fiscal Year to which the budget applies. Notwithstanding that the initial proposed budget includes an appropriation for Required Payments, the Town Council may determine not to include the appropriation (in whole or in part) in the final Town budget for any Fiscal Year or may amend an adopted budget to reduce or delete an approved appropriation.

(b) (i) If for any Fiscal Year the Town adopts an annual budget that does not appropriate (for that purpose) an amount equal to the Installment Payments and estimated Additional Payments coming due during that Fiscal Year, then the Town will send notice of this failure to Truist and the LGC within fifteen days after the beginning of such Fiscal Year.

(ii) If for any Fiscal Year the Town has not adopted an annual budget that appropriates (for that purpose) an amount equal to the Installment Payments and estimated Additional Payments coming due during that Fiscal Year within 15 days after the beginning of any Fiscal Year, then the Town will send notice of this failure to Truist and the LGC within an additional ten days.

(iii) Similarly, if at any time the Town amends the annual budget to reduce the amounts appropriated for Required Payments below the amounts expected to be required for the remainder of that Fiscal Year, then the Town will send notice of this amendment to Truist and the LGC within ten days.

(iv) The Town shall send notices intended for the LGC to the attention of its Secretary, at 3200 Atlantic Avenue, Longleaf Building, Raleigh NC 27604.

## ARTICLE IV

### PROJECT FUND

**4.01. Project Fund.** As described Section 2.02, on the Closing Date, Truist shall deposit \$12,571,500 (that is, the full \$12,578,000 of the Amount Advanced less \$6,500 paid by Truist on the Closing Date directly to its counsel for this transaction) into the Project Fund, which shall be a special account of the Town at Truist to be designated “2022-00009 Town of Carrboro Project Fund.” The Project Fund will be held separate and apart from all other funds or accounts of the Town. The Project Fund is the Town’s property, but the Town may withdraw amounts on deposit in the Project Fund only as provided herein and only for application from time to time to the payment of Project Costs or otherwise as permitted by Section 4.03. Pending such application, such amounts shall be subject to a lien and charge in favor of Truist to secure the Town’s obligations hereunder.

**4.02. Requisitions from Project Fund.** The Town may withdraw funds from the Project Fund only after authorization from Truist. Truist shall authorize the disbursement of funds from the Project Fund only to the Town and only upon its receipt of one or more written requisitions in the form set forth in Exhibit C signed by a Town Representative. The Town shall submit its signed requisitions in (.pdf) format by electronic transmission at the email address contained in the requisition form.

Upon receipt of a requisition from the Town, Truist shall undertake such review of the matters referred to in such requisition as it shall deem appropriate, and within seven Business Days after such receipt shall notify the Town if it does not approve the requisition with the reasons for its disapproval. Truist has no obligation to make a review and any review by Truist is only for Truist’s benefit. Truist shall not unreasonably withhold payment of any requisition.

**4.03. Disposition of Project Fund Balance.** (a) Promptly after the Facility has been completed to the point that it is suitable for carrying out substantially all the purposes it is to serve for the Town, and the Town has withdrawn from the Project Fund all of the funds needed to complete the Project, the Town shall deliver to Truist a Town Certificate stating that (i) the Project has been completed, (ii) there are no

mechanic's or other liens against the Mortgaged Property for labor or materials furnished in connection with the Project, and (iii) no further funds will be requisitioned from the Project Fund to pay Project Costs. Truist may then withdraw any balance remaining in the Project Fund (and not required to be retained to pay Project Costs incurred but not yet paid) and apply such amount as provided in subsection (d) of this Section.

(b) Upon the occurrence of an Event of Default, Truist may withdraw any balance remaining in the Project Fund and apply such amount as provided in subsection (d) of this Section.

(c) If (i) more than three years have elapsed from the Closing Date or (ii) at least six months have elapsed from Truist's most recent receipt of a requisition for Project Costs, then Truist, upon 30 days' notice from Truist to the Town, may withdraw any balance remaining in the Project Fund and apply such amount as provided in subsection (d) of this Section.

(d) Truist may apply any amounts withdrawn from the Project Fund pursuant to this Section in the following order: (i) to the payment of any Additional Payments then due to Truist under this Agreement, (ii) to the payment of any interest accrued to the Project Fund disposition date that is then due and payable, (iii) to the payment of any principal amount then due and payable, (iv) to the prepayment of principal and accrued interest in accordance with the prepayment provisions of this Agreement, and (v) to the payment of future Installment Payments in inverse order of maturity; provided, however, that at Truist's option, Truist may deliver funds held in the Project Fund to the Town to be applied to additional Project Costs or future debt service payments. Any prepayment pursuant to this Section shall not affect any other Town payment obligation hereunder. Truist shall notify the Town of any withdrawal from the Project Fund made under this Section, in the notice shall describe its application of the funds so withdrawn, and shall provide the Town with a substitute Exhibit B.

**4.04. Investment.** (a) The Town and Truist agree that money in the Project Fund will be continuously invested and reinvested in a public funds money rate savings account, as directed by Truist, that meets the requirements of Section 159-30 of the General Statutes of North Carolina, as amended.

(b) Investment obligations acquired with money in the Project Fund shall be deemed at all times to be part of the Project Fund. The interest accruing thereon, and any profit or loss realized upon the disposition or maturity of any such investment, will be credited to or charged against the Project Fund.

(c) All earnings on moneys in the Project Fund shall be used for Project Costs or otherwise applied in accordance with Section 4.03.

## ARTICLE V

### BORROWER'S COVENANTS, REPRESENTATIONS AND WARRANTIES

**5.01. Warranties of Title; Marketability.** The Town covenants with the Deed of Trust Trustee and Truist that the Town is seized of and has the right to convey the Mortgaged Property in fee simple, that the Mortgaged Property is free and clear of all liens and encumbrances other than the Permitted Encumbrances, that title to the Mortgaged Property is marketable, and that the Town will forever warrant and defend title to the Mortgaged Property against the claims of all persons.

**5.02. Other Warranties and Representations.** The Town makes the following promises and statements of fact, with the intention that Truist will rely on them in making its decision to enter into the transactions contemplated by this Agreement.

(a) *No Leases; Access.* No parcel comprising a portion of the Mortgaged Property is subject to an existing lease. Each parcel comprising a portion of the Mortgaged Property is accessible from a public road.

(b) *Validity of Organization and Acts.* The Town is validly organized and existing under State law, has full power to enter into this Agreement and has duly authorized and has obtained all required approvals and all other necessary acts required prior to the execution and delivery of this Agreement. This Agreement is a valid, legal and binding obligation of the Town.

(c) *Acquisition of Permits and Approvals.* All permits, consents, approvals or authorizations of all governmental entities and regulatory bodies, and all filings and notices required on the Town's part to have been obtained or completed as of today in

connection with the authorization, execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the carrying out of the Project have been obtained and are in full force and effect, and there is no reason why any future required permits, consents, approvals, authorizations or orders cannot be obtained as needed.

(d) *No Breach of Law or Agreement.* Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, (i) to the best of the Town's knowledge, constitutes a violation of any provision of law governing the Town or (ii) results in a breach of the terms, conditions or provisions of any contract, agreement or instrument or order, rule or regulation to which the Town is a party or by which the Town is bound.

(e) *No Litigation.* There is no litigation or any governmental administrative proceeding to which the Town (or any official thereof in an official capacity) is a party that is pending or, to the best of the Town's knowledge after reasonable investigation, threatened with respect to (i) the Town's organization or existence, (ii) its authority to execute and deliver this Agreement or to comply with the terms of this Agreement, (iii) the validity or enforceability of this Agreement or the transactions contemplated hereby, (iv) the title to office of any Town Council member or any other Town officer, (v) any authority or proceedings relating to the Town's execution or delivery of this Agreement, or (vi) the undertaking of the transactions contemplated by this Agreement.

(f) *No Current Default or Violation.* (i) The Town is not in violation of any existing law, rule or regulation applicable to it, (ii) the Town is not in default under any contract, other agreement, order, judgment, decree or other instrument or restriction of any kind to which the Town is a party or by which it is bound or to which any of its assets are subject, including this Agreement, and (iii) no event or condition has happened or existed, or is happening or existing, under the provisions of any such instrument, including this Agreement, which constitutes or which, with notice or lapse of time, or both, would constitute an event of default hereunder or thereunder, in any event of (i), (ii) or (iii) that would have a material adverse effect on the Project, the Town's interest in the Mortgaged Property or the Town's ability to satisfy the Obligations.



(g) *No Misrepresentation.* No representation, covenant or warranty by the Town in this Agreement is false or misleading in any material respect.

**5.03. Environmental Warranties.** (a) The Town warrants and represents to Truist as follows:

(i) The Town has no knowledge of, and after reasonable inquiry no reason to believe (A) that any industrial use has been made of the Mortgaged Property, (B) that the Mortgaged Property has been used for the storage, treatment or disposal of chemicals or any wastes or materials that are classified by federal, State or local laws as hazardous or toxic substances, or (C) that any manufacturing, landfilling or chemical production has occurred on the Mortgaged Property.

(ii) The Mortgaged Property is in compliance with all federal, State and local environmental laws and regulations, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, Public Law No. 96-510, 94 Stat. 2767, 42 USC 9601 *et seq.*, and the Superfund Amendments and Reauthorization Act of 1986, Public Law No. 99-499, 100 Stat. 1613.

(b) The Town's obligations under this Section shall continue in full effect notwithstanding full payment of the Required Payments or foreclosure under this Agreement or delivery of a deed in lieu of foreclosure.

**5.04. Maintenance of Existence.** The Town shall maintain its existence, shall continue to be a municipal corporation validly organized and existing under State law, and shall not consolidate with or merge into another governmental entity, unless the resulting entity assumes the Town's obligations under this Agreement.

**5.05. Further Instruments.** Upon Truist's request, the Town shall execute, acknowledge and deliver such further instruments reasonably necessary or desired by Truist to carry out more effectively the purposes of this Agreement or any other document related to the transactions contemplated hereby, and to subject to the liens and security interests hereof and thereof all or any part of the Mortgaged Property intended to be given or conveyed hereunder or thereunder, whether now given or conveyed or acquired and conveyed subsequent to the date of this Agreement.

**5.06. Truist's Advances for Performance of Town's Obligations.** If the Town fails to perform any of its obligations under this Agreement, Truist is authorized, but not obligated, to perform the obligation or cause it to be performed. All expenditures incurred by Truist (including any advancement of funds for payment of taxes, insurance premiums or other costs of maintaining the Mortgaged Property, and any associated legal or other expenses), together with interest thereon at the Prime Rate, shall be secured as Additional Payments under this Agreement. The Town promises to pay all such amounts to Truist immediately upon demand.

**5.07. Taxes and Other Governmental Charges.** The Town shall pay, as Additional Payments, the full amount of all taxes, assessments and other governmental charges lawfully made by any governmental body during the term of this Agreement. With respect to special assessments or other governmental charges which may be lawfully paid in installments over a period of years, the Town shall be obligated to provide for Additional Payments only for such installments as are required to be paid during the term of this Agreement. The Town shall not allow any liens for taxes, assessments or governmental charges with respect to the Mortgaged Property or any portion thereof to become delinquent (including, without limitation, any taxes levied upon the Mortgaged Property or any portion thereof which, if not paid, will become a charge on any interest in the Mortgaged Property, including Truist's interest, or the rentals and revenues derived therefrom or hereunder).

**5.08. Town's Insurance.** (a) From and after the time of substantial completion of the Facility, the Town shall, at its own expense, acquire, carry and maintain broad-form extended coverage property damage insurance with respect to all improvements in or on the Site or otherwise related to the Facility in an amount equal to the estimated replacement cost of those improvements. This property damage insurance shall include standard mortgagee coverage in favor of Truist. The Town shall provide evidence of such coverage to Truist, upon Truist's request, promptly upon substantial completion. Any Net Proceeds of the insurance required by this subsection (a) shall be payable as provided in Section 6.09.

(b) To the extent permitted by law, the Town promises that from and after the Closing Date the Town shall, at its own expense, acquire, carry and maintain comprehensive general liability insurance in accordance with State statute or as customarily held by similar entities in the State.

(c) If the property (building) secured by this Agreement has been determined to be in a “Special Flood Hazard” area, as defined by Truist’s flood determination vendor, the Town, at its own expense, must acquire, carry, and maintain an adequate policy for flood insurance for the life of the loan in compliance with the Flood Disaster Protection Act of 1973 (Federal law). If at any time during the term of this Agreement, such portion of the Mortgaged Property is classified by FEMA as being located in a special flood hazard area, flood insurance will be mandatory. Should Truist become aware of such an event, federal law requires Truist to notify the Town of the reclassification. If, within forty-five days of receipt of notification from Truist that any portion of the Mortgaged Property has been reclassified by the FEMA as being located in a special flood hazard area, the Town has not provided sufficient evidence of flood insurance, Truist is mandated under federal law to purchase flood insurance on behalf of the Town.

(d) The Town shall maintain all this insurance with generally recognized responsible insurers in accordance with State law. The policies may carry reasonable deductible or risk-retention amounts.

(e) Truist is not responsible for the sufficiency or adequacy of any required insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by Truist.

(f) Upon Truist’s request, the Town shall deliver to Truist a certificate stating the property coverage required by this Agreement is in effect, and stating the carrier, policy number and coverage amount.

**5.09. Financial Information.** The Town will send Truist a copy of the Town’s audited financial statements, for each Fiscal Year within 30 days of the Town’s acceptance of the statements, but in any event within 270 days of the completion of each Fiscal Year. However, the Town need not send a copy of the current audited financial statements for each fiscal year if the statements are posted to the MSRB’s Electronic Municipal Market Access (“EMMA”) website or are readily accessible from the Town’s own website. The Town shall also furnish Truist, at such reasonable times as Truist may request, all other financial information (including, without limitation, the Town’s annual budget as submitted or approved) as Truist may reasonably request. The Town shall permit Truist or its agents and representatives to inspect the Town’s books and records and make extracts therefrom.

## ARTICLE VI

### CARE AND USE OF FACILITY

**6.01. Compliance with Requirements.** (a) The Town shall observe and comply promptly with all current and future requirements relating to the Mortgaged Property's use or condition imposed by (i) any judicial, governmental or regulatory body having jurisdiction over the Facility or any portion thereof or (ii) any insurance company writing a policy covering the Facility or any portion thereof, whether or not any such requirement shall necessitate structural changes or improvements or interfere with the use or enjoyment of the Mortgaged Property.

(b) The Town shall not use the Mortgaged Property or any part thereof, nor allow the same to be used, for any unlawful purpose, or suffer any act to be done or any condition to exist with respect to the Mortgaged Property or any part thereof, nor any article to be brought thereon, which may be dangerous, unless safeguarded as required by law, or which may, in law, constitute a nuisance, public or private, or which may make void or voidable any insurance then in force with respect thereto.

**6.02. Maintenance and Repairs; Additions.** (a) The Town shall keep the Mortgaged Property in good order and repair (reasonable wear and tear excepted) and in good operating condition, shall not commit or permit any waste or any other thing to occur whereby the value or usefulness of the Mortgaged Property might be impaired, and shall make from time to time all necessary or appropriate repairs, replacements and renewals.

(b) The Town may, also at its own expense, make from time to time any additions, modifications or improvements to the Mortgaged Property that it may deem desirable for its governmental or proprietary purposes and that do not materially impair the effective use, nor materially decrease the value or substantially alter the intended use, of the Mortgaged Property. The Town shall do, or cause to be done, all such things as may be required by law in order fully to protect the security of and all Trust's rights under this Agreement.

(c) Any and all additions to or replacements of the Facility and all parts thereof shall constitute accessions to the Facility and shall be subject to all the terms

and conditions of this Agreement and included in the “Facility” for the purposes of this Agreement.

**6.03. Utilities.** The Town shall pay all charges for utility services furnished to or used on or in connection with the Site and the Facility.

**6.04. Risk of Loss.** The Town shall bear all risk of loss to and condemnation of the Site and the Facility.

**6.05. Condemnation.** (a) The Town shall immediately notify Truist if any governmental authority shall institute, or shall notify the Town of any intent to institute, any action or proceeding for the taking of, or damages to, all or any part of the Mortgaged Property or any interest therein under the power of eminent domain, or if there shall be any damage to the Mortgaged Property due to governmental action, but not resulting in a taking of any portion of the Mortgaged Property. The Town shall file and prosecute its claims for any such awards or payments in good faith and with due diligence and cause the same to be collected and paid over to Truist, and to the extent permitted by law hereby irrevocably authorizes and empowers Truist or the Deed of Trust Trustee, in the Town’s name or otherwise, to collect and receipt for any such award or payment and to file and prosecute such claims. If the Town receives any Net Proceeds arising from any such action, the Town shall apply these Net Proceeds as provided in Section 6.09.

(b) If any of the real or personal property acquired or improved by the Town (in whole or in part) using any portion of the Amount Advanced consists of or is located on any real property acquired by the Town through the exercise of the power of eminent domain, or through the threat of the exercise of the power of eminent domain, then during the term of this Agreement the Town may not transfer any interest in such real property to any entity other than a local governmental unit without Truist’s prior express written consent.

**6.06. Title.** Title to the Site and the Facility and any and all additions, repairs, replacements or modifications thereto shall at all times be in the Town, subject to the lien of this Agreement and the other Permitted Encumbrances. Upon the Town’s payment in full of all Required Payments, Truist, at the Town’s expense and request, shall cancel this Agreement.

**6.07. Right of Entry and Inspection.** Truist and its representatives and agents shall have the right to enter upon the Site and inspect the Facility from time to time, and the Town shall cause any vendor, contractor or sub-contractor to cooperate with Truist and its representatives and agents during such inspections.

No right of inspection or approval granted in this Section shall be deemed to impose upon Truist any duty or obligation whatsoever to undertake any inspection or to make any approval. No inspection made or approval given by Truist shall be deemed to impose upon Truist any duty or obligation whatsoever to identify or correct any defects in the Facility or to notify any person with respect thereto, and no liability shall be imposed upon Truist, and no warranties (either express or implied) are made by Truist as to the quality or fitness of any improvement, any such inspection and approval being made solely for Truist's benefit.

**6.08. No Encumbrance, Mortgage or Pledge of Site or Facility.** (a) The Town shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien (including mechanics' and materialmen's liens), charge, encumbrance or other claim in the nature of a lien on or with respect to the Mortgaged Property, except Permitted Encumbrances. The Town shall promptly, at its own expense, take such action as may be duly necessary to discharge any such mortgage, pledge, lien, charge, encumbrance or claim not excepted above which it shall have created, incurred or suffered to exist.

(b) The Town shall reimburse Truist for any expense incurred by Truist to discharge or remove any such mortgage, pledge, lien, security interest, encumbrance or claim, with interest at the Prime Rate.

**6.09. Damage and Destruction; Use of Net Proceeds.** (a) The Town shall promptly notify Truist if any of the following events (a "Collateral Loss Event") occurs:

(i) the Mortgaged Property or any portion thereof is stolen or is destroyed or damaged by fire or other casualty,

(ii) a material defect in the construction of the Mortgaged Property becomes apparent, or

(iii) title to or the use of all or any portion of the Mortgaged Property shall be lost by reason of a defect in title.

Each notice shall describe generally the nature and extent of such damage, destruction or taking.

(b) If the Net Proceeds arising from any single Collateral Loss Event, or any single substantially related series of Collateral Loss Events, is not more than \$100,000, the Town shall retain the Net Proceeds and apply the same to the prompt completion, repair or restoration of the Mortgaged Property, and shall promptly thereafter report to Truist regarding the use of such Net Proceeds.

(c) If the Net Proceeds arising from any single Collateral Loss Event, or any single substantially related series of Collateral Loss Events, is more than \$100,000, then the Town shall cause the Net Proceeds to be paid to an escrow agent (which shall be a bank, trust company or similar entity exercising fiduciary responsibilities) designated by Truist for deposit in a special escrow fund to be held by that escrow agent. The Town shall thereafter apply Net Proceeds (i) to the prompt repair or restoration of the Mortgaged Property (and pay any costs in excess of Net Proceeds, if necessary), or (ii) together with other available funds as may be necessary, to the prepayment of all outstanding Required Payments pursuant to Section 3.03. The Town shall promptly report to Truist regarding the use of Net Proceeds.

(d) Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of Net Proceeds shall be the Town's property and shall be part of the Mortgaged Property.

## **ARTICLE VII**

### **INDEMNIFICATION**

To the extent permitted by law, the Town will indemnify, protect and save

(a) the Deed of Trust Trustee,

(b) Truist and its officers, employees, and directors, and

(c) the LGC's members and employees,

in all cases harmless from all liability and losses, including expenses and legal fees, expenses and costs, arising out of, connected with, or resulting directly or indirectly

(A) from or relating to the Mortgaged Property or the transactions contemplated by this Agreement, including without limitation the possession, condition, installation, construction or use of the Mortgaged Property.

(B) as a result of any warranty or representation made by the Town in Section 5.03 being false or untrue in any material respect, or any requirement under any law or regulation which requires the elimination or removal of any hazardous materials, substances, wastes or other environmentally regulated substances by Truist, the Town or any transferee or assignee of the Town or Truist.

The Town has no obligation to indemnify any indemnified party for the gross negligence or intentional misconduct of the indemnified party or any of its employees or representatives. The Town's obligation to provide indemnification under this Article continues even after there is no longer any outstanding principal balance of the Amount Advanced and extends to any successor to Truist. The parties intend that the LGC is a third-party beneficiary of the Town's obligations under this Article VII.

## ARTICLE VIII

### THE DEED OF TRUST TRUSTEE

**8.01. Deed of Trust Trustee's Liability.** The Deed of Trust Trustee will suffer no liability by virtue of its acceptance of this trust except such as may be incurred as a result of the Deed of Trust Trustee's failure to account for the proceeds of any sale under this Agreement.

**8.02. Substitute Trustees.** If the Deed of Trust Trustee, or any successor, dies, becomes incapable of acting or renounces its trust, or if for any reason Truist desires to replace the Deed of Trust Trustee, then Truist has the unqualified right to appoint one



or more substitute or successor Deed of Trust Trustees by instruments filed for registration in the office of the Register of Deeds where this Agreement is recorded. Any removal or appointment may be made at any time without notice, without specifying any reason therefor and without any court approval. Any appointee becomes vested with title to the Mortgaged Property and with all rights, powers and duties conferred upon the Deed of Trust Trustee by this Agreement in the same manner and to the same effect as though such Deed of Trust Trustee were named as the original Deed of Trust Trustee.

## **ARTICLE IX**

### **DEFAULTS AND REMEDIES; FORECLOSURE**

**9.01. Events of Default.** An “Event of Default” is any of the following:

- (a) The Town’s failing to make any Installment Payment when due.
- (b) The occurrence of an Event of Nonappropriation.
- (c) The Town’s breaching or failing to perform or observe any term, condition or covenant of this Agreement on its part to be observed or performed, other than as provided in subsections (a) or (b) above, including payment of any Additional Payment, for a period of 15 days after written notice specifying such failure and requesting that it be remedied shall have been given to the Town by Truist, unless Truist shall agree in writing to an extension of such time prior to its expiration.
- (d) The institution of proceedings under any bankruptcy, insolvency, reorganization or similar law by or against the Town as a debtor, or the appointment of a receiver, custodian or similar officer for the Town or any of its property, and the failure of such proceedings or appointments to be vacated or fully stayed within 30 days after the institution or occurrence thereof.
- (e) Any warranty, representation or statement made by the Town in this Agreement is found to be incorrect or misleading in any material respect on the Closing Date (or, if later, on the date made).

(f) Any lien, charge or encumbrance (other than Permitted Encumbrances) prior to or affecting the validity of this Agreement is found to exist, or proceedings are instituted against the Town to enforce any lien, charge or encumbrance against the Mortgaged Property and such lien, charge or encumbrance would be prior to the lien of this Agreement.

**9.02. Remedies on Default.** Upon the continuation of any Event of Default, Truist may, without any further demand or notice, exercise any one or more of the following remedies:

(a) Declare the unpaid principal components of the Installment Payments immediately due and payable;

(b) Proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this Agreement or to recover for the breach thereof; and

(c) Avail itself of all available remedies under this Agreement, including execution and foreclosure as provided in Sections 9.03 and 9.04, and recovery of attorneys' fees and other expenses.

**9.03 County's Right to Cure.** (a) Truist agrees that Orange County, North Carolina, has the right to cure any default under this Agreement that can be cured by the payment of money. Truist must notify the County of the nature of the default and the amount necessary to cure the default. The notice must also reference this Agreement, state that the County has 25 days from the effective date of the notice to make the curative payment, and provide instructions for payment. Truist may not take any remedial action until the end of the 25-day notice period unless the County provides notice sooner that it will waive its right to cure.

(b) Notice to the County is subject to the provisions of Section 12.01. Notices are to be sent to Orange County, North Carolina, Attention: Finance Officer, Re: Default Notice under Carrboro 203 Financing Agreement, Post Office Box 8181, Hillsborough, North Carolina 27878.

(c) Truist and the Town intend that the County is a third-party beneficiary under this Agreement for the purposes of its right to cure.

**9.04. Foreclosure; Sale under Power of Sale.** (a) *Right to foreclosure or sale.* Upon the occurrence and continuation of an Event of Default, at Truist's request, the Deed of Trust Trustee shall foreclose the Mortgaged Property by judicial proceedings or, at Truist's option, the Deed of Trust Trustee shall sell (and is hereby empowered to sell) all or any part of the Mortgaged Property (and if in part, any such sale shall in no way adversely affect the lien created hereby against the remainder) at public sale to the last and highest bidder for cash (free of any equity of redemption, homestead, dower, curtesy or other exemption, all of which the Town expressly waives to the extent permitted by law) after compliance with applicable State laws relating to foreclosure sales under power of sale. The Deed of Trust Trustee shall, at Truist's request, execute a proper deed or deeds to the successful purchaser at such sale.

(b) *Truist's bid.* Truist may bid and become the purchaser at any sale under this Agreement, and in lieu of paying cash therefor may make settlement for the purchase price by crediting against the Required Payments the proceeds of sale net of sale expenses, including the Deed of Trust Trustee's commission, and after payment of such taxes and assessments as may be a lien on the Mortgaged Property superior to the lien of this Agreement (unless the Mortgaged Property is sold subject to such liens and assessments, as provided by State law).

(c) *Town's bid.* The Town may bid for all or any part of the Mortgaged Property at any foreclosure sale; provided, however, that the price bid by the Town may not be less than an amount sufficient to provide for full payment of the Required Payments.

(d) *Successful bidder's deposit.* At any such sale the Deed of Trust Trustee may, at its option, require any successful bidder (other than Truist) immediately to deposit with the Deed of Trust Trustee cash or a certified check in an amount equal to all or any part of the successful bid, and notice of any such requirement need not be included in the advertisement of the notice of such sale.

(e) *Application of sale proceeds.* The proceeds of any foreclosure sale shall be applied in the manner and in the order prescribed by State law, it being agreed that the expenses of any such sale shall include a commission to the Deed of Trust Trustee of five percent of the gross sales price for making such sale and for all services performed under this Agreement. Any proceeds of any such sale remaining after the payment of

all Required Payments and the prior application thereof in accordance with State law shall be paid to the Town.

**9.05. Possession of Mortgaged Property.** During the continuation of an Event of Default, the Town shall immediately lose the right to possess, use and enjoy the Mortgaged Property (but may remain in possession of the Mortgaged Property as a tenant at will of Truist), and thereupon the Town (a) shall pay monthly in advance to Truist a fair and reasonable rental value for the use and occupation of the Mortgaged Property (in an amount Truist shall determine in its reasonable judgment), and (b) upon Truist's demand, shall deliver possession of the Mortgaged Property to Truist or, at Truist's direction, to the purchaser of the Mortgaged Property at any judicial or foreclosure sale under this Agreement.

In addition, upon the continuation of any Event of Default, Truist, to the extent permitted by law, is hereby authorized to (i) take possession of the Mortgaged Property, with or without legal action, (ii) lease the Mortgaged Property, (iii) collect all rents and profits therefrom, with or without taking possession of the Mortgaged Property, and (iv) after deducting all costs of collection and administration expenses, apply the net rents and profits first to the payment of necessary maintenance and insurance costs, and then to the Town's account and in reduction of the Town's corresponding Required Payments in such fashion as Truist shall reasonably deem appropriate. Truist shall be liable to account only for rents and profits it actually receives.

**9.06. Due on Sale Provision; Acceleration.** Truist may, at its option, require the immediate repayment in full of the Amount Advanced and payment all other sums secured by this Agreement upon the sale, transfer, conveyance or encumbrance of all or any part of the Mortgaged Property, or any legal or beneficial interest in the Mortgaged Property, without Truist's prior written consent. This option applies whether the sale, transfer, conveyance or encumbrance is voluntary, involuntary, by operation of law or otherwise, and includes (a) any creation of lien or encumbrance, whether or not subordinate to the lien created pursuant to this Agreement, (b) the creation of any easement, right-of-way or similar, or (c) the grant of any leasehold or similar interest or any option to purchase, right of first refusal or similar interest. This option does not apply, however, in the case of the creation of any Permitted Encumbrance.

**9.07. No Remedy Exclusive; Delay Not Waiver.** All remedies under this Agreement are cumulative and may be exercised concurrently or separately. The exercise of any one remedy shall not be deemed an election of such remedy or preclude the exercise of any other remedy. If any Event of Default occurs and is thereafter waived by the other parties, that waiver shall be limited to the particular breach so waived and shall not be deemed a waiver of any other breach under this Agreement.

**9.08. Payment of Legal Fees and Costs.** If Truist employs an attorney to assist in the enforcement or collection of Required Payments, or if the Deed of Trust Trustee or Truist voluntarily or otherwise shall become a party or parties to any suit or legal proceeding (including a proceeding conducted under any state or federal bankruptcy or insolvency statute) to protect the Mortgaged Property, to protect the lien of this Agreement, to enforce collection of the Required Payments or to enforce compliance by the Town with any of the provisions of this Agreement, the Town agrees to pay reasonable legal fees and costs that may reasonably be incurred (whether or not any suit or proceeding is commenced), and those fees and costs (together with interest at the Prime Rate) are secured as Required Payments.

## ARTICLE X

### WIRE TRANSFER REQUIREMENTS

In order to prevent unauthorized or fraudulent wire transfers through cyberfraud and other means, Truist and the Town hereby agree to the provisions of this Article X.

**10.01. Wire Transfer Requirements.** In the event a wire transfer is made by Truist to disburse funds as contemplated by this Agreement (a “Disbursement”), said wire transfer shall be delivered as directed in a written “Disbursement Authorization” provided to Truist by a Town Representative. Any person previously designated as a Town Representative for this purpose may revoke the authorization of any other designated person at any time.

**10.02. Verification Procedures.** Prior to making any Disbursement pursuant to a Disbursement Authorization not delivered to Truist in person by a Town Representative, Truist shall verify such Disbursement Authorization verbally

via telephone communication with a Town Representative. The Town shall ensure that a Town Representative will provide such verification to Truist. The Town shall not disclose, or allow to be disclosed, such Truist verification procedures to any third party unless there is a legitimate business need to make such disclosure or such disclosure is required by law, and the Town accepts the risk of such third party knowledge of the security procedures. If the Town has reason to believe that a security procedure has been obtained by or disclosed to an unauthorized person or learns of any unauthorized transfer or of any discrepancy in a transfer request, then the Town shall notify Truist immediately.

**10.03. Payee Identification.** The Town is solely responsible for accurately identifying the wire transfer information contained in the Disbursement Authorization delivered to Truist by a Town Representative, including but not limited to the bank name and its ABA number, beneficiary's account name and account number and beneficiary's physical address, together with other information requested by Truist (collectively, "Remittance Instructions"). If the Remittance Instructions describe a beneficiary inconsistently by name and account number, the Town acknowledges that Truist may make payment on the basis of the account number alone, that Truist is not obligated to detect such errors, and that the Town assumes the risk of any loss resulting therefrom.

**10.04. Duty to Reconcile Written Confirmation.** Upon request from a Town Representative, Truist shall use its best efforts to send a Town Representative written confirmation of the Disbursement in the form of a reference number, beneficiary name and wire amount. A Town Representative shall promptly review and reconcile the written confirmation of the Disbursement sent by Truist, and shall report to Truist in writing, promptly, but in no event later than ten Business Days after the date of such written confirmation, any unauthorized, erroneous, unreceived or improperly executed payment. Truist and the Town agree that ten Business Days is a reasonable time for the detection and reporting to Truist of such information. After that time, all items on the written confirmation will be considered correct and the Town will be precluded from recovering from Truist if such wire transfer identified in the written confirmation was actually made by Truist. For the avoidance of doubt, any such writings can be provided electronically.

**10.05. Unauthorized Payments.** Notwithstanding any other provision herein, if a Disbursement has been verified by a Town Representative pursuant to Section 10.02, it shall be binding on the Town if Truist acted in good faith in making such Disbursement.

**10.06. Recordation.** Truist may record any telephone conversation between Truist and a representative of the Town in order to reduce the risk of unauthorized or erroneous transfers. Truist may retain such recordings for as long as Truist may deem necessary.

**10.07. Indemnification and Hold Harmless.** If Truist complies with the provisions of this Article X, the Town agrees that Truist shall not be responsible for any communication or miscommunication by a Town Representative, and the Town further agrees to indemnify, to the extent allowed by law, Truist and hold Truist harmless from and against any and all losses, claims, expenses, suits, costs or damages, demands or liabilities of whatever kind or nature, whether now existing or hereafter relating in any way to a wire transfer made pursuant to this Agreement.

**10.08. Applicable Law.** All wire transfer orders are governed by Article 4A of the Uniform Commercial Code, except as any provisions thereof that may be and are modified by the terms hereof. If any part of the applicable wire transfer order involves the use of the Fedwire, the rights and obligations of Truist and the Town regarding that wire transfer order are governed by Regulation J of the Federal Reserve Board.

## **ARTICLE XI**

### **TOWN'S LIMITED OBLIGATION**

Notwithstanding any other provision of this Agreement, the parties intend that this transaction comply with North Carolina General Statutes Section 160A-20. No deficiency judgment may be entered against the Town in violation of such Section 160A-20.

No provision of this Agreement should be construed or interpreted as creating a pledge of the Town's faith and credit within the meaning of any constitutional debt

limitation. No provision of this Agreement should be construed or interpreted as an illegal delegation of governmental powers or as an improper donation or lending of the Town's credit within the meaning of the North Carolina constitution. The Town's taxing power is not and may not be pledged directly or indirectly or contingently to secure any moneys due under this Agreement.

No provision of this Agreement should be construed to pledge or to create a lien on any class or source of the Town's moneys (other than the Amount Advanced and any Net Proceeds). No provision of this Agreement restricts the Town's future issuance of any of its bonds or other obligations payable from any class or source of the Town's moneys (except to the extent this Agreement restricts the incurrence of additional obligations secured by the Mortgaged Property).

To the extent of any conflict between this Article and any other provision of this Agreement, this Article takes priority. Nothing in this Article is intended to impair or prohibit foreclosure upon occurrence of an Event of Default under this Agreement.

## **ARTICLE XII**

### **ADDITIONAL PROVISIONS**

**12.01. Notices.** (a) Any communication provided for in this Agreement must be in English and must be in writing, and “writing” includes facsimile transmission and electronic mail.

(b) For the purposes of this Agreement, any communication sent by facsimile transmission or electronic mail will be deemed to have been given on the date the communication is similarly acknowledged by a Town Representative (in the case of the Town) or other authorized representative (in the case of any other party). No such communication will be deemed given or effective without such an acknowledgment.

(c) Any other communication under this Agreement will be deemed given on the delivery date shown on a United States Postal Service certified mail receipt, or



a delivery receipt (or similar evidence) from a national commercial package delivery service, if addressed as follows:

(i) if to the Town, to Town Manager, Town of Carrboro, Attention: Notice under 2022 Financing Agreement, 301 West Main Street, Carrboro, North Carolina 27510

(ii) if to the Deed of Trust Trustee, to 2320 Cascade Point Boulevard, Suite 600, Charlotte, North Carolina 28208, Attention: Governmental Finance

(iii) if to Truist, to 2320 Cascade Point Boulevard, Suite 600, Charlotte, North Carolina 28208, Attention: Governmental Finance

(c) Any communication to the Deed of Trust Trustee shall also be sent to Truist.

(d) Any addressee may designate additional or different addresses for communications by notice given under this Section to each of the others.

**12.02. No Assignments by Town.** The Town shall not sell or assign any interest in this Agreement.

**12.03. Assignments by Truist.** Truist may, at any time and from time to time, assign all or any part of its interest in the Site, the Facility or this Agreement, including, without limitation, Truist's rights to receive Required Payments. Any assignment made by Truist or any subsequent assignee shall not purport to convey any greater interest or rights than those held by Truist pursuant to this Agreement.

The Town agrees that this Agreement may become part of a pool of obligations at Truist's or its assignee's option. Truist or its assignees may assign or reassign all or any part of this Agreement, including the assignment or reassignment of any partial interest through the use of certificates evidencing participation interests in this Agreement. Any assignment by Truist may be only to a bank, insurance company, or similar financial institution or any other entity approved by the LGC. Notwithstanding the foregoing, no assignment or reassignment of Truist's interest in the Mortgaged Property or this Agreement shall be effective unless and until the Town shall receive a

duplicate original counterpart of the document by which such assignment or reassignment is made disclosing the name and address of each such assignee.

The Town further agrees that Truist's interest in this Agreement may be assigned in whole or in part upon terms which provide in effect that the assignor or assignee will act as a collection and paying agent for any holders of certificates of participation in this Agreement, provided the Town receives a copy of such agency contract and such collection and paying agent covenants and agrees to maintain for the full remaining term of this Agreement a written record of each assignment and reassignment of such certificates of participation.

The Town agrees to execute any document reasonably required in connection with any assignment. Any assignor must provide notice of any assignment to the Town, and the Town shall keep a complete and accurate record of all assignments as required by the Code. After the giving of any such notice, the Town shall thereafter make all payments in accordance with the notice to the assignee named therein and shall, if so requested, acknowledge such assignment in writing, but such acknowledgment shall in no way be deemed necessary to make the assignment effective.

Notwithstanding any of the foregoing, in no event will the Town ever be required to make Installment Payments to more than one person or entity on any Payment Date.

**12.04. Amendments.** No term or provision of this Agreement may be amended, modified or waived without the prior written consent of the Town and Truist.

**12.05. No Marshalling.** To the extent permitted by law, the Town hereby waives any and all rights to require marshalling of assets in connection with the exercise of any remedies provided in this Agreement or as permitted by law.

**12.06. Governing Law.** The parties intend that North Carolina law will govern this Agreement and all matters of its interpretation.

**12.07. Liability of Officers and Agents.** No officer, agent or employee of the Town shall be subject to any personal liability or accountability by reason of the execution of this Agreement or any other documents related to the transactions

contemplated hereby. Those officers or agents shall be deemed to execute such documents in their official capacities only, and not in their individual capacities. This Section shall not relieve an officer, agent or employee of the Town from the performance of any official duty provided by law.

**12.08. Covenants Run with the Land.** All covenants contained in this Agreement run with the real estate encumbered by this Agreement.

**12.09. Severability.** If any provision of this Agreement shall be determined to be unenforceable, that shall not affect any other provision of this Agreement.

**12.10. Non-Business Days.** If the date for making any payment or the last day for performance of any act or the exercising of any right shall not be a Business Day, such payment shall be made or act performed or right exercised on or before the next preceding Business Day.

**12.11. Entire Agreement.** This Agreement constitutes the Town's entire agreement with respect to the general subject matter covered hereby.

**12.12. Binding Effect.** Subject to the specific provisions of this Agreement, and in particular Section 12.03, this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

**12.13. E-Verify.** Truist understands that "E-Verify" is a federal program operated by the United States Department of Homeland Security and other federal agencies, or any successor or equivalent program used to verify the work authorization of newly hired employees pursuant to federal law in accordance with Section 64-25(5) of the General Statutes of North Carolina, as amended. Truist uses E-Verify to verify the work authorization of its employees in accordance with Section 64-26(a) of the General Statutes of North Carolina, as amended. Truist will require that any subcontractor that it uses in connection with the transactions contemplated by this Agreement certify to such subcontractor's compliance with E-Verify.

*The remainder of this page left blank intentionally; signature page follows.*

**IN WITNESS WHEREOF**, the parties have caused this instrument to be executed as of the day and year first above written by duly authorized officers.

**(SEAL)**

**ATTEST:**

**TOWN OF CARRBORO,  
NORTH CAROLINA**

\_\_\_\_\_  
Wesley Barker  
Town Clerk

By: \_\_\_\_\_  
Richard J. White III, ICMA-CM  
Town Manager

\* \* \* \* \*

**STATE OF NORTH CAROLINA;  
ORANGE COUNTY**

I, a Notary Public of such County and State, certify that Richard J. White III and Wesley Barker personally came before me this day and acknowledged that they are the Town Manager and the Town Clerk, respectively, of the Town of Carrboro, North Carolina, and that by authority duly given, the foregoing instrument was signed in the Town’s name by such Town Manager sealed with its corporate seal and attested by such Clerk.

**WITNESS** my hand and official stamp or seal, this \_\_\_\_\_ day of May, 2022.

**[SEAL]**

\_\_\_\_\_  
Notary Public  
Notary’s printed name: \_\_\_\_\_

My commission expires: \_\_\_\_\_

[Financing Agreement and Deed of Trust  
From the Town of Carrboro, North Carolina  
dated as of May 10, 2022]

**TRUIST BANK**

By: \_\_\_\_\_  
Andrew G. Smith  
Senior Vice President

This contract has been approved under the provisions of Article 8, Chapter 159 of the General Statutes of North Carolina.

Sharon G. Edmundson  
Secretary, North Carolina  
Local Government Commission

By \_\_\_\_\_  
[Sharon G. Edmundson or  
Designated Assistant]

[Financing Agreement and Deed of Trust  
From the Town of Carrboro, North Carolina  
dated as of May 10, 2022]

## **EXHIBIT A – Site Description**

BEING all of that property consisting of 0.883 acres, more or less, surveyed as “Fakhoury Property” per “Recombination Map of Fakhoury Property” surveyed by Kenneth Close, Inc. recorded in Book of Maps 94, Page 24, Orange County Registry.

## **EXHIBIT B – Schedule of Installment Payments**

Each portion of the Amount Advanced will bear interest from the Closing Date until paid. Principal is payable on dates and in amounts as shown below. Interest is calculated at the annual rate of 2.82%, subject to adjustment as provided in this Agreement and payable on each March 1 and September 1, beginning September 1, 2022. Interest will be calculated based on a 360-day year consisting of twelve 30-day months. The schedule below shows the expected interest payment amounts.

This Agreement carries Truist contract number 9933000653-00009.

Payment Date	Principal	Interest	Total Payment
9/1/2022		109,365.71	109,365.71
3/1/2023		177,349.80	177,349.80
9/1/2023		177,349.80	177,349.80
3/1/2024	662,000	177,349.80	839,349.80
9/1/2024		168,015.60	168,015.60
3/1/2025	662,000	168,015.60	830,015.60
9/1/2025		158,681.40	158,681.40
3/1/2026	662,000	158,681.40	820,681.40
9/1/2026		149,347.20	149,347.20
3/1/2027	662,000	149,347.20	811,347.20
9/1/2027		140,013.00	140,013.00
3/1/2028	662,000	140,013.00	802,013.00

9/1/2028		130,678.80	130,678.80
3/1/2029	662,000	130,678.80	792,678.80
9/1/2029		121,344.60	121,344.60
3/1/2030	662,000	121,344.60	783,344.60
9/1/2030		112,010.40	112,010.40
3/1/2031	662,000	112,010.40	774,010.40
9/1/2031		102,676.20	102,676.20
3/1/2032	662,000	102,676.20	764,676.20
9/1/2032		93,342.00	93,342.00
3/1/2033	662,000	93,342.00	755,342.00
9/1/2033		84,007.80	84,007.80
3/1/2034	662,000	84,007.80	746,007.80
9/1/2034		74,673.60	74,673.60
3/1/2035	662,000	74,673.60	736,673.60
9/1/2035		65,339.40	65,339.40
3/1/2036	662,000	65,339.40	727,339.40
9/1/2036		56,005.20	56,005.20
3/1/2037	662,000	56,005.20	718,005.20
9/1/2037		46,671.00	46,671.00



3/1/2038	662,000	46,671.00	708,671.00
9/1/2038		37,336.80	37,336.80
3/1/2039	662,000	37,336.80	699,336.80
9/1/2039		28,002.60	28,002.60
3/1/2040	662,000	28,002.60	690,002.60
9/1/2040		18,668.40	18,668.40
3/1/2041	662,000	18,668.40	680,668.40
9/1/2041		9,334.20	9,334.20
3/1/2042	662,000	9,334.20	671,334.20

## **EXHIBIT C – Form of Project Fund Requisition**

[TO BE PREPARED ON TOWN’S LETTERHEAD FOR SUBMISSION]

### **PROJECT FUND REQUISITION**

[Date] \_\_\_\_\_

Email requisitions to: GFProjectfunds@bbandt.com

#### Requisition Team

Truist Bank

Direct Dial: (252) 296-0452 or (252) 296-0659

RE: Request for disbursement of funds from the Project Fund related to Agreement No. 9933000653-00009 with the Town of Carrboro, North Carolina, dated as of May 10, 2022

To Whom It May Concern,

Pursuant to the terms and conditions of the Financing Agreement and Deed of Trust, dated as of May 10, 2022 (the “Agreement”), from the Town of Carrboro, North Carolina (the “Town”) for the benefit of Truist Bank, the Town requests the disbursement of funds from the Project Fund established under the Agreement for the following Project Costs:

This is requisition number \_\_\_\_ from the Project Fund.

#### **Disbursements will be to the Town of Carrboro, North Carolina**

Amount: \$\_\_\_\_\_

Attach copies of applicable vendor invoices or spreadsheet of expenditures to requisition when submitting.

Project Description:

Location of Equipment/Project:

To receive funds via wire transfer please include:

ABA Routing Number:

Account Number:

Physical address of Town: Town of Carrboro, North Carolina, Town Manager, Town of Carrboro, Attention: Notice under 2022 Financing Agreement, 301 West Main St., Carrboro, NC 27510

The Town makes this requisition pursuant to the following representations:

1. The Town has appropriated in its current fiscal year funds sufficient to pay the Installment Payments and estimated Additional Payments due in the current Fiscal Year.
2. The purpose of this disbursement is for partial payment of the Project costs provided for under the Agreement referenced above.
3. The requested disbursement has not been subject to any previous requisition.
4. No notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable herein to any of the persons, firms or corporations named herein has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of this requisition.
5. This requisition contains no items representing payment on account of any percentage entitled to be retained on the date of this requisition.
6. No Event of Default is continuing under the Agreement, and no event or condition is existing which, with notice or lapse of time or both, would become an Event of Default.
7. The Town shall allow Truist to deliver and file, or cause to be filed, any Uniform Commercial Code financing statements with respect to the Project or portion of the Project that Truist may request to evidence its security interest.

8. The Town has in place insurance on this portion of the Project that complies with the insurance provisions of the Agreement.
9. Each amount requested for payment in this requisition either (a) represents a reimbursement to the Town for a Project Cost expenditure previously made, or (b) will be used by the Town promptly upon the receipt of funds from Truist to make payments for Project Costs to third parties described in this requisition.

Capitalized terms used in this requisition have the meanings ascribed in the Agreement.

Attached is evidence that the amounts shown in this requisition are properly payable at this time, such as bills, receipts, invoices, architects' payment certifications or other appropriate documents.

IF REQUEST IS FINAL REQUEST, CHECK HERE .

**Town of Carrboro,  
North Carolina**

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT D –  
Certificate Designating Borrower Representatives  
And Official Custodian**

In accordance with the terms of the Financing Agreement and Deed of Trust dated as of May 10, 2022 (the “Agreement”) granted by the Town of Carrboro, North Carolina (the “Town”), for the benefit of Truist Bank, the Town designates the following persons as Town Representatives authorized to sign requisitions to withdraw funds from the Project Fund account (as such terms are defined in the Agreement):

<u>Printed Name:</u>	<u>Signature:</u>
Richard J. White III, Town Manager	_____
Arche L. McAdoo, Finance Officer	_____

The Town may designate additional Town Representatives to sign requisitions upon written notification to Truist as provided in the Agreement.

Further, the Town designates the person listed below an “Official Custodian” for the purposes of the Federal Deposit Insurance Corporation. The person listed below is an officer, employee or agent of the Town who has plenary authority, including control, over funds owned by the Town. Control of public funds includes possession of, as well as the authority to establish, accounts in an insured depository institution and to make deposits, withdrawals and disbursements. The Official Custodian on the account is considered the insured depositor.

