

SANFORD CITY COUNCIL
WORK SESSION
Tuesday, April 10, 2018
SANFORD, NORTH CAROLINA

The City Council held a work session on Tuesday, April 10, 2018, at 6:00 p.m. in the West End Conference Room at the Sanford Municipal Center, 225 E. Weatherspoon Street, Sanford, North Carolina. The following people were present:

Mayor T. Chet Mann
Council Member Byron Buckels
Council Member Jimmy Haire
Council Member Charles Taylor
City Manager Hal Hegwer
City Clerk Bonnie Davis

Mayor Pro Tem Rebecca Wyhof Salmon
Council Member Sam Gaskins
Council Member Norman Charles Post, III
Council Member James Williams
City Attorney Susan Patterson
Deputy City Clerk Vicki Cannady

Mayor Mann called the meeting to order.

Sewer Assessment Policy (Exhibit A)

City Engineer Paul Weeks reminded Council that 30 requests were received for the sewer extension program. Since all of them could not be funded with the \$1.4 million approved by Council, projects were prioritized as follows: (1) projects previously approved but whose final cost estimates exceeded original estimates by more than ten percent; and (2) by annexation date, with those in the city longest receiving priority. Of the first eight, three did not qualify and the remaining five are underway, in various stages. Direction is needed from Council on how staff should proceed and how to prioritize the remaining projects. Mr. Weeks presented three options, noting that each assumes that cost estimates are accurate and all projects will meet requirements (inside city limits, signatures from more than 50 percent of property owners owning more than 50 percent of the properties):

- Option One (page one, Exhibit A) illustrates how many projects could be funded with a City contribution of \$1.5 million, with the City maintaining its 75 percent participation level (down to the second black line);
- Option Two (page two, Exhibit A) illustrates how many projects could be funded with a City contribution of \$1.5 million, with the City reducing its funding level from 75 percent to 50 percent and property owners being responsible for 50 percent (down to the second black line); and
- Option Three (page three, Exhibit A) illustrates how a City contribution of \$1.7 million at a 50 percent participation level would serve all projects except one (Chancellor's Ridge, which is more costly: it was a satellite annexation, is located further outside City limits, and requires the drainage of two basins).

Mayor Pro Tem Rebecca Wyhof Salmon expressed support for Option Three, noting that several projects will not meet funding requirements and will drop off the list, allowing other projects to move up in priority. Council Member Charles Taylor suggested that it is likely that fewer property owners will sign up if their portion of the cost is increased from 25 percent to 50 percent (as in Options Two and Three). Advantages and disadvantages of each option were discussed and Mayor Mann noted that several Council members appeared to support Option Two since it could help fund all projects except Chancellor's Ridge.

Council Member Byron Buckels expressed support for Option One, which maintains the City's current funding level of 75 percent, and pointed out that it could potentially benefit twice as many lots as the first phase. Council Member Gaskins also expressed support for Option One, noting that it would take only \$280,000 of "drop outs" to allow the two remaining projects (shown in brown, immediately under the black line) or beyond (to some of those shown in purple) to move forward. If 25 percent fail to meet approval requirements and drop off, that would allow at least three of the 18 projects in Option One to move forward.

Mr. Taylor pointed out that any delays in the bidding process will almost certainly increase costs and added that some projects are more affordable and cost efficient than others, especially in denser neighborhoods. Mr. Czar confirmed that the lack of competition complicates the process and bid prices can vary by ten percent or more. Staff has already had to re-bid two projects: one had only one bidder initially and only two on the re-bid. We have been fortunate in the past to have local contractors interested in this type of project; however, since the economy rebounded, contractors have been very busy. Many were acquired by or now work for larger contractors. Mr. Czar agreed that Mr. Taylor's suggestion to bundle several projects would draw increased attention.

Mayor Mann asked each Council member to express which of the three options they preferred and consensus was reached to proceed with Option One.

Discussion of 165 Charlotte Avenue (Exhibit B)

Public Works Manager Tim Shaw reviewed information on 165 Charlotte Avenue ("Love's Grocery") and noted that the building inspection done in September 2017 confirmed that all systems (electrical, HVAC, roofing, plumbing) need repair or replacement. There is significant deterioration of the building, including structural cracks; ceiling and roof damage; rotten floor sections; rotten or termite damaged floor and ceiling joists, rafters and studs. The ceiling and floor material likely contain asbestos which should be abated; the foundation does not meet minimum code requirements; most of the electrical is two-pronged and the building has electrical breakers and an old fuse system. Mr. Czar stressed that every system needs repair and suggested that unless there was some value in preserving the building, it would be more cost efficient to demolish it. Mayor Mann confirmed there is no historical significance attached to this building; however, Council Member Haire noted that a window remains from many years ago when the Magistrate's office was located in the building and suggested that it be salvaged before demolition.

City Manager Hegwer agreed that it would be wise to demolish the building since Council has already authorized staff to proceed with demolishing the adjacent King Roofing Building, especially since this area is being improved for the upcoming greenway project. Mr. Shaw explained that staff requested demolition cost estimates from local contractors and the \$17,000 estimate from David Beal includes grading work to improve drainage. After discussion, consensus was reached among Council members to demolish the building.

Mr. Czar stated that staff is considering an electronic auction (such as govdeals.com) to increase participation. He suggested that the asbestos be abated before the property is listed since it may deter potential buyers. Once the asbestos is removed, the lot will be cleared (loading docks, fence, some trees, and foundation pillars removed) so it can be mowed. At that point, this lot and the King Roofing lot will be graded and reseeded so they can be more easily maintained. Mr. Hegwer advised Council that two local residents have expressed interest in moving or salvaging portions of the King Roofing building. Mr. Taylor suggested that staff consider listing the property on "auctionzip.com"

and reference our “govdeals.com” website. Mayor Mann confirmed that demolition would move forward on the Love’s Grocery building and expressed support for an electronic auction.

Renewal of Health Insurance (Exhibit C)

Human Resources Director Christy Pickens reminded Council that staff is preparing for the upcoming fiscal year’s employee health insurance renewal. Because plan changes must be made by employees in May, information must be provided in April. Last year, Council asked staff to request bids on the administrative services portion of our self-insured plan, currently handled by Blue Cross Blue Shield (“BCBS”), and explore the possibility of converting to a fully-insured plan. In December, our insurance broker requested bids from eight companies and received bids from six: prices ranged from 9 to 47 percent above BCBSNC’s current charge, and the bid from BCBS was actually four percent lower than their current charge. Converting to a fully-insured plan would require increased funding, ranging from 14 to 25 percent, with the League of Municipalities, which offers only fully-insured options, coming in 14 percent higher. Mrs. Pickens advised that after analyzing this data and discussing it with the insurance broker and management, she recommends that we maintain the self-funded plan and BCBS as administrator. A funding increase of approximately \$189,000 (five percent) will be required: \$143,000 from the General Fund and \$46,000 from the Utility Fund. She noted that no changes in plan design (co-pays, deductibles, out-of-pocket expenses), are recommended for the upcoming year and there are no increases for employee or dependent coverage; the increase is on the employer’s side only.

Mrs. Pickens reminded Council of the incentive program implemented last year for diabetes management and recommended two new programs for the upcoming year. Some data has been received on the diabetes management program but detailed info is not yet available. The 25 participants represent 33 percent of our eligible population but they would like to have at least 40 percent in the first year, so the program coordinator is reaching out to increase participation. Staff should have more information on cost savings in July but participants, who meet with a dietician and pharmacist as part of the program, have observed improvements through the program. Reports on A1C levels (which are checked every three to six months) from one participant indicated a drop from 8 to 6.5 and another from 5.4 to 5.1 as a result of making healthier choices. Reports also indicate a 38 percent reduction in A1C levels of the eight participants who have had a secondary follow-up visit. Mrs. Pickens confirmed that she will provide additional statistics when they are received. Staff is considering implementing a new program in which waist circumference is measured: the recommendation is that men should measure less than 40 inches and women measure less than 35 inches. She stressed that the program is voluntary but participation will be encouraged. A \$250 incentive would be awarded in the 2019-2020 fiscal year to participants who meet goal measurements; fees for testing, reporting and pre-work would be incurred during the 2018-2019 fiscal year. She shared results from Rocky Mount (whose staff has participated in that program since 2013), noting that they have seen progressive improvements in participants’ blood pressure, total cholesterol and hemoglobin. Their program requires staff to participate in four of the five medical offerings available and employees who don’t participate are assessed \$50 monthly for health coverage. They also track tobacco use and BMI, which has been reduced from an average of 45 percent to 27 percent since implementation. Mrs. Pickens suggested that measurements be taken in September of this year and follow-up measurements be taken in September, 2019.

City Manager Hegwer emphasized that an increase of only five percent is outstanding and noted that if we didn’t offer wellness options, the increase would have been larger. We have an opportunity to add more options and incentives for employees which, based on the diabetes program, appear to be well-worth the effort. He encouraged more volunteer-based incentive programs and

encouraged Council members to contact him with any questions or suggestions before information is presented to employees. He noted that staff has spent a great deal of time analyzing health insurance coverage options and that many governmental units and private industries have converted to more consumer-driven health care systems, such as health savings accounts (“HSAs”), with all new Lee County employees covered through them. Since the County’s HSA plan requires employees to meet out-of-pocket requirements before the plan makes any payment, the County recently opened a clinic where employees can be seen with no out-of-pocket payment required.

Mrs. Pickens noted that the number of employees with dependent coverage increased from 101 to 111 this year. Many had purchased individual policies through the insurance marketplace but that coverage is more expensive than many anticipated. Regarding self-funding, she explained that staff analyzes and reconsiders options annually but many companies that are able to ride out the cycles find that self-funding is the most cost-efficient option. For years, we saw increases of two to six percent annually while the nationwide average was about nine percent. Total costs last year were about \$3.7 million (near the estimate) and with about four months left in this plan year, expenses total about \$2.2 million, so we may be slightly below last year. Our major expenses are for treatment of chronic conditions, not routine and preventive care. One employee’s expenses will surpass the stop/loss amount of \$200,000 and another is near that; however, that is lower than the average of about four we have had traditionally. She confirmed that staff would analyze coverage options every three to five years to confirm that our plan remains competitive.

Discussion Regarding Kiwanis Family Park (Exhibit D)

Public Works Manager Victor Czar explained that planning continues on the Kiwanis Family Park (“KFP”) project. With bid opening anticipated in early June, staff is requesting verification on some selections already made and direction on others.

Facilities and Beautification Manager Fedd Walker reviewed the project layout, including modifications to existing restrooms (making them ADA compliant; painting, replacing fixtures, replacing roof to match new restroom roof). He reviewed finish materials and colors for the new restrooms/pump equipment building and noted that the material used for the shade structures will be similar to that shown on Exhibit D but may be a different color and may include the city logo. The splashpad will include new elements just debuted at the National League of Cities convention. The park sign, with the same theme as wayfinding signage recently installed Downtown and in Jonesboro, was discussed and suggestions were made to add the city’s name. Mr. Czar confirmed that the City and County would both be named on the new park sign. Council Member Gaskins noted that the sign recognizing the Reeves family (who donated land and provided considerable funding toward the park’s construction) is no longer standing. He suggested that replacing it would be a county responsibility and urged staff to investigate this issue. Mr. Czar confirmed that staff would contact a Reeves family member to discuss it. Additional suggestions were made for a smaller sign referencing the 2013 bond referendum that funded the park; to incorporate a water element on the sign; to incorporate the Sanford and/or the Kiwanis info on shade structures sails; and incorporate solar lighting.

Mr. Czar advised Council that the budget for playground equipment is \$200,000 and decisions have not been finalized but will be needed soon. He suggested that staff research options and request prices for modern, inclusive, and unique equipment, per the specific request of Council and the Mayor. After final selections are approved by Council, staff can utilize a co-operative purchase arrangement, a common process for this type of project, where equipment and installation costs are both included. Council Member Haire requested that staff investigate other areas where splash pads and playgrounds were constructed simultaneously so he could visit them. Mr. Czar noted that many splashpads are

stand-alone facilities but confirmed that staff would investigate. Council Member Gaskins announced that another contest (comparable to the one held last year) will begin soon through the Kiwanis Club for a \$25,000 award; he will submit the grant application for the KFP project and it will appear on Facebook for voting.

Council approved details presented for KFP features, including the shelter, shade structures, and restrooms. Consensus was reached to keep the process moving forward.

Recess

A brief dinner recess was taken at 7:10 p.m. and the meeting was reconvened at 7:30 p.m.

Discussion of Jaycee Hut Property at Kiwanis Children's Park

City Manager Hal Hegwer explained that he spoke with Lee County Manager John Crumpton recently about the County's plans for various park improvements, including the Kiwanis Children's Park, located off the intersection of Wicker and Carthage Streets. The City still owns land where the Jaycee Hut was located before it was demolished, and Mr. Crumpton questioned whether the City would be willing to donate that property to the County. City Attorney Susan Patterson confirmed that there are no restrictions on the potential transfer; however, when the surrounding property was transferred from the City to the County (when the County took control of the Parks and Recreation department), a restriction was included stating that the property would revert to the City if the County does not use it for a park and she recommended that this same restriction be placed on this property if transferred. Mr. Hegwer recommended the transfer, noting that the County donated the Kiwanis Family Park property to the City for the splashpad project and it would be one less property for the City to maintain. Consensus was reached to transfer the property to the County.

Update on Cole Street Parking Facility (Exhibit E)

Public Works Director Victor Czar reminded Council that after an option for upgrading this facility was presented to Council at the Budget Retreat, staff was asked to research a less costly repair alternative. Public Works Manager Tim Shaw detailed repairs needed to the retaining wall and stairs near the center of the lot. Staff received a \$14,000 cost estimate from a local contractor to repair, rebuild and/or replace the stairs, install handrails and repair the retaining wall. Mr. Czar noted that these repairs accomplish Council's goal and are more cost-efficient than the previous proposal which was more aesthetically pleasing but more expensive. He also pointed out that upgrades can be done later if Council chooses. Mr. Shaw informed Council that the other set of stairs already had a handrail and no repairs were needed to them. Lighting and landscape maintenance were discussed and City Manager Hegwer agreed that staff could research additional lighting. Mr. Czar confirmed that staff could contact adjacent property owners about trees that may actually be located on their property and whether they could be removed. Council Member Gaskins questioned whether the retaining wall should be higher and decorative rock installed in order to reduce or eliminate maintenance on the slope. Mr. Czar confirmed that staff would also investigate this option. Council reached consensus to proceed with the repair option immediately.

IVR Payment Updates (Exhibit F)

Utility Administration Customer Service Manager Michelle Ballard explained that her department will be implementing several new programs soon in an effort to increase efficiency:

- Payargo: next day processing of online payments (rather than the current process which takes almost two weeks) from the City's nearly 2,000 customers. The file with payment information can then be transferred directly to Munis (the City's accounting system).

- Paymentus: an automated Interactive Voice Response (IVR) system that will allow customers to make payments directly over the phone rather than having to hold for a Customer Service Representative (“CSR”), which can currently take up to 15 minutes on busy days. The system will allow customers to make payments after hours and enter credit card information directly rather than giving it to CSRs (reducing the City’s liability) but customers can still elect to speak with and provide credit card information to CSRs. All payments are processed through one vendor and integrated with Munis. They also offer payment options through email, text, mobile app or an enhanced self-service customer portal (which will all be introduced in phases). The 2.5 percent charge to the City is the same as our current provider, Online Utilities, which does not offer these additional capabilities.

On the staffing side, Financial Services Director Beth Kelly stated that her preference is to use one vendor for all these services since every payment option involves more staff time to reconcile. While we want a process that is efficient and quick for the customer, it should also be efficient for staff. These new programs offer more options for customers and involve only one daily report linked to Munis, confirming all customer accounts are balanced and tying them to the City’s bank statement, with fewer sources of funds.

Ms. Bullard informed Council that they hope to send customer surveys through Tyler Notify in early May to update account information (contact information such as email and/or phone numbers, preferred method of contact) in return for a \$10 bill credit. Staff is already updating the database with information from customers who pay in the office or make phone payments. Tyler Notify also offers the ability to notify customers of past due accounts, cut offs and line breaks.

In response to a request from Council Member Buckels for an update on the “Sanford Cares” program, Ms. Ballard stated that approximately \$1,200 had been received through March. Staff members share information on the program with clients who make payments in City Hall or over the phone and encourage customers who can’t pay their bills to contact Johnston/Harnett/Lee Community Action for help through the program. Mayor Mann suggested an insert be included with billing statements and Council Member Taylor suggested running a commercial on the local television station explaining the program, perhaps with participating Council members who announce, “I round up!” Mrs. Kelly confirmed that information is on the City’s website, Facebook page, and displayed on the television screens in the Utility Administration department lobby.

Council Member Taylor questioned whether an audit had been completed on solid waste fees and Public Works Director Victor Czar confirmed that staff is working on an audit that can also be used as a cross reference for other matters.

Analysis of Fees (Exhibits G and H)

Management Analyst Holly Marosites reviewed fee information as a follow-up to questions raised during Council’s recent Budget Retreat, focusing on the General Fund and General User fees (such as recreation fees) which typically cover only a portion of the actual costs, and Regulatory fees (such as building permits) which may not exceed the cost nor be used to generate revenue.

- Planning Development: Staff recently analyzed residential and commercial construction permit fees, comparing them to nearby areas and found that they are in line .
- Inspection Department: Revenue and expenses were reviewed for the time since the City and County consolidated these services. Some years produced a surplus (these are

highlighted) while several years resulted in a shortfall; both are split evenly with the county. Mr. Hegwer pointed out that the cost of providing inspection services was about \$453,000 in Fiscal Year (“FY”) 03-04 and approximately \$435,000 last year, illustrating that we are holding costs, which spiked during the FY 07-08 recession. Two positions frozen during that time remain unfilled and we have been trying to balance that. Automation has been a significant factor, with staff members now having portable devices in the field. Revenue has increased recently due to increased activity; however, Mr. Hegwer stressed that these fees are not revenue mechanisms but are to provide a service. Community Director Marshall Downey noted that revenue figures can be misleading since large projects with large permit fees can skew the numbers: one large commercial permit may generate a \$120,000 fee, while another year may have more projects but no large fees. He also added that the activity level in the Inspection Department doesn’t always translate to revenue.

- Fire Department: The current fee structure is working well and nuisance (false alarm) fees, which generated approximately \$8,950 in FY 16-17, have eliminated many problematic issues.
- Golf Course: Revenue and expenses were reviewed and it was noted that fees cover approximately 90% of operating expenses.
- Sanitation Fee: This annual fee was increased by \$25 last year to \$225 but the cost to provide services to each of the roughly 8,900 households last year was about \$250.
- Kiwanis Family Park Splashpad: Ms. Marosites explained that fees could be collected for admission and/or vending; however, processing costs (daily deposits, including Saturdays and Sundays; operating a city vehicle; workers’ compensation; surprise cash audits, reconciling funds) should also be considered. One option would be to provide vending, perhaps through the Kiwanis or Optimist Club, and collect no admission fee. Various alternatives were discussed and Mr. Hegwer noted that no decision is necessary at this time. Mayor Mann suggested that staff research fees at other splash pads and Mr. Hegwer urged Council members to consider what they want to achieve at the park. Council Member Taylor suggested we could charge admission the first year then analyze the situation to determine whether it is cost-effective. Mayor Mann agreed that patrons typically have more respect for a facility when they pay to use it and even a \$1 admission fee would help offset some of the operating costs.

Ms. Marosites reviewed General Fund revenue sources, noting that fees comprise approximately ten percent of total revenue, and presented three potential revenue options:

- A property tax rate increase, ranging from one to three cents per \$100 valuation. One cent would generate approximately \$250,081; two cents would generate \$500,162; and three cents would generate \$750,243. The annual impact on a home valued at \$150,000 would range from \$15 (one cent) to \$45 (three cents).
- Increasing the sanitation fee by \$25, which would generate approximately \$222,500.
- Initiating a municipal vehicle fee of \$15 to \$30. A \$30 vehicle tax would generate approximately \$690,000. Funds can be used as follows: up to \$5 for public transportation; up to \$5 for any legal purpose; and any amount can be spent on road resurfacing. The average vehicle levy charged by other communities in the state with populations of more than 20,000 is \$17. Several Council members supported this option since those fees correlate directly with road maintenance.

Mr. Hegwer reminded everyone that debt service payments on the bonds will be included in the upcoming year's budget. He also stated that revenue figures have not yet been received from the County but will be included in budget planning.

Other Business

Council Member Gaskins stated that he had prepared a summary of his recent trip to Washington, D.C. (attached as Exhibit I). He suggested that Council consider producing a map to illustrate locations where free wi-fi can be accessed by students who have no access at home, noting that they can't do homework if they have no access. He suggested that merchants would increase their businesses volume since many people using their wi-fi would purchase their products.

Council Member Taylor suggested that we consider leasing land for a cell phone tower or setting land aside for a tower, especially in the area around the Industrial Park where it could also provide additional access.

Council Member Jimmy Haire commented on the toll that severe winter weather took on city streets, which left many potholes.

Mayor Mann reminded everyone of the upcoming Streetfest (April 14), Block Party (April 28), National Day of Prayer Breakfast (May 3), Arts and Vine Festival (May 12), and follow-up meeting to discuss an Opioid Task Force (May 24). The Depot Committee has been finalized and will be meeting soon but no date has been set. He also noted that the Tourism Development Authority has an opening for an at-large member.

Closed Session

Council Member Williams made a motion to go into closed session in accordance with NCGS 143-318.11(a)(3) to consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege; and (5), to establish or instruct the public body's staff or negotiating agents concerning the position to be taken on behalf of the public body in negotiating the price or other material term of a contract or proposed contract for the acquisition of real property. Seconded by Council Member Gaskins, the motion carried unanimously.

ALL EXHIBITS CONTAINED HEREIN ARE HEREBY INCORPORATED BY REFERENCE AND MADE A PART OF THESE MINUTES.

Return to Regular Session and Adjournment

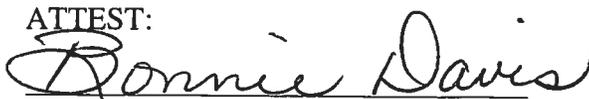
Council Member Gaskins made the motion to adjourn the workshop. Seconded by Council Member Taylor, the motion carried unanimously.

Respectfully Submitted,



T. CHET MANN, MAYOR

ATTEST:



BONNIE DAVIS, CITY CLERK