

LAW AND FINANCE MEETING

Wednesday, February 24, 2010

1:00 P.M.

The Law and Finance Committee met on Wednesday, February 24, 2010, immediately following the Special City Council meeting held at 1 P.M., in the Council Chambers at City Hall. The following people were present:

Law and Finance Committee:

Mayor Cornelia P. Olive	Council Member James Williams
Mayor Pro Tem Mike Stone	Council Member Walter McNeil, Jr.
Council Member Samuel Gaskins	Council Member L.I. (Poly) Cohen
City Manager Hal Hegwer	City Clerk Bonnie White
City Attorney Susan Patterson	

Absent:

Council Member Linwood Mann
Council Member Charles Taylor

Consider Presentation Regarding FY 2011 Water and Sewer Rate Update from Lex Warmath from Raftelis – (Exhibit A)

Lex Warmath with Raftelis Financial Consultants, Inc., gave Council an update on the upcoming FY 2011 Water and Sewer Rates. They have been working with City staff for a couple of years looking at rate structure and financial planning for the water and sewer utilities. He said that he wanted to talk about the updated forecast for Fiscal Year 2011 and recommendations for rate adjustments for next year.

Mr. Warmath stated that he wanted to remind Council what their original objectives were in doing the rate study. The primary driver was revenue sufficiency, making sure we had the financial withal to address our capital investment needs. The big project is the expansion of the wastewater treatment plant. The other objective was to maintain equitable cost recovery. Part of that is maintaining proportional contributions from inside city customers versus outside city customers versus the old district customers. They are looking at trying to massage that a little bit but we still want to maintain that equitable contribution. They want to try and shift the rate structure to be more favorably looked at from the state's perspective for qualifying for State Revolving Loan Funds which would save the City money long term on borrowing for the wastewater treatment plant expansion. This means moving toward a more uniform rate particularly for residential customers. Mr. Warmath stated that essentially their recommendation is to maintain the basic rate structure the City has now, but with some adjustments, to move towards that uniform rate for residential customers primarily.

Mr. Warmath explained that there have been some changes since the original forecast they developed. Primarily, they shifted out the debt in the timing for the capital project – the wastewater treatment plant expansion. The estimate cost of the wastewater treatment plant has gone up from \$61.7 million to \$67.3 million, which is a 9 percent increase; so the total amount of debt service the City has to support to fund the project has gone up, but it has been shifted out in future years. Approximately \$1.23 million of existing debt service expires in FY 2011 which

mitigates the impact of the increased debt service in FY 2012. He said they are looking at trying to get to the point in 2012 and 2013 when we have a full, steady debt load that the rates are sufficient to support that level of debt as well as the ongoing operation of the system and the operation of the new plant when it comes on line.

Mr. Warmath stated that they are recommending accelerating elimination of the declining block structure for residential customers. One primary reason to do this is it puts the City in a better position to qualify for the State Revolving Funding sources and it will save us money over the long term because it is a very low interest rate loan. It also provides the advantage of aligning the City more effectively with State requirements to meet water efficiency goals. A declining block rate structure, which is what the City has, is not considered to be a water conservation rate structure so we want to make a small move towards at least a uniform rate for residential customers. Mayor Pro Tem Stone suggested that they want to promote declining block for residential but not for businesses. Mr. Warmath replied no, that they want to remove the declining block for residential and maintain it for businesses and go to a uniform rate for residential, which is more conservation; they no longer get a discount when they use high volumes of water. Water consumption for FY 2009 was 6.76 percent less than the amount projected because it was a wet year but mostly because it is a reduction in industrial consumption; industries have scaled back their production. We cannot assume that it is going to come back.

Mr. Warmath advised that they are looking at initially, a proposed rate increase of 4 percent for water rates and 6 percent for sewer rates for 2011. Raftelis recommends implementation of the proposed rates effective July 1, 2010. The bigger increases need to be on the front end because that provides dividends going forward.

Mr. Warmath stated that there are some opportunities where the City may be able to get some state revolving fund loans which would reduce the debt profile and the rates would be able to be tweaked going forward, but we do not know if we can do that yet. We need to continue to monitor and track our consumption. There was some reduction in consumption last year; hopefully, there will not be any further declines in that area.

Council Member Cohen asked how we compared to surrounding counties. Mr. Warmath replied that they have not updated that since last year. He felt we would be in the same relative position because Fayetteville has been increasing rates at a fairly steady rate.

Mayor Pro Tem Stone added that the feedback from the citizens since the last rate increase is who came up with \$4.80 in the total bill because their bills were higher. He said we are in a declining economy, and as much as our companies and businesses are hurting, our citizens are hurting even more. It is hard for anyone to pass a tax increase in any environment, especially this environment. The advantages are going to be tremendously more for the businesses; again the citizens are paying the way. Mr. Stone brought up the issue of the City selling water cheaper to our surrounding communities than the citizens are getting. Mr. Cohen asked what are the rates we charge for wholesale water to the surrounding counties? Public Works Director Vic Czar replied that we sell wholesale to the Town of Broadway, Chatham County, Carolina Trace, and they are different depending on the usage and the time when we

entered into the agreements. They are contractual relationships that are fixed for a period of time. The rates are looked at when we renew the contracts. Mr. Czar stated that we sell water to Broadway at one point. You have to be aware of what the market can bear to a certain extent. There are other options for our wholesale customers besides the City of Sanford. The wholesale rate is less than the City of Sanford customers pay, but the downside would be if you change the rate, they have the opportunity to go somewhere else and you lose that revenue altogether.

Consider Extended Urban Archery Deer Season – (Exhibit B)

City Manager Hal Hegwer advised that this issue has been discussed and a public hearing was held to receive public input from our citizens. He said that this is not an item to take action on today; it is feedback from the prior meeting. There are two options: Option (1) currently, hunting by utilizing archery is already allowed in the corporate limits of the City. We would be asking to treat this new season no differently than how we treat the existing season; Option (2) outlines the recommendations we heard from the public hearing. If we do move forward with Option (2) which includes having hunters hunt from an elevated platform of at least 10 feet above ground; hunting is only allowed on a tract of land greater than one acre or it could be ten acres; or no hunting within 500 feet from any property line or boundary of a dwelling house, school, church, commercial building, governmental property or other occupied building, street or road, park or recreation area or any type of public gathering place. Mr. Hegwer said that if we do put these in place, we suggest that it would be the same recommendation for the existing season they have. We need to have a recommendation to the North Carolina Wildlife Commission by April 1.

Council Member Sam Gaskins stated that the people that spoke at Council's last meeting, who were components of the extended urban archery deer season, suggested ten acres and he felt Council should consider nothing less than that. Mr. Gaskins said that one acre would not work at all because it states no hunting within 500 feet from any property line – you are looking at a 1,000-foot range which would be greater than an acre. This one needs to be looked into because one acre would not work: certainly close to a church or school would be critical. Attorney Patterson said we need to know if Council wants an ordinance with restrictions in it as Mr. Gaskins has suggested or do we need to take the initial vote as to whether we extend it or not and come back with restrictions later if requested.

Mr. Stone said that the City already has where you can hunt in the City limits with archery; you can do that during normal deer season. In his opinion, the ordinance needs to be prepared to proceed with the same rules and regulations that we are currently doing in our archery season now. A lot of citizens don't know we already have archery in our regular deer season. All that is being asked is that from January 2 to February 14, we extend archery season under the same rules and guidelines as regular deer season in the City limits. You cannot hunt with a gun in the City but you can hunt with a bow. Once you adopt that rule, then come back to decide what helps the situation or hurts the situation.

Attorney Patterson stated that what currently exists is that you cannot hunt in the City limits by the discharging of gun; it does not mention the bow and arrow. We are a bird sanctuary so you cannot hunt birds and there are restrictions currently under both state and local law, such as: you can only hunt on private property with permission of the property owner; you

cannot hunt on, across, or from the right-of-way of any road; you cannot hunt on City-owned property; you have to follow the state rules as far as having passed a hunting safety course and having a hunter's license.

Attorney Patterson said the question is Option (1) if you choose to enact an extended season, all those regulations will remain in place and there would be no difference in the regulations for an extended season or the current season. If you choose to add additional requirements, a suggestion is to make them uniform for any hunting within the City by bow and arrow. The difference between the Eastern Deer Season and the Central Deer Season is when you can start hunting deer with certain types of weapons. There is a season for gun, a season for muzzle loading, and a season for bow and arrow. Hunting in the Eastern Season happens earlier than hunting in the Central Season. Lee County tabled the issue about extending the season.

Council Member Sam Gaskins stated that in his opinion Option 2 should be added. If Option 2 is added, the media and the citizens need to know what we are doing and that we are putting restrictions on it that do not exist. Mr. Stone said that he felt the people that hunt and do it from the heart, are doing it right. You are going to have some that will hunt out of season. Mr. Gaskins said that the people that spoke are the hunters that suggested the acreage should be eight to ten acres and also mentioned the elevated hunting. Mr. Gaskins felt the restrictions should be put on it. Mr. McNeil echoed Mr. Gaskins' comments.

Mayor Olive asked each council member if they wanted Option 1 or Option 2. Option 1 states: Currently, hunters may hunt deer with bow and arrow within the City limits on private property for the regular deer season. Other than the standard state and local laws, there are no additional restrictions. Thus, for the Extended Urban Archery Deer Season, it would be consistent to have hunters obey the existing laws. Option 2 states: Hunters must have in their possession a valid North Carolina Hunters License (having passed a Hunters Safety Course); Hunters must hunt from an elevated platform of at least ten (10) feet above ground; Hunting is only allowed on a tract or parcel of land which is greater than one (1) acre; No hunting within five hundred (500) feet from any property line or boundary of a dwelling house, school, church, commercial building, governmental property or other occupied building, street or road, park or recreation area or any type of public gather place. Consensus from council members were for Option (1) L. I. (Poly) Cohen, Mike Stone, and James Williams, and Option (2) were Walter McNeil, Jr. and Sam Gaskins. City Manager Hal Hegwer stated that two council members are absent; therefore, staff will prepare two ordinances for Council to consider Tuesday night.

Consider Capital Reserve Amendment – Utility Capital Improvement Projects – (Exhibit C)

City Engineer Paul Weeks advised that this ordinance transfers funds from the Capital Reserve Fund to the Harkey Road Water Capital Project in the amount of \$148,475 (to construct a water pumping station near the Harkey Road water tank to be financed through grant funds and reserves) and to relocate utilities for the U. S. Highway 421 Bypass in the amount of \$110,311.

Consider Grant Project Amendment – Harkey Road Water Capital Project – (Exhibit D)

City Engineer Paul Weeks explained that the Harkey Road Water Capital Project is funded through a \$500,000 grant from the Rural Center and \$500,000 from the City, which gave \$1 million to perform two projects. One is a booster pump station which is currently in

operation and the other is a series of waterline looping projects. Early in the project, staff recognized that they would exceed the \$1 million. Staff took some of the expenditures and charged them to the Utility Fund. The decision was made to transfers those bills from the Utility Fund to the Capital Project Fund.

Consider Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2009-2010 – (Exhibit E)

City Engineer Paul Weeks explained that the ordinance appropriates \$110,311 from the Utility Fund Capital Project to Water Capital to relocate utilities for the U. S. Highway 421 Bypass in the amount of \$110,311. Years ago, the City entered into an agreement with the Department of Transportation to relocate those utilities that were in the way. They were to bill us in three annual payments once the relocation of the lines was completed. This is the first bill for the relocation. We will receive a bill for the next two years.

Consider Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2009-2010 – (Exhibit F)

Assistant Financial Director Beth Kelly stated that this is a budget amendment to the annual operating budget that basically cleans up some departments as staff continually monitors each department's expenditures as compared to budget. Mrs. Kelly explained in detail the transfer of the different funds as listed in Exhibit F.

Consider Renewal of E911 Equipment Lease with Embarq for 60 Months – (Exhibit G)

Communications Supervisor Pat Garner explained that this is a new lease agreement from Embarq. Our current lease expired over a year ago and we have been paying on a month-to-month basis for our current E911 equipment. By entering into a new lease agreement with Embarq, we would receive all new emergency 911 equipment.

Mr. Hegwer advised that this new lease would reduce the monthly fee but part of the reason is because the North Carolina 911 Board will no longer pay for certain components of the 911 system. The new sixty month agreement will result in a reduction in our monthly payments from \$9,526.02 to \$6,547.16. That cost is to be borne by the General Fund. They split out the dispatching part of our budget this year so it makes that cost less and in the dispatching budget is radio equipment. This is no cost to the taxpayers. Mr. Garner added that the reduction in the lease is due to the radios not being put in the lease. Mayor Pro Tem Stone clarified that this equipment is all paid for by the 911 funds, not the General Fund. Mr. Hegwer replied yes. Mr. Stone asked if we considered buying this equipment. Mr. Garner replied they considered many aspects. One of those was to lease it; it gives us more freedom in who we choose. We dealt with Embarq for about 10 years and everything has worked successfully with them. Mr. Hegwer added that there is no point in buying it because it becomes obsolete over time because you would be buying something that really has no value. Traditionally, everyone leases this equipment. Mr. Stone said you would spend \$390,000 over five years; it is going to be obsolete either way. His question is do you want to spend \$100,000 and own it or pay \$390,000 and lease it. Council Member Sam Gaskins asked if we owned it, would we still have to pay for the service. Mr. Garner replied yes, we would need some services, especially maintenance. Mr. Hegwer said that there is a different set of problems with owning versus leasing it. Mr. Hegwer advised that he has spoken with County Manager John Crumpton and he is aware of what we are

doing. Mr. Crumpton does not have any concerns. Mr. Stone said he understands and the best thing about it is 911 money but he would like to have been given more options. He does not know what the other side is because all he has been given is one. Attorney Patterson stated that staff has looked at other vendors and we have been trying to get some other options and this one came out with the package that had all the North Carolina restrictions in it. Mr. Garner advised that he is only aware of two companies that do this. Mr. Gaskins stated that if we were to purchase something like this, it would be nice to know what we would have to be paying for maintenance and any kind of service related costs. Mr. Hegwer said that you could look at a purchase but it puts other responsibilities back on us.

Mr. Garner said that the system we currently have is an analog system. Basically, you are getting the 911 data over a data circuit; all the rest you are getting over a telephone line. This new equipment would allow us to step further into what is considered the next generation 911. No one has perfected it yet; they have done some data testing. Voice over IP is your latest next generation 911. It allows us to better serve those using voice over IP phones in their homes and businesses by being able to collect that data quicker; this is the latest technology there is for still going through a phone company for this service. Until the local telephone companies change the way they transfer voice and data over their circuits, we are stuck. We have the equipment now that is capable of more for next generation 911 and we are getting closer and closer yearly. It is not there until we get away from the copper cable fares.

Consider Master Lease Agreement for Dispatch Furniture for E911 with Motorola – (Exhibit H)

Communications Supervisor Pat Garner advised that this is a lease agreement for the furniture and cabinetry that all the 911 equipment will sit on in the communications center. It is set up like a true lease just like the prior lease. At the end of the lease, there are no options to buy; we ship it back to them and they send us more if we enter into a new agreement.

Mayor Pro Tem Stone stated that the current equipment lasted ten years. The new equipment we are going to lease for five years. He said that he did not see where there is anything major when you are talking about cabinets and desks; he did not understand why we would not purchase that. Mr. Garner stated that we have had the cabinets and furniture for ten years; it failed after about five years. Mr. Garner advised that it is capable of holding the equipment but as far as the operation of it – the up and down movements of it, that was gone five years ago. We have just put up with it until we could get new furniture. Mr. Stone said that we cannot get the street department to put up with something for one year and Mr. Garner can put up with it for five years. Mr. Stone said that the equipment cost is \$78,579.72 and if we lease it out, it is going to cost us \$100,000. Mr. Pat Garner replied that the cost of it is \$78,000 for five years. Mr. Stone pointed out that the lease is \$1,600 per month times sixty months which equals to \$96,000, and not \$78,579.72. Attorney Patterson stated that she just received the lease yesterday and did not verify the figures. Mr. Stone asked if this is funded through 911 funds. Mr. Garner replied yes. City Manager Hegwer stated that this is typical to go through these leases and operations; it is cleaner. He did not know why anyone would want to purchase some of this.

Council Member Cohen asked if the company maintains the wood equipment and chairs if they break. Mr. Garner replied that under current state legislation, the chairs are the only

thing that cannot be paid for with 911 money; however, the furniture in this lease is maintained and warranted for that period of time. Mr. Stone asked how much furniture is this lease for. Mr. Garner replied four consoles. Mr. Gaskins asked that at the end of the lease for the furniture they have now, did they still pay for it monthly. Mr. Garner replied that they were able to get out of the lease with a purchase option. Mr. Gaskins asked if there was a bulk payment made for the furniture. Mr. Garner replied yes; they purchased it at a discounted price.

Consider Resolution Approving Administrative Guidelines and Policies for FY 2009 CDBG-R Haven Complex Project #09-R-1977 – (Exhibit I)

Community Development Manager Karen Kennedy informed Council that with each grant the City gets, staff has to have paperwork completed that is called release of funding conditions. This package is the different policies that are required for staff to implement with each community development block grant project. This is for the Haven Complex Project. It has some of the same policies you have seen over the years. Although this is stimulus money, a lot of the changes with that come throughout the bidding process where we have the BUY AMERICAN provisions, etc.

Mrs. Kennedy stated that it contains the Recipient's Plan to Further Fair Housing; Fair Housing Resolution; Section 504 Grievance Procedures; Section 504 Self Evaluation Plan Summary; Section 3 Plan for Employment Opportunities for Businesses and Lower Income Person; Equal Employment and Procurement Plan; Community Development Procurement Policy; and Citizen Participation Plan and Complaint Procedures. The bids will be coming in Monday for the construction of this building. She has had 22 bidders to pick up packages. The total grant is \$506,000 but the total project is \$1.2 million.

Consider Discussion Regarding Intersection of Frazier Drive and Cemetery Road

City Engineer Paul Weeks stated that staff has been looking at that intersection for some time over the past few years. In 2007 according to Police reports, there were four traffic accidents in that area. City crews went out and installed larger stop signs and reflective bars on the stop sign post. They also installed some stop sign ahead signs. They also installed some thermoplast on the pavements and stop ahead markings at the stop sign to help with people coming down Frazier Road to understand that they do have a situation ahead where they need to stop. In 2008, there was only one traffic accident but went back up to four accidents in 2009. Staff went out and tried to do some field work in 2009. They set up some temporary traffic islands for testing purpose. The school lent them a school bus to see if they could make it through a temporary traffic island and they found there was a potential to do that.

They have put out requests for proposals for a traffic engineer and have received five of those. We need to bring in someone who has experience in this area. Staff is in the process of evaluating the proposals to select an engineer and bring it back to the next Law and Finance meeting.

Council Member McNeil asked if staff has heard anything back from the Department of Transportation about Fields Drive and Washington Avenue. Public Works Director Vic Czar replied they have not heard anything further than what they have heard before. They were

looking at relocating the stop sign to the center of the road versus the side of the road. Staff will check into that.

Other Business

No comments were made.

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

Adjournment

Having no further business to come before the Law & Finance Committee, the meeting was adjourned upon the motion of Council Member James Williams; seconded by Mayor Pro Tem Mike Stone, the motion carried unanimously.

Respectfully submitted,

Cornelia P. Olive, Mayor

Bonnie D. White, City Clerk