

LAW AND FINANCE MEETING

Wednesday, April 28, 2010

1:00 P.M.

The Law and Finance Committee met on Wednesday, April 28, 2010, 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 Charles Taylor
Council Member Samuel Gaskins	Council Member L.I. (Poly) Cohen
City Manager Hal Hegwer	Council Member Linwood Mann
City Attorney Susan Patterson	City Clerk Bonnie White

Absent:

Council Member Walter McNeil, Jr.

Mayor Olive called the meeting to order.

Consider Power-Point Presentation by Lex Warmath Regarding Water and Sewer Rates – (Exhibit A)

Lex Warmath, with Raftelis Financial Consultants, Inc., presented a PowerPoint presentation update on the Water and Sewer Rates. Mr. Warmath said that at the last meeting, he reviewed and detailed the objectives about how they were going through the process for setting rates. First and foremost is to make sure that we generate enough revenue from our rates and charges to meet the financial needs of the utility. One of the big drivers for that will be debt service as they look forward at expanding the wastewater treatment plant. They also want to be sure they maintain equitable cost recovery from various customer groups and part of that is a policy decision by the City to continue to charge a differential for water customers located outside the City versus inside. We are also taking steps to move toward what is called a uniform rate structure where everyone pays the same volumetric rate regardless of how much water they use. Historically, the City had a declining block structure. This will help the City qualify for NC State Revolving Fund Loans and some grant funding that requires that type of rate structure.

Mayor Pro Tem Stone asked if he was talking about the rate structure being the same for commercial; would commercial have an inclined rate and pay more. Mr. Warmath replied that commercial and industrial still have a decreasing rate but that block is going to start at a much higher level, so it is basically going to take it out of the residential customer group. The residential customer group would move to a uniform rate for all volumetric usage. Right now, anybody that uses more than 800 cf per month gets a reduced rate for additional usage above that and we are going to do away with that. Mr. Stone asked how would it be for industrial users. Mr. Warmath replied that industrial users will continue to see a decreasing rate, but they are trying to squeeze those blocks a little bit and reduce the discount they get for the larger consumption levels. City Manager Hegwer said that the change in the structure for the residential customers was based upon a grant situation. Mr. Warmath added that to maintain a decreasing block rate structure for residential customers, where those customers use a lot of

water, is inconsistent with the State's guidelines and objectives for encouraging more efficient water use. It does not promote conservation. In order to qualify for some of the grants and SRF loans, you have to move to at least this uniform rate where everyone is at least paying the same amount for that elective usage as for the essential usage. You do not have to go to an increasing tier rate but they are encouraging you to get to the uniform rate, which is the minimum standard. Most communities in North Carolina, in response to the governor's directive, have actually moved to some kind of increasing tiered rate for the residential class. In Sanford's case, this does not make a lot of sense. Sanford has water to sell; it has capacity at the plant; and it has distribution system issues out in the County part of the system where you have to flush water through the system to maintain water quality standards. So it is hard to charge people more when you are putting it on the ground because of the way the system has evolved over time; so this is a minimal step to reach some of those objectives.

Mayor Olive asked what rate does the Tobacco Road Golf Course fall under because they have certainly paid some serious rates in the past. In the last couple of years, they have not used a lot of City water. Mr. Warmath asked if they were located outside the City limits and if they were in the district. Mayor Olive replied outside the City limits. Mr. Warmath said they would pay the highest rates based on the commercial or non-residential rate schedule so they pay the most for the first 8,000 to 10,000 gallons they use, and then they start paying a decreasing rate, but it is substantially higher than inside City non-residential customers would pay. Mr. Warmath stated that over the last couple of years and going forward, we are trying to sort of equalize the district rates; the people that were outside the prior service area basically served by the County. They had a higher rate structure because of servicing the debt that the County had incurred to construct that system. We are slowly trying to bring those rates so that they are in alignment with the outside City rates; that means squeezing some blocks and tweaking some things, but there is no longer an operational difference between those customer groups. That cost the City a little in terms of revenues, but it is the equitable thing to do and we need to move to a uniform system. The impact on the revenues is fairly minor on the grand scale of things when you look at that real high level of usage would be impacted by this; it still provides industries and large commercial customers located in the district the same level of discount that an outside City customer would have to promote that economic development issue. Over time, you may have to continue to squeeze those declining blocks for industrial and commercial customers because of conservation issues and the importance placed on that; it is a balancing act.

Mayor Pro Tem Stone stated that for the last five years he has been on the Council, the water and sewer rates have been talked about and there should be an inside city rate, outside city rate, and a commercial rate. These districts really throw them all off and they receive a lot of complaints from people in those districts; they are part of our water system. Sooner or later, we need to make it three rates and move on. Our long-term goal is to convert it and we never seem to get to that point. We have to find a mechanism to simplify it so we all understand what we are paying.

Mr. Warmath said that we are moving in that direction; if we do it all at once, there is a hit we have to take. Mr. Stone added that he has a whole district of people out there that are upset about the fact that they are paying a large part of this and have been doing so. When you look at the City/County merger part of the water system, a rate structure plan was done but we

never adjusted the rates. Mr. Hegwer explained that you still need a certain amount of money and when you shift it, somebody else is going to pay. Public Works Director Vic Czar explained that we have been trying to get there. He felt the answer is if you reduce the district rate to the outside rate, all of sudden that revenue has to be made up somewhere and it will be made up on the inside and the outside customers that the City has. There are approximately 3,500 district customers and about 17,000 inside and outside customers. We have taken the approach to move there in gradual steps; that may have to be accelerated. Staff would like to see one inside rate and one outside rate. If you want to accelerate it, staff would have to look at it but we were taking baby steps.

Mr. Warmath pointed out that last year this time, they were looking at a forecast and that forecast has shifted. Primarily what has changed is the debt service on the wastewater treatment plant because that has been shifted out in terms of timing. After the full amount of the debt comes in, the total amount of the project has gone up a little bit so we have a higher hurdle to get over so we have to raise the rates to address that higher hurdle looking at basically 2012 when we meet that objective. The preliminary cost estimate of the WWTP expansion was \$61.7 million; the current cost estimate is \$67.3 million. Mr. Warmath said that we will be using revenue bonds to fund this project.

Mr. Warmath explained that the declining block structure for residential customers will be eliminated in FY 2011. It is necessary to qualify for the SRF funding. Water consumption for FY 2009 was 6.76 percent less than the amount projected in the original forecast. We have to get the revenues up to address this debt service. He explained the water and sewer rate adjustments for the next several years for typical residential customers.

Mr. Warmath said that the forecast notes were originally developed on this year's budget. The 2011 budget is being structured around the rates they have recommended and staff would like for the new rates to be implemented on July 1, 2010. Mr. Warmath said that the rate structure changes will affect some customers differently than others. Approximately 20 percent of total residential customer usage falls into the third tier. The higher uses will see a little bit more of an impact on their bill. It does not affect a customer every month of the year; it is typically the higher irrigation users.

Mayor Pro Tem Stone said that we have tried to make our city a beautiful city. As much as there is a need on one side, it is a hindrance on the other, because people are not going to irrigate their lawns and pay those kinds of prices. As a city, you want people to drive through and have something to remember and it is going to get to the point where people are not going to do it. We need to start thinking of other options that people can do. It is something to consider as you move forward. Usage is going to get high when you water a yard and you cannot afford it. It is something to consider as you move forward. Mr. Warmath said that communities like Charlotte and Cary have been battling that issue. Mr. Stone asked if they allow wells to be dug in their yards for alternatives. Mr. Warmath said they cannot disallow necessarily; they are not encouraging it either. They want people to be more efficient in their usage. Most people that have irrigation systems over water their yard. Mr. Stone felt that we need to come back after this meeting and decide if we want to look at doing wells in the city limits for people in the city limits to irrigate their yards. Mr. Czar replied that is part of the balance we are trying to achieve with all of it because we would like to sell more water but if we

price ourselves too high, we will not sell it on elective use. The trend in the industry is to charge more for irrigation water than you have for your non-selective use. There is some negative to it; maybe your town has a different appearance, but that is the direction he believes that regulations are going to push you. Mr. Czar said that you will see an ordinance pretty soon about the requirement for a separate irrigation tap for an in-ground irrigation system. We have been doing it but now there is a law that says you have to do it. The reason is you can track the use a whole lot better; they are concerned about consumption and how people are using water. The recent drought has brought this forward. The other reason he felt was because if there is a separate tap, we can cut off the irrigation system if we get put in that bind where if it is connected to the house, we cannot cut it off. Mr. Hegwer stated that many communities are moving toward warm season grasses such as centipede, Bermuda, etc.

Mr. Warmath stated that the future rate structure modifications are to continue to reduce rate discounts for non-residential customers and to continue to merge District rates into outside City rates.

Council Member Charles Taylor brought up the current status of the City's water billing being outsourced to a facility in Charlotte. He would like to see if we can have a presentation on bringing jobs back to Sanford. We went to billing cycles to reduce the customer line and we have control over communication with these customers as well with it being in house. The key element is to look at trends that may happen as far as electronic billing and electronic receipt of payment to offset the cost that you initially may have bringing this back to Sanford. He would like to see some movement on a presentation regarding bringing the billing department back to Sanford and to augment it with what is going on currently in cost-saving mode. One of the biggest areas to look at in saving costs is in-sourcing. When you are a manufacturer, you look at bringing stuff in and subsequently, you look at outsourcing too when saving costs. It is important to correlate that with the current activity on the water and sewer rate structures.

Council Member Sam Gaskins said that he sees the higher tiers as we begin to merge them are the ones where the rates are increasing to come up toward the base rate. Has there been work to decide how much we might be able to reduce the base rate in order to bring those others quicker? Mr. Warmath replied that we can certainly look at that; the majority of your revenues coming from those base rate charges, particularly, for residential customers. In order to get a small decrease in that rate, you would have to raise or levelize all the rest of the rates. We could do that but the decision was to take baby steps, industries, and large commercial are struggling and we did not want to hit them with a bigger impact all at once; it is a trade-off and is an easy analysis to do. Mr. Gaskins stated that you would not be able to drop it down nearly as much, but if I am paying in the 3rd tier, if the lower rate is coming down, I am not going to notice those others going up even if they are substantial jumps. He stated that maybe \$.20 to \$.30 on the lower rate, then the upper rate could jump \$1 or so and you would not notice it nearly so much and you could move them together more rapidly. The second, third, and fourth tiers are all equal now for residential. Mr. Warmath said that the people who would be hit worse are the people who use a whole lot of water; they will see a big cost increase. The residential customers are all going to a uniform rate so they would get a little bit of benefit by dropping that rate, but the industrial customers are the ones where you would be closing out the blocks; they would pay a substantially higher bill and that is the trade off against economic development. We are moving in that direction and we did not want to do it all at once.

Mr. Hegwer stated that an ordinance amending the rate structure is before Council and we had anticipated trying to get that in place; if we cannot do it Tuesday night, maybe we can come back and address these concerns. Staff would like to get this ordinance in place prior to July 1, 2010 so we can collect a full year because our forecast is based on that. Financial Services Director Melissa Cardinali added that our concern is making sure we have ample time to get the information out to customers. We do not want to see a rate increased passed on one day and then we turn around a week later the customers are impacted with this increase. Staff wants to give them sufficient time to understand what is coming and to get the information to the public. We need sufficient time to make the changes in the billing system and make sure we have it in the billing system correctly; not lining the fiscal year and the model up only hurts customers on the back end of this. The budget assumptions and revenues are based on this model going forward; waiting longer than May 18 would push it.

Mrs. Cardinali said that we are looking at the rates each year with Raftelis, in particular, with the debt issuance. This is a requirement that we have to look at. Council Member Williams asked if we have borrowed the money yet. Mrs. Cardinali replied no and she was waiting to hear back from Hazen and Sawyer Engineers to see when the final schedule is. The preliminary schedule is that we would issue that debt July or August of this year. Staff will come back to Council many times before that debt is issued. The debt service will be set once the bonds are issued.

Mr. Taylor asked about customers going on-line and paying their bill. Mrs. Cardinali stated that in the next thirty days, hopefully, customers will have the option to go on-line and pay their water and sewer bill. Right now, we have bank drafts. We take debit and credit cards, night drop, and we receipt cash and checks. Mr. Taylor asked if it was possible to see some metrics on what methods are being used currently and what percentages are being used. He would like to see the numbers because he felt that would be a tell-tell sign of the trend of where things are going so far as customers' habits and how they are paying. Mrs. Cardinali replied that she did not know how much detail we have but we can certainly bring that to you. Mr. Taylor said that he has received that information from staff before and he will be interested in comparing what it is now versus what it was previously.

Mayor Olive asked how much is the contract with the billing agency in Charlotte. Mrs. Cardinali replied that the bills are outsourced to South Carolina. The bills are collected at a lock box in Charlotte. There are two separate functions. We pay for the lockbox receipting through our contract with RBC Centura which cost us \$200 each month and we have about 60 percent of our payments going to that lockbox. It cost about \$1,500 to print the bills without postage.

Mr. Taylor said that Mrs. Cardinali mentioned there were two positions cut. He asked did we absorb some of those positions because he understands that we have hired some more people in billing or in the water department. With that said, we spread the activity out so you do not have to concentrate the number of people who are waiting in line. Have we studied the impact of changing the cycle of how our billing is sent out and dividing that flow up – have we really looked at our department needs currently versus what it was before when we were sending them out at one time. There is a split in the way the bill goes out now and it has decreased the flow of people coming up here. Mrs. Cardinali said that when we outsourced the

printing of the bills and at the same time we incorporated the use of the lockbox, we had an employee retire and we did not replace that position and it took us a couple of more years before we actually made a temporary person full time. We have increased the staff in the last couple of years by two in response to the growth of the system because we now have 17,000 customers. She did not know how many at the time when we changed that over. She said that billing and collections are separated. You do not want the people who bill to take the money; that would not be very positive internal control.

Council Member Williams stated that the public talks to them about how the economy is and instead of outsourcing our billing, why don't we give some people here in the City of Sanford a job. He felt that Mr. Taylor is asking if we could do it here, how would that compare to outsourcing? Mrs. Cardinali replied that we can do everything internally. Her belief without having the numbers in front of her is that we are doing it much more cost-efficient manner than if we did it inside City Hall. She would be glad to run those numbers.

Mr. Taylor added that you know what you are capable of doing now and how are you capable of doing it cheaper. That is another thing if you were to bring it back in house. You know what your costs are when you did it before and you can just pro-rate it based on the number of customers that have gone up. He asked if staff has looked at more efficient ways of doing it; more investment on how we can do it more efficiently; and electronic billing will eliminate mailing a paper copy in some cases. Mrs. Cardinali informed Council that we are actually in the process of upgrading the current software on the utility side and some of that may be options that we did not have previously. Munis has actually stepped away from what we initially upgraded to and they have a much better package. So, without knowing what those software constraints are, we try to look at those kinds of things all the time, which is what got us to customer on-line pay.

Council Member Gaskins stated that between the \$200 per month going to RBC Charlotte and the \$1,500 each month going to the South Carolina company for printing, that is just a little over \$20,000. What other costs are we not seeing here? Mrs. Cardinali replied that she would be glad to get that information for Council. She did not want to, off the top of her head, give them a complete list but there are costs for heavy duty laser printers. Mr. Gaskins said he was not referring to that; he wanted to know what we are now paying per year to outsource it. Mrs. Cardinali replied that is it. Mr. Gaskins said that even with our bills being drafted, we are receiving bills in the mail. Mrs. Cardinali said that she will bring this information back to the next Law and Finance; she would be glad to get all of those numbers and let Council see them.

Council Member Cohen said that in response to Mr. Taylor, some of the older people are not as savvy on the electronic gadgets as some people, so if he does not get a bill, he is not paying it. Mr. Taylor said that we are mailing an envelope every time and if people are coming in to pay it or paying it electronically, an envelope is not needed. How many other costs are we including in our bill that is not needed? Mrs. Cardinali replied that staff takes the envelopes when people bring them back in and reuse them in the night drop. Mr. Cohen said that he pays for two houses and the accounts are in his name. He receives two separate bills which costs double postage and two envelopes plus the printing. He receives two electric bills to one envelope and two gas bills to one envelope. If Progress Energy and PSNC can put two bills to

one envelope, why can't the company we are dealing with put two bills to one envelope. Mrs. Cardinali said that she would certainly be glad to check into this.

- Consider Budget Ordinance Amending the City of Sanford Water and Sewer Utility Rate Schedule for Fiscal Year 2010 – 2011 – (Exhibit B)

Consider Sanford/Lee County Regional Airport Request to Purchase a Surplus Vehicle - (Exhibit C)

City Manager Hal Hegwer stated that they came and looked at some vehicles that we have not brought to Council for surplus but are planning to. We have several vehicles that are coming off-line at one time. They came and looked at two of the vehicles. Shop Superintendent Randy Paschal has determined a value of that vehicle (a 1998 Chevy Venture Van, 81,432 miles and a fair market price of \$3,000) and if it is okay with Council, we would like to sell this vehicle to the Lee County Airport. Mr. Gaskins asked where he got the fair market value from. Mr. Paschal replied that he used the NADA book. Mr. Stone asked if that was the retail, wholesale, or the trade value. Mr. Paschal said he looked at all three and just figured a fair market value from the retail to the trade-in on it. Mr. Taylor asked where the \$3,000 figure compares to where wholesale and retail was. Mr. Paschal replied that wholesale was about \$1,800 and retail was about \$3,500.

Discussion to Unfreeze a Position in the Police Department

City Manager Hal Hegwer stated that as Council remembered when they went through the budget process, we had frozen many positions. Three of those positions that we froze, were at the front desk of the Police Department. As Council knows, we have walk-in traffic and operate that desk 24 hours a day. We froze three of those positions because at the time, we would be able to get by during the year without having to pull our officers off the road. Many times when we have officers who are injured, they could rotate back to our front desk and they are a great resource to work back into after injuries so they can get back to work and be productive. We are in the position now that we do not have as many injured employees that we have had and we want to get one of those positions opened back up. We had frozen two of those; we have only had one of those in place this year. So, we would like to bring back the other one to have three out there and one frozen this year. We would like to move on to hire two people. We do not want to pull our officers off the road to man the desk. There is also sufficient money in salaries in the budget to accommodate that before the year end.

Mr. Gaskins said that he would like to see the description of the manning of the police force. At this point in time, we did just hire four with the stimulus package. Mr. Hegwer replied that we hired four officers that will be funded for three years at 100 percent. Those four officers were put out into the existing force and that gives you an overall increase in your shifts and makes your beats smaller and we focus those where the need is the highest. That really does not have an impact on these positions; we have always had four positions and we froze two of those this year. We would like to bring one of these positions back so that the front desk can be manned; otherwise, there are times when we have to pull an officer off the road. We need these officers out in the field as much as possible.

Mr. Gaskins said that we have experienced a 37 percent decrease in crime. He would like to see more justification. Currently, Sanford has roughly three police officers per 1,000 and

the national average is more like 2 per 1,000. He said that while he appreciates the great job our police force is doing, especially lowering the crime rate, he would like to see more justification because we froze a position; we have added four positions; and we are seeing a decrease in crime. He would like to see a better background as what we do have before he decides on adding anything more.

Council Member Taylor asked if the sergeant's position is still open that was vacated two years ago and if so, are we still funding that position and what is the status of that. Mr. Hegwer replied that we budgeted all the positions in the police department with the exception of those two frozen positions. There is always turnover when you have roughly 100 people in the department. You constantly have turnover; you hire; you promote; and there are actually people who leave and you move things around. He could not tell him which positions at what time are open and not open. Mr. Taylor said that to clarify, this is a position that was vacated two years ago by Reggie Petty. That position has not been filled. Mr. Taylor asked if we are budgeting for the sergeant's position that does not have a position currently. Mr. Hegwer said that if someone leaves, that position is still funded in the budget.

Mayor Olive said that maybe it would help if they saw a list of all the police department employees and their ranks.

Consider Award of Construction Bid for Haven Complex CDBG-R Project – (Exhibit D)

Community Development Director Bob Bridwell informed Council that we are moving forward with the Haven project. On March 1, bids were opened for the construction. The reason staff is coming before Council now is because we just received release of funds yesterday in a phone call conversation. Progressive Contracting submitted the low bid of \$1,255,400 for the project. Staff recommends awarding the bid to Progressive Contracting. This project is partially funded by American Reinvestment and Recovery Act (ARRA) funds.

Consider Resolution Authorizing the Advertisement of an Offer to Purchase a Vacant Lot in the Washington Park Redevelopment Area - (Exhibit E)

Community Development Director Bob Bridwell advised that staff has received an offer from Nelson and Francisca Lopez in the amount of \$2,800 to purchase a city-owned lot adjoining their property at 1401 Hudson Avenue. The lot is Block Q Lot 2 on the Washington Park Redevelopment Map. The tax value is \$2,800. The resolution authorizes the advertisement of the offer to receive upset bids.

Consider Purchase of E911 Equipment Under GS 143-129(g) From Century Link/Embarq Under the Same Terms of their Contract with City of Rocky Mount, North Carolina – (Exhibit F)

City Manager Hal Hegwer explained that this has been talked about in the past and we have tried to find a competitive purchase for this equipment. As you know, this equipment will replace the existing 911 equipment that is in our 911 center. This is the actual component itself. The system we are looking at purchasing is from Century Link/Embarq. It is a Positron/Viper system.

City Council recessed for a five-minute break at 2:20 P.M. and reconvened at 2:25 P.M.

Attorney Patterson explained piggybacking on an existing contract. She said that the statutes have limitations on how the city may purchase items and the methods they have to follow with certain dollar amounts on how they will purchase it. There are different methods depending on what things would cost and the City is to follow certain procedures. However, the law has allowed a city to join into a contract that another city has, if a vendor will give us the same or better prices. She explained that if another city has gone through a formal bidding process that meets the state laws, the state does not require you to do that same bidding process yourself; you may piggyback onto their contract and enter into a separate contract with that vendor under that same terms or better terms. The piggybacking procedure is a statutory method in which a city may purchase items for the same or better terms that were extended by a vendor to another city who followed a formal process.

Attorney Patterson advised that within the last twelve months, the City of Rocky Mount has held a formal bid process for E-911 equipment. They went through all the bidding laws, notice requirements, and the bids were given and they selected a vendor. That vendor has extended to us an offer to price the items the same for us if we want to piggyback onto that contract.

City Manager Hegwer explained that they have the same type system that we want in Sanford. They have seven positions at their 911 center and we have four. This company is very common and the service provider is Embarq, which is who we have now, that is called Century Link. He has talked with numerous communities; the State 911 Director; the director from NINA, (who is from Guilford County and is the national director for the whole country which is an organization that represents 911 communities across the country); Raleigh/Wake uses this system (they are with AT&T); Durham County (who is with Embarq); and Guilford County, Edgecombe County, and Johnston County use this system. Harnett County is going to this and is not going through a bid process. Typically, across the state they do not like to bid this; they like to sole source it and there are other statutes available under technology for this type of purchase that allows you to pick who you want to work with. Rocky Mount, Nash County, Duplin County, and Franklin County use this system and the list goes on.

Mr. Hegwer said that we have had numerous conversations with Wireless Communications and Embarq for months. The City of Rocky Mount did not like the Nine-One-One bid it had and they threw the bid out because they were not comfortable with it; it was the provider that they have now and he has the details on it. The City of Rocky Mount chose Embarq. The funds come from the State for 911 and there are very limited items for which these funds can be used. Mr. Hegwer said that the County collects these funds and as of June 30, 2009, there was around \$1.1 million in that fund. The funds for this upgrade would come out of the funds collected by the County. The unit prices that were used in Rocky Mount have to be given to us that were in the Rocky Mount bid. The prices would be incorporated into a contract and a service contract for maintenance issues would be put together to approve.

Mr. Hegwer stated to give a future perspective, there is more going into the fund than is coming out of the fund. In 2009, \$527,000 went into the fund and we spent around \$304,000. In 2008, \$425,000 went into the fund and we spent around \$312,000. The State has recognized this and they are trying to have parity and equity across the state and they have looked at our expenditures. They are looking at a future model that is based on the expenditures and it looks

like the funds we will receive will be reduced based on prior year expenditures. The system is at the point that we need an upgrade and this will help us with more expenditures going forward. Over time, these capital expenditures as you purchase, it gets smooth out in a new funding formula. This will probably change numerous times. He said that last year we had to spend \$350,000 out of our General Fund for the purchase of radio equipment; in the future it will be \$397,000 and will be shared in the County. We hope this expenditure will be 911 eligible in the future.

Mr. Taylor asked how long do we have to respond to the actual contract that was awarded to Rocky Mount; how long is it valid until they can say we will no longer honor that price? Attorney Patterson replied that the law requires you to piggyback on a contract that was entered into within the last twelve months. It looks like Rocky Mount's contract was signed on August 26, 2009. She said we would have to enter into it by August.

Mr. Taylor said that Mr. Hegwer has alluded that there are only few ways the 911 surcharge funds can be spent. He would like to know the items it can be spent on and when do we have to spend this money by. Mr. Hegwer replied that the key reason to spend these funds is to upgrade the system. Right now, the system we have is not IP ready. Many larger cities have transitioned to that and we need to do it to be IP ready. The systems out there now, especially the Positron Viper, are IP compatible and that would be the reason to move forward. The other underlying reason to look at it is we are responsible for 911, not only for the City but also for the County. We need to pay attention to the future funding model and he felt it is a good model. The expenditures will not hurt us as there is adequate funding. The State wants you to have what you need. The State has found a lot of inequities. There are some places that do not have EMD certification. They want you to move forward. They are going to create some standards in the future. This has been a decentralized program for many years.

Attorney Patterson clarified her answer that they put out their bids to be returned by May 21, 2009; it takes time to get the contract in place and they signed it in August. The piggyback comes off of the executed date. Mr. Hegwer said that Harnett County is going to purchase this equipment directly by sole sourcing it.

E-911 Supervisor Pat Garner said that items that can be purchased with 911 funds are anything needed to receive and process a 911 call, whether it is wireless or wire line; that includes any network issues; receiving equipment; telephone equipment; training of telecommunicators for EMD, EFD, EPD, and also any travel or accommodations associated with that training; mapping; and computerized dispatch software and equipment. In dispatching, you have two different parts – you have a receipt and a dispatch. Basically, everything included in the receipt of that call and the processing and receiving of that call can be covered with 911 surcharge money. Mr. Garner added that the desk or console that holds the receiving equipment is covered; chairs are not eligible. The State of North Carolina receives approximately \$60 million per month and is dispersing \$40 million; each month they are building up \$20 million in surplus.

Attorney Patterson advised that a copy of the Rocky Mount contract has been placed at Council's seat for review.

Mr. Taylor asked if Council could be provided a copy of what Harnett County was charged to buy it direct and let them outweigh the maintenance charge, which is the biggest difference in leasing and buying it by Tuesday night. Mr. Hegwer replied that he did not know if we would have this Tuesday night because he has to make sure the County has the funds in the account.

Mr. Taylor explained that they have the same philosophy behind the desks. We were going to a lease on the furniture (desks) and we are actually spending \$40,000 less on a purchased product, including the amortization on the lease. He said that he thinks at some point these numbers are padded in a lease where the maintenance cost is extracted (which is the biggest thing you have outside the lease). We owe it to the taxpayers to get the best possible deal.

Attorney Patterson advised that Rocky Mount analyzed the cost of a lease and the cost of a purchase which is in Council's packet. The difference in the two was interest which was the amortization that Mr. Taylor was talking about. The maintenance cost is the same either way. There is a maintenance cost on lease and purchase as well. The amortization they did is set out in two pages (which is in Council's packet) for you to see. We discovered that we leased in the past and we had initially brought to Council for a lease. Mr. Gaskins, Mr. Stone, and Mr. Taylor pointed out that it would be costly to lease it; we then explored options for purchase of the equipment just as we did for the furniture.

Mayor Pro Tem Stone said that the money is coming from 911 so that means for staff there is no limitations; this means you can buy whatever you want. To prove that in the past, there has been very little conversation what we did with 911. It came before this Council and they voted. He has never heard so much discussion about the purchase of 911 equipment. Mr. Stone said that Council has a fiduciary responsibility to the taxpayers regardless of what fund it comes from. Mr. Hegwer said that you have to make sure you have a state-of-the-art system and this is what the State wants us to do.

Mr. Taylor asked for clarification if Rocky Mount looked at a sole source, buy it direct price; are we comparing the bottom price versus what Rocky Mount has done; are we for certain that we are talking about the same thing. Mr. Hegwer said that there are some technology statutes based upon the complexity of the systems and phone companies to try to pick best value. We are trying to get a very competitive number. Attorney Patterson said that sole source is an entirely different method of purchase than competitive bid. Competitive bid is what Rocky Mount did. In order to have sole source, there has to be nobody else who provides a product that will do the same thing. You cannot piggyback on a sole source. Mr. Hegwer said that sole source is a stretch. Mr. Taylor said that you do not know until you look at it. Mr. Hegwer replied that you are basically saying that no other company can do this but this one. Attorney Patterson added that when you go to bid you have to a particular justification for why a sole source will work and those places that have done it have talked about compatibility of parts, compatibility of systems of what you currently have, or some specific duty or activity that this provider or this type of system is the only vendor that will do it.

Mr. Hegwer explained that if you have a hardware or network issue, you have Embarq that can do the whole thing. This is the reason you see a territory of Embarq that people migrate

toward that system. In talking with the leaders across the state and the State 911 Director, we feel very comfortable with the Positron/Viper and with Century Link. He will attempt to get the information from Harnett County. Mr. Taylor said it is still taxpayer dollars because they are paying the surcharge, so we need to give them the best deal.

Mr. Gaskins said that on the Embarq where they have the differences between the purchase and the lease price, which price-wise there are no differences, but under the lease they do break out the software maintenance. He is assuming because those prices of the base price for purchase and the combination of the base and software maintenance, means we are getting exactly the same thing. Does this purchase price include continuous software maintenance and upgrades? Mr. Garner replied that continuous maintenance and upgrades – he thinks if we purchase this the first year that is included in the sales price. The second through the fourth year or each sequential year will be an annual maintenance cost. Mr. Gaskins said that on the lease it gives the price for software maintenance and years two through five, it has the price which is equal to that of the maintenance price under the purchase. So, are you saying that under the purchase price that software maintenance is included for the first year. Attorney Patterson replied yes. He asked if the other maintenance is also software maintenance. Mr. Garner replied yes, it is software and hardware maintenance. At the end of the lease there is a dollar buy out. So the prices are exactly the same with the exception of one more dollar for purchase. Mr. Hegwer replied that we are not leasing, we are purchasing.

Mr. Stone said he is looking at the prices for the different systems; are all three companies approved by North Carolina for 911 and allowed to sell systems for 911. Mr. Garner replied yes. Mr. Stone said that it has been his experience that most of the time when you are dealing with electronics, and he tries to be a frugal buyer when he buys, they are going to be outdated in five years. He said there is one bid at \$242,000 and the bid we are looking at buying is \$412,000. It looks like to him that if he was in the purchasing and leasing business for himself, he would take the \$242,000 and get a new one in five years because all this technology will be obsolete in five years if we do our job correctly. Mr. Stone asked Mr. Garner would he not assume that. Mr. Garner replied that although the Embarq price is higher, there are several things in play. We get our data from Embarq; we are in an Embarq region and we get our data stream from Embarq. Secondly, if we expand on this system in the future, we will be able to do it with Embarq. With the other company, they come in here and already GO diversify the system. In other words, they put one part of the system here and the other half in another place; so you have half and half. Doing the same thing with Embarq, you have the whole system here and the whole system another place. If the two are completely separated, if one is completely demolished and gone, you still have a fully functional system and the other company does not do that. Mr. Hegwer said that Rocky Mount was utilizing this Nine-One-One and did not want to purchase another system from them and deal with them. So that left two bidders and they chose the second lowest bidder. Mr. Stone said he is trying to put common sense to the whole matter; it is a split system versus a single system that operates it all. He felt the maintenance contract under either one is going to cover it. As important as 911 is, they are not going to let you down for a matter of minutes to fix it. He said that \$412,000 versus \$242,000; there are a lot of conveniences in there at \$200,000 plus. We are going to get a new system every five years; that stuff is obsolete in five years with the new technology.

Mr. Garner stated that on the low bid, that was not an internet protocol ready system. It is not an IP based system, the other two companies are. Secondly, these two other systems are nothing more than technology. What is generally outdated, as far as electronics or programming technology, programming technology can be fixed with a few key strokes? The hardware technology that it is based on is nothing more than computers and they can be replaced easily; the new IP systems, the parts of this can be replaced easily. Once we get on board with this computer technology, there will not be that big of an issue to upgrade. We are currently operating on an antiquated system and not capable of IP and the Next Generation technology.

Consider Purchase of 911 Consoles and Furniture off Federal Contract – (Exhibit G)

City Manager Hal Hegwer advised that Council Member Taylor brought up an interesting concept. Mr. Taylor stated that we should visit Johnston County and Mr. Garner did. They are using equipment and consoles from a manufacture called Russ Bassett. Mr. Taylor learned that they are on Federal Contract pricing. We contacted them and no bids are required; it is very similar to purchasing on state contract. It is a really nice system and furnishings. Staff has talked with Johnston County and they are really happy with it. Staff would like to purchase off Federal Contract. This would upgrade the furnishings that the equipment sits on and bring us up to date. The total price would be \$53,958.04.

Consider Annual Renewal of Health Insurance – (Exhibit H)

Human Resources Director Christy Pickens explained that each year we review our health and supplemental rates with our vendors. For Fiscal Year 2010-2011, the recommended increase in our health insurance rates is only 2.8 percent, well below the industry average of 11.5 percent. This increase should support our anticipated claims cost under our self-insured plan and any changes in our administrative and our specific stop-loss rates. Employees who have dependent coverage and elect to continue this coverage, will see a cost increase in each bi-weekly paycheck between \$3.85 to \$9.76, depending on the tier type. Employees are provided each year an opportunity to change their benefit selections with a July 1 effective date. Our benefits open enrollment period will begin this year on May 10 and run through May 21; therefore, your approval is needed prior to budget submission so we can distribute our benefit communications to all employees and allow them adequate time to make their benefit selections.

Mrs. Pickens has put together a proposal for the city manager to review showing what she felt might be some cost advantages of trying to provide those sorts of incentives to employees. She said that one of the recommendations they have made is to change our co-pay for preventative care for employees and their family members. Currently, there is a \$20 co-pay and we recommend reducing it to a \$0 co-pay.

Consider Discussion of Permit Fees for Pottery Festival – (Hal Hegwer)

City Manager Hal Hegwer informed Council that Mayor Olive, Bob Heuts, Don Hudson, and he met to discuss the Pottery Festival. Mr. Hudson had asked that we look at the possibility of some reimbursement of their fees. They pay between \$400 to \$500 each year for tent inspection fees and for electrical inspection fees. They use the Dennis A. Wicker Civic Center and they go through some extensive electrical components to be added there. Mr. Hudson is expecting a large turnout and he is asking for some consideration of those fees. You would be looking at around \$400 to \$500. Mayor Olive added that Mr. Hudson was interested in having the City erect the directional signs that they provide to the Civic Center. He was also interested

in traffic control because there are so many people from out in the County that come to the Civic Center and do not know where to park. It was a multi-level approach to what he would like to have. He would like to have a contribution from the City just like other entities would, but they explained to him that this was not a good year for that.

Mayor Olive stated that Mr. Hegwer said that the City could erect the signs and provide some type of traffic control with the blessing of the Council if so directed. Mayor Olive asked if the Council was okay with the City doing this for the Pottery Festival. No council member posed any opposition to the request. Mr. Hegwer clarified that the City will provide traffic control in the streets and the Street Department will erect the directional signs.

Consider Discussion of Funding for the Boys and Girls Clubs of Sanford – (Hal Hegwer)

Council Member L. I. (Poly) Cohen requested that this item be put on the agenda. He said that he was in opposition to funding the Boys and Girls Clubs when this was first brought up. He has thought about it and the children at the Boys and Girls Clubs need our help. It is a catastrophic year for just about everybody and it has hurt them worst because of the loss of Federal funding and being left out. The record of the club is phenomenal for what they have done for the children and has made an impact on the City of Sanford. He would leave the amount up to Council; they wanted \$50,000 and that is out of our reach. He would like to give them some money just for one time only and he does not want to make precedence out of this.

Council Member Williams added that they do a remarkable job with our young people and the youth are our future. He hopes with the job the Boys and Girls Club do, that one day these children will be productive citizens; without the club, they may fall by the wayside. He is in favor of trying to help them if we can. He encouraged the churches in the area to get involved to help save this institution. Mayor Olive commented that her church has already done it and many of their members have contributed to help out with this crisis.

Mr. Taylor said that the reason he had it tabled on Tuesday night because the club is counting on some information coming back from us. He said to correct Mr. Cohen's remarks, it only takes one time to make a precedent. If you go back in history, Temple Theatre wanted a one-time donation; it has resulted in an increase from \$10,000 to \$20,000 and you are continuing to make that payment today. He had some conversation with Mr. Hedrick and respects what he had done. Mr. Taylor stated that one troubling thing he sees looking within, in 14 years there has not been an increase in membership rate; no surveys have been done to conduct pain threshold for the parents who are having their kids to go to the Boys and Girls Club. For \$64 each year, somebody can go to the club. The total cost is about \$875, roughly, for a kid to go through there. If you increase it \$4 each week, you are looking at an additional \$200 a year for a kid to go through a program, get a snack, get his homework done, interact with other kids and keep them off the street. It is a relatively small investment. If you are a parent and making minimum wage, that is one hour take-home pay increase a week. He said is it worth one hour of pay to ensure that your kid is going to be safe; that would result in \$100,000 added back to their budget. He is on the United Way Board with Assistant Financial Services Director Beth Kelly and one mindset they have tried to approach in the last couple of years is rather than give people fish, to teach them how to fish and look at things. We are looking at giving money; they have a golf tournament going on that will raise money, and there are other things in the forefront that are

raising money, and we want to quickly make a decision; that is why he had it tabled. He felt you need the input of other non-profits.

Mr. Taylor said that he thinks about the contributions that Beatty Waddell at the Blandonia Presbyterian Church makes with the daycare. It would be hard for him to argue what impact he makes on families and on the community as well; how are we going to handle those situations when he wants a one-time donation to support what he is doing as his ministry. He said that there is money coming in to this organization and if we jump in quickly, it only takes one time to set precedent. There needs to be a policy in place prior to making any decisions and once again, it goes back to the reason why this was tabled. We have not heard from United Way which did give money to the Boys and Girls Club, and all the other fundraisers going on. By throwing it out there real quick, we are making a hasty decision that could potentially affect Council in years to come.

Mr. Gaskins reiterated his points from the previous meeting. He said that before we do anything we need to have a policy for all non-profits to avoid the problem with setting a precedent; if we have a uniform policy that can take care of it. The policy should include a list of the board of directors; how much that board of directors is contributing; and the financial reports from any non-profit that need our help along with a plan for financial stability. We have already, as mentioned before, supported the Railroad House, the Arts Council, the Temple Theatre, and even the Lee County Economic Development Commission. We need to be consistent and uniform; hopefully, pro-active towards tourism for example the Pottery Festival which will bring in 7,000 to 8,000 people annually that spend money in Sanford and yet we charge them hundreds of dollars for tent inspections. Many police departments support police athletic leagues, where ours does not. The Boys and Girls Club could be an excellent vehicle for our police department to be active with the youth, especially considering the financial benefit that the Boys and Girls Club provides for the City and the County with their 13,800 kids that they have serviced with only four arrests and one teen pregnancy. Before we act we need to set forth a policy so we can be consistent.

Mayor Olive agreed with Mr. Gaskins on the accountability and financial stability of any entity that would apply to us because they cannot guarantee to us that they won't need help again.

Mayor Pro Tem Stone asked Mr. Hegwer how much extra money he saw lying around since working on the budget. Mr. Hegwer replied that revenues are down; some expenditures are up such as increase in the health insurance, increase in fuel costs, etc. We hope we are emerging out of this picture.

Mr. Taylor said that one thing we talked about is impact. They know where these kids' parents are employed at. He said that they could go to a manufacturer or companies and say do you realize that 20 of your employees are benefitting from the Boys and Girls Clubs; that is where you tie a community and impact back to an organization. If 50 percent of the company's workers' children belong to the Boys and Girls Club, they need to really look at their contribution and what they are doing for that organization.

Mr. Taylor welcomed anybody to attend any United Way meetings and see how regimented the process is on the financial accountability; what they plan on doing with their money; how they handle and manage their money; and how many people they are impacting. We need to look at what we are doing and how we are doing it before we go down this path; we do not need to do it quickly. They have made provisions to make it through the summer.

Consider Development Report and Report on Permits Issued – (Exhibit H)

Community Development Director Bob Bridwell gave an update on the site plan approvals and a report of permits issued.

Code Enforcement Officer Carl Anglin gave an update on a code enforcement project staff is working on. Mr. Anglin explained his decision to immediately abate a nuisance that exists in Sanford. It is about a 75-year old structure (located at 510 Ramseur Street); it is three blocks from downtown and one block off Horner Boulevard. The roof is caved in on it; it contains an extraordinary amount of asbestos containing materials. We have tried to have it secured. Vagrants are still going in. The second floor has now collapsed into the basement. He needs a contractor to come in and tear it down because he does want one of our firemen to go in it, as it is an imminent hazard. If the structure happens to collapse because one way it is going to fall on Oddfellow Street and if it goes the other way, it will fall on Octavia Daily's house at 508 Ramseur Street. He solicited bids and Johnson Grading submitted a \$9,000 bid which he intends to hire to do the demolition and cleanup.

OTHER BUSINESS

Mayor Pro Tem Stone reminded the public that seniors and disabled have less than 30 days to apply for up to 50 percent reduction of their taxes. You need to do this by the end of May if you plan to participate for next year.

Council Member Taylor thanked the city manager; the telephone poles are going to be moved off the sidewalk on Horner Boulevard. He has passed by those telephone poles and seen an individual riding in a scooter in the middle of Horner Boulevard. It turned into a \$54,000 project and is now back down to what we requested to begin with which was to move two poles back off the sidewalk.

Mr. Taylor mentioned a program and hoped we could devote a resource to go to this meeting. On May 12, Raleigh has launched a program which is a landlord training class. Participants will earn credit through the NC State Bar and NC Real Estate Commission. The target is the landlords that have rental properties. The fee charged for landlords is \$25 and lawyers and real estate people \$175 for continuing-ed credits. Some of the items they cover are screening rental applicants; strengthening rental agreements; taking legal steps to resolve problems; federal housing choice voucher program; the role of the police, inspection, and community service departments. The participants receive tips on reducing the likelihood of nuisance violations, i.e. drug, gang, illegal activity around rental property. He felt the city should send someone to attend and see if we can do something here in town that would be very similar to the program.

Mr. Taylor stated that he would like to put on the agenda for Tuesday night an employee survey. He said that we have talked about this before and before the department heads and the

rumor starts, he wanted to make sure it was a confidential employee survey and is not just on their job performance. He wants a key element of this to be benefits and what we are doing and how we can improve on benefits. He would like to discuss the allocation of money and the creation of some questions and the possibility of a subcommittee. He will have the information ready on Friday for the agenda packets.

Mr. Taylor said that he would like to see as they look at the budget, to implement some of the cost-savings incentive programs for employees. Our employees are a wealth of knowledge on how we can save money. He would like to see a program put in place to incentivize them when they are able to come up with these programs.

Mr. Taylor complimented the Police Department and the Public Works Department on the bike race on Sunday. He appreciated their attitude in working the race.

Mayor Olive said that Water Treatment Plant Scott Christiansen is present in the audience and if council members wanted to see how the work is beginning on the clearwell, Friday would be a good day to go and visit the water treatment plant. Mayor Olive said she could go on Friday at 9 A.M. or 2 P.M. If you can go, please call Mr. Hegwer and let him know.

Mayor Olive stated that a copy of the proposed Martin Luther King plaque that will go at the park is placed at Council's seat. General Services Manager Tim Shaw needs to know how Council feels about it. Mr. Shaw stated that there are different fonts and it will cost about \$3,000.

Mayor Olive mentioned that the rate of return for the census is looking good. Sanford and Lee County's return is over 70 percent; although, in one of our areas that overlaps two wards is 40 percent. She will be talking to the two council members in those wards what she has committed us to do is to go to some of the churches and appeal to the congregations.

Mayor Olive stated that our landscaping for Highway 421 is going to be delayed because the person who got the contract has defaulted on it. He says he is not capable of doing the job that he bid on and committed to doing. The soonest it will be started will probably be around October.

Mayor Olive followed up on Mr. Taylor's comments on a reward program for employees on saving city money. She tried to implement something like that several years ago; however, it got very complicated. She felt there has to be an easy way to reward people for good work. Maybe they can help with how it is structured.

Mayor Olive said that May is Historic Preservation Month. There is a little agenda proposed for things that could be done to observe Historic Preservation Month. They are to report on the current status of the Historic Preservation in Sanford and what they have done; a general overview of the guidelines that we have; benefits of Historic Preservation; long-term goals of Historic Preservation Commission; the view of Historic Preservation from Downtown versus residential; local landmarks process and benefits to owner community; difference in national designation and local designation; the COA process; number of COAs; enforcement of

work requested being done; and the role of code enforcement in Historic District. This commission works long and hard because they know that this is something that has been a real eye-opening thing for Sanford. Areas that were essentially blighted are now on the tax books and thriving.

City Attorney Patterson said that at the last meeting, Council Member Taylor mentioned to her that he was interested in the ordinances being considered by the Town of Raleigh regarding the use of pine straw as landscaping material – prohibiting that in multi-family units. She has received copies of those places that have enacted ordinances and most of them apply in multi-family because there is ability to regulate by building inspections and fire marshal inspections. It would not cover single, one or two family dwellings because they do not have the jurisdiction there regarding inspections for landscaping material. There is a spread in the centerfold of the *Fire and Rescue Journal* about the Pine Knoll Towns fire in Raleigh in 2007 and the lesson that was learned from that. Combustible material that is so close to multi-family dwellings, the pine straw burns and spreads very quickly; so putting out the fires are very difficult. In the zoning code where you would have regulations on buffers, adding a section that combustible landscaping materials would not be allowed within a certain distance of buildings with combustible exterior construction. The fire chief has told her there are several apartment buildings in Sanford that would have that sort of exterior. She needs to know if there is a majority of council members who are interested in staff looking at these ordinances and to bring one back to them for consideration.

Fire Chief Wayne Barber advised Council that Ken Cotton and Alex Collazo are in Fort Fisher attending the Fire Inspection week long class and networking while they are there talking with different people from different communities. Chief Barber spoke with Mr. Cotton yesterday afternoon and relayed some ideas to Attorney Patterson. We do have some complexes in town that meet these criteria and have had some potential problems that they were able to abate. Chief Barber felt this issue should be looked at. Mayor Olive said that we would like to hear back from Commander Ken Cotten.

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

CLOSED SESSION

Attorney Patterson stated that a motion needs to be made for Council to go into closed session in accordance with N.C.G.S. 143-318.11(a)(3) to consult with an attorney employed by the public body in order to preserve the attorney-client privilege. So moved by Council Member L. I. (Poly) Cohen and seconded by Council Member Linwood Mann, the motion carried unanimously.

ADJOURNMENT

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

Respectfully submitted,

Cornelia P. Olive, Mayor

Bonnie D. White, City Clerk