

LAW AND FINANCE COMMITTEE MEETING

Wednesday, June 15, 2011

1:00 P.M.

Council Chambers

The Law and Finance Committee met on Wednesday, June 15, 2011, at 1:00 P.M., in the Council Chambers at City Hall. The following people were present:

Law and Finance Committee:

Mayor Cornelia P. Olive	Council Member Charles Taylor
Mayor Pro Tem Samuel Gaskins	Council Member Linwood Mann
Council Member L. I. (Poly) Cohen	Council Member James Williams
Council Member Walter McNeil, Jr.	Council Member Bob Brown
City Clerk Bonnie D. White	City Attorney Susan Patterson
City Manager Hal Hegwer	

Mayor Cornelia Olive called the meeting to order.

Consider Resolution in Support of the Temporary Closure of a Portion of Oakdale Street for the Purpose of a Church Bazaar – (Exhibit A)

City Engineer Paul Weeks explained that this resolution closes a portion of Oakdale Street from Boykin Avenue to Vance Street from 7 A.M. to 8 P.M. This is an annual event and all surrounding neighbors have been notified.

Consider Grant Project Ordinance Amendment 2009 North Carolina Housing Finance Agency Single-Family Rehabilitation (SRF) Program Capital Project No. C0902 – (Exhibit B)

Community Development Manager Karen Kennedy stated that this is a project amendment. Project amendments are normal for CDBG projects, but normally, we do not have one for SFR projects because we never get additional funds. However, we asked for some funds because we had some cost overruns and they gave them to us. The State approved that project amendment in December and gave us extra funds for the rehab of a house and administrative costs for the consulting firm to work on the house. We missed a step and did not bring this to Council before we proceeded and we are here at the end trying to close the project out. This amendment is to budget for the additional funds we received from the Housing Financing Agency.

Consider Ordinance Amending the Annual Operating Budget for Fiscal Year 2010-2011 – (Exhibit C)

Assistant Financial Services Director Beth Kelly advised that this is a cleanup amendment to the annual operating budget for this fiscal year. The ordinance appropriates \$210,000 to the Police Department to budget funds for personnel cost related to the tornado, pension contribution, and increase in fuel prices. In the Utility Fund, there is \$11,775 transferred due to decrease in the store sales and will be offset with Contingency Funds.

Mayor Olive asked if we are going to receive monies from FEMA for the personnel cost related to the tornado. City Manager Hal Hegwer replied that the additional funds are for the additional salaries incurred from the Police Department assisting Lee County in the areas of the county that were damaged from the tornado. He said that FEMA will reimburse Lee County and the County will

reimburse the City. Lee County will wait until they receive the money from FEMA before the City is reimbursed. We had four officers, twenty-four hours each day, assisting the Lee County Sheriff's Department.

Consider Capital Project Ordinance Amendment Sewer Capital Project No. S0801 – (Exhibit D)

Assistant Financial Services Director Beth Kelly explained that this is a capital project ordinance for the wastewater treatment plant expansion project. It appropriates \$52,000 of interest income that we have earned on our investments: \$24,492 to Contingency and \$27,508 to Accrued Interest Expense.

Consider Ordinance Amending the Annual Operating Budget for Fiscal Year 2010-2011 – (Exhibit E)

City Engineer Paul Weeks stated that this ordinance relates to the North Plank Road Waterline Extension. Lee County was able to get a grant from the Rural Center to help some residents on North Plank Road to extend a waterline. As part of that agreement, we collected a fee of \$275 per tap from each person tapping onto the line. When we set up the original budget amendment, we had planned on eighteen taps; however, nineteen came in. We collected \$275 in addition to what staff anticipated. The purpose of the ordinance is to allow us to pay Lee County the additional \$275.

Consider a Financial Guarantee for Carthage Colonies Subdivision – (Exhibit F)

Planner II Amy McNeill explained that Beazer Homes Corporation would like to proceed with recording a final plat for Carthage Colonies, Phase 5A, located off Carthage Street and Firetower Road. The firm is submitting for acceptance by the City Council a surety performance bond in the amount of \$116,875 to guarantee completion of all required land development improvements within Phase 5A. The land development improvements include clearing and grading, installation of water lines and sewer lines, paving of public streets, and miscellaneous sedimentation and erosion control measures as referenced in the cost estimate prepared by the City of Sanford Engineering Department. As per the UDO, financial guarantee must be accepted by the City Council to cover the cost of the improvements or the improvements must be installed prior to recording the final plat and legally creating the new lots. Beazer Homes is requesting that Council accept the surety performance bond and allow them to move forward with recording a final plat for Phase 5A.

Mayor Olive asked if there would be a problem with runoff onto Buffalo Cemetery, because when the subdivision was first built, there was a problem. Ms. McNeill replied that with the clearing and grading of the lots, they are required to have a sedimentation and erosion control plan approved by the North Carolina Department of Environment and Natural Resources. That plan illustrates the measures they must take to prevent the runoff. She has not received any concerns in the last year or so regarding that issue. Mr. Hegwer added that this problem occurred when they graded the entire site. Ms. McNeill stated that the area that was causing the erosion control problem has since been developed; there are houses, grass, trees, etc., so there should not be a runoff issue anymore.

Mark Lyczkowski, representing Beazer Homes as their engineering surveyor, said that in the initial development, they clear-cut and did a mass grading campaign on the first 100 acres. They also graded adjacent to Buffalo Cemetery so all the drainage off of Carthage Colonies went over to the small pond inside the cemetery and created turbidity; it was not the fact that a lot of soil or earthwork was leaving the site, but it was the fine materials that was turning all the rain water dark and muddy. Phase 5A is on the other side of the development away from the cemetery and they will be grading in small portions such as ten acres at a time, not 100 acres.

Consider Interlocal Agreement to Provide Services to the Clearwater Forest Fire Protection and Rescue Service District – (Exhibit G)

City Attorney Susan Patterson advised that this is an interlocal agreement between Lee County and the City of Sanford for the City to provide fire suppression, and protection, and rescue services to the newly created Clearwater Forest Fire Protection District in the event the County decides to create this district. The public hearing is tonight on this matter; this agreement will be contingent upon the Commissioner's approval, which should be decided on Monday night, prior to Council voting on this Tuesday night. This agreement is for us to provide fire protection and rescue services to the residents outside the City limits in the Clearwater Fire Protection District because they have asked us to provide the service that their rural fire protection district cannot. This requires the County to establish a new district and to tax those citizens within that district to pay for it.

Mrs. Patterson explained that the current contract is for one year – July 1, 2011 to June 30, 2012, but would automatically renew with the amount charged for this service to adjust. That amount could increase or decrease depending upon a formula that is included within the contract. The analysis is to evaluate the certain different bases for providing the service, based on the call volume, per capita, square mile basis, or value of service - averaging three of those four and determining how much the price would need to change for us to provide the service to them. It is important for Council to know that the contract allows our employees to provide this service in this district and have the same jurisdiction that they would have if they were within the City limits. We would coordinate hazardous material response and the County Fire Marshal would be the one to make investigations to fires, or to calls within that area. We would respond to calls for service for motor vehicle accidents or structure fires. We will know Tuesday night if Lee County has approved the contract.

Mayor Olive asked which primary fire station would respond to calls at Clearwater Forest. City Manager Hal Hegwer replied Central Fire Station.

Consider Donation of Property to the City – (Exhibit H)

City Attorney Susan Patterson explained that Nancy Cameron of DEL Development, would like to donate a tract of land approximately .64 acre on Cameron Drive to the City. The property is wooded, undeveloped, and is located in a fairly low-lying area along the creek across from Buchanan Park. She would like to know if the City would accept this donation.

Council Member Taylor asked is it a prerequisite when property is donated that the taxes be paid through the year it is being donated in. Attorney Patterson replied yes; the people donating the property have been told that they would be responsible for this year's taxes. The statutes say that whenever the City buys a piece of property that the seller pays all the taxes for the year. They have on record, an existing deed of trust that has not yet been cancelled. Attorney Patterson advised that she has spoken with Ms. Cameron and Ms. Cameron has talked with her banker and they will have a release deed recorded on it. If Council approves this transaction, a release deed will be recorded to release them from that obligation before we accept it. Attorney Patterson advised that she has spoken with the Engineering Department, and they said there were no water or sewer lines on that property. She said General Operations Manager Tim Shaw did advise that there was a sewer line on the left side of the creek, so this property would have access to sewer if developed, but there is only a small portion of it that is on high ground. Attorney Patterson spoke with the Community Development Department about whether there were any plans for a greenway and Mr. Bridwell replied no, not at this time.

Mr. Williams asked if a house can be built on this property since it is located in a low-lying area. Community Development Director Bob Bridwell replied that they have not checked the status of it being in a floodplain; however, it appears to be floodplain property and whoever would build on it, would have to build it at least two feet above base flood elevation. Attorney Patterson stated that the property slopes down toward the creek and the topography could be changed if someone chooses to.

Mayor Pro Tem Gaskins said the property backs up the property on Industrial Drive which is commercial property. Even though it might not be worth much now, there is the potential in twenty to thirty years that it could be commercial property and may be worthwhile.

Council Member Bob Brown said that he would like to see the property before voting on it.

Consider Participation in Early Retiree Reinsurance Program (ERRP) – (Exhibit I)

Human Resources Director Christy Pickens stated that staff is requesting consideration for the City to participate in the Early Retiree Reinsurance Program (ERRP). In 2010, Congress enacted the program through Section 1102 of the Affordable Care Act. In essence, Congress appropriated \$5 billion for employers to use for the program and has directed the Secretary of Human and Health Services to set up the program. By law, the program is scheduled to end no later than January 1, 2014, or as soon as the funds run out. Due to the significant response among the employer community, the program ceased accepting applications May 6, 2011. The City did provide and submit an application and received approval from HHS by this specific deadline.

People in the early retiree age group, which is defined 55 – 64, often face difficulties obtaining insurance in the individual market because of either chronic conditions or perhaps based on their age, and sometimes it makes it unaffordable to them or inaccessible. The availability of group health coverage for this population group has declined significantly over the past twenty years, as the percentage of large employers who provide their workers with retirement health coverage has dropped from 66 percent to 28 percent. The program was designed to stabilize the market by providing financial assistance to health plan sponsors that make coverage available to millions of early retirees and their families.

Under the program, HHS will reimburse program participants medical claims dating back to June 1, 2010 for this particular population group. As long as the group is not covered under Medicare, it will cover their spouses, their surviving spouses, and dependents. Health benefit claims that qualify for relief include medical, surgical, hospital, prescription drug, and other benefits that may be specified by the Secretary of HHS. The amount of reimbursement to the employer is up to 80 percent of medical claims costs for health insurance benefits between \$15,000 and \$90,000. Claims incurred between the start of the plan year and June 1, 2010 are credited towards the \$15,000 threshold for reimbursement. However, only the expenses incurred after June 1, 2010 are eligible for reimbursement.

ERRP payments cannot be used as general revenue by the group health plan that provides early retiree benefits, or the employer or union that sponsors it. ERRP payments must be used to reduce plan participants' costs, to reduce the cost for the employer, sponsors' costs, or both. Program payments are thus targeted to encourage plans to continue providing coverage to early retirees and their families.

As of May 3, 2011 of the \$5 billion appropriated, approximately \$2.4 billion has been reimbursed through the agency to the approved plan sponsors. The data includes reimbursement requests received through March 31, 2011. BCBSNC estimates that the City might be able to receive reimbursement for the two plan years for 2010 and 2011 of approximately \$100,000. In order for Blue Cross to provide the services that are needed, it will cost us \$8,500 to provide that administrative work. BCBS would be providing those claims directly to HHS on the City's behalf. The cost is a flat fee of \$8,500 annually.

Mrs. Pickens is requesting Council to consider participation in the program and to allow the city manager to execute the agreement with BCBS. There are 33 retirees under the program now that would be eligible.

Mrs. Pickens advised that there are a number of cost reduction efforts that we can use with the reimbursements. HHS is very peculiar about how the money is spent. We can reduce the cost associated with the premiums, either directly that the City pays, or the participant pays. It can be used to reduce deductibles, co-payments, or co-insurance amounts. We would have to define specifically how we want to utilize the reimbursement amount. It is real clear that the reimbursement cannot be used as general revenue; it has to go back into the health plan.

Other Business

There were no comments.

Adjournment

The meeting was adjourned upon motion of Council Member Linwood Mann. Seconded by Council Member Bob Brown, the motion carried unanimously.

Respectfully submitted,

Cornelia P. Olive, Mayor

ATTEST:

Bonnie D. White, City Clerk