

LAW AND FINANCE MEETING  
Wednesday, August 31, 2011  
1:00 P.M. in Council Chambers

The Law and Finance Committee met on Wednesday, August 31, 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 James Williams
Mayor Pro Tem Samuel Gaskins	Council Member L.I. (Poly) Cohen
Council Member Charles Taylor	Council Member Walther H. McNeil, Jr.
Council Member Linwood Mann	Council Member Bob Brown
City Manager Hal Hegwer	City Attorney Susan Patterson
Deputy City Clerk Janice Cox	

Absent:

City Clerk Bonnie D. White

Consider Mark Browder to Speak on Health Insurance – (Exhibit A)

Human Resources Director Christy Pickens introduced Mark Browder, the new Employee Benefits Consultant with Mark III Employee Benefits out of Charlotte, to present a medical plan update and answer questions. Mr. Browder covered the following points using a slide presentation:

Mr. Browder stated that Mark III is focused on public sector employee benefits and has over 120 public sector clients. Mark III is the largest consultant of public sector health funding business in the state and has been providing this service to municipalities for over twenty years. Their Government Medical Plan customers include many counties and cities in North Carolina, listed on Exhibit A. They include Orange County, Sampson County, City of Rocky Mount and City of Washington. He explained that the City of Sanford pays Blue Cross to administer the plan; buys stop-loss insurance to protect against the high claims; and hires Blue Cross as a network provider, but in the end, the City takes the risk. The bulk of the cost is actually the claims. Self-funded health plans are typically less costly than fully insured ones over the long haul.

Being on a self-funded plan, the City must ensure that the budgeted rates are sufficient to cover plan costs. If the City terminates the self-funded plan, it must have the funds to pay the run-out costs. The value of self-funding is that it provides significantly greater flexibility in rate development; greater flexibility in plan design; and gives the City a more direct emphasis on improving the health of the employees (Wellness). Mr. Browder provided a list of the leading diagnoses that contribute to the largest claims within the City's plan. They include cancer, cardiovascular, diabetes, and renal failure. From April 2010 through March 2011, the City paid out \$1,079,081 in large claims.

Mr. Browder reviewed the 2011-2012 renewal options and rates. Going into 2012-2013 planning, Mr. Browder stated they are looking at strategies for benefits with a goal of improving

the cost for dependent coverage. Typically, adding spouses will not improve costs. He provided a list of benefit comparisons of several employers. Future goals include how to help improve the health of the population. They will be looking at a variety of plan design options and, hopefully, a more competitive structure for dependents to give employees relief who are looking for a different plan strategy. They will look at health savings account plans. Mayor Olive stressed the importance of relief for families. She stated that it affects our employees who need the peace of mind of knowing that their spouses and children are covered. Mr. Browder stated that from the employee's perspective, they are looking for a premium structure that is affordable for them, and that is one of his goals for the upcoming year.

Council Member Taylor stated that some employees take a second job to be able to continue the insurance they have. He noted a drop in dependent coverage from 145 to 106 with an increase in insurance rates of 22 percent for the same time period. Mayor Pro Tem Gaskins stated that according to the comparison chart, the City of Sanford seems to have the highest employer and employee contributions. He asked if there was something we could do. Mr. Browder stated that the cost structure is based on claims. Employees who don't have dependent coverage want the best benefits they can get because usually the employee coverage cost is paid by the employer. Retaining a strong benefit structures does keep costs up; correspondingly, it keeps dependent costs up. One of the ways to address that is to put in a secondary plan that employees can choose that is not quite so rich, but impacts the premium contribution. They can keep the same benefits they have (with a hefty family premium), or they can choose between the two plans and could have relief on the dependent coverage costs. In essence, claims drive the cost and that is why the cost structure is the way it is.

Mayor Pro Tem Gaskins asked if there was anything unusual about our breakdown between claims, reinsurance, and administrative costs. Mr. Browder stated that it was normal. Council Member Taylor asked Mr. Browder if he could do a comparison with Lee County's plan. Mr. Browder stated that employees prefer to have the style of plan the City has with competitive co-pays and deductible. It is straightforward and easy. The challenge with that plan design is that it disconnects the member from the cost of healthcare. Exposure to costs changes behavior. There was discussion concerning the County's plan and HSA's. Council Member Williams asked about increasing participation to drive down costs. Mr. Browder stated that almost all the employees are in the plan. It is whether or not they have dependent coverage. About one-third have dependent coverage. The total member count includes employees and dependents. Mr. Browder stated that the City has a fairly high dependent participation--a lot better than other public sector groups. Mr. Browder stated low participation is not an issue.

Mrs. Pickens clarified that the City has 42 percent participation of those eligible. There are some who have elected not to have themselves covered due to other coverage. For those who have dependents in their family, 42 percent of them have dependent coverage. Mr. Browder stated that more participation with spouses will not help. He stated that a goal is to create a premium structure that is more affordable. He believes that is attainable within the City's plan design.

#### Consider Purchase of Golf Cars - (Exhibit B)

Golf Pro David Von Canon reviewed the bid opening results from August 20. He stated they got the price per golf car along with the trade in allowance from three different companies—E-Z-GO, Yamaha, and Club Car. On the net bid, E-Z-Go was lowest. He stated they were the lowest because of their allotment on the trade in. He requested Council to move forward and award the bid to E-Z-Go at next Tuesday's Council meeting. Council Member Taylor thanked Mr. Von Canon for his work on this. He stated that when they first began the process, they budgeted \$145,000 for golf cars. He asked how we arrived at that figure. His understanding was that a quote had already been received from E-Z-Go. Mr. Von Canon stated they start the budget process back in March or April. He contacts all three companies at that time and gets a roundabout idea of what they think, at that point in time, for the cost of the cars minus the trade in. At that time, that is where it stood. When the bids came in, two bidders were under that amount and one was over. Mr. Taylor expressed concern that the 20 percent difference between what was budgeted and where it is now and the Fund Balance being large at the end of the year. Mr. Von Canon stated there are many things that affect the cost of golf cars. Mr. Hegwer commented that Fund Balance depends on the revenue stream, too. For the last two years, the City has used Fund Balance. Council Member Williams asked if we had dealt with the E-Z-Go company before. Mr. Von Canon stated that they currently have E-Z-Go.

Consider Budget Ordinance Amending the City of Sanford Municipal Golf Course Fee Schedule for Fiscal Year 2011-2012 – (Exhibit C)

Golf Pro David Von Canon stated this is a reflection of the new rates which are to go into effect the day the new golf cars come into service. It is a \$1.00 across-the-board increase for the ride on the cars.

Council Member Taylor asked if there had been any further evaluation of out-of-town rates versus in-town rates. He stated that he did not feel it is fair for tax-paying citizens to have to pay the same rates as out-of-town players. Mr. Von Canon stated that idea was tried back in the early 90s and it only lasted about a year and a half. The end result was a considerable drop in play. Mr. Hegwer stated they are trying to track the information about out-of-town play. They did not have data on everyone who walks in the golf course to play. Sometimes there are long lines and asking everyone where they are from is not as much a priority as getting people out on the course. They have been tracking that data, trying to determine where the play is coming from. Mr. Von Canon stated that they are taking more time to get their zip code, so they are making progress. Mr. Von Canon stated that he thought Mr. Taylor's philosophy is good, but from his past experience if we are going to go in that direction, we need to look at it very closely and be careful. We are very fortunate with the amount of play we are getting at our course right now and the fees we are charging. Colleagues tell him they are not getting 100-110 players a day like we are. He has concern about raising the rates in today's economy. He and Mr. Hegwer have talked about a way to offer a discount to local folks in the form of a membership because then it is by choice if they want to join and support the course throughout the year, rather than just four or five times a year. The drop off was significant before when they tried basing it on membership and daily play.

Council Member Cohen asked if Council Member Taylor was talking about only City residents, not including the County. Mr. Taylor responded that he was open to either. He stated that he thought that the people who are bearing the tax liability of our budget should not be

paying the same rate as somebody that is not bearing that tax. He stated a card could be issued to Sanford city residents. Mr. Von Canon stated that with the right technology, it would be a better way than what he has now.

Council Member Walter McNeil asked if there was a drop off in play before when they charged more for out-of-town players who had to drive here to play. Mr. Von Canon stated that 20-25% of their players were out of Sanford and Lee County. Mr. McNeil asked if we would then have to go up on the price of play for local residents if a drop off occurred with out of town play. Mr. Von Canon stated that he made a valid point, and pointed out that happened the last time with just a dollar increase. He stated it could be useful in an area of a tourist attraction where out-of-town players are only there for a short time. Mr. Von Canon stated that as long as we have a product and price it correctly, we should be fine.

Council Member Taylor stated that if 10,000 rounds of golf a year were played by people from outside Lee County and you charged \$2.00 more per round; they are paying \$3.50-\$4.00 for gas to drive down here plus their time to get down here; the course is in great shape and we are getting new carts, what other factors are needed to justify a \$2.00 increase in a round of golf. He stated that was \$20,000 and it would go a long way on meeting the budget for the course. Mr. McNeil stated that they could add to that same \$2.00 and play closer to home. That is what the experience was last time. Mr. Taylor stated that the difference in rates for those courses is more than \$2.00.

Consider Resolution in Support of the Temporary Closure of Portions of Several Streets for the Purpose of a 5K and 10K Fun Run and Fundraiser – (Exhibit D)

Street Superintendent Magda Holloway stated that this event was postponed due to weather and is now being rescheduled for Sunday, September 11 using the same course. Mayor Pro Tem Gaskins asked if there were any churches along the course. Mrs. Holloway stated there were none she was aware of. The event starts at Kiwanis Park and goes through the Historic District on Sunset Street and comes back out and goes down the greenway.

Consider Sale of Vacant Property off Cox Mill Road – (Exhibit E)

City Attorney Susan Patterson stated that a request had been received from Roy Harrington of Harrington Companies, LLC to purchase a triangular piece of property that used to be the site of a water tank off of Cox Mill Road. Council declared the property surplus and we went through the statutory procedure for offer, advertisement, and upset bids. It was advertised on July 29, 2011 and no increase bids were received within the time allowed by law. It is reported to Council for either acceptance or rejection in accordance with the resolution authorizing the sale. Council's agenda packet contains a copy of the deed that would be used if Council chooses to complete this sale. See Exhibit E.

Consider an Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2011-2012 – (Exhibit F)

Assistant Director of Financial Services Beth Kelly explained that these funds are for the comprehensive lighting retrofit for City Hall. They were budgeted in last year's operating budget because it was thought the project would be complete before year end and the original grant deadline was also June 30. An extension was granted from the energy office; therefore,

this re-appropriation amendment is being brought to Council today. It is a \$60,000 grant from the Energy Efficiency Community Block Grant program which consists of stimulus funds. In addition, \$5,598 will be received from Progress Energy and \$946 will be appropriated from fund balance.

Mayor Olive inquired as to why there was a delay. City Engineer Paul Weeks explained that the State Energy Office had given them until December of this year. They had a schedule whereby they hoped to be done by June 30; however, they were unable to make that because of some issues with the State Energy Office and Progress Energy getting all the grant monies to line up. Mr. Weeks stated that the contractor started last night.

Consider an Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2011-2012 – (Exhibit G)

Police Major Kevin Gray explained that this money is from the 2010 JAG grant. This \$15,193 is now in the General Fund and needs to be transferred to the Police Department in order for the money to be spent. Major Gray stated that \$7,596.50 of that amount goes directly to the Sheriff's Department. The remainder of the money will be spent for specialized equipment to process crime scenes in the Detective Division.

Consider Employee Survey

Council Member Taylor stated that last year there was 39 percent participation in the employee survey. He was disappointed as around 65 percent was expected. Mr. Chavez of the Employment Security Commission had recommended having two back to back surveys in two subsequent years, and then skipping a year. He proposed to do the same survey as before with the same format. He would like to see the Council use part of its budget to come up with some incentives/prizes to get employees involved. Mr. Chavez recommended the survey be done in departments or groups of departments. He was interested in comparing direct data from one year to the next. It is a free service of the Employment Security Commission. He thought that this year, it would be important to put some correction steps in for things employees bring up in the survey.

Consider Performance Audit – (Exhibit H)

Council Member Taylor distributed a handout--Reasons Why Performance Audits are Beneficial--to Council (Exhibit H). Mr. Taylor stated that Lee County is doing a performance audit on the County as well as the school system. The rate for doing these audits is very expensive. Lee County Commissioners have put this out for bid. He stated that it presents us a good opportunity to piggyback on what they are negotiating. They are looking to select a vendor at their September 19 meeting and hope to have a contract approved by October 3, with expectations of the work beginning November 1. These audits are usually a three-month process. It would not be a financial audit, but a performance audit on the entire City.

Mr. Taylor stated that the benefits of having a performance audit for a city include: to improve efficiency and effectiveness; to generate cost savings; to identify and implement best practices used by other cities; to gain a third party perspective on our City government operations; to improve our service delivery to our customers; to find creative ways to balance our budget as an alternate to across-the-board cuts; to compensate for decreased funding from the

state and county; to respond to increased community expectations; and to show the city residents that the government and elected officials are being accountable. At the completion of the analysis, the City will receive a report. Mr. Taylor stated that most of these reports run between 300 and 400 pages long with a plethora of suggestions. Davie County did one with their county operations and their schools. They saved \$6 million on the schools and \$7 million on the county. The cost to do this entire analysis is somewhere in the \$30,000 to \$40,000 range. He feels it is a good tool to use to determine our efficiency at this time, particularly considering increasing unfunded state mandates. The City can be added on to the County's contract for this service between September 20 and October 3, which would bring down the cost of the County's service and ours as well.

**OTHER BUSINESS**

Mayor Olive mentioned how successful the Senior Citizens Boomer Expo was at the Enrichment Center today. She stated that Judy Womack did a wonderful job. She said that there would be a proclamation at the next Council meeting to properly commemorate the tenth anniversary of 9/11. She applauded the Police Department for their quick response and the arrests made in the double murder that we had.

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

**ADJOURNMENT**

Having no further business to discuss, the meeting was adjourned upon the motion of Mayor Pro Tem Sam Gaskins; seconded by Council Member L. I. "Poly" Cohen, the motion passed unanimously.

Respectfully submitted,

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Cornelia P. Olive, Mayor

ATTEST:

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Janice Cox, Deputy City Clerk