

LAW AND FINANCE MEETING
Wednesday, February 26, 2014
1:00 P.M. in Council Chambers

The Law and Finance Committee met on Wednesday, February 26, 2014 at 1:00 P.M. in the Council Chambers at City Hall. The following people were present:

Law and Finance Committee:

Mayor T. Chet Mann
Council Member Rebecca Wyhof
Council Member Norman Chas. Post III
City Clerk Bonnie Davis
City Manager Hal Hegwer

Mayor Pro Tem James Williams
Council Member Sam Gaskins
City Attorney Susan Patterson
Council Member Jimmy Haire

Absent:

Council Member Walter H. McNeil, Jr.
Council Member Charles Taylor

Mayor Chet Mann called the meeting to order.

Consider Reimbursement Agreement with the North Carolina Department of Transportation – Deicing Salt – (Exhibit A)

Street Superintendent Magda Holloway said that in the past, the City of Sanford had let bids for restocking deicing salt in the salt bins and received quotes of approximately \$130 - \$139 per ton. Mrs. Holloway said that the agreement with the North Carolina Department of Transportation would allow the City to purchase salt for \$82.50 per ton, up to 100 tons, and that the agreement would be valid for one year.

Council Member Haire asked how much salt had been used thus far this year. Magda Holloway said that she did not know the exact total amount used, but that the salt shed holds about 80 tons and currently the shed was not quite one quarter full.

Mayor Pro Tem Williams asked Magda Holloway what company they had purchased salt from in the past. Ms. Holloway said that they had purchased salt from the City of Raleigh for approximately \$120 per ton, but that this source was no longer an option. She said that they would have to purchase the salt from a port in Wilmington or from NCDOT.

Consider Ordinance Amending the Annual Operating Budget (Exhibit B)

City Manager Hal Hegwer said that this budget amendment was for the appropriation of funds that were received from the sale of capital assets. Mr. Hegwer said that the money would be used to fund an environmental study on property located adjacent to the River Birch Shopping Center and Old Carbonton Road, of which the City has an interest.

Consider the Award of a Contract for “Gaster’s Creek Lift Station Improvement Project – Force Main and Gravity Sewer Rehabilitation (Exhibit C)

City Engineer Paul Weeks explained that the existing gravity sewer that the force main dumps into at Gaster’s Creek Lift Station is in need of repair. He said that on February 4, 2014, they opened bids for the Gaster’s Creek Lift Station Force Main and Gravity Sewer Rehabilitation

Improvement Project, and opened seven (7) bids. He said that the low bidder was Frank Horne Construction, Inc. with a bid of \$269,684. Mr. Weeks said that the bid documents and references have been reviewed and verified.

Council Member Wyhof asked Paul Weeks what the original budgeted amount was for this project. Mr. Weeks said that they had originally budgeted approximately \$300,000 for this project, and they had approximately \$410,000 in the budget for this project. He said that the proposed contract fell within the budget and that the funds were available for the project.

Council Member Wyhof commented that the bid submitted by Frank Horne Construction Company was considerably less than the other six bidders, and asked Mr. Weeks for an explanation. Mr. Weeks said that there was a math error in the bid submitted by Frank Horne Construction in the cost of materials. Mr. Weeks said they discussed this error during the bid opening with the contractor and offered him the opportunity to pull his bid at that time; however, Frank Horne Construction declined to do so, and decided to proceed with the project. Mr. Weeks said that just because a bid was much lower it did not mean that the contractor would not do a good job, but that this is the value the contractor placed on the contract. He said that this bid came in at the amount the City expected.

Council Member Haire commented that he was astounded by the difference in the amount of the seven (7) bids.

Mayor Mann asked Paul Weeks if the contractor would be allowed to add change orders to his bid. Mr. Weeks said that they had lengthy discussions with Frank Horne Construction Company, and that the contractor had the opportunity at the bid opening to retract his bid but that he declined to do so. Mr. Weeks said that the contractor would have to follow the specs as they are written.

Mayor Pro Tem Williams commented that sometimes a contractor would be willing to take a cut in their salary in order to get the contract.

Consider Presentation on In-House Billing and Collections (Exhibit D)

Finance Director Beth Kelly exhibited a power point presentation for Council regarding an overview of the outsourcing of collections through the lockbox which uses a Charlotte, North Carolina address and the outsource of utility bill printing. Mrs. Kelly informed Council of the City's current payment options that were offered to customers and said that they were currently gathering information from other units and vendors in an effort to modify or enhance these payment options. Mrs. Kelly said that they hoped to add to the list of options through the on-line payments, the use of interactive voice response (IVR), which would allow customers to pay over the phone after hours, and also a mobile app, allowing easier access via smart phone for utility payments. Mrs. Kelly said that she would be bringing information back to Council regarding these items in the future. Mrs. Kelly said that they were also gathering information that would be presented to Council in the future from other units and vendors regarding a possible incentive for encouraging automatic bank drafts and e-billing.

For Council's benefit, Beth Kelly reviewed the December 31, 2011, percentages of the available payment options compared to the January 31, 2014 percentage totals. Mrs. Kelly said that typically people wanted to hold on to their money as long as possible, and that was the reason for the increase in the pay by phone and on line payments.

Beth Kelly said that a lockbox was where customers made utility payments by mail and sent to the City's Bank's processing center for deposit into the City's bank account. She said that the customer receives a return envelope with their bill, and they mail their payments to a post office box in Charlotte, North Carolina. She said that the bank receives the mailed payment, then deposits the money into the City's bank account within the same day; then forwards the payment information each day, electronically to the City and the City credits the customer accounts reflecting those payments. Mrs. Kelly said there were currently approximately 55,000 accounts paid annually through the lockbox service. Mrs. Kelly said that the current cost of lockbox payments including some exceptional FedEx fees was approximately \$1,300 per year. Mrs. Kelly said that to perform these same functions at the City would result in \$42,418 fee for an additional customer service representative; \$22,215 to convert a temporary part-time position to a full-time position; an additional one-time cost of \$55,000 – \$125,000; and maintenance and training costs of at least \$8,000.

Mrs. Kelly said that the advantages to the lockbox services was receipt of payment and processing when the City was closed. The processing center operates multiple shifts; and maintains its own equipment and backup equipment. They provide their own training and administrative and IT support. Mrs. Kelly said that by outsourcing these services, the City was saving an estimated \$56,000 per year, not counting up-front costs. Mrs. Kelly said that the only possible advantage of in-house receipting is that potentially, payments that are mailed could get to the City a day faster.

Revenue Manager Karen Atkinson explained that outsourcing bill printing and mailing is the printing and mailing of water/sewer bills by an outside vendor. Mrs. Atkinson said that the City creates the utility bill files; the bill files are then sent electronically to the outsourcing vendor and the vendor prints and mails bills to customers. Mrs. Atkinson said that the monthly cost of outsourcing bill printing and mailing was \$9,192, which includes labor-\$1,600; postage-\$6,200; and billing stock and envelopes-\$1,392. Mrs. Atkinson said that to perform the same function in-house will require monthly expenses (postage-\$300; letter and postage machines-\$392; printer for processing-\$460) and a one-time cost for setup of these machines - \$53,310.) She also said that these machines and printers would require additional space, and part-time employment.

Revenue Manager Karen Atkinson said that the advantages of outsourcing bill printing was the City will not have to purchase and maintain equipment; postage rates are lower due to bulk rate, which is achieved by an outsource vendor; vendor has multiple printers and shifts so that bills are always mailed on time and they have the ability to stuff multiple page bills automatically. Mrs. Atkinson said that the only advantage of in-house billing was that some customers may receive their bill one day earlier.

Mayor Mann asked Mrs. Atkinson if the City had the option of adding an additional page or flyer to the regular water billing process with the outsourcing vendor. Mrs. Atkinson said that

the City did have this option. City Manager Hegwer commented that recently insurance flyers were added to the water bill mailings, and the charge was approximately \$120. Karen Atkinson gave an example of the recent insurance flyers that were mailed, which were only to be mailed to residential customers, and the outsourcing vendor had the capability of identifying and sorting such customers.

Mayor Pro Tem Williams gave an example of the latest water bill that he received, which contained the notice of the City not adding chlorine to the water system.

Finance Director Beth Kelly said that during the General Obligation Bond process, they were able to insert information that only went to routes within the City limits.

Mayor Mann said that it was an inexpensive way to communicate with the citizens if need be.

Other Business

Mayor Pro Tem Williams informed Council that he received a letter from the Department of Veterans Affairs thanking them for helping celebrate the groundbreaking of the Sanford community-based outreach/outpatient clinic. Mayor Pro Tem Williams read the letter to Council.

Council Member Gaskins congratulated Community Development Director Bob Bridwell on his upcoming ordination.

Mayor Mann asked Council to please let City Clerk Bonnie Davis know if they cannot attend a meeting. Mayor Mann said that he attended the San-Lee Partnership for Prosperity meeting and the EDC efforts are well under way.

Adjournment

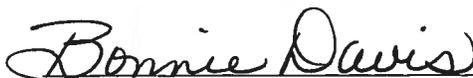
Council Member Gaskins made the motion to adjourn. Seconded by Council Member Wyhof, the motion carried unanimously.

Respectfully Submitted,



T. Chet Mann, Mayor

ATTEST:



Bonnie Davis, City Clerk