

SANFORD CITY COUNCIL
WORK SESSION
Tuesday, January 6, 2015
Sanford Municipal Building
5:00 P.M. in West End Conference Room
225 East Weatherspoon Street, Sanford, NC

The City Council held a work session on Tuesday, January 6, 2015, at 5:00 P.M. in the West End Conference Room at City Hall in order to discuss bids received for the City of Sanford Sidewalk and Streetscape projects. The following people were present:

Mayor T. Chet Mann
Council Member Byron Buckels
Council Member Jimmy Haire
Council Member Charles Taylor
City Manager Hal Hegwer
City Attorney Susan Patterson

Mayor Pro Tem James Williams
Council Member Sam Gaskins
Council Member Norman Charles Post, III
Council Member Rebecca Wyhof
City Clerk Bonnie Davis

Work Session

Mayor Chet Mann called the work session to order, welcomed Council Members, staff and guests, and wished everyone a happy new year.

Mayor Mann updated Council on the recent trip to New York City. He, along with City Manager Hal Hegwer, Financial Services Director Beth Kelly and Public Work Director Vic Czar, made presentations to the three major credit rating agencies summarizing the City's financial status. Committee members from the agencies specialize in particular areas and were very knowledgeable about our region, including the Chatham Park project and other regional developments. Two of the three ratings have been received and the third is anticipated soon.

Financial Services Director Beth Kelly explained that we have requested three indicative ratings, which is the same procedure followed with the Revenue bonds when the rating from Moody and Fitch was accepted. It is anticipated that all three ratings will be comparable to those for the Revenue bonds. Once the third rating is received, a decision of which to accept can be made and disclosed. The rating cannot be disclosed until it is officially accepted. When it is accepted, a press release will be issued. She noted that the City's financial status is reviewed every two years by each rating agency.

City Manager Hal Hegwer stated that the press release will summarize the City's financial status, including areas seen as strengths and weaknesses, along with an analysis of revenue and debt. This information will be shared with Council when it is received. Mayor Mann confirmed that another trip would not be necessary to complete the bond project.

Mrs. Kelly informed Council that the bonds will be sold on January 21, the sale will close on February 12 and funds should be in our account on February 13.

Mayor Mann stated that these ratings enable us to obtain the best interest rate and that minor differences are not a problem. He anticipates that we will receive favorable ratings.

He confirmed that there were inquiries into our political climate, along with many other factors. The emphasis, however, appears to be on the finances. He acknowledged the time and effort involved in compiling the material by Mrs. Kelly and her department. Her presentations to the agencies were quite comprehensive.

Mr. Hegwer explained that there were specific discussions of local industry, unemployment rates and contributing factors, as well as the forecast for changes. He stated that the \$8.5 million should be available in early February, after the Local Government Commission ("LGC") sells the bonds. This is done by competitive bidding and does not involve the City. Once the bid winner is announced, investors can contact financial advisors in order to purchase bonds, which are often purchased by members of the community as a source of pride, as well as serving as a good investment. Oversight by the LGC is recognized by the market as an additional level of security.

City Engineer Paul Weeks began the presentation on the Sidewalk and Streetscape projects by explaining that it would include analysis of the following: (1) intent; (2) project areas; (3) costs; (4) schedule; and (5) Council guidance. He presented a map (included in the attached Exhibit) showing existing and proposed sidewalks and the existing and proposed greenway system. The map shows the "backbone" which will allow movement from one point to another and provide the desired connectivity.

Mr. Weeks identified the eleven sidewalk projects (also included in the attached Exhibit) and noted that Projects 1 and 2 are both funded primarily by the North Carolina Department of Transportation ("DOT"), which is supplying 80 percent of the funds; the City will provide the remaining 20 percent. These segments provide access between downtown and Jonesboro.

Public Works Director Vic Czar explained that these eleven sidewalks were identified through a pedestrian plan which was also partially funded by DOT. Public input was requested and stakeholder meetings were held in order to identify and develop a priority listing of areas lacking sidewalks. The intent was to develop a sidewalk "backbone" system with the possibility of subsequently connecting to residential sections. Origin and termination points on either side of the sidewalks have been established.

Mr. Weeks explained that Projects 3 – 11 are City projects which were offered for bids. Due to the overall size of the project, it was broken into two bids which gave us the advantage of large quantity and also split it between contractors, giving us a timing advantage. Six contractors bid on one project with five bidding on both. The low bidder on both was Sandhills Contractors, a local company, at a total price of \$1,471,901.60, which was near engineers' estimates. Mr. Weeks noted that the revenue from the bonds and DOT grant total \$2,280,672 while expenses total \$2,754,664, resulting in a shortfall of \$473,992 on the sidewalk projects.

Regarding scheduling, Mr. Weeks explained that there is a tight timeline on Projects 1 and 2. Because they are funded by DOT, they must be completed prior to June 1. Funds have been allocated and are available for the 20 percent match required from the City.

Regarding scheduling on Projects 3 – 11, bids have already been opened and can be held until only until mid-February, after which time the bids can be pulled and rebidding would be required. The original construction schedule calls for construction to begin in early March and to be completed in October, in order to coincide with completion of the streetscape project, as well as to avoid potential weather delays and to finish before the holiday season.

It was questioned why cost figures were not available on the time critical Projects 1 and 2. Mr. Weeks explained that DOT does not allow bidding until rights-of-way are cleared and easements acquired. Easement acquisitions are in process with only two remaining. The time constraint is that DOT funds must be paid out prior to June 30, meaning that the contractor must be paid by the City and the request to DOT for reimbursement be submitted early enough to meet this deadline.

Mr. Czar noted the concept behind the entire project is connectivity and that while removing some components of the sidewalk project would indeed reduce the cost, vital connectivity would be lost. The balance is to determine where cost can be reduced while maintaining the structure for connectivity. It was noted that Lee Avenue and Woodland Avenue run parallel to each other and removing one would still provide connectivity to Jonesboro.

Council Member Wyhof asked about the possibility of adding crosswalks on Horner Boulevard due to the heavy traffic on this thoroughfare, which discourages pedestrians. Mr. Weeks stated that two crosswalks will be added but they are not located on the southern end. Pedestrian heads are scheduled for the Horner-Carthage and Horner-Wicker intersections. He also noted that some pedestrian crosswalks are “protected” (i.e., pedestrians can cross while vehicles making right-hand turns are instructed to yield to pedestrians), while traffic volume at other crosswalks is low enough that traffic is stopped to allow pedestrian crossing.

Mr. Czar advised Council that on the two DOT projects, a decision whether or not to proceed should be made immediately since time is of the essence; these projects have the 80 percent DOT funding commitment which also has a deadline. He also noted that if action is taken immediately, these projects can be completed in this construction season.

Council Member Taylor stated that he had spoken with vendors in Garner and other cities who indicated they had projects which were not bid as “lump sum” in order to encourage participation by smaller local companies which couldn’t handle large projects but could handle portions of them. He noted that some companies which were competitive on the sidewalk project did not submit a bid on the streetscape projects and questioned whether bundling the projects together may have stifled local competition. The difference between the two lowest bidders on the sidewalk project bids was more than \$336,000 and he questioned whether the streetscape bids would have been more competitive had the bids not been bundled.

Mr. Czar responded that while it is possible that splitting the projects would draw more participants, it would not necessarily guarantee that the overall bid would be lower. There is value in having a contractor who can handle the entire scale of the project. Another option, he noted, would be to split the sidewalk and utility work, with the City acting as contractor; however, this would require a great deal of coordination and he doesn't recommend this. He also noted that some smaller companies may unfortunately not have the resources to complete these projects in the desired time frame, even if they were to be postponed; different companies are just geared for different types of projects

Mr. Hegwer emphasized that it comes down to timing: if the goal is to have all projects completed this year, splitting the bids would simply preclude it.

Mr. Weeks showed photos of Moore Street (from Carthage) before and after enhancements (brick crosswalk, pergola with two swings and period lighting). He confirmed that some parking will be lost on one side of Moore Street but some parallel parking spaces will remain on both ends of the block. Photos of Steele Street (from Carthage) and of the Wicker-Steele intersection were also shown, before and after enhancements. Mr. Weeks explained that bids include underground work for all utilities located in the alley, where several hanging power lines, transformers and phone lines are currently located. Intersection improvements are also included for new mast-arm overhanging lights at four intersections. The Steele-Wicker intersection is being converted to a four-way stop.

Completing the conversion of Windstream and Duke Energy overhead lines to underground lines on Charlotte, Chatham and McIver Streets is also included in the bids, along with streetscape sidewalk improvements for the front of Yarborough's (on McIver), to the corner of Chatham, and down Chatham to Maple Avenue. This spot was selected because Duke Power is often unable to terminate at a specified point; some locations are not suitable. The best termination point for both Windstream and Duke Power is on Maple Avenue.

Mr. Czar explained that the Windstream line by the railroad tracks (in front of Café 121, down McIver and Charlotte, on the grassy side) is included. It has been difficult in the past to engage Windstream on this but now there is an opportunity. In connection with these new projects, some smaller projects such as this can also be completed. He also explained that there are some fairly high-level three-phase power lines in the alley by Yarborough's, which required adding it to the project because of the Duke termination point requirement. These lines are tied to the portion of the project which included addition of the sidewalk, period lighting and trees on two sides. Mr. Czar confirmed that some sidewalk patching will be likely, unfortunately, at some previously streetscaped locations.

The Jonesboro project, from Horner Boulevard to Lee Avenue, including Trade Street and a portion of Dalrymple Street, includes streetscaping on both sides, with the exception of Dalrymple having only one side done. Intersection improvements are included at Main Street-Lee Avenue and at Main Street-Dalrymple.

Mr. Weeks informed Council that there were three bids on the Downtown Streetscape project. Fred Smith Company is the apparent low bidder with a total bid of \$4,746,856, which

included all three alternates. He discussed the alternates as follows and noted that they can be removed:

- Alternate #1 is for granite curb (illustrated bow-outs are shown as concrete) since people tend to run up on curbs and granite is less damaging to wheels. Granite curb at all radius and turns is included in Alternate #1.
- Alternate #2 is for stamped sidewalk (colored asphalt which has been stamped to simulate brick).
- Alternate #3 is for electrical circuit underground to provide access to street vendors. A second circuit would be installed for tree lights. (Other streetscaped locations have outlets for tree lights.)

Mr. Weeks explained that the Jonesboro project had four bidders, with Fred Smith Company again having the low bid of \$2,663,972.50, which included all three alternates. He noted that Narron Contracting handled the Endor Furnace Trail project and used Fred Smith Company as a subcontractor, so we are familiar with work by both of these companies. He also discussed these alternates and noted that they can be removed.

- Alternate #1 is for a clock and bench at the corner of Main-Trade.
- Alternate #2 converts Trade Street to a one-way street from Main Street to Fayetteville Street, which would result in eight additional parking spaces. There are also engineering advantages, including elimination of the troublesome left turn from Trade Street onto Main Street, which DOT officials enthusiastically supports.
- Alternate #3 is for resurfacing streets in the project.

Mr. Weeks summarized the presentation by stating that there is a total of \$6.5 million dollars available on the Streetscape project, with a cost of \$5 million for Downtown (based on consultants estimates) and \$1.5 million for Jonesboro (based on 2009 bid prices of \$1 million and \$500,000 rough estimate from Duke Energy for underground utilities). After adding design and construction related expenses, the total is \$6.1 million for the Downtown project and \$3.7 million for Jonesboro, resulting in a total project shortfall of \$3.3 million. There is a grand total of \$8,780,672 available for both projects (\$2 million Sidewalk bonds, \$280,672.00 DOT grant, \$6.5 million Streetscape bonds). Total expenses are \$12,554,664 (\$2,754,664 total sidewalk cost, \$9,800,000 total streetscape cost), resulting in a total shortfall of \$3,773,992 for both the Sidewalk and Streetscape projects.

Regarding scheduling, Mr. Weeks explained that bids have been opened and remain valid until mid-February, after which time contractors can choose to pull their bid; rebidding would then be required. If this occurs, the project will be delayed for another year since the construction window will be missed. The original construction schedule calls for construction to begin in March and for completion in November, in an attempt to avoid potential winter weather delays and prior to the Thanksgiving and Christmas holiday season.

Options to be considered include: (1) increasing revenue; (2) modifying project limits (i.e., do fewer improvements, such as removing the green boxes); (3) modifying intensity of

improvements (i.e., lower the level of improvements, such as removing brick band crosswalk, resurfacing and granite curb); and (4) a combination of any or all of the above.

Mr. Weeks requested guidance from Council and stressed that the two projects funded by DOT are extremely time-critical since funds are not available after June 30. He requested that Council advise immediately whether to proceed with those projects. Next week, payments of approximately \$100,000 are scheduled for easements acquisitions on these projects; if the project is not to proceed, these funds should not be spent. There was unanimous consensus from Council to proceed at this time with Projects #1 (Horner) and #2 (Bragg-Nash).

There was discussion regarding removing the Woodland Avenue segment, since it closely parallels Lee Avenue. The Woodland project could be completed at a later date, perhaps with grant funding. Portions of Lee Avenue could also be removed in connection with removing Woodland, which would further close the shortfall. Mr. Czar noted that there have been discussions with DOT regarding possible funding for additional sidewalk projects.

Mr. Hegwer suggested that the shortfall on the sidewalk project could be closed without seeking additional revenue if Council could come to a consensus on which portions could be eliminated now and considered at a later time. Mayor Mann stated that connecting Downtown Sanford to Jonesboro's Main Street via Lee Avenue, would connect at a major intersection and also offer more efficient access to Main Street than via Woodland Avenue, where the connecting intersection is not as centrally located.

Mr. Czar and Mayor Mann agreed that there appeared to be a consensus to reduce the scope of the sidewalk project in order to lower the project cost with no funding shortfall. Removing the Woodland Avenue portion, including the portion from Woodland to Third Street, would reduce the shortfall to the \$50,000 range, which could be resolved.

There was additional discussion of staggering timing of the projects in order to encourage more bidders. The goal appeared to be reducing the project cost without reducing the intensity. The possibility was discussed of offering the contractors who did not bid on the streetscape project another opportunity to do so. It was questioned whether \$3.7 million should be spent on improvements to Jonesboro; however, it was noted that the bond referendum was not split into separate components for Downtown and Jonesboro so the project cannot and should not be separated. It was also noted that the informational meeting held in Jonesboro prior to the referendum was well attended.

Regarding the streetscape project, additional revenue sources were discussed, including possible corporate sponsors. David Montgomery, of Downtown Sanford, Inc., explained that this has been offered in the past but is a small portion of the project and may be more popular once the project is underway. It was also noted that there have been several fundraising events involving the private and business communities and perhaps this is not the time to proceed in this direction.

There was additional discussion of the timeline for re-bidding the streetscape project for construction at a later time. Since it is now known that the projects are over budget, perhaps

lower bids would be submitted. Underground utility installation was discussed, including the fact that it would be much more costly if done in separate phases, as would other phases of the projects. The option of eliminating resurfacing was discussed but it was noted that after other improvements are completed, the overall appearance will be greatly compromised if streets are not resurfaced. Another option discussed was relocating utilities underground on only one side of the streets or streetscaping only one side now and doing the other sides later. While this will indeed lower the current cost and improve cash flow, it will likely be much costlier in the long run.

Reducing the area covered in the Jonesboro project was discussed. Concentrating on Main Street and limiting the area or lowering the intensity were some of the options reviewed. Since the goal is to create renewed interest and investment in the area, perhaps focusing on a smaller area would ultimately produce a more impressive result and also reduce the overall cost.

In an attempt to summarize the discussion, Mr. Czar stated that consensus appears to be to remove Trade Street from the Jonesboro project and concentrate on Main Street. There was debate on whether to also remove the section from Horner to Dalrymple but it was noted that this is a major entry point. It was suggested that the following options be researched: (a) removing the section from Horner to Dalrymple; (b) removing Trade Street; (c) abbreviating the overall project area.

Alternates included in the bids on the downtown portion were discussed, specifically the cost of \$400,000 to provide electrical services for vendors. Mr. Czar explained this is a costly component because the 220 circuit will provide major service and is not only to provide for Christmas lighting. DSI Director Montgomery explained that the purpose is to encourage vendor participation at major events, such as Arts & Vine Festival, by offering to them electrical service rather than having them bring their own generators, which are quite noisy. The possibility of concentrating this electrical service in one particular area was suggested.

Mr. Hegwer stated that more information will be gathered and presented to the Council at a follow-up meeting, with the date and time to be announced.

The question was raised as to what sources of additional revenue were available to complete the entire project without cutting any components. Financial Services Director Beth Kelly explained that one option is installment purchase financing. A term of ten years on a \$3-3.5 million loan would likely result in an annual debt service of approximately \$400,000 year. She noted that the term would be no more than ten years since the collateral is a project, not a building. She explained that based on projections for the upcoming first bond issuance, just over \$1 million will be saved over the life of the 20 year bond. This is due to changes in interest rates and the anticipated rating, assuming there are no changes in scheduling the second issuance (noting that there is no way to anticipate the future interest rate on that). Mr. Hegwer stated that since we had anticipated a debt service of approximately \$950,000, if the final figures are in the \$700,000-\$750,000 range, this will leave room for additional debt. There may be a way to try to acquire additional revenue while maintaining the same anticipated debt service.

Council Member Haire emphasized that we are at a critical point and these projects are potential game changers for our area. He reminded everyone that these projects have been discussed for 50 years while other projects have taken priority over the years, among them construction of City Hall, water and sewer projects and school projects. He stressed his opinion that if the projects are to be done properly, the additional funds should be located so that they can proceed now.

Mrs. Kelly advised Council that if re-bidding is pursued, there are additional LGC compliance requirements. In order for her to pre-audit the construction contracts, the scope and breakdown must be specified and funds appropriated prior to construction. She also stated that the first bond issuance is anticipated to sell at a premium, resulting in additional cash which can be applied to the projects. She reiterated that there is no way to forecast the interest rate on the second bond issuance. Regarding the effect of the tax rate, she explained that applying the savings of approximately \$200,000 on debt service would still leave a shortage of approximately \$200,000, which would have to be taken from the Operating Fund; this would result in a little less than a penny on the tax rate. Mr. Hegwer suggested that if the project could be trimmed by \$100,000, that shortage could be reduced by half, to no more than \$100,000.

Mr. Hegwer stated that the overall consensus appeared to be reducing the scope of the Sidewalk project to bring it in line with available funds and to proceed with the DOT funded projects. On the Downtown Streetscape project, the consensus appeared to be maintaining both the scope and intensity. On the Jonesboro Streetscape project, consensus appeared to be exploring the possibility of removing Trade Street and the portion from Main to Dalrymple. The cost savings for removing the Trade to Dalrymple portion and the Dalrymple to Main portion will be researched. The option of additionally closing the shortfall with savings from anticipated debt service and installment loan proceeds will also be researched (rates and terms to be determined).

Mayor Mann confirmed there were no additional questions or comments.

Adjournment

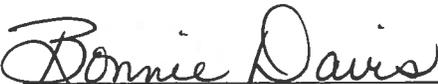
Council Member Sam Gaskins made the motion to recess the meeting until a time and date to be determined. Seconded by Council Member Norman Charles Post, III, the motion carried unanimously.

Respectfully Submitted,



T. Chet Mann, Mayor

ATTEST:



Bonnie Davis, City Clerk