

SANFORD CITY COUNCIL
WORK SESSION
Tuesday, January 20, 2015
Sanford Municipal Building
5:00 P.M. in West End Conference Room
225 East Weatherspoon Street, Sanford, NC

The City Council reconvened their work session on Tuesday, January 20, 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 and converting street lights to LED lights. The following people were present:

Mayor T. Chet Mann	Council Member Byron Buckels
Council Member Sam Gaskins	Council Member Jimmy Haire
Council Member Norman Charles Post, III	Council Member Rebecca Wyhof
City Manager Hal Hegwer	City Clerk Bonnie Davis
City Attorney Susan Patterson	

Absent:

Mayor Pro Tem James Williams	Council Member Charles Taylor
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Work Session

Mayor Chet Mann called the reconvened work session to order and welcomed Council Members, staff and guests.

City Engineer Paul Weeks acknowledged that his staff had been tasked at the prior work session to review possible reductions in scope and intensity to the Sidewalk and Streetscape projects (attached and shown as Exhibit A). He noted that the revised estimated costs were provided quickly by the contractor and that cost comparisons should remain constant, even with cost changes.

Mr. Weeks stated that in order to address the \$470,000 shortfall on the Sidewalk project, removing the Woodland and Courtland Avenue segments was reviewed. A revised project list was developed and discussions were held with the contractor, resulting in a cost reduction of approximately \$300,000, to a revised total of \$1,549,880, which is the amount of funds available.

Regarding scheduling, Mr. Weeks stressed that the Department of Transportation ("DOT") funded projects must be completed by early June since DOT funds will not be available after June 30, 2015. Staff believes that this project can be opened for bids in February, awarded in March and construction could begin in April, which would give the contractor about two months to finish the project. This scheduling would be incorporated into the contract.

Mr. Weeks also informed Council that on the other city sidewalk projects, staff believes they can be awarded at the February 17 Council Meeting with construction to begin in March. He noted that this scheduling is contingent upon availability of financing and Council's approval of the revised contract description.

Council Member Wyhof expressed appreciation for those involved in negotiations with the contractor on the sidewalk project. Council Members Gaskins, Wyhof, Haire, Post and Buckels expressed their agreement that these revised projects should proceed immediately.

Mr. Weeks explained that on the Streetscape project, options reviewed by staff included several options to reduce the scope and intensity of the Jonesboro project in order to reduce the project shortfall of approximately \$3,300,000.

Director of Community Development Marshall Downey informed Council that he had researched streetscape projects in similar communities in North Carolina. He reminded Council that the City's 2011 Chatham Street project was funded with a \$310,000 Community Development Block Grant, with no City funding. The Charlotte Avenue portion of that project was funded by a DOT grant for 80 percent of the cost and a 20 percent City match. These projects have yielded an increased number of employees at businesses in that area and an increased tax base.

Mr. Downey shared feedback received from members of these communities which he incorporated into a memorandum (attached and shown as Exhibit B) and noted that data was not limited only to streetscape improvements since other improvements were also made. He explained that it is often difficult to quantify how specific components of a project contribute to overall success in an area; however, streetscaping is often a major component of improvements referred to in his memorandum.

Research gathered by Mr. Downey's staff indicated:

- Wake Forest completed a \$3,000,000 streetscape project in their downtown area in 2012. Since that time, they report a total of 18 new businesses, 5 expansions and more than \$12,000,000 in private investment.
- Fuquay-Varina was recognized in 2012 for two downtown projects, which drastically reduced their storefront vacancy rate. More than \$9,000,000 in public and private funds were invested.
- Eden has had a streetscape program since 2003, which has resulted in 100 new jobs, 37 new businesses and almost \$4,500,000 in new investment.
- Salisbury, whose project has been ongoing since 1980, has seen more than \$111,000,000 in total investment, with \$51,000,000 since 2001. They have also seen almost 1,000 new jobs, 288 building renovations and 301 new businesses.
- Statesville completed their award-winning streetscape program in 2011 and reported that 17 new businesses moved downtown within the first year.

Council Member Post asked whether any of the communities surveyed had two separate, distinct downtown areas similar to Sanford's separate downtown and Jonesboro communities. Mr. Downey confirmed that Fuquay-Varina has a similar situation. Mayor Mann stated that Eden has two downtown parks which are split similar to the Sanford/Jonesboro areas and that Salisbury has done their project in different areas over a 30-year period. Mayor Mann also informed Council that he communicates often with the Mayor of Salisbury, whose population of 30,000-35,000 is similar to that of Sanford, as are many of the cities included in Mr. Downey's

survey. Mr. Downey summarized by stating that feedback overwhelmingly indicated positive impacts and reactions to streetscape projects. Mayor Mann stated that the choices being made now by Council will ultimately determine the potential for return on the investment made on these projects.

City Manager Hal Hegwer informed Council that he had recently spoken with representatives of Dunn and Goldsboro, who could not indicate specifically how retail sales were affected by their projects. Overall, the only negative factors reported were that some Goldsboro citizens did not want any streetscape updates and that Dunn experienced some problems with their contractor and some Duke Energy expenses were much higher than originally indicated.

Mr. Weeks stated that staff believes that the Downtown Streetscape project could be awarded at the Council meeting on February 3; Sidewalk Projects A&B could be awarded at the Council meeting on February 17; and Jonesboro Streetscape could be awarded at the Council meeting on March 3, all contingent upon Council approval and financing arrangements.

Mr. Weeks reminded Council that the original Jonesboro Streetscape scope included Main Street from Lee Avenue to Horner Boulevard, Trade Street from Main to Dalrymple, and two intersection improvements on Main Street, at an original cost of approximately \$3,696,989. Options reviewed to decrease the overall cost included the following:

- Removing the portion from Trade to Dalrymple Street, keeping the portion from Lee Avenue to Horner Boulevard and keeping both intersection improvements. This cost is estimated to be \$2,601,349.
- Performing some streetscaping at a lesser intensity on the portion from Horner to Dalrymple, specifically to include new sidewalk, trees, tree grates and benches, but to exclude granite curb and road resurfacing. Power would still be converted to underground. This cost is estimated to be \$2,488,469. Although this portion is maintained by DOT, the City would be responsible for resurfacing since the street will be damaged in connection with the project (any work by DOT would be done strictly on their schedule, with no guarantee of their timeline).
- Decreasing the scope further for work between Lee Avenue and Dalrymple, keeping both intersections but removing the portion between Dalrymple and Horner Boulevard. This cost is estimated to be \$2,129,267.

Mr. Czar confirmed that the consensus of Council from the prior work session was to maintain the Downtown project as originally presented, with no reduction in scope or intensity. Scheduling was again discussed and Mr. Weeks explained that if the projects were to be offered for bid again next year, there is no guarantee that local contractors would participate. Another option is to completely disregard the bids received on the Jonesboro portion and rebid that project, which is not guaranteed to be lower.

Council Member Wyhof reiterated comments from Council Member Haire made at the prior work session that this is a once-in-a-lifetime opportunity to change the city for the better. When the bonds were approved by the voters, public trust was given to Council to ensure a defining project. She requested feedback from other Council Members but shared her concern

that if some parts of the project are scaled back, the overall goal may be defeated. She was encouraged by funding options which could ensure the project could be completed as intended.

Council Member Haire stated that he has had inquiries from constituents in Jonesboro on scheduling; he informed them that there are many items to consider. Mr. Czar noted that the contractor has anticipated in good faith that there would be no delays in the project proceeding. Mr. Haire noted that removal of the segment of Main Street from Horner to Dalrymple concerns him since this is a major entry point to Jonesboro. Mr. Czar confirmed that the cost savings of removing this segment is approximately \$500,000, while removing the segment from Trade to Dalrymple would result in higher cost savings and could perhaps be completed later as a separate project. Removing the Horner to Dalrymple block on Main Street from the project would also mean that overhead power lines would remain in place on this one block and would create an overall look of being unfinished. Mr. Czar noted that delaying construction until next year is an option but there is no way to predict whether market costs will increase or decrease.

Mayor Mann stated that his goal is to have a good return on investment. If the investment is watered down, the return will also be diminished; a full investment will likely result in a larger return. He also stated that while there is no way to guarantee that Sanford will receive the same returns noted in Mr. Downey's survey of other communities in the area, if there is a way to finance the project shortfall, we should not miss this opportunity to "do it right".

Mr. Czar suggested that Council go into Closed Session to discuss possible financing options, since this will factor into Council's final decision on how to proceed. Mr. Hegwer stated that Council would enter into Closed Session and then return to the work session to continue discussion on the project.

City Attorney Susan Patterson stated that a motion was needed to go into closed session pursuant to NCGS 143-318.11A-5 to instruct the public body staff on a position to be taken on the price or other material terms of a contract or proposed contract for the acquisition of real property.

The motion to go into closed session was made by Council Member Wyhof; seconded by Council Member Post, it carried unanimously. Council went into closed session at 6:10 p.m.

Return to Work Session

Council returned to regular session at 6:20 p.m.

Mayor Mann stated that some financing alternatives had been discussed and asked Beth Kelly, Finance Director, to give a synopsis of the discussions.

Mrs. Kelly stated that she had informed Council that some lenders may have issues with financing these projects, since funds will be used for sidewalk and streetscape improvements, which are not typical sources of collateral. An additional issue is that some of the streets are owned by DOT rather than the City. Financial advisors have suggested that the City include other city-owned real property as additional security or the purchase of a separate parcel of real property so that the real property could be used as collateral for the loan. The banks could require

some type of real property to be financed with the installment purchase since some of the streets aren't owned by the City.

Mayor Mann noted that Council is leaning toward consensus on doing the entire project in the most complete manner possible and did not want to water it down, even though it is over budget. He explained that Mrs. Kelly, with help of staff, has several alternatives that would allow the project to remain whole and not lessen the intensity.

City Manager Hegwer stated that options on gap financing are being discussed. The original shortfall was approximately \$3,300,000. The three options presented tonight on revisions to the Jonesboro streetscape portion of the project reduce the shortfall to somewhere between \$1,700,000 and \$2,200,000. Before the next Law and Finance meeting, Council will need to make these decisions. Issues to be analyzed include:

- The potential impact on the budget going forward;
- Whether the difference is made up now;
- The potential impact on the next bond issuance for the Greenway and the future Parks and Recreations bond issuance;
- The potential impact on scheduling;
- The potential impact on the recurring annual budget and possible capital purchase needs.

Mr. Hegwer explained we will be reviewing our overall financial situation and how these issues fit together. Ultimately, as we determine how to handle financing the gap, we will analyze the total impact and how the City will absorb it from a budget standpoint.

Mayor Mann confirmed that there were no additional questions or comments on the Sidewalk and Streetscape projects.

Mr. Hegwer informed Council that information on LED streetlight conversion would be presented by Public Works Director Victor Czar (attached and shown Exhibit C) while we eat dinner.

Public Works Director Czar stated that both Duke Energy ("Duke") and Central Electric Membership Corporation ("CEMC") provide street lighting service but Duke provides the overwhelming majority, with approximately 3,250 lights, and CEMC has approximately 75. There are far more 9,500 lumen lights (mostly residential areas) but the lights range up to 50,000 lumens (those serving DOT maintained streets, such as higher powered lights along Highway 87). The DOT standard is higher than the City's since there is a higher volume of traffic and vehicles travel at higher speeds.

Mr. Czar compared the properties of LED street lights to the current lights, which are high pressure sodium and metal halide. He explained that LED lights are more environmentally friendly (reducing the carbon footprint) and have a whiter light. The light is more evenly distributed by their rectangular shape compared to the cone distribution of current lighting. Their light can be more directed, providing improved coverage, consistent intensity along edges; it is

more uniform across the spectrum and no warm up time is required. Spacing between poles can be increased since fewer poles are needed with the improved light distribution. They offer consistent light output and better performance over time, whereas the current lighting decreases over time.

Staff calculated energy consumption on the existing lighting and after converting to all LED lighting, it is estimated that converting will save approximately 54 percent in energy costs. He also noted that Duke typically does not have problems with night-time production peaks; however, one recent morning there was a peak around 4:30 a.m. and Duke was required to make adjustments which affected consumers enrolled in the voluntary automatic cut-back program.

Mr. Czar informed Council that there are two fees related to the LED conversion. One is for installing lights. Previously, Duke Energy required that municipalities own the heads and lease the right to put them on Duke's poles but they have changed their policy. If you have a fixture still under the 20 year contract, it will cost \$50 to replace; if the fixture is more than 20 years old, there is no fee to replace it. This fee has been several hundred dollars in the past, making conversion cost-prohibitive. Mr. Czar does not anticipate the cost falling significantly lower.

The second expense is the monthly fee. The replacement fixtures for the 9,500 lumen lights has decreased over time from 75 watts to 50 watts, which will now allow for even further reduced energy consumption and thus, reduced cost.

Mr. Czar reviewed the table indicating the number of lights expiring from contract each year. Current annual lighting costs are approximately \$420,268.08. After converting all Duke street lights in the system, anticipated lighting costs are approximately \$352,951.92, resulting in a projected annual savings of approximately \$67,316. He stated that although there would be a one-time cost of approximately \$65,000 to replace the heads, the anticipated savings in the first year alone would more than offset this initial expense.

Mr. Czar stated that several areas had been identified by working with Duke Energy as areas that would serve as indicators of how LED lights would look and function. The locations suggested for a pilot project include the Carr Creek, Fairway Woods and Meadow Park (subdivisions without much ambient lighting), Lee Avenue (a corridor) and Cool Springs Road (a perimeter road).

Mr. Czar confirmed that funds required to convert this first phase of approximately \$1,700 are already in the Street Department budget. He also noted that not all lights located in a given area would expire under contract simultaneously since they are not installed simultaneously; areas and subdivisions develop in phases over time, with additions made sporadically. Mr. Hegwer explained that all lighting would eventually be replaced and that this pilot project is to gauge response.

Mr. Czar recommended that we begin this pilot project and that the entire project be done over an extended time period. Feedback will be analyzed but is anticipated to be overwhelmingly positive. It is anticipated that this pilot project will take approximately six to eight weeks. Duke has begun taking work orders and lighting could be replaced in the next few months. He

anticipates that it will be next year before city-wide replacement begins, so the estimated project cost of \$65,000 will not require funding until next fiscal year.

Mr. Czar explained that LED lighting is the trend. Several surrounding areas have already converted and many others are scheduled, including the Aberdeen-Pinehurst-Southern Pines area, Whispering Pines and Pittsboro. He noted that Asheville and Cary pushed their conversions forward earlier and although their initial costs were much higher, they benefitted from the economy of scale. Mr. Hegwer noted that Asheville borrowed millions of dollars to purchase the heads before the cost dropped but served as a pioneer in the conversion, with their ultimate goal being a reduction of their carbon footprint by a specified amount over a specified period of time, as well as reducing ongoing energy costs.

Mayor Mann informed Council that Duke has offered their Residential Neighborhood Program to several hundred local citizens needing assistance with weatherization. There will be a public meeting on February 3 about the program, which will spend \$200-300 per home on items such as energy efficient bulbs and weather-stripping. It must be done in February in order to realize benefits of weather-stripping. Duke offered this program for the first time last year in Durham, where it was a huge success. They are now offering it to as many as 1,000 Sanford residents. He stated that this offer is rightly being made by Duke to offset negative publicity in light of their recently announced plan to store coal ash in Lee County.

Mr. Hegwer stated there have been several fires in the county recently. Mayor Mann remarked that fires are often a result of overloading circuits to heat older homes. He confirmed that there will be a public notice of the February 3 meeting, which will be held at a local school. Citizens to whom the program will be offered are not required to attend the meeting. He stated that homes which would benefit from the program have already been identified by Duke. Mayor Mann explained that he was sharing this information since the discussion was regarding power and lighting.

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

Adjournment

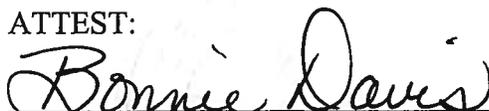
Council Member Gaskins made the motion to adjourn the meeting. Seconded by Council Member Wyhof, the motion carried unanimously.

Respectfully Submitted,



T. Chet Mann, Mayor

ATTEST:



Bonnie Davis, City Clerk