

SANFORD CITY COUNCIL
WORK SESSION
Tuesday, January 12, 2016
225 East Weatherspoon Street, Sanford, NC

The City Council held a Work Session on Tuesday, January 12, 2016, at 5:00 p.m. in the West End Conference Room at City Hall. The following people were present:

Mayor T. Chet Mann
Council Member Byron Buckels
Council Member Charles Taylor
Council Member Rebecca Wyhof
City Attorney Susan Patterson

Mayor Pro Tem Sam Gaskins
Council Member Jimmy Haire
Council Member James Williams
City Manager Hal Hegwer
Administrative Support Assistant
Vicki Cannady

Absent:

City Clerk Bonnie Davis

Council Member Norman Charles Post, III

Work Session

Mayor Chet Mann called the work session to order.

Installment Purchase for Streetscape

City Engineer Paul Weeks stated that the streetscape project is well underway and as with any construction project, there are some unforeseen issues and expenses (shown on Exhibit A). The following items are "highly recommended" for action by staff:

- DOT Fiber: At the end of December, it was discovered that a fiber connecting streetlights between Horner Boulevard and Carthage Street must be re-routed at an estimated cost of \$100,000. DOT reviewed pre-construction plans and made no note of this.
 - This issue was discussed but Mr. Weeks explained that if fiber isn't re-routed, utilities cannot be located underground.
- Mill and Paving Modifications:
 - Milling: Based on prior experience, the contractor has recommended additional milling to improve the appearance of the road surface. The project engineer has reviewed this recommendation and agrees.
 - Safety Wedges: Asphalt has been placed against the curb as a temporary interface to increase safety until final paving is completed in the spring.
 - These issues were discussed and the question was raised whether safety wedges would reduce the number of vehicles hitting the granite curbs and damaging tires. Mr. Weeks explained they serve a separate function but the final asphalt overlay will raise the surface elevation level and should reduce problems.
- Trade and Main Street Drainage Work: When excavation was done on Main and Trade Streets at Watson Avenue, pipes were found to be in poor condition and would not support the planned construction. A storm pipe located underneath privately owned property near this site was filled with roots. Since this area has a history of ponding and flooding, a catch basin was installed to redirect water flow.
 - This issue was discussed, specifically the fact that flooding and ponding have been problems in the past.

Mr. Weeks also explained the following items which are considered "optional" by staff:

- Alleyway Resurfacing: Utility work for Duke Energy, Windstream and Charter required trenching, resulting in patched alleyways. The estimated cost of resurfacing those alleyways and parking lots with a one inch overlay is \$65,000. Approximately 50 percent of this property is owned by the City and 50 percent is owned privately.
 - This issue was discussed and it was noted that no structural work is required at this time. Since alleyways have been the topic of future projects but no plan is in place yet, it may be best to delay any additional work.
- Tree Grate Installation: After construction began, DOT informed staff that tree grates could not be used on Main Street between Dalrymple and Horner; they would have to be located behind the sidewalk. Since pre-construction plans showing the grates were approved by DOT, the contractor purchased them and they cannot be returned.
 - This issue was discussed, including options for using the grates on Steele Street, selling them or holding them until they can be used later.

Mr. Weeks noted that while frustrating, often a project reaches a point where modifications become necessary in order to fulfill the intent of the project.

City Manager Hegwer noted that unfortunately, there are often unforeseen issues in construction projects. Any time excavation work is involved and pipes are as old as those in Jonesboro, it is not surprising that there are problems but it was critical to resolve the flooding issue. He was concerned that the fiber issue was not addressed by DOT prior to construction, but this item would have been an expense even if had been.

Financial Services Director Beth Kelly explained that Council has previously approved borrowing an additional \$1,500,000 to complete the streetscape projects. If Council elects to proceed with the "highly recommended" items at an estimated cost of \$200,000, the loan amount would be \$1,700,000, with an annual debt service of \$201,000. Adding "optional" items to the loan would result in an annual debt service of \$213,000. When planning the current year's budget, it was assumed that the entire \$2,750,000 needed to complete the project would be borrowed, resulting in this year's debt service budget of \$313,000; however, the loan amount was lowered since some costs were paid through Fund Balance and the final debt service would be a lower annual operating expense.

Council Member Taylor asked if the loan would include a prepayment penalty, which Ms. Kelly confirmed would be since they are seldom waived by lenders. She estimated the interest rate will be in the three to three and one-half percent range. Including all items, both recommended and optional, would result in a total loan amount of approximately \$1,800,000. Council Member Haire noted the total cost of the project was originally estimated to be \$6,500,000 but will now be near \$10,000,000. Mr. Hegwer reminded Council that they had the option to scale the project back in size or scope but elected to proceed as originally planned. He also noted that although the project cost is over budget, overall debt service will be near the original amount budgeted due to interest savings.

Mrs. Kelly explained that Local Government Commission approval will be needed prior to loan closing and she must know the maximum authorized loan amount soon for the borrowing resolution. Council can designate a maximum loan amount and the actual loan amount can be reduced prior to closing. Mr. Czar confirmed that Duke Energy's final cost figures have still not been

received and this amount will affect the total project costs. Ms. Kelly informed Council that a loan amount of \$2,000,000 would produce annual debt service of \$240,000.

Mayor Mann commented that while he was not pleased, a 2.5 percent overrun is not unusual for a construction project of this scale and recommended proceeding with fiber and drainage work. Mr. Czar noted that drainage work had already been done since there was no time to delay that work.

After discussing the additional tasks and financing, consensus was achieved to proceed with only the "highly recommended items" and to add the estimated cost of \$200,000 to the previously approved loan amount of \$1,500,000. An amount not to exceed \$2,000,000 will be included in the borrowing resolution, and this amount can be adjusted prior to loan closing.

Council Member Taylor questioned the possibility of converting some parking spaces on Carthage Street, between Wicker and Moore Streets, to diagonal spaces. Public Works Director Victor Czar explained that this is a DOT issue since Carthage Street is state maintained. Diagonal parking has been included in a proposal to DOT as part of the RPO ("street diet") for Carthage Street and projects are being scored now for the 2021 time frame. Converting the parking spaces could be proposed outside that project, but it would be a challenge according to Mr. Czar. He also noted that when DOT resurfaced a portion of Carthage Street recently, they adjusted the center line and when lanes are restriped, they will be returned to their original locations, making them slightly wider again. Mr. Czar informed Council that the diagonal parking space issue will be investigated.

Public Works Organizational Changes (Exhibit B)

Public Works Director Victor Czar explained that reorganizing this department has been discussed for several years and a vacant management position has brought the issue forward again. Rather than filling that position and being tied into the current system, perhaps this is a good time to analyze the system and various options to allow additional opportunities for existing staff and to improve efficiencies.

The structure of the current system and the proposed reorganization were explained by Mr. Czar. The proposal would merge the water and sewer systems as they have been in the past but the total number of employees would remain unchanged at 131. He explained the proposed title changes and noted that three positions currently classified as Grade 17 would be increased to Grade 19 and there would be no decreases. He also explained that the proposed reorganization allows more opportunities for existing employees to move to higher classifications. Mr. Czar explained that the proposed changes would also allow resources to be used more efficiently since each department would no longer have their own separate equipment. He gave an example of the water construction/maintenance department having their weed-eaters and mowers while the sewer construction/maintenance department has their own weed-eaters and mowers, suggesting that perhaps organizing by function rather than department is more efficient.

Mr. Czar explained that the city has been organized by budget historically, for accounting purposes; however, with increased technology, this is no longer the challenge it has been previously. Cross-training and cross-departmentalization are also benefits of the proposed changes, which are more reasonable operationally.

City Manager Hegwer summarized the proposal by stating that it will give more opportunity to those lower in the organization since it will minimize some positions at the top and create more positions lower down for advancement, giving more responsibility and slightly improved pay, which should increase morale. He also noted that budget expenses would shift departmentally.

Vacant Property Adjacent to Martin Luther King Park- Potential Park Improvements

Due to technical difficulties, this presentation was delayed until a future work session.

Utility Deposit, Third-Party Collections (Exhibit C)

Revenue Manager Karen Atkinson summarized the current policy on new customer utility deposits, how final bills are calculated and how deposits are applied. She explained that in some situations, customers with three minimum bills and late fees can leave owing a balance, even after the deposit is applied. Examples were given of deposits required in other communities. She also explained that many municipalities and utility providers use a third party service to analyze risk by performing a "soft" credit history check which includes prior utility payment history and to also verify that names match social security numbers. This analysis factors into a "tier" system of risk categories (low, medium and high). The Town of Hillsborough uses one such service, Utility Exchange, whose charges are \$30 monthly for web access and \$2.85 for each assessment.

Mrs. Atkinson made recommendations as follows:

- Deposits should be reviewed at the time of any rate increase;
- A third party (such as Online Utility Exchange) should be utilized to help determine risk and to protect against fraud;
- Deposits should be changed (from \$75 for all customers) to the following:
 - \$75 for all residential owners;
 - A tier system of \$75/\$100/\$125 for residential renters, based on risk assessment;
 - \$125 for customers without social security numbers who represent highest risk (risk assessment cannot be done; account cannot be submitted to Debt Setoff);
 - \$400 for commercial and industrial customers with 1-1½ inch meters;
 - \$1,500 for commercial and industrial customers with meters 2 inches and larger.

More than \$30,000 in bad debt was written off last year, according to Mrs. Atkinson and increasing deposits would likely reduce the number of accounts submitted to the Debt Set-Off Program. There was discussion regarding whether incentives could be provided for customers enrolling in draft payments but Mrs. Atkinson explained there is a strong customer base using online payments rather than drafts since the payment date can be adjusted by the customer (rather than being fixed for a bank draft). A draft can also be cancelled after enrollment. Finance Director Beth Kelly explained that each online payment costs \$1.25 to process and credit card payments cost 2.5%, but those prices will likely decrease since those services will soon be going out for bids.

Mrs. Atkinson explained that the Debt Set-Off Program helps recoup funds from customers eligible for a tax refund or who have lottery winnings over \$600 if the claim is filed ahead of other utility providers; however, she noted that some customers don't file taxes, some aren't entitled to refunds, the program cannot recover out-of-state debt (currently totaling \$36,014.33) and doesn't process accounts less than \$50 (currently totaling \$32,048.47). The third party services can help with

these accounts since they can pursue out-of-state debt, as well as accounts less than \$50 in return for a 35 percent collection fee. The current bad debt outstanding is \$568,322.12.

The third party service option was discussed, including the fact that the estimated annual cost for risk assessments (based on estimates of 900 new customers, \$2.85 per assessment and \$30 monthly web access fee) would be far less than the \$30,000 written off in 2015, which Mrs. Kelly noted was lower than many years. Mrs. Atkinson confirmed that assessments could be performed at the same time new service is requested and would be received immediately. Ms. Kelly noted that most utility providers are using some type of collection service similar to this.

Mrs. Atkinson informed Council that staff also recommends utilizing a third party to help collect outstanding debt. Council Member Taylor acknowledged that they can pursue debt not attainable through other sources. Mayor Mann suggested trying this approach for a year, after which time it could be reviewed to determine how well it worked and whether policy should be revised.

Automated Metering Infrastructure (Exhibit D)

Public Works Victor Czar explained that automated meter infrastructure involves using transmitters on water meters to communicate remotely and the system can be used for billing, monitoring usage and remotely terminating service. A hybrid system is currently used to read approximately 19,000 meters served by the city: eight employees read approximately 300 meters daily, while transmitters located on some larger meters are read remotely.

Mr. Czar stated that his department has been approached over the years by many companies selling systems but the current proposal by MeterSYS does not include purchasing equipment and they are not affiliated with a particular brand or company. They offer an evaluation to determine our specific goals and objectives and offer a customized approach on software and how to integrate it organizationally. Several of their employees also have local government experience. Mr. Czar noted that software currently used for meter reading is scheduled for update within the next three years and that expense (estimated at \$15,000 to \$20,000) may be unnecessary if another system is implemented.

There was discussion about the trend of many municipalities moving away from manual meter reading. Fuel and vehicle costs would be reduced, as would the need to add more meter readers. Mr. Czar noted that current meter readers would perform different duties, including more analysis and technical work since meters would still need service. Automation will also lead to a higher level of customer service since improved monitoring would detect problems earlier and they could be resolved before becoming larger issues.

Council Member Wyhof questioned whether using new technology now would be more expensive than waiting for costs to come down, similar to what happened with LED lighting. Mr. Czar stated his opinion that major cost reductions have already occurred but some will still be realized on the newer end of the technology.

Mr. Czar informed Council that staff recommendation is to fund this evaluation at a cost not to exceed \$27,805 (based on the amount of time spent) and to request a short time frame for completion, since implementing a new system would be time-consuming and a decision on software must be made.

Public Works Director Victor Czar displayed a map (Exhibit E) showing existing city limits which also include Deep River Forest, approximately 1,000 acres in the northernmost section of the County, and noted that they have not yet requested city services (water, sewer, fire, police). He also pointed out the industrial park expansion area (site of the Central Carolina Enterprise Park, "CCEP") and property owned by Triassic, LLC. If the city continues to grow and the new Chatham Park development spurs activity as anticipated, it is likely that services will be requested to Deep River Forest and it would be much more efficient to extend them if these areas were connected. Representatives of CCEP have asked about annexation and Triassic representatives have indicated that they are not opposed: they appreciate benefits of annexation and having access to city services.

City Manager Hegwer explained that the prior model of building an industrial park with only a road through the park is no longer adequate to attract business; now they are looking for broadband, high-speed internet, water and sewer services. Amenities such as sidewalks and convenient access to restaurants and motels are also attractive to them. To provide these services, it is critical for the city and county to work together. Now that the private sector has purchased property, an advantage which many other communities do not have, the goal of putting a product on the market is possible.

There was discussion regarding costs of annexing those areas, if requested, and legislative changes to annexation policy prohibiting involuntary annexation. It was also noted that if a large business (such as an automotive company) were to locate to the Triassic site, it would bring related support industries which could be located at the expanded CCEP or the existing industrial park. Lighting was cited as an example of a difference in the existing park model and newer models: if a company leaves the existing industrial park, the lights go dark since there is no central lighting system, whereas a newer park could have a common lighting system, landscaping and improved signage.

Mr. Hegwer informed Council that plans were being made to celebrate the opening of The Buggy Factory, including extending an invitation to Secretary Kluttz, who was instrumental in restoring the Historic Tax Credit legislation, but no date has been set.

Adjournment

Council Member Wyhof made the motion to adjourn the meeting; seconded by Council Member Williams, the motion carried unanimously.

Respectfully Submitted,



T. Chet Mann, Mayor

Attest:



Bonnie Davis, City Clerk