



NORTH CAROLINA'S INTERNATIONAL CITY™

**FINANCE COMMITTEE
JANUARY 13, 2016 – 4:00 P.M.
3RD FLOOR LOBBY CONFERENCE ROOM**

MINUTES

Present:

Committee Chair Jim Davis, Committee Members Cynthia Davis, and Alyce Hill

Absent:

Committee Member Chris Williams

Staff Present:

Greg Demko, City Manager; Randy McCaslin, Deputy City Manager; Randy Hemann, Assistant City Manager; JoAnne Carlyle, City Attorney; Jeron Hollis, Communication Officer & Public Engagement Director; Eric Olmedo, Budget & Performance Manager; Jeff Moore, Director of Financial Services; Terry Houk, Public Services Director; Kim Thore, Right of Way Coordinator; Scott Dingus, Civil Engineer II; Maria Smith, Deputy City Clerk, Lisa Vierling, City Clerk

News Media Present:

Pat Kimbrough, *High Point Enterprise*

Chairman J. Davis called the meeting to order at 4:00 p.m.

1. Contract – Hazen & Sawyer – Eastside Solids Handling Improvements

Council is requested to approve a change order to the Hazen & Sawyer Contract in the amount of \$173,400 for the Eastside Solids Handling and incinerator improvements.

Terry Houk, Public Services Director, requested to change order to the Hazen & Sawyer Contract in the amount of \$173,400 for additional engineering services. He commented that this is for the incinerator and that this is the most complicated project that Public Services has ever had to deal with. Mr. Houk stated that there was a lot of thermal analysis before and ultra-sonic analysis to determine failure rate, but once they were able to get into it, there was a lot more damage than anticipated. For that reason, he stated they had to remove more material which involved pulling the roof off to get the material in which extended the process approximately 60 days.

Chairman J. Davis moved to forward this matter to Council with a favorable recommendation for approval. Committee Member C. Davis made a second. The motion carried unanimously. [3-0 vote] [Committee Member Williams was absent]

2. Contract – Shook Construction Company

Council is requested to approve a change order to the Shook Construction Company contract in the amount of \$136,884.72 for the Westside Wastewater Treatment Plant Phase 3 Improvements project.

Mr. Houk asked Council to approve a change order for the Shook Construction Company contract in the amount of \$136,884.72 for SCADA improvement, electrical improvement, additional lining on the tanks, and the new NRSY building.

Chairman J. Davis moved to forward this matter to Council with a recommendation for approval. Committee Member Hill made a second. The motion carried unanimously. [3-0 vote] [Committee Member Williams was absent]

3. Budget Ordinance Amendment – Acceptance of Grant

Council is requested to adopt a budget ordinance amending the 2015-2016 Budget Ordinance to acknowledge receipt of a Main Street Solutions Special Allocation Grant from the Department of Commerce in the amount of \$1,000,000 to be used for the Library Plaza Project.

Eric Olmedo, Budget & Performance Manager, reported this ordinance amendment will allow the City of High Point to accept the grant from the North Carolina Solutions Fund and will allow us to expend those funds. He stated that this grant is a reimbursable grant, so once the city makes the expenditure, the city will apply for reimbursement from the State. Chairman J. Davis commented that this is a matching grant of 1.43 to very dollar and asked if the money would be taken out of the money already budgeted for the Library improvements. Mr. McCaslin confirmed that this would be the city's match.

Chairman J. Davis moved to forward this matter to Council with a recommendation for approval. Committee Member Hill made a second. The motion carried unanimously. [3-0 vote] [Committee Member Williams was absent]

4. Acquisition of Property – Proposed Library Plaza Project

Council is requested to authorize staff to proceed with the purchase of property located at 816 N. Elm Street for the proposed Library Plaza Project.

Kim Thore, Right of Way Coordinator, explained that Henry Moon, Right of Agent, made a deal to pay \$375,000 for a building that is on the edge of this property with a tax value of \$440,800. She noted that it seemed to be a good deal and it would be demolished. The city has the potential of getting an additional \$5,000 in rents before demolition. Ms. Thore also noted that it will be Phase 2 of that project and they are proposing to close around the first week in February. Chairman J. Davis inquired if any grant money could be used to demolish property as well and Scott Dingus, Civil Engineer II, acknowledged that it could

be done either way. Mr. McCaslin pointed out there are some existing leases with the property that will have to expire or for the city to work its way out of.

Chairman J. Davis moved to forward this matter to Council with a recommendation for approval. Committee Member Hill made a second. The motion carried unanimously. [3-0 vote] [Committee Member Williams was absent]

5. Amendment to Audit Contract for FY 2014-2015

Council is requested to approve an extension of time for the Contract to Audit Accounts with Cherry Bekaert LLP for the completion of financial and compliance audit services for the fiscal year July 1, 2014 - June 30, 2015 in the amount of \$63,000.00.

Jeff Moore, Director of Financial Services, regretted that he had to bring this amendment to extend the audit contract. He explained that the Auditors normally wrap up the end of October, first week in November which is consistent with the contract and then it usually takes about a month to prepare the report. Staff then brings it to Council around December.

Mr. Moore shared that this year has been very challenging for staff reasons, had some prior period adjustments flowing through, and new reporting standards and it took quite a bit more time for the existing staff and work to try to deal with existing workloads to accomplish all of that. Mr. McCaslin commented that there were some challenges with some of the Auditors as well. Mr. Moore shared that this is a new process for the LGC as well and they want to see some detail justification and how the city proposes to make sure it does not happen again. Chairman J. Davis inquired if this was a reflection of changing auditors. Mr. Moore shared that training new staff and new auditors, coupled with new accounting reporting statements required by the GASB all played a role. He shared several new pronouncements. One, is the City's proportionate share that now has to be shown in the City's financial statements for the State Retirement System. He advised this took almost three weeks of dedicated effort on his part just to figure it out. Council Member C. Davis asked if other City's would also have to undertake these same changes; Mr. Moore replied in the affirmative. He noted that the LGC's normal deadline for requiring extended contracts is if you have not presented a contract by December 1st, they want to see an amended contract. He noted that the auditors agreed to honor reports delivered to Council by December 31st because of the recognized challenges of implementing this standard, but he still could not make the deadline. He advised that the final audit report draft is in review with the auditors and staff anticipates to get it back tomorrow, then they would start printing, so he would have printed reports for Council on Tuesday afternoon. Council Member C. Davis asked about penalties from LGC if it goes beyond the extension date. Mr. Moore stated that there are not any penalties from the LGC, but next year there will have to be a new section in the notes about statutory compliance and a note that they did not meet the obligations of the State Law. He advised that they will have also violated a couple of bond covenants because these anticipate the financial statements are delivered within six months of the FY end.

Council Member C. Davis shared that she did have a person question her about the bonds and whether the City is holding them too long and gaining too much interest on them before they actually use them. Mr. Moore explained staff tries to time the issuance of the debt obligations with projects that are being taken, but noted there have been a few unusual situations. As an example, he noted when the bonds were issued for the Greenway two years ago, but due to some confusion, additional money was needed to finish the segment. He shared another example would be the downtown improvement projects (Library improvements), which has taken longer to get beyond the conceptual phase, but the money is set aside to be spent. Mr. Moore reported as a normal practice, he does not issue the debt unless they are ready to go with permits in hand, contracts bid, etc....and he is timing the issuance of that with capital outlays.

Council Member C. Davis asked on behalf of the citizen if there were any legal ramifications for issuing more debt when we have not processed what we have already requested and Mr. Moore replied there was not. Mr. McCaslin noted that the IRS also keeps an eye on it and if you make too much interest on it, they will want their share.

Chairman J. Davis shared in the past the audit team met with the Mayor and the Chair of the Finance Committee, but did not recall this being done this year. Mr. Moore stated he would check into this and report back. Chairman J. Davis called attention to a comment made by Mr. Moore that he did not want Council to be surprised next year regarding the additional paragraph, so if there are no objections, he would like to pull this matter and put it on the Regular portion of the agenda so that all of the Council can hear that part. Mr. McCaslin reminded Chairman J. Davis that Council will hear the audit report on Tuesday at the Manager's Briefing.

6. Acknowledge Receipt – FY 2014-2015 Audit Report

City Council is requested to acknowledge receipt of the City of High Point Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 and related required communications from the City's auditors, Cherry Bekaert, LLP. Audit will be presented to the City Council at the Manager's Briefing on January 19, 2016.

Chairman J. Davis pointed out he would like to wait until the Manager's Briefing as well on this matter since the audit has not yet been received.

There being no further business to come before the Committee, the meeting adjourned at 4:15 p.m.

Respectfully Submitted,

Maria A. Smith
Deputy City Clerk

Jim Davis, Chairman

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