

FINANCE COMMITTEE
Chaired by Mayor Pro-Tem Jim Davis
FEBRUARY 16, 2015 – 4:30 P.M
CITY MANAGER’S CONFERENCE ROOM

MINUTES

PRESENT:

Committee Chair Jim Davis (Ward 5); Committee Members Cynthia Davis (At-Large), Chris Williams (Ward 2) and Alyce Hill (Ward 3).

OTHERS PRESENT:

Mayor Bill Bencini; Council Members Jeffrey Golden (Ward 1); Jay Wagner (Ward 4); and Jason Ewing (Ward 6).

STAFF PRESENT:

Greg Demko, City Manager; Randy McCaslin, Assistant City Manager; Eric Olmedo, Budget and Performance Manager; Jeron Hollis, Public Information; Jeff Moore, Director of Finance; Angela Kirkwood, Director of Human Resources; Bob Martin, Director of Customer Service; Terry Houk, Director of Public Services; Robbie Stone, Assistant Public Services Director; Carol McDowell, Assistant Public Services Director; Gary Smith, Fleet Services Director; Wendy Fuscoe, Core City Administrator; Loren Hill, President HP Economic Development Corp., JoAnne Carlyle, City Attorney; Lisa Vierling, City Clerk.

MEDIA PRESENT:

Pat Kimbrough, *High Point Enterprise*

City Manager Greg Demko said trash pickup would be postponed one day because of the weather. He explained citizens would not be able to push their carts out and this would allow staff to focus on other road issues.

Council Member Jay Wagner suggested to postpone the Planning and Development Committee (scheduled for February 17) to the first Tuesday in March (March 3). There were no objections.

AGENDA ITEMS

150049 Resolution - NC Historic Tax Credits

Council is requested to adopt a Resolution supporting the renewal of the Historic Preservation Tax Credits in North Carolina. (This item was discussed in the Prosperity & Livability Committee meeting on Wednesday, February 4th @ 9:00 a.m. and favorably recommended for approval at the February 16 Regular City Council meeting).

Wendy Fuscoe, Core City Administrator, said the North Carolina Historic Tax Credits were going to sunset at the end of 2014. She explained this resolution, along with resolutions from other cities in North Carolina, requests that the legislature reenact the tax credits. Committee Chair Jim Davis noted that Governor Pat McCrory supports the restoration of the Historic Tax Credits, but he had heard that Senator Phil Berger is against it. Ms. Fuscoe said she had heard that the Governor was in favor of the

tax credits and there is a contingent that is opposed. Committee Member Cynthia Davis asked how many of the highlighted sites are active, working sites today. Ms. Fuscoe said the highlighted projects were just the ones in High Point. High Point has the second largest one, the Tomlinson which is the Suites at Market Square, the Kirkman is a rental, and the Fraser House has a rental. Any income producing property is on the list. City Manager Greg Demko said there are a lot of properties that in future years may be rentals. Ms. Fuscoe noted that the Industrial Survey showed 70 potential sites for these tax credits so High Point is in a good position to take advantage of them. Committee Chair Jim Davis asked how much money this was statewide and if that was the reason for the pushback from some in the legislature. Ms. Fuscoe said she thought the reason for the pushback was not an effect on the state budget, but an equity issue because historical properties are getting preferential treatment. Mayor Bencini pointed out Pickett Cotton Mills was not on the list. Ms. Fuscoe replied that Pickett Mills had just made it in under the wire.

A motion was made by Committee Chair J. Davis, seconded by Committee Member Williams to send this matter to City Council with a favorable recommendation for approval. Motion passed unanimously. (4-0 Vote)

150048 Write off of Delinquent Utilities Accounts Receivable

Council is requested to authorize the Financial Services Director to write-off \$713,557.63 for original billings from the fiscal year 2010-2011.

Jeff Moore, Director of Finance, said they were asking Council for their formal permission to write these debts off for accounting purposes only. These are delinquent accounts from three fiscal years ago. Bob Martin, Director of Customer Service, continues to seek collections via a variety of efforts. Mr. Moore pointed out while the amount is \$713,557.63, Mr. Martin and his team has a 99.56% collection rate. Mr. Moore said this is just for accounting purposes and will have no budget impact. City Manager Greg Demko noted this is a typical tool for cleaning up balance sheets. Mayor Bencini said this does not mean the debts are forgiven. Mr. Martin said the debts are pursued in three ways: 1) NC Debt Setoff, 2) First Point Collections and 3) Make customers pay old debts when they try and reestablish service. Committee Chair Jim Davis asked what the City does when someone sends in a family member to sign up for service with a different name. Mr. Martin said part of what they do is ask for a lease with the person's name on it. Mr. Davis asked how long someone can go before their service is cut off. Mr. Martin said it varies, ideally it would be day 36 but that rarely happens. A lot of times the customer gets a two-week extension if the customer has a good history. The City works with the Community Resource Network and sometimes the City has to wait for the customer to get an appointment with the Community Resource Network. Mr. Martin said their goal is to not let someone have two past due bills. Council Member Golden said this was \$100,000 more than last year and wanted to know if it was getting added on to year after year. Mr. Martin said this was not an add-on, but a new number every year. He pointed the previous year the total billable amount was \$150 million, last year it was \$163 million, so even if the percentage stays the same the amount will go up. Mr. Demko asked what percentage of people receive cut-off notices. Mr. Martin said 50% of the customers receive them. Committee Member Cynthia Davis requested this item not be put on the consent agenda. Mayor Bencini said he would ask during the Council Meeting if any Council Members wanted anything pulled off the consent agenda.

A motion was made by Committee Member Williams, seconded by Committee Chair Jim Davis to send this matter to City Council with a favorable recommendation for approval. Motion passed unanimously. (4-0 Vote)

150064 Municipal Agreement - NCDOT - Utility Agreement

Council is requested to authorize the City Manager to execute a Utility Agreement with the North Carolina Department of Transportation (NCDOT) to relocate municipally owned water lines and equipment in connection with the Prospect Street Bridge Replacement project.

Terry Houk, Director of Public Services, explained this is a standard agreement with NCDOT for utility reimbursement in the amount of approximately \$26,720.00. Committee Chair Jim Davis asked if this money was already allocated. Mr. Houk said it was not.

A motion was made by Committee Member Hill, seconded by Committee Chair Jim Davis to send this matter to City Council with a favorable recommendation for approval. Motion passed unanimously. (4-0 Vote)

150047 Contract - Contingent Storm Debris Removal

Council is requested to approve contract for Contingent Storm Debris Removal to Crowder Gulf LLC for the pickup and removal of vegetative debris.

Terry Houk, Director of Public Services, explained during the ice storm last year, the City had to scramble for a contractor to help with debris removal. This year staff hopes to be proactive and have a contractor on call. Mr. Houk says this saves time looking for a contractor and helps with FEMA reimbursement. The City pays \$1000 to put the contractor on retainer. Based on the size of the storm event, it triggers different levels of participation until it gets to the FEMA participation. At that point, staff will confer with Jeff Moore, Director of Finance to identify an account number the City will be able to draw from. Committee Chair Jim Davis said last year the Council allocated \$1.4 million for storm debris removal and wanted to know why there was not a budget amount on this item (150047). Mr. Houk said there was no money in that account line. Mr. Moore said that staff was asking Council to set up a contingent contract. In order for eligibility for reimbursement from FEMA there has to be proof of a competitive bid and Council's award. Mr. Moore said the Council is just setting what the rate is in the event it becomes necessary to use this company. If there was an event like the ice storm last year staff would come to the Council with estimates. Committee Chair Jim Davis asked what the rate was. Robbie Stone, Assistant Public Services Director, said the rate was per ton in three different categories of storms. All three were approximately \$70 a ton.

Council Member Ewing asked what the savings and/or value with having this in place versus what the City faced last year. Mr. Houk said the value is the City has a contractor in place and does not have to scramble around trying to get somebody. Also, there is a contract that has been preapproved and that helps with the FEMA reimbursement. Mayor Bencini noted that the reimbursement would happen sooner. City Manager Greg Demko said the cleanup would happen quicker. Committee Chair Jim Davis asked if the City had used this company before. Mr. Houk replied that the City had not. Assistant City Manager Randy McCaslin pointed this does not preclude the City of High Point from getting help from other cities.

A motion was made by Committee Member Hill, seconded by Committee Member Williams to send this matter to City Council with a favorable recommendation for approval. Motion passed unanimously. (4-0 Vote)

150046 Change Order - Shook Construction Company - Westside WWTP Improvements Phase 3

Council is requested to approve change order to the Shook Construction Company contract in the amount of \$257,460.00 for the removal of unsuitable soils at the Westside Wastewater Treatment Plant.

Terry Houk, Director of Public Services, said the original bid specs were drafted with expectation there would be unsuitable soil and set up this possible change order. Mr. Houk said this is an engineering estimate based on what they see now; staff may need to come back with another change order. Mr. Houk said there have been six change orders (roughly 2% of the contract). Typically 10% is budgeted for change orders. Assistant City Manager Randy McCaslin said this has been anticipated since the bidding process began. Committee Member Cynthia Davis pointed out a math error on page 2, Mr. Houk acknowledged the error and said it would be corrected.

A motion was made by Committee Member Cynthia Davis, seconded by Committee Chair Jim Davis to send this matter to City Council with a favorable recommendation for approval. Motion passed unanimously. (4-0 Vote)

150045 Contract Extension - Sodium Hypochlorite

Council is requested to approve a 1-year extension of prior contract to Water Guard in the amount of \$127,492.50 for the purchase of Sodium Hypochlorite.

Terry Houk, Director of Public Services, said the department likes to bid out in January or February so the cost for chemicals is known as the City begins the budget process. Normally the contracts have a provision for a three year extension in one year increments. This chemical is for disinfection and odor control at Eastside and Westside. Committee Member Cynthia Davis did some research and said she found it interesting that Sodium Hypochlorite does not catch all the viruses.

A motion was made by Committee Member Cynthia Davis, seconded by Committee Member Williams to send this matter to City Council with a favorable recommendation for approval. Motion passed unanimously. (4-0 Vote)

150044 Contract - Liquid Aluminum Sulfate

Council is requested to approve contract for purchase of Liquid Aluminum Sulfate to Chemtrade Chemicals US LLC in the amount of \$345,290.00.

Terry Houk, Director of Public Services, said this was a bid that had previously gone out. Staff felt they could get a better price and rebid it, which resulted in a much lower bid.

A motion was made by Committee Chair Jim Davis, seconded by Committee Member Cynthia Davis to send this matter to City Council with a favorable recommendation for approval. Motion passed unanimously. (4-0 Vote)

150043 Budget Amendment - Safe Routes to Schools Project

Council is requested to adopt a budget ordinance amendment to appropriate funds in the amount of \$500,000 to complete the Safe Routes to Schools project previously adopted by City Council.

Mark McDonald, Director of Transportation, explained this is for funding that was approved in September, 2014 for sidewalk improvements around five schools in the City. Committee Member Cynthia Davis asked if these funds were promised to the Lexington Avenue and Main Street improvements. Mr. McDonald replied it was not and noted it is from a completely different funding source. Committee Chair Jim Davis asked if this covered right-of-way costs. Mr. McDonald said it covers construction only. Right-of-way, easements, utilities and environmental preparation costs are covered by the City. The costs for those are estimated at \$100,000. Mr. McDonald said this would cover 9,000 to 10,000 linear feet and includes wheelchair access and some curbing. Committee Chair Jim Davis asked if these would be sidewalks to nowhere. Mr. McDonald said the sidewalks were around schools and a lot of it was infill to connect existing sidewalks and some replacements. Council Member Ewing asked about the status of the sidewalk projects approved last year. Mr. McDonald said those were next on Engineering's list to begin working on.

A motion was made by Committee Chair Jim Davis, seconded by Committee Member Hill to send this matter to City Council with a favorable recommendation for approval. Motion passed unanimously. (4-0 Vote)

150052 Surplus Equipment - Refuse Collection Truck

Council is requested to declare a 2007 American LaFrance Condor side loading refuse truck as surplus equipment and authorize the Purchasing Manager to sell equipment to the City of Burlington, NC at the negotiated and estimated fair market value of \$40,000.00.

Gary Smith, Fleet Services Director, said the City was unable to get parts for this truck anymore. The City of Burlington has several of these trucks and will purchase the City of High Point's truck for spare parts. Committee Member Hill asked if the City was going to replace this truck. Mr. Smith said that was not necessary, this truck was part of the spare motor pool.

A motion was made by Committee Chair Jim Davis, seconded by Committee Member Cynthia Davis to send this matter to City Council with a favorable recommendation for approval. Motion passed unanimously. (4-0 Vote)

150053 Proposed Auditing Firms - FY June 30, 2015 - 2018

City Council is requested to consider the recommendations for firms providing qualified audit services and designate one of those firms as the City's auditors for the fiscal years ending June 30, 2015 - 2018; and direct the Financial Services Director to submit the Contract to Audit Accounts and the Client Engagement Letter/Scope of Services for the FY ended June 20, 2015.

Committee Chair Jim Davis noted that McGladrey was the lowest bidder and there are three firms that staff is recommending. Jeff Moore, Director of Finance, said there are two extremely critical policy statements that Council makes throughout the year. The first is the Annual Budget. The second is the selection of the auditing firm to check on the financial performance and the management of that budget. He said every four years staff brings to Council recommendations for auditing firms. Four years ago the City went through the proposal process and at that time Council did not agree with the staff recommendation and decided they wanted to continue with McGladrey. Mr. Moore said last year the cost was \$68,000.00. He said with the exception of Martin Starnes, who ended up being the third highest of the recommended firms, all are less than the audit fees paid last year. Mr. Moore said he got the impression Council wanted to more involved in the selection process so this year staff brought the top three firms to Council. Committee Chair Jim Davis asked if it would be wise for Council to interview the three firms before they make a selection. Mr. Moore said one possibility was to have the three firms come

to the next Council Meeting to make a presentation and Council members could ask any questions they may have. Committee Member Cynthia Davis said she was concerned by the fact McGladrey's price dropped by \$8,200. She said it was \$68,000 last year and they conveniently came in with the low bid last year. Committee Member Hill said she was concerned about this also and suggested since they had done it before perhaps there were some savings since McGladrey was familiar with the City's processes. Mr. Moore agreed that could account for some of the savings. He noted an advantage of doing a four-year proposal is it gives the firm a chance to recoup some of those initial costs. Mr. Moore agreed that staff was surprised to see McGladrey come in at that price.

Committee Chair Jim Davis suggested making a motion to move this to pending until a time can be set up to interview these firms. Mr. Moore said with Council's permission he would make it part of the Finance Committee meeting on March 2. City Manager Greg Demko asked if any of the three firms could do the job. Mr. Moore said any of the three firms are well-qualified to do the audit and staff was comfortable with any of these firms. Committee Member Cynthia Davis asked if this was going to be open for further discussion at the Council Meeting. Committee Chair Jim Davis said if the Committee made a motion to put it in pending, then in the Council Meeting all that would be said is that it is the Committee's recommendation that the matter remain in Committee. Committee Member Cynthia Davis asked to see the prices for the last four years and the previous four years. Mr. Moore said he would provide that information.

Council Member Ewing asked about the other two companies that made the top five but did make the final three recommendations. He said Council, as a whole, has shown a preference for local companies. Mr. Ewing said Dixon-Hughes is a High Point Company and one of the concerns was they did not have sufficient municipal government experience. Mr. Moore said the City of Asheville is their largest client, but the majority of their government experience of late has been smaller counties and school systems. Mr. Moore said due to the complexity the City of High Point has with public utilities, a large infrastructure and growing budget, staff did not recommend them. Mr. Moore said Dixon-Hughes has done Asheville's audit for approximately seven or eight years. Dixon-Hughes, then Dixon-Odom, prior to McGladrey getting the contract in 2001, had done the City of High Point's audit for 35-plus years. Mr. Moore said Dixon-Hughes bid price was \$63,000. Committee Member Hill asked what Mr. Moore's concern was with the Dixon-Hughes timeline. Mr. Moore said they wanted to do part of their field work in August and September and because of the flow of the funds from the State, the City has quite a few accruals and has to wait until the end of August or September 15th to get their last revenue distribution from the state. Mr. Moore added from a staffing level point of view his staff simply is not ready for them to audit in that time frame.

City Manager Greg Demko asked if the interviews with the auditing firms should be done by the Finance Committee or done as a Committee of the Whole. Committee Chairman Jim Davis said he thought it should be done as a Committee of the Whole. There were no objections to doing the interviews in a special meeting of the City Council.

A motion was made by Committee Chair Jim Davis, seconded by Committee Member Cynthia Davis to leave this matter in Committee until March 2. Motion passed unanimously. (4-0 Vote)

After some discussion, the Committee decided to hold the Special City Council Meeting for the purpose of interviewing the auditors on Monday, March 2 at 3:00 p.m.

Pending Items**140387 Lease Agreement - SECU for CashPoints ATM Machine**

Council is requested to authorize the City Manager to execute a Lease Agreement with the State Employees Credit Union (SECU) allowing for the installation of a CashPoints ATM on City property in the Commerce Street parking lot.

Committee Chair Jim Davis said it was the Finance Committee's recommendation not to move forward on the ATM at this time and remove it from the agenda. Mr. Davis said with the LOTUS project there will be a lot of construction in that area and that would be a better time to talk about the ATM. City Manager Greg Demko said rather than put the ATM on City property, the City would wait and see if it could be made part of the LOTUS project itself. Mayor Bencini said someone needed to communicate about this matter with the High Point Theatre Board. The Mayor added there it is a strong opinion of the Theatre Board that people need access to an ATM.

A motion was made by Committee Chair Jim Davis, seconded by Committee Member Cynthia Davis to recommend this matter be removed from the agenda at this time. Motion passed unanimously. (4-0 Vote)

Committee Member Cynthia Davis asked if the Finance items placed on the consent agenda could actually be items that are already in the budget. City Attorney Joanne Carlyle said the recommendation of what went on the consent agenda was up to the Committee. She said the reason the items were on the consent agenda today was the staff tried to choose items to put on the consent agenda that were not controversial. Ms. Carlyle said this was because of the new agenda format. She pointed out it was awkward because the Finance Committee meets right before the Council Meeting. If there was time between the meetings staff would have time to put items that have passed Committee unanimously without controversy could be placed on the consent agenda. Committee Member Cynthia Davis said her opinion comes back to the Chairman being able to seeing the items that are proposed to be put on the consent agenda. Committee Chairman Jim Davis said he was going to propose to City Manager Greg Demko that the Finance Committee meeting be moved to the Thursday before the Council meeting. Committee Member Davis asked if the interview with auditors would be on Monday, March 2 or if it would be on a Thursday. Committee Chair Jim Davis said the meeting with the auditors would be on Monday, March 2. Mr. Davis said the Committee would also review the past audit and the six month non-profit reports. Committee Chair Jim Davis said the effective date for the new Finance Committee meeting schedule will be March 12. Mr. Ewing suggested holding the Manager's Briefing session before Council meetings in the time slot previously used for the Finance Committee meeting. There were no objections from the Committee. Committee Chair Davis said a motion would be made at the Council Meeting to change the meeting times for the Finance Committee and the Manager's Briefing Session.

ADJOURNMENT

The meeting adjourned at 5:25 p.m. on a motion duly made and seconded.

Respectfully Submitted,

Tom Vincent
Deputy City Clerk

Committee Chair James Davis.