

FINANCE COMMITTEE

Chaired by Mayor Pro Tem Jim Davis

March 12, 2015 – 4:00 p.m.

3rd Floor Lobby Conference Room (Fish Bowl)

MINUTES

Present:

James Davis, Chairman

Committee Members: Cynthia Davis, Alyce Hill and Chris Williams

Also Present:

Council Member Jason Ewing

Staff Present:

Greg Demko, City Manager; Randy McCaslin, Assistant City Manager; Loren Hill, President, High Point Economic Development Corporation; Sandy Dunbeck, Senior Vice President, High Point Economic Development Corporation; Eric Olmedo, Budget and Performance Manager; Laura Altizer, Senior Budget Analyst; Roslyn McNeill, Budget Analyst; Jeff Moore, Director of Financial Services; Garey Edwards, Director of Electric Utilities; Tom Vincent, Deputy City Clerk; Lisa Vierling, City Clerk

150086 Contract- Steel Poles for Skeet Club Road Widening Project

Council is requested to award contract to Trinity Meyer Utility Structures for the purchase of Steel Poles for the Skeet Club Road widening project in the amount of \$312,829.00.

Garey Edwards, Director of Electric Utilities, informed the Committee that this is the final segment of the Skeet Club Road Widening Project and involves connecting the Barrow Road transmission lines. He explained staff had to rebid this project three times due to changes through NCDOT. He pointed out these are very good prices and staff is recommending approval of this bid.

Mayor Pro Tem J. Davis mentioned the controversy with the steel poles involving the property owners at the corner of Skeet Club/Johnson Street and asked if this has been resolved. Assistant City Manager Randy McCaslin explained that the city's electrical engineers did visit the site and came up with a compromise to slightly relocate one of the two poles on the property owner's property. Mr. McCaslin stressed that this is a NCDOT project and NCDOT is actually responsible for working these issues out. NCDOT is required to get the necessary right-of-way needed for the project and the city puts the utilities in the acquired right-of-way.

Chairman J. Davis then MOVED TO APPROVE THE PURCHASE OF THE STEEL POLES FOR THE SKEET CLUB ROAD WIDENING PROJECT IN THE AMOUNT OF \$312,829. Committee Member C. Davis made a second to the motion.

City Attorney JoAnne Carlyle pointed out that the Finance Committee and all Committees of Council are charged with making recommendations to Council and are not authorized to take any action because official action can only be taken by the City Council. She explained that making motions the proper way would clear up any perceived confusion.

Mayor Pro Tem J. Davis then restated the previous motion and MOVED TO FORWARD THIS MATTER TO THE CITY COUNCIL WITH A FAVORABLE RECOMMENDATION FOR APPROVAL. Council Member C. Davis made a second, which carried by a 4-0 vote of the Committee.

150087 Contract- Underground Cable

Council is requested to award contract for the purchase of underground cable to HD Supply of Wake Forest, NC for the purchase of 750 MCM Underground Cable in the amount of \$303,120.00.

Garey Edwards explained crews primarily use this underground cable in the downtown area and because it is a main feeder cable, it is very costly. Due to the age of the downtown system (30-40 years old), the existing cables are past the life expectancy, and as issues arise, the cables are being replaced section by section.

Chairman J. Davis then MOVED TO FORWARD THIS MATTER TO THE CITY COUNCIL WITH A FAVORABLE RECOMMENDATION. Committee Member C. Davis made a second to the motion, which carried unanimously. [4-0 vote]

Pending Item

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 30, 2015. *(This item was discussed in the Finance Committee on February 16th and Council set the date of Monday, March 2nd for a Special Meeting to receive presentations by the auditing firms)*

Following a brief discussion on the process to bring this matter out of pending, the Committee was advised that this could be discussed during this Finance Committee meeting; however the Council would have to take action at the next Council meeting to remove the matter from pending for action.

Chairman J. Davis felt all the auditing firms making presentations were very competent and professional and would do a good job. He pointed out there was one group, Cherry Bekaert,

that stood out to him. He proceeded to ask the Finance Committee and those Council Members present to share their thoughts and recommendations.

Committee Member Hill pointed out that she was in agreement with Cherry Bekaert citing the additional services they offer and the fact they conduct audits for other municipalities comparable in size to High Point. She added that she would have no problem staying with McGladrey either, but her preference between the remaining two auditing firms would be Cherry Bekaert because their contract amount was the least expensive of the two new auditing firms.

Committee Member Williams noted that although he was not present for all the presentations, he felt it was important to consider the additional staff time/cost if Council decides to switch firms as opposed to a firm that is already familiar with High Point.

Committee Member C. Davis agreed and also recommended Cherry Bekaert.

Chairman J. Davis shared that he discussed this matter with Council Member Golden and he also agreed with the recommendation of Cherry Bekaert.

Council Member Alexander explained he would also be good with any or the three firms. He shared that McGladrey has worked with High Point for much of his entire Council career and he had great confidence in McGladrey. He felt High Point would be hard-pressed to beat the price and efficiency that McGladrey has given over the years, but if Council wants a fresh set of eyes, that would be fine too. He cautioned Council that if some members are looking for something specific, this needs to be made known and brought to the attention of the auditing firm early on. He pointed out that staff is already short-staffed, so he recommended that the Council go with McGladrey and encouraged the next Council to strongly consider looking elsewhere when the contract is up.

Jeff Moore, Director of Financial Services, explained that the contract would be annually renewable and typically as part of the initial process, staff establishes a good working relationship agreement. However, if things do not go well the first year, the auditing services could be rebid and since the law does not require audit services to bid out, staff could touch base with one of the other firms if Council desires to reopen the issue. Council Member Alexander noted that the newer firms like Cherry Bekaert and Martin Starnes know coming into the first year of a new audit relationship that they more than likely would lose money, so it was easy for McGladrey to underbid simply because of their familiarity with the processes and the people.

Council Member Ewing felt the two new firms (Cherry Bekaert and Martin Starnes) would be service provided, but he also realizes the benefit in the fact that staff is already stretched thin in many departments. He felt it might be beneficial to stay with McGladrey in an effort not to stretch staff further and further. Having said that, he advised that he would be okay with any of the three auditing firms and would support the Finance Committee's recommendation either way.

At this time, Committee Member C. Davis MOVED TO RECOMMEND CHERRY BEKEART TO THE CITY COUNCIL AS THE CITY'S AUDITORS FOR THE FISCAL

YEARS ENDING JUNE 30, 2015 – 2018. Committee Member Williams made a second to the motion, which carried unanimously. [4-0 vote]

Following the vote, Mr. Moore shared that the City of High Point was selected from the State Retirement System to participate in pension testing, which is estimated to add an additional cost of \$5,000 to the auditing services. As a result, there will be two contracts that will be brought before the City Council at the next Council meeting scheduled for April 13th: One, for the financial compliance audit and the other would be a separate engagement for the additional auditing procedures being required by the State Treasurer's Office for the pension testing. He pointed out with Cherry Bekaert's proposal, plus the additional \$5,000, would result in a flat budget for the audit next year.

Non-Profit Outside Agency Funding

Eric Olmedo, Budget & Performance Manager, distributed a summary sheet identifying the non-profit funding requests for FY 2015-2016, which included the amounts approved in the FY 2014-2015 budget as well as what has been requested in FY 2015-2016. It was noted that two of the agencies' applications were incomplete (no audit or financial plan submitted). Chairman J. Davis announced that the Finance Committee will be prepared to make a recommendations regarding the funding at their April 9th meeting. Regarding the two incomplete applications, Committee Member Hill asked if these agencies were informed that the required information was not submitted with the applications. Mr. Olmedo noted that one of the agencies was aware that their application was incomplete and added that staff was previously directed not to go back and have dialogue with the agencies that do not submit all the required information. Committee Member Hill felt sitting back trying to catch them on a technicality was not in the best interest. Committee Member C. Davis disagreed and pointed out one of the agencies was not new to the process.

Council Member Alexander suggested putting a finite dollar amount on the funding to be set aside for funding these types of requests. Chairman J. Davis noted this has not been discussed and stated he was looking basically at applying one-half of a cent on the tax rate. Council Member Alexander felt determining and agreeing on a finite amount of funding would be a reasonable discussion that Council should have before looking at the worthiness of the agencies requesting the dollars. Committee Member C. Davis suggested possibly coming up with some kind of allocation chart, and breaking up the specific services the agencies provide versus how much they actually receive while putting a threshold maximum on the amount they can receive. It was noted one cent on the property tax would be about \$920,000 and one-half cent would be approximately \$460,000. Mr. Olmedo pointed out the \$100,000 requested from the Community Resource Network would actually come out of the Electric Fund (so it would be outside of the tax rate).

Council Member Ewing suggested some of the funding for agencies such as Macedonia, Open Door Ministries, West End Ministries, YMCA, Welfare Reform, Change Project, etc.... come out of the CDBG funding pool which might mean allocating a higher dollar amount out of CDBG and shifting some of the expenses that are currently utilized in the CDBG general fund. He felt the agencies where the city would have some obligation, or if it's a service that should be

provided to a degree by a governmental entity whether it be city or county; these types of requests should be funded through the general fund.

Chairman J. Davis pointed out when the non-profit policy was instituted, it was based on not providing operating expenses for these agencies and this was concluded after consultation with the School of Government. He noted the whole premise was to provide funding for services that the city cannot provide or for services that may cost more money to provide through the city than it would from an outside agency or if an outside agency provided a service that the city does not provide that would benefit the citizens. Council Member Ewing explained that the change in the policy garnered additional public interest and this was the reason for the dollar amount increase due to the additional applications than previous years.

Council Member Alexander pointed out not accepting incomplete applications has been a non-binding policy of the past Council. Chairman J. Davis reiterated that The City Project was well aware of the process for applying for these funds because they went through the same process last year. Committee Member Hill asked if any consideration would be given to the Change Project. Council Member Alexander felt Council, as policy makers, should give direction to staff as to what kind of number to plug into the budget whether it be a specific dollar amount or a certain percentage of the budget. Chairman J. Davis agreed, but pointed out Council needs to decide as a group what is important to the city. He mentioned there are numerous needs in the community and noted there has been a lot of talk lately about hunger and homelessness.

Committee Member C. Davis questioned what the various agencies/organizations have done in regards to fundraising and what things they have done to become self-reliant because she feels non-profits are not supposed to continue coming back to the city with their hands extended. Council Member Alexander reiterated the importance of Council arriving at a number to give staff for inclusion in the budget. Assistant City Manager Randy McCaslin asked the Committee and Council to keep in mind two things regarding the CDBG funds that have been mentioned as possibly a means of funding:

- 1. The Citizens Advisory Council also does community-based organization grants and give out grants to certain community groups from those funds; and*
- 2. A vast majority of the CDBG money goes towards salaries in the Community Development Department and the remainder of the money is very flexible and allows staff to use it in various ways throughout the community that the HOME money and other grant monies would not allow. As a result, any money used for another purpose would take away the ability to use it in some other way.*

Chairman J. Davis then reviewed the requests submitted by the non-profit agencies as follows:

Southwest Renewal Foundation (requested amount: \$34,000)

Chairman J. Davis explained this request basically stems from a proposal to start a business incubator in the Shakespeare facilities. The question was posed as to if they have ownership of the building. Committee Member Hill explained they are still in the process of acquiring it, but it is tied up with legal issues. Chairman J. Davis felt this would be more of a function for the

Chamber of Commerce or the High Point Partners because of the ties to economic development type activities.

City Manager Demko pointed out one of the things that he would like to emphasize when preparing the upcoming budget is how to raise the property values in the city with housing opportunities being a big piece of this. Chairman J. Davis also pointed out that the City Project is getting \$10,000 this year in monies that they have received from the city towards this same thing and he felt this was akin to “double dipping” as far as taxpayer’s dollars were concerned. Committee Member C. Davis suggested possibly subtracting out \$10,000 from the requested amount.

The City Project, Inc. (INCOMPLETE APPLICATION. Requested amount: \$35,000)

Council Member Ewing noted there was an expectation that the \$35,000 would be used for promoting fliers, copies, etc....

Theatre Arts Gallery (requested amount: \$31,000)

Chairman J. Davis asked if the city has a signed lease with TAG and Eric Olmedo, Budget & Performance Manager, replied that we do. Committee Member Hill asked if the lease is the grant and Mr. Olmedo explained that it is for their programming.

High Point Arts Council (requested amount: \$125,000)

Chairman J. Davis pointed out the Arts Council has received funds from the city over the past 30 years in excess of \$3,000,000.00 and they have asked for an increase in the amount of funding this year. He noted the Arts Council helps sponsor the “Festival in the Park” at City Lake in conjunction with the Parks & Recreation Department and asked if this is considered an in-kind donation or if they actually rent the facility from the city for this event. Mr. McCaslin explained since it is a joint sponsorship with the city, they probably do not pay rent on the facility or for use of the city’s stage. Council Member Alexander noted the Arts Council has really struggled in raising funding within the community from the citizens and pointed out that is part of their responsibility. He stated that he would be more interested in funding activities directly than funding them through the Arts Council. He suggested looking at funding specific aspects, things that drive value as opposed to things that drive organizations.

Council Member Ewing reminded the Committee that the intention in changing the process last year was to make it similar to the process used by the Citizens Advisory Council for making and approving allocations to community based organizations where the allocations are project centered. He noted one option might be to change the process from the way it is done now and do quarterly payments and put it on a reimbursable basis on a project driven schedule. Council Member Alexander felt any organization that applies for funding should be assessed as it relates to their cost to deliver service and if that cost is too high, the city may need to fund the service directly. Council Member Hill stated she would like to see more direct information before pulling the funding altogether for the Arts Council. She suggested that it could jeopardize the other organizations that the Arts Council helps to fund for programming/productions, and cautioned Council from doing this because the city would start arming itself by losing the things they are trying to promote in the community to make it more livable, to bring people in for events, and to make High Point a place where people want to be.

Macedonia Family Resource Center (requested amount \$16,500)

Chairman J. Davis noted they are asking for \$7,500 for their food program and \$9,000 for their baseball program. He pointed out the area is in a food desert and also pointed out the city already provides recreational baseball programs through the Parks & Recreation Department. Committee Member Williams explained the problem is kids living in this area do not have transportation to get to other parts of the city. He pointed out the Macedonia area is growing and more people are getting involved and using the center more often.

Open Door Ministries (requested amount \$20,000)

Council Member Alexander asked if Open Door Ministries was asking for funding for specific programs. Eric Olmedo, Budget & Performance Manager, noted they listed their food program and their GED program on the application. Council Member Hill pointed out they also listed operational funds as well. Chairman Davis shared that he read in the application that they and assisted 500-550 homeless people and the requested funding would help in operating the center, including the utility costs. He pointed out this is not a service that the city provides and he did not feel the city could provide this service as well as Open Door Ministries does.

West End Ministries (requested amount \$20,000)

Chairman Davis commended West End Ministries for being so thorough in filling out their applications and providing lengthy answers to the questions.

The City Project, Inc. (requested amount \$20,000) INCOMPLETE APPLICATION**YMCA of High Point (requested amount \$50,000)**

Chairman Davis noted the YMCA has requested \$50,000 in funding for construction of a splash pad. They have already raised \$202,000 out of an estimated \$300,000. There were some questions regarding the cost for the splash pad. Council Member Williams stated he would like to get a response from the YMCA folks.

Welfare Reform Liaison Project, Inc. (WRLP) (requested amount \$40,000)

Questions were posed as to if the Welfare Reform Liaison Project was part of JobLink on Idol Street. It was noted they do have their High Point office in that location and they pay rent to JobLink for use of the space. Council Member Ewing explained WRLP did have a full functioning facility in High Point, but it was closed down due to budget issues. He expressed concerns from a transportation standpoint because their location is now in Greensboro and he felt they were benefitting far more people in Greensboro now than in High Point. Chairman J. Davis shared that he did discuss this with Council Member Golden while in Washington, D.C. and he felt there were some worthwhile programs, but he did acknowledge that Greensboro might benefit more. Mr. Olmedo pointed out this is the only agency that submitted an application that had negative findings in their audit (negative cash flow, negative net assets, etc....)

The Change Project (requested amount \$20,000) INCOMPLETE APPLICATION

Chairman Davis suggested to hear presentations from the Arts Council and the YMCA since there were some questions on these two funding requests. He asked if there were any additional presentations. Council Member Alexander noted he would like to allow The City Project, Inc. to also do a presentation. Committee Member C. Davis pointed out this would not be possible as they did not complete their application. Discussion followed regarding whether or not the policy could be waived. Chairman J. Davis stated he did not agree with Council making policies and not following the policies. He felt The City Project, Inc. had every opportunity to submit their completed application because they were certainly aware of the process. He did not agree that they left most of the application blank and failed to answer the questions and provide the required information. He noted that if Council chooses to hear a presentation from The City Project, Inc., it would only be fair to also allow The Change Project to do a presentation. Committee Member C. Davis stated she would not support either The City Project, Inc. or The Change Project doing a presentation due to incomplete applications. Committee Member Hill noted this was a policy/guidelines and not regulations/laws. She felt there should be a certain amount of flexibility to accomplish the big picture goal. Committee Member Williams pointed out the Council is a body that makes policy and felt the policies should be followed.

Council Member Alexander noted a decision has not yet even been made as to whether or not the Council is going to fund any non-profits or if they do, to what extent and this is a decision that needs to be made first and foremost. City Attorney JoAnne Carlyle informed the Finance Committee that the City Council would have to make any changes to the policy because the policy was adopted by the City Council. Chairman Davis felt the Finance Committee should follow the policy. Ms. Carlyle reiterated that the Finance Committee could hear presentations from those organizations that submitted incomplete applications, but would need to make a recommendation to the City Council to revise the policy and put it on the agenda for consideration.

Chairman Davis interjected and expressed concerns that the existing policy was adopted by the City Council by a 9-0 vote after the Committee assigned to develop a policy spent countless hours drafting it. He strongly objected to changing the policy so soon just because a couple of agencies did not follow guidelines. Council Member Alexander suggested there would be nothing to prohibit Council from injecting a line into the budget anyway and with approval from a majority of Council, it could be moved forward regardless of the policy. Chairman Davis still objected to making an exception for The City Project, Inc. and pointed out that past Councils did not give any consideration to those agencies who did not provide their audit/financials. Council Member Alexander advised the Committee that there are other orgs in the city that have received funding with no current audits on file.

Committee Member C. Davis offered some dates to give Council for consideration regarding the next non-profit agency application guidelines as follows:

- Monday, January 4th - Applications made available to organizations

- Friday, February 19th-- Applications and all necessary documents due to the City of High Point budget office
- Friday, February 26th - Application packets are forwarded to City Council committee
- Monday, March 7th – Friday, March 25th- Council Committee meets to review and make funding recommendations
- Monday, April 18th- Council considers Committee recommendations

There being no further business to come before the Finance Committee, Committee Member C. Davis moved to adjourn the meeting at 5:35 p.m. Committee Member Williams made a second, which carried unanimously. [4-0 vote]

Respectfully Submitted,

James C. Davis, Chairman

Attest:

Lisa B. Vierling, MMC
City Clerk