

**HIGH POINT CITY COUNCIL  
SPECIAL MEETING  
AUGUST 3, 2020 – 3:00 P.M.  
COUNCIL CHAMBERS**

**MINUTES**

*As part of the City of High Point's COVID-19 mitigation efforts, in-person attendance will not be allowed at this meeting. Instead, the city will be live streaming the meeting.*

*Please click on the following link to listen to the meeting live once the City Council is in session.*

[www.HighPointNC.gov/VirtualPublicMeeting](http://www.HighPointNC.gov/VirtualPublicMeeting)

**CALL TO ORDER, VIRTUAL ROLL CALL**

Mayor Wagner called the virtual meeting to order at 3:00 p.m.

Following a virtual roll call by the Mayor, the following council members were present (9):

Mayor Jay W. Wagner (physically present)  
Mayor Pro Tem Christopher Williams- Ward 2 (physically present)  
Council Member Tyrone Johnson- At Large (physically present)  
Council Member Britt Moore- At Large (physically present)  
Council Member Cyril Jefferson- Ward 1 (physically present)  
Council Member Monica Peters- Ward 3 (physically present)  
Council Member Wesley Hudson- Ward 4 (physically present)  
Council Member Victor Jones- Ward 5 (remote participation)  
Council Member Michael Holmes- Ward 6 (remote participation) [joined the meeting remotely after vote was taken to go into Closed Session]

**Staff Present:**

Randy McCaslin, Interim City Manager; Eric Olmedo, Assistant City Manager; Greg Ferguson, Assistant City Manager; JoAnne Carlyle, City Attorney; Meghan Maguire, Assistant City Attorney; Terry Houk, Public Services Director; Robby Stone, Assistant Public Services Director; Mary Brooks, Deputy City Clerk; and Lisa Vierling, City Clerk

**Others Present:**

Bruce Ashley, Outside Legal Counsel, Fox Rothschild (physically present)  
Nick Tosco, Outside Legal Counsel, Poyner Spruill LLC (remote participation)  
David Hyder, Stantec (physically present)  
Katie Morrissey, Stantec (remote participation)

PRESENTATION OF ITEMS**2020-292      Closed Session (Attorney-Client Privilege and Personnel)**

Council is requested to go into Closed Session pursuant to N.C. General Statute 143-318.11(a)(3) to preserve the attorney-client privilege and pursuant to N.C. General Statute 143-318.11(a)(6) for personnel.

**Upon motion duly made by Council Member Moore and second by Council Member Johnson Council entered Closed Session pursuant to N.C. General Statute 143-318.11(a)(3) to preserve the attorney-client privilege and N.C. General Statute 143-318.11(a)(6) for personnel. Following a roll call vote by the Mayor, the motion carried by the following unanimous 8-0 vote.**

Aye (8): Mayor Wagner; Mayor Pro Tem Williams; Council Member Moore; Council Member Johnson; Council Member Jefferson; Council member Peters; Council Member Hudson; and Council Member Jones

Absent (1): Council Member Holmes

*Council reconvened into Open Session at 4:10 p.m. with an announcement by Mayor Wagner that there would be no action taken as a result of the Closed Sessions.*

**2020-290      Presentation- System Development Fees**

David Hyder, a consultant with Stantec, will provide a presentation on System Development Fees.

*Terry Houk, Director of Public Services, introduced and recognized members of his team that worked on the System Development Fees: Derrick Boone, Glenda Barnes, and Tom Beckett. He also introduced David Hyder with Stantec who will be presenting the presentation, and Katie Morrissey with Stantec, who would be participating remotely.*

*Mr. Houk explained a system development fee is a one-time charge paid by a new customer to recover a portion of all costs for construction of water/sewer. These fees serve as a mechanism in which a property owner can pay the fee, which minimizes the intent in which existing customers must bear the cost of facilities that will be used to serve new customers. He reported that the city does not currently have system development fees but does have what is termed as acreage and frontage fees. He further elaborated that acreage fees are roughly \$350 an acre for water and \$350 an acre for sewer. Frontage fees run from \$15 for water and \$20 for sewer for lines that front property that has access to water/sewer.*

*Mr. Houk advised that the legal requirements of system development and implementation of system development fees vary significantly from state to state and noted the State of North Carolina passed the System Development Fee Act in 2017 which outlines specific requirements that have to be followed in implementing those fees. It grants local government entities that own and operate water and sewer systems, the authority to assess*

*system development fees for provision of utility service for new developments. He explained that a new development is a subdivision of land, construction, or changing an existing structure increasing the service needs. Or, any use of land which increases service needs within one year and no longer than twelve months of the adoption/approval of the development fee.*

*Mr. Houk turned the floor over to David Hyder, Consultant with Stantec, to provide an overview of the presentation on the system development fees.*

*Mr. Hyder, spoke to how Stantec is a global engineering firm that does water and sewer rate studies around the country and to the fact that he, personally, has done about 24 system development fee studies in North Carolina because of the new legislation.*

*He shared that in terms of the city's current approach, the city does not currently have system development fees, but does have an acreage charge and a front foot charge for when a customer joins a system. He reiterated that the acreage charge is assessed at \$350 for water and \$350 for sewer; the frontage charge is based upon the length of the line in front of the property: \$15 per linear foot for water and \$20 per linear foot for sewer.*

*Mr. Hyder spoke to how this is a unique approach and how there are communities in North Carolina that do front foot charges or acreage charges because the current approach does not differentiate based upon demands of the system. He explained that system development fees are charges for a customer to join a water/sewer system, and the intent is for the new customers to pay for growth. He further elaborated that the fees are supposed to be based on units of service and pointed out the fees are legislated in North Carolina (HB 436) and since they are legislated, specific rules on how to calculate the fees is spelled out which requires one of three methodologies; documentation of the study; identification of any assumptions; and this must be done on a per unit of service that reflects the demand placed on the system; and must also include a credit calculation.*

*The three methodologies that could be used are:*

- 1. Buy-In Method: this approach is basically setting a fee based on the historic investment in the system. Revenues can be used for any capital-related costs (rehab and/or expansion). This is typically for a system that has a lot of capacity to sell.*
- 2. Incremental Cost Method: If there is no capacity to sell and the entity is building a new capacity, the fees would be solely based on a capital improvement plan. Under this approach, the revenues can only be used for growth-related projects.*
- 3. Combined Method (being recommended by the consultant): Historic investments are considered in the system, but some expansion in the capital improvement plan is considered. This is a way of coming up with a cost based on the backward and forward looking aspects. Under this approach, only the revenues for expansion-related projects can be used and these are typically used for a community that has the capacity to sell and significant growth-related capital projects.*

*Mr. Hyder proceeded to review how the system development fee calculation works and stressed that the system development fee is actually the value of the system, credit divided by the system capacity. He mentioned one of the things that came out of the legislation was that the development community wanted to have their input and their main input was there*

*needed to be some credit against the system value. He pointed out how new connections would pay for debt service once they joint the system through the user rates, removing outstanding principal from the fee calculation to ensure no double cost recovery. He advised that both of these approaches conform with the American Water Works Association M1 Manual.*

*He explained how the water and sewer system development fees were calculated.*

*The water system calculation was based on the following:*

- *Value of utility system: \$169,152,954*
- *Credit: \$38,376,330*
- *System capacity: 28.56 million gallons per day*
- *Equals \$838 per Equivalent Residential Unit (ERU) 183 gallons per day calculated based on a 5-year average residential usage.*

*The sewer system development fee calculation was based on the following:*

- *Value of utility system: \$382,930,997*
- *Credit: \$95,871,306*
- *System capacity: 36.00 MGD*
- *Equals \$2,153 per ERU (one ERU equals 270 GPD- 90 GPD per bedroom for a 3-bedroom house).*

*Council Member Jefferson asked about the Capital Improvement Project (CIP) and if it has to be a project already underway, already planned, or close to being completed. Mr. Hyder replied that it is supposed to be a published CIP, but added that when the legislation first came out they said it was 20 years, but they brought it back to ten years, so, it is supposed to be something in the next 10-15 years.*

*Mr. Hyder spoke to the most common approach in the scaling of system development fees is the meter size because the size of the water meter essentially dictates the hydraulic capacity that can be put on a system. He advised that the American Waterworks Association publishes these equivalents which is the hydraulic capacity and explained that a six-inch meter has the potential to use 45 times the one-inch meter. He spoke to how a bigger meter, the demand placed on a system, and the scale being based on the potential capacity. He noted that a typical single-family with a 5/8-inch or 3/4-inch meter would be about \$2,991 versus a large six-inch customer which would be \$134,595.*

*He then shared some benchmarking results on how the City of High Point compares in terms of a single-family home with a 3/4-inch meter for water/sewer use and the proposed calculated system development fee. He noted that High Point is at the lower end of the scale between Greensboro and Winston Salem in terms of a combined fee of about \$3,000.*

*Mayor Wagner asked if the system development fees would be replacing the system currently being used by the city. Interim City Manager Randy McCaslin replied that is correct, and added that the system development fee is defensible under state statute while the method that the city is currently using is questionable. Council Member Peters asked if the newly proposed system development fees would in any way open up a doorway to limit the amount*

*of people that can live in a single-family home. Mr. McCaslin explained this was not the case.*

*Mr. Hyder shared some additional information containing a more detailed analysis on benchmarking with other entities for water and sewer based on specific meter size (Greensboro, Burlington, Winston Salem, Durham, Raleigh, Charlotte, Holly Springs, Orange County Water and Sewer Authority, Lexington, Cape Fear Public Utility Authority, Asheville, and Jacksonville) and he noted that High Point falls mid-range in terms of comparisons.*

*The consultant also calculated front foot charges that would be collected in rare instances where the city would actually extend existing lines to serve new connections; the front foot charge would be in addition to the system development fee using a similar methodology as calculating system development fees.*

*Mr. Hyder shared that the water front foot charge calculation would be based on the following:*

- *Value of distribution system: \$26,902,698*
- *Credit: \$10,637,538*
- *Distribution system: 2.27 million linear feet (LF) of pipe (the total distribution LF, net of donations, with a 25% growth factor, assuming that the total LF distribution pipe will increase by approximately 25% over time).*
- *Equals about \$7 per LF.*

*The sewer front foot charge calculation would be based on the following:*

- *Value of collection system: \$49,208,851*
- *Credit: \$16,959,044*
- *Collection system: 3.21 million LF of collection pipe (the total collection LF, net of donations, with a 25% growth factor, assuming that the total LF of collection pipe will increase by approximately 25% over time).*
- *Equals about \$10 per LF*

*Some examples provided for single-family customer impacts using the current approach and the proposed approach calculated on 128 LF, 0.44 acres, and a 5/8-inch meter:*

**Water (new connection)**

*Current: \$3,889*

*Proposed: \$2,653*

**Sewer (new connection)**

*Current: \$8,683*

*Proposed: \$6,886*

*This reflects a -20.7% change and would vary development by development*

**Water (line extension)**

Current: \$3,889

Proposed: \$3,549

**Sewer (line extension)**

Current: \$4,794

Proposed: \$5,513

*This reflects a 4.4% change and would vary development by development.*

*A subdivision comparison of customer impacts using the current and proposed approach calculated on 1,500 LF of pipe, 30 acres, and a 5/8-inch or 3/4-inch meter would be:*

**Water**

Current: \$53,500

Proposed: \$104,300

**Sewer**

Current: \$94,000

Proposed: \$215,300

*This reflects a 240% change.*

*Mr. Hyder pointed out the proposed SDF is very much in line with what Greensboro and Winston Salem charges.*

*Impacts to commercial customers based on 325 LF of frontage, 5 acres, and a 2-inch meter would be:*

**Water**

Current: \$7,215

Proposed: \$5,059

**Sewer**

Current: \$8,250

Proposed \$11,483

*This reflects a slight increase for water and sewer of about 7.0%.*

***Stantec's recommendations:***

- ✓ *Move forward with the combined method;*
- ✓ *Publish a written report on city's website for the 45-day required public comment period;*
- ✓ *Hold the required public hearing at the conclusion of the required public comment period to adopt the fees.*

*Following the presentation, Mr. Hyder entertained questions.*

*Mayor Wagner asked if the calculations provided were revenue neutral based on current collection and Mr. Hyder replied that it would vary depending on the type of development patterns.*

*Council Member Hudson commented that 125 linear feet of frontage is a lot of road frontage.*

*Mayor Wagner asked if staff was ready to put this out for public comment, or did they prefer to vet it through a committee first.*

*Interim City Manager Randy McCaslin advised that it would be entirely up to the City Council. He reiterated it is very defensible and noted Council could delay the implementation date but thought it would be good to move forward with the 45-day public comment period and hold the public hearing. He likened these fees to a change in philosophy and noted the big question is who would pay for the system--the new users or current users. He explained the hope is that eventually the rates for the current users would not increase as much over a period of time, while the new users of the system would be paying more.*

*Council Member Jefferson asked if this philosophy would extend to both residential and commercial users and Mr. McCaslin replied in the affirmative.*

*Council Member Hudson inquired about budgetary effect. Mr. McCaslin explained that it would not initially and recommended moving forward with the next steps in the process, putting some kind of delay implementation date on it to give people time to adjust to the proposed changes.*

**A motion was made by Mayor Pro Tem Williams, seconded by Council Member Jefferson, to move forward and put the system development fee proposal out for the required 45-day public comment period. Following a roll call vote by the Mayor, the motion carried by the following unanimous 9-0 vote.**

Aye (9): Mayor Wagner; Mayor Pro Tem Williams; Council Member Moore; Council Member Johnson; Council Member Jefferson; Council member Peters; Council Member Hudson; Council Member Jones; and Council Member Holmes

## **2020-291 Presentation- MWDBE Program & Policies**

Staff will provide a presentation on the city's MWDBE (Minority Women Disadvantaged Business Enterprise) Program

*Eric Olmedo, Assistant City Manager, provided an overview of the city's MWDBE (Minority women Disadvantaged Business Enterprise) Program. In accordance with the general statutes, the city has put these guidelines in place to establish goals for minority participation for single-prime bidding, separate prime bidding, construction manager at risk, and alternative contracting methods for amounts \$500,000 or more; this is applicable to the selection process for architectural, engineering, surveying, and construction manager at risk services. The City of High Point's goal is 10%.*

*Mr. Olmedo advised that the city does the following:*

- ✓ *The MWDBE Plan is included with each bid packet*
- ✓ *It is reviewed with potential contractors at pre-bid meetings*
- ✓ *Invites MWDBE vendors to pre-bid meetings to facilitate proposing contractor responses*
- ✓ *Requires the contractors to submit written reports for their participation within 72 hours of bid openings*
- ✓ *Bid opportunities are posted on the city's website, along with a link to the NC HUB Office (Historically Underutilized Businesses) where additional assistance is available*
- ✓ *On-line vendor registration is accessible on the city's website*
- ✓ *Purchasing Division staff provides assistance to those vendors not having internet access*
- ✓ *The guidelines and outreach plan are posted and available on the city's website*

*Mr. Olmedo noted the city only tracks MWDBE participation on construction projects per statutory requirements and it does not include commodity or other purchases. Tracking was implemented in 2005 and through July 20, 2020, the city has formally bid just over \$284,000,000 in projects with participation of about \$25,000,000 or 8.7%. He then shared some statistics of participation rates over the past five years.*

<b>Year</b>	<b>Project Amount</b>	<b>Participation Rate</b>
2015	\$3.1 million	7%
2016	\$22.3 million	8%
2017	\$13.2 million	7.06%
2018	\$22.7 million	5.77%
2019	\$7.8 million	4.56%
2020 (Jan. to July)	\$9.2 million	13.07%

*Mr. Olmedo pointed out there were a couple of big projects not included on these reports (i.e. stadium and the new police headquarters). Samet was the contractor and has just provided the numbers as follows:*

*Stadium: \$38 million; MWDBE participation rate 19%*

*Police headquarters: \$19.3 million project; participation rate is currently at 16%, but subject to change because the project is ongoing.*

*In conclusion, Mr. Olmedo stated that the Purchasing Division understands the profound effect this has on the community and realizes the need to do a better job of making vendors aware of this program in an effort to get more minority and women and disadvantaged business participation.*

*Council Member Holmes asked about percentages for specific groups and staff noted this information is identified in the chart and that the definitions are spelled out in the policy that matches the statute.*

*Council Member Jefferson asked if staff has done any comparisons that would help in assessing other cities comparable in size in our state. Mr. Olmedo replied that the city has not done an in-depth analysis comparison with other cities in the state. Erik Conti, (participating remotely), confirmed that no comparisons have been done because of time restrictions and only having four people in the Purchasing Division, but pointed out the information is a matter of public record and obtainable. Mayor Wagner suggested the information may be available through the NC HUB Office. Mr. Olmedo stated that staff can prepare a report with this information for a future meeting.*

*Council Member Jefferson inquired about comments/feedback/complaints from the community and if there are some that feel the city needs to be doing more. He asked Mr. Conti if his department does anything to solicit feedback. Mr. Conti reiterated that staff does assist anyone who visits the office with the registration process, educating them on how the bids are processed, and how the information is posted and available on the city's website. He spoke to how this information is communicated to the contractors at every pre-bid meeting; how the contractors are aware of the city's 10% goal; and much of this responsibility falls on the contractors; and the requirement for them to provide all the statutory paperwork through their efforts in bringing in the various vendors/contractors.*

*Council Member Holmes shared that some contractors have inferred there is a possibility of some double-dipping by some of the larger firms and asked if a vetting process is in place to distinguish whether or not these types of things are happening and creating an advantage for larger firms. Mr. Conti advised that none of these concerns have been brought to his attention and noted a lot of the recent published articles concern High Point projects that are actually going through the Guilford County office.*

*Mr. Conti shared that his office was on the verge of starting some community outreach activities before COVID started and the restrictions that were imposed put their efforts on hold. Council Member Holmes felt this would go a long way to quell some of the community's fears and would be well received by the public.*

*Council Member Jefferson thanked staff for the update but felt there is still a lot of work to be done that would require more deliberation whether it is assigned to a specific group, a committee, or a task force. He stated he understands that staff may be at capacity with only a four-member staff but suggested that the community feels that the city does not have the results reflective of what an international city should have.*

*Council Member Jefferson suggested this be put in a committee for further deliberation in order to come up with an actionable improvement plan going forward. Discussion followed as to which committee it should be appropriately assigned to. Mr. Conti agreed that a more in-depth comparison is needed and mentioned that the City of Greensboro has a staff of 5-7 coordinators in their MWDBE Department that carries out this function. He noted it would entail quite a bit of work and the newly created DEI position that was approved in the budget would be a good start. Council Member Jefferson expressed appreciation for the comment*

*because of all the discussions while Council was contemplating creation of the position and the funding for it.*

**A motion was made by Council Member Jefferson, seconded by Council Member Johnson, to assign this matter to the Community Development Committee for further deliberation in order to come up with an actionable improvement plan moving forward. Following a roll call vote by the Mayor, the motion carried by the following unanimous 9-0 vote:**

Aye (9): Mayor Wagner; Mayor Pro Tem Williams; Council Member Moore; Council Member Johnson; Council Member Jefferson; Council member Peters; Council Member Hudson; Council Member Jones; and Council Member Holmes

#### ADJOURNMENT

*The Special Meeting was adjourned at 5:37 p.m. upon motion duly made and seconded. The Mayor called for a five-minute recess prior to the commencement of the regular meeting that was scheduled for 5:30 p.m.*

Respectfully submitted,

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Jay W. Wagner, Mayor

Attest:

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Lisa B. Vierling, City Clerk