

SUMMARY OF MINUTES

FINANCE COMMITTEE

4:00 P.M., MONDAY, AUGUST 8, 2011

COMMITTEE ROOM

ROOM 239, CITY HALL

MEMBERS PRESENT: Mayor Allen Joines
Council Member Wanda Merschel, Chair
Council Member Molly Leight, Vice Chair
Council Member Vivian H. Burke
Council Member Robert C. Clark

OTHERS PRESENT: Council Member Derwin L. Montgomery (in at 4:18 p.m.)

Chair Merschel called the meeting to order and stated that without objection, the Committee would first consider the Consent Agenda and asked if any items needed to be removed for discussion. Council Member Clark requested to pull Items C-1 and C-4. No other items were removed.

Council Member Burke made a motion to approve the balance of the Consent Agenda. The motion was duly seconded by Council Member Leight and carried unanimously.

CONSENT AGENDA

Community and Economic Development

- C-2. RESOLUTION AUTHORIZING THE SALE OF CERTAIN CITY-OWNED PROPERTY BY PRIVATE SALE (N.C.G.S. 160A-279) TO THE NORTHWEST CHILD DEVELOPMENT CENTERS AND FINANCING THE SALE OF THE LAND.
- C-3. RESOLUTION AUTHORIZING ACCEPTANCE AND EXECUTION OF AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE HOUSING AUTHORITY OF WINSTON-SALEM AND THE CITY OF WINSTON-SALEM COMMUNITY AND BUSINESS DEVELOPMENT DEPARTMENT.

Finance/Budget

- C-5. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WINSTON-SALEM, NORTH CAROLINA, AUTHORIZING THE NEGOTIATION OF AN INSTALLMENT FINANCING CONTRACT, DIRECTING THE PUBLICATION OF NOTICE WITH RESPECT THERETO AND PROVIDING FOR CERTAIN OTHER RELATED MATTERS THERETO. *Public Hearing: September 19, 2011.*

C-6. CONSIDERATION OF ITEMS RELATING TO CONTRACTS:

- a. RESOLUTION AWARDED CONTRACT FOR CRS2L ASPHALT EMULSION CEMENT - *Hammaker East, Ltd.* - \$152,250.
- b. RESOLUTION AWARDED PURCHASE ORDER FOR PURCHASE OF ONE BUCKET TRUCK UNDER THE BID PROCEDURE WAIVER OF N.C.G.S.143-129(E)(9A) - *Time Manufacturing Company* - \$218,382.
- c. RESOLUTION AWARDED PURCHASE ORDER FOR YEAR 2011 FORD CROWN VICTORIA POLICE INTERCEPTORS - *Vic Bailey Ford, Inc.* - \$579,800.

C-7. CONSIDERATION OF ITEMS RELATING TO THE CONSTRUCTION OF CLEMMONSVILLE ROAD WIDENING:

- a. RESOLUTION AWARDED CONTRACT FOR CONSTRUCTION OF CLEMMONSVILLE ROAD WIDENING - *Larco Construction, A Division of Branscome, Inc.* - \$6,767,674.35 (Estimated Amount).
- b. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2011-2012.

C-8. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2011-2012.

Transportation

C-9. CONSIDERATION OF ITEMS RELATING TO AN AGREEMENT WITH THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION FOR PEDESTRIAN IMPROVEMENTS IN THE CLOVERDALE AVENUE AREA:

- a. RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION FOR PEDESTRIAN IMPROVEMENTS IN THE CLOVERDALE AVENUE AREA.
- b. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2011-2012.

C-10. RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION FOR THE PRELIMINARY ENGINEERING PHASE OF A PROJECT TO REPLACE BRIDGE #296 ON WEST FIRST STREET.

- C-11. RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A SUPPLEMENTAL AGREEMENT WITH THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION FOR THE ADDITION OF MUNICIPAL OWNED FIBER OPTIC CABLE TO THE CONGESTION MITIGATION AND AIR QUALITY FUNDED PROJECT FOR COMPUTERIZED TRAFFIC SIGNAL SYSTEM MODERNIZATION/REHABILITATION/EXPANSION.
- C-12. RESOLUTION AUTHORIZING THE CITY TO ASSUME RESPONSIBILITY FOR CERTAIN SIDEWALK SECTIONS ALONG UNION CROSS ROAD.
- C-13. CONSIDERATION OF ITEMS RELATING TO A MUNICIPAL AGREEMENT WITH THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION:
- a. RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A MUNICIPAL AGREEMENT WITH THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION FOR REIMBURSEMENT OF COSTS ASSOCIATED WITH THE CONVERSION OF FOURTH AND FIFTH STREETS TO TWO-WAY OPERATION BETWEEN LIBERTY STREET AND MARTIN LUTHER KING, JR. DRIVE.
 - b. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2011-2012.

General Government

- C-14. APPROVAL OF FINANCE COMMITTEE SUMMARY OF MINUTES - *July 11, 2011.*

Property Matters

- C-1. CONSIDERATION OF ITEMS RELATING TO A LEASE AGREEMENT:
- a. RESOLUTION AUTHORIZING A LEASE AGREEMENT WITH KDM OF WILMINGTON, LLC PROVIDING A SITE FOR A LEAF MULCHING FACILITY FOR THE SANITATION DEPARTMENT - *3 W. Thirty Second Street. [\$3,000 per month.]*
 - b. ORDINANCE AMENDING THE ANNUAL APPROPRIATION AND TAX LEVY ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2011-2012.

Council Member Clark questioned if the City could still function out of the facility on Shorefair Drive.

Mr. Johnnie Taylor, Sanitation Director, noted that the Department of Environmental and Natural Resources (DENR) determined that there were some environmental issues at the site and asked that

the City seek another location for operation and another site has been located within the same vicinity.

Mr. Lee Garrity, City Manager, stated that DENR notified the City of runoff from the creek when leaves oxidize and turn. He noted that Odd Fellows Cemetery has also requested the City remedy the situation.

In response to Council Member Leight's question, Mr. Taylor indicated that staff was not told the facility could not be placed on impervious surface, but was trying to find a location close to the current facility that would not disrupt the current collection cycle.

In response to Council Member Burke's inquiry, Mr. Garrity noted that Odd Fellows Cemetery has expressed concern about the appearance from the runoff in the parking lot. Mr. Keith Huff, Stormwater Director, indicated to staff that there were significant DENR issues at the site. He also noted that Mr. Huff and Mr. Gregory M. Turner, Assistant City Manager/Public Works, will present further information on this item at the Public Works Committee meeting.

Chair Merschel stated that by consensus, the Finance Committee will take no action on this item and will look to the Public Works Committee for direction.

Community and Economic Development

C-4. RESOLUTION AUTHORIZING SUBORDINATION AND MODIFICATION OF A LOAN TO TFG-FOREST RIDGE COMPANY, LLC FOR REHABILITATION OF KENSINGTON VILLAGE.

Council Member Clark questioned if the City is subordinated to the first lien position and if the loan is being refinanced under better terms.

Mr. Wesley Finch, Chair of the Finch Group, representing Kensington Village, stated that rental amounts in Kensington Village are set at a certain amount and cash flow from the property is limited. He also stated that he is requesting assistance from the City to help prepay the note by \$100,000, which will push back the next payment to 2018, under this note modification.

Mayor Joines noted that a \$100,000 principle payment, to help pay down 20% of the total loan amount is a smart move and solidifies the City's position.

Council Member Clark made a motion to approve the item. The motion was duly seconded by Council Member Burke and unanimously carried.

GENERAL AGENDA

G-1. CONSIDERATION OF ITEMS RELATING TO EMPLOYEE HEALTH INSURANCE AND PHARMACY BENEFITS:

a. RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A

CONTRACT WITH BLUE CROSS/BLUE SHIELD OF NORTH CAROLINA FOR ADMINISTRATION OF THE CITY'S HEALTH CARE PLAN.

- b. RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A CONTRACT WITH EXPRESS SCRIPTS, INC. FOR ADMINISTRATION OF THE CITY'S PHARMACY BENEFIT PLAN.

Mrs. Martha Wheelock, Assistant City Manager, indicated the City is in the third year of a three year contract with Blue Cross/Blue Shield North Carolina (BC/BSNC) for providing health care and pharmacy benefit management services. In an on-going effort to control healthcare costs and through community interest, staff submitted a request for proposal (RFP) to consider a separate provider to manage pharmacy benefits. Six proposals were received, two final proposals were heard, and staff recommends the renewal of BC/BSNC as the health care provider for another three-year plan and Express Scripts, Inc. (ESI) as the provider of pharmacy benefits.

In response to Council Member Leight's question regarding splitting the benefits into two programs and still achieving a cost savings, Mrs. Wheelock noted that BC/BSNC keeps some of the rebate and discount prices that they negotiate directly with the pharmacy, which ESI will pass on to the City.

In response to Council Member Clark's question, Mrs. Wheelock stated it would not be a seamless transition for employees, but there is an action plan in place for the conversion. During open enrollment, employees will complete two enrollment forms and will receive a separate pharmacy card for that plan. She also stated the prescription formulary is not identical, so some prescription co-pays may be different.

Council Member Montgomery in at 4:18 p.m.

In response to Council Member Burke's inquiries, Mrs. Wheelock indicated that staff will work closely with employees to educate them during the process, simplify open enrollment, and work with them one on one to address any issues or concerns. Regarding those employees who are part-time or may not understand the insurance and benefit offerings, she indicated there are some analytical tools provided to evaluate how the plan is being used, and staff provides employee advocacy programs, direct one on one contact, educational training and support.

Chair Merschel expressed thanks to staff for this level of detail and for providing information in a timely manner. Noting community interest in separating the administrative aspects from the pharmacy providers, she questioned if any local vendors qualified to provide that benefit to the City.

Mrs. Wheelock noted that pharmacy benefit management services is a national high-volume business, rather than a local vendor business, and while local vendors were invited to participate, none were qualified to provide the service.

In response to Chair Merschel's questions regarding the lack of an RFP for healthcare administrative costs, Mrs. Wheelock noted that in speaking with BC/BSNC directly and City employees, they seem satisfied with the current provider and service level, and staff also felt it would be difficult to manage the transition of two plans at one time. She also noted that staff met with its consultant and

evaluated all options but felt negotiating a reasonable contract would be the best option. BC/BSNC is offering a comparable rate to the previous contract and in reviewing cost comparisons to peer cities and Forsyth County, the City's healthcare costs are still less and the premium share is less than most. She further noted that the wellness program allows the City to help manage healthcare costs and any potential increases that may come along. It is also being recommended that the dental plan be adjusted to fully cover the costs of two regular dental visits whereby employees will not have to contribute any cost. Staff plans to have final recommendations for healthcare premiums and plan modifications by early September.

Council Member Clark made a motion for approval. The motion was duly seconded by Council Member Leight. The motion carried on a vote of three in favor and one opposed. Those voting in favor were Council Members Clark, Leight and Burke. Chair Merschel voted in opposition.

Mr. Garrity noted that last year he hosted a round of employee meetings and the employees overwhelmingly preferred BC/BSNC, but current feedback will be obtained.

G-2. PRESENTATION BY THE PUBLIC ASSEMBLY FACILITIES COMMISSION REQUESTING CONSIDERATION OF FUNDING FOR A PUBLIC ASSEMBLY FACILITIES OPERATIONS PERFORMANCE REVIEW.

Mrs. Wheelock noted that over the last 18 months, staff has been reviewing the sale and management operations of some of the City's Public Assembly Facilities. The Public Assembly Facilities Commission (PAFC) is requesting funding to conduct a study for an operational and performance review of the facilities to provide City Council information as they make decisions.

Mr. Tom Fredericks, Chair of the PAFC, introduced members of the Commission in attendance, and gave the presentation.

Council Member Clark expressed disappointment that in merging the Lawrence Joel Veterans Memorial Coliseum (LJVMC) and the Dixie Classic Fairgrounds (DCF), only \$25,000 in savings have been seen yearly.

Mr. Fredericks noted that due to the accounting structure, each facility has to stay independent, but LJVMC staff works with the DCF and while the two staffs may migrate, the funds cannot be intermingled.

Council Member Clark noted that he would have thought the merger of the two facilities would have eliminated a significant amount of overhead, and it has not. He also noted that there is a difference between facility ownership and management and it appears that efficiency was not achieved in the merger of the two entities. He expressed concern that Bowman Gray Stadium only has two main users and there are still many questions to be answered regarding each of these facilities.

Mayor Joines noted that whatever happens with the facilities, smaller community organizations and users should be given consideration, as they make up almost half of the total attendees, outside of Wake Forest University (WFU) games and the DCF.

Mr. Fredericks noted that in the future, the Tourism Development Authority will be considering the management of these facilities for future use, as will the community.

Council Member Montgomery stated that he was hesitant to spend money on another study because it may only provide information that is already known, such as how the facilities have performed, the economic impact they have and what impact a change in management will have. He also stated that what remains unknown is possible opportunities for operational improvements and organizational operations.

Mr. Fredericks noted that the PAFC is knowledgeable and tries to bring varied events to the community, but also noted that the nation is trending toward private facility management. He further noted that only a consultant can bring certain areas of expertise about private management and an objective point of view. He also noted the underlying question is what does the community want for its facilities.

Chair Merschel expressed her thanks to the Commission members for giving of their time and energy. She stated that the industry has changed since the LJVMC was constructed and it is now an older, landlocked facility, with limited parking, and the reality is that these are challenges faced during a downturn in the economy. She also expressed hope that there are entities in the community that understand the needs of the facilities, as there is interest in selling and an interested purchaser.

Council Member Clark requested further information regarding operational efficiencies and management versus ownership, in regards to booking, promoting and marketing. He noted that outside of operational costs, the management costs of facility could be equal.

In response to Council Member Leight's question as to why WFU does not have its own facilities and what it would entail for them to own and operate their own facilities, Mr. Fredericks stated that in 1985, WFU was not the powerhouse it is today in terms of fundraising, and through an agreement of WFU and the City, both entities utilize the same facilities. Under different circumstances and in a different time, they may have been able to construct their own facilities. He also stated that he would hope the City Council would allow for public involvement before the sale of any facility.

Council Member Montgomery noted that the facilities are alike but all distinctively different, utilized for different purposes, and will require different conversations for the most benefit and impact. He also noted there is an opportunity for facility management within those conversations.

Chair Merschel indicated that some issues and conversations can be addressed, but she does not feel that another review is necessary.

Mr. Garrity stated that he has heard the comments and concerns of the Committee members and will instruct staff on how to proceed. He also stated that an additional study would delay any decision by interested entities by an additional six months.

ADJOURNMENT: 5:23 p.m.