

**FAYETTEVILLE CITY COUNCIL  
BUDGET WORK SESSION MINUTES  
LAFAYETTE ROOM  
SEPTEMBER 2, 2014  
4:00 P.M.**

Present: Mayor Nat Robertson

Kady-Ann Davy (District 2); H. Mitchell Colvin, Jr. (District 3); Chalmers McDougald (District 4); Robert T. Hurst, Jr. (District 5); Larry O. Wright, Sr. (District 7); Theodore Mohn (District 8); James W. Arp (District 9) (arrived at 5:00 p.m.)

Absent: Council Members Kathy Jensen (District 1); William J. L. Crisp (District 6)

Others Present:

Theodore L. Voorhees, City Manager  
Kristoff Bauer, Deputy City Manager  
Rochelle Small-Toney, Deputy City Manager  
Jay Reinstein, Assistant City Manager  
Karen McDonald, City Attorney  
Lisa Smith, Chief Financial Officer  
Michael Gibson, Parks, Recreation, and Maintenance Director  
Rusty Thompson, Engineering and Infrastructure Director  
Randy Hume, Transit Director  
Dwayne Campbell, Chief Information Officer  
Steven Blanchard, PWC CEO/General Manager  
Dwight Miller, PWC Chief Finance Officer  
Mike Lallier, PWC Chair  
Wick Smith, PWC Commissioner  
Darsweil Rogers, PWC Commissioner  
Pamela Megill, City Clerk  
Members of the Press

### **1.0 CALL TO ORDER**

Mayor Robertson called the meeting to order.

### **2.0 INVOCATION**

The invocation was offered by Council Member Wright.

### **3.0 APPROVAL OF AGENDA**

**MOTION: Council Member Mohn moved to approve the agenda.**

**SECOND: Council Member Colvin**

**VOTE: UNANIMOUS (7-0)**

### **4.0 OTHER ITEMS OF BUSINESS**

#### **4.1 PWC Fiber Charges**

Mr. Ted Voorhees, City Manager, presented this item and stated over the past year, City and PWC staff members have discussed the need to review the cost model for the fiber system. Historically, the City has paid approximately \$425.00 per location per month, resulting in an estimated annual charge of \$274,000.00. During the budget process, the City Manager advised City Council that funding for fiber charges was not included in the FY 2015 budget. However, the utility budget requested by the Public Works Commission did assume the City would continue to pay fiber charges based on past practice. Within the past few weeks, the PWC General Manager proposed a cost sharing model based on allocated fiber strands dedicated to the City as a percentage of the entire fiber system. While City staff does not concur with every aspect of the allocated cost model, City management is prepared to recommend that Council budget a total of \$80,000.00 in its non-utility funds to share in the cost of the fiber system for FY 2015. Future budget allocations will be determined on an annual basis as a part of the regular budget process. Additionally, to resolve the matter of outstanding fiber charges billed by the PWC in FY 2014 (\$101,668.00), City staff recommends that Council direct the City to pay 50 percent (\$50,834.00) of the outstanding amount and direct the PWC to reduce their invoices by

an equal amount as well as remove any outstanding late charges billed.

Council Member Colvin asked if the PWC Commissioners agreed to the 50 percent payment. Mr. Mike Lallier, PWC Chair, responded they did.

Consensus of Council was to bring this item forward to a regular City Council meeting for formal approval.

#### **4.2 Finance/Treasury Best Practice Review Phase 1 - Analysis of Funds**

Ms. Lisa Smith, Chief Financial Officer, and Mr. Dwight Miller, PWC Chief Financial Officer, presented this item with the aid of a powerpoint presentation. Ms. Smith stated consistent with Resolution No. R2013-052, the City Manager and PWC General Manager tasked staff to develop an analysis of all City funds, including utility system funds. The analysis included a description of how the funds are used, any restrictions on use, and the level of reserves that should be maintained for cash flow, contingencies, and opportunities. City and PWC staff presented the results of that analysis to the Best Practices Steering Committee on May 22, 2014. At the special meeting held on August 20, 2014, Council directed staff to present this information at the September 2, 2014, work session. Ms. Smith stated Phase I, Finance/Treasury Project, is designed to advance Council's interest regarding fiduciary responsibility purposes and to identify all City funds; describe how the funds are used, including any restrictions on use; and determine the level of reserves that should be maintained for cash flow, contingencies, and opportunities. Ms. Smith provided an overview of the processes, definitions, fund balance, general fund policy, fund balance analysis, best practice review, and peer review.

Mr. Dwight Miller provided an overview of the utility policy and PWC principals of sound financial management operating reserves. Mr. Miller stated in order to maintain rate competitiveness and rate stability by offsetting cost increases that would otherwise have been imposed on the customers, Rate Stabilization funds will be maintained. The Electric Utility Fund shall budget annually an operating transfer to the Electric Utility System Rate Stabilization Fund an amount not to exceed 15 percent of the annual gross Electric sales with a minimum transfer of \$250,000.00. The accumulated balance of the Electric Utility System Rate Stabilization Fund shall not exceed 40 percent of the average annual gross Electric sales for the preceding three years (as reported in the most recent Annual Audited Financial Report). The Water/Wastewater Fund shall budget annually an operating transfer to the Water/Wastewater Utility System Rate Stabilization Fund an amount not to exceed 5 percent of the annual gross Water/Wastewater sales with a minimum transfer of \$250,000.00. The accumulated balance of the Water/Wastewater Utility System Rate Stabilization Fund shall not exceed 20 percent of the average annual gross Water/Wastewater sales for the preceding three years (as reported in the most recent Annual Audited Financial Report). Any amounts withdrawn from the Electric Utility System Rate Stabilization Fund and the Water/Wastewater Rate Stabilization Fund must be used to maintain rate competitiveness and rate stability. The Board of Commissioners will determine the amount and time period to replenish any withdrawal by a budget amendment for the current fiscal year or during the annual budgeting process for the next fiscal year. Mr. Miller provided an overview of the best practices related to cash in hand.

Discussion ensued.

Consensus of Council was to move forward with Phase 2, Finance and Treasury, matters and continue to report back. Mr. Ted Voorhees, City Manager, stated that the Chief Financial Officer will work with Bond Council and the City Auditor to identify and transfer the control of non-operating funds to the control of the City Chief Financial Officer to be managed for the benefit of the Utility in accordance with the City Charter.

Mayor Robertson changed the order of items due to outside guests representing Fayetteville State University attending.

#### **4.5 Transit Partnership with Fayetteville State University**

Mr. Randy Hume, Transit Director, presented this item and stated the Transit Development Plan (TDP) update approved by City Council in March 2014 set out a near-term objective to develop a mutually beneficial partnership with Fayetteville State University (FSU). FSU

currently contracts for a van shuttle from campus to a few destinations including Cross Creek Mall and Walmart on Ramsey. That service operates for three to four hours each afternoon, about six hours on Saturdays and focuses primarily on students residing on campus. Students have asked FSU administrators for both expanded service hours and vehicle capacity. This year FSU has increased its budget to accommodate that request and re-engaged in discussions with FAST started during the TDP update. FAST staff presented a route proposal identified in the TDP that provides a direct connection between FSU and the Ramsey Street corridor via Pamalee/Country Club Drives and between FSU and Cross Creek Mall via Pamalee Drive/Skibo Road. This route not only meets the FSU need, but also addresses a major corridor service gap that currently exists along Country Club and Pamalee Drives between Rosehill Road and Bragg Boulevard. Additional meetings were held with Methodist University, but although there was some interest, Methodist University did not feel there was sufficient need to warrant any financial assistance. FSU administrators have indicated a desire to begin the expanded service in January 2015 in conjunction with the start of the winter semester. In mid-August FAST staff also met with the FSU Student Government Association to review the proposal with students. Most questions related to security on buses. The initial proposal was pared down to match the budget available from FSU, yet not require additional City general fund support. As proposed, the route would operate with one bus at a two-hour frequency from 6:30 a.m. until 2:00 p.m., then add a bus to operate at a 60-minute frequency after 2:00 p.m. The route would operate until 8:30 p.m. Monday through Thursday and until 10:30 p.m. on Friday and Saturday. The route would start at 8:30 a.m. on Saturday. In addition, FSU students would be provided passes to ride all FAST fixed routes without payment of fares. On an annual basis, FSU would contribute \$143,700.00 to offset the cost of the new route and revenues that would be lost from those students that are now fare paying customers. The remaining costs to operate the new route would be covered by federal grant revenues. This will require a budget amendment to appropriate the additional revenue from FSU and Federal Transit Administration (FTA) grants in support of the new service. Transit operating expenditures for FY 2015 would increase by approximately \$148,400.00. Additional revenues to offset this cost include \$71,860.00 from FSU and \$92,000.00 from FTA maintenance and operating grant revenues.

Council Member Hurst thanked Mr. Greg Moyd, Assistant Vice Chancellor of Student Affairs and Mr. Wesley Fountain, Community and Government Affairs Coordinator, for their attendance and stated he thinks this partnership will increase the ridership.

Mayor Robertson stated the sooner this partnership goes into effect, the better.

Mayor Pro Tem Davy extended appreciation to Fayetteville State University. A round of applause was given by all in attendance.

Consensus of Council was to move this item forward.

#### **4.3 Call Center Cost Update**

Mr. Jay Reinstein, Assistant City Manager, presented this item with the aid of a powerpoint presentation and stated the best practices "staff driven" team was established on March 11, 2014. The team's objectives were to improve citizen's access to city services, increase efficiency, leverage existing and new technology, and to increase collaboration. The implementation of two enterprise-wide technologies, Navigate and CityWorks, and the transition to new processes and initial lost productivity, along with the employee transfer process, were all major obstacles. The budget impact for Option 1 is an additional \$152,000.00 annually and \$56,000.00 annually for Option 2 over and above the existing \$209,000.00 budgeted for the call center in FY 15. Mr. Reinstein further stated staff proposes two options: Option 1 would relocate call center employees to the PWC Customer Programs Call Center as a part of the PWC budget to include 8 percent administrative costs, allocated rent and fiber, a dedicated PRI line, and one-time costs. Option 2 would relocate City employees to the PWC Customer Programs Call Center; however, employees would remain on the City of Fayetteville payroll. There would be a salary increase provided to City employees in an effort to be more competitive with PWC salaries. There would also be an 8 percent administrative fee, a PWC supervisor fee, and some one-time costs associated with the move.

Discussion ensued.

Consensus of Council was to move forward with the objective to merge via Option 2 and report back to Council at a later date.

#### **4.4 City of Fayetteville Public Works Community and Support & Economic Development Policies**

Mr. Ted Voorhees, City Manager, presented this item and stated Resolution No. R2013-52 directs the City Manager to recommend a new policy for budgeting "community support" expenditures by the Fayetteville Public Works Commission (FPWC) while recognizing the appropriateness of FPWC's role in providing "public information and education" about utility services, policies, and conservation activities. Both categories of expenditures are to be accounted for separately. Policies were discussed during budget work sessions, and FPWC's general practices and procedures appeared to be acceptable to the City Council, but no formal action was taken. Furthermore, Resolution No. R2013-52 directed that a Service Level Agreement should be developed to describe performance expectations concerning the terms of the transfer of financial resources budgeted for economic development activities. After some discussion at budget work sessions, it again appears that FPWC's budget practices of supporting the Economic Development Alliance of Fayetteville and Cumberland County, as well as the NC Southeast Economic Development Partnership, are generally acceptable to the City Council, with some modification. Nevertheless, no formal action was taken. FPWC's policies are included herewith for review by the City Council. The Administration is generally supportive of these policies, but has a few recommendations to further achieve the interests of the City Council. It is recommended that this policy be prepared for adoption by the City Council. It is further recommended that the expenditures in this line item be specified in the annual budget ordinance to provide increased visibility and to serve as a control on total expenditures. While not specifically covered in a policy, to further the goals of Resolution No. R2013-52, it is recommended that the expenditures in this line item be specified in the annual budget ordinance to provide increased visibility and to serve as a control on total expenditures. It is also recommended that all public information and education campaign content be provided to the appropriate City department (currently Corporate Communications) for review. The purpose of the review will be to ensure coordination of messaging and representation of the City's overall brand. It is understood that in many cases routine customer communications will require very little attention and review due to the straightforward nature of customer information. However, broader information campaigns, particularly using mass media, may provide opportunities for closer coordination and advancing the City's overall brand. These protocols may possibly be addressed in the separate Best Practices Review project for Communications. It is recommended that the Economic Development policy be prepared for adoption by the City Council. It is also recommended that the City Council's policy should clearly authorize the FPWC to use its rate setting authority, to include the application or non-application of capacity charges and fees (e.g., Facility Investment Fees) to further economic development goals within its service territory, insofar as such development supports the continued growth and sustainability of the utility by expansion of the customer base and improvement of the City's overall economy. Though there is no direct budget impact in the current fiscal year, the adoption of these policies will allow the City Council to have greater control and oversight of expenditures in these areas.

Discussion ensued.

Consensus of Council was to move forward with this item and adopt the policy and budget ordinance on a future regular City Council meeting agenda.

#### **4.6 Parks and Recreation – Parks Appropriated Capital Improvement Project**

Mr. Michael Gibson, Parks, Recreation and Maintenance Director, presented this item and stated City Council appropriated \$2 million in fiscal budget FY 2015 for a capital improvement project in parks and recreation. A list of projects considered over the last few years was reviewed by Council during its August 4, 2014, Council work session. The consensus of Council was to pursue the development of a neighborhood pool adjacent to the Westover Recreation

Center. Mr. Gibson stated staff has prepared a couple of schematic designs based on designs provided by Paddocks Pools at no cost (the designs were provided to Council). Mr. Gibson stated that staff is seeking (1) confirmation of project and location, (2) feedback regarding proposed design process, and (3) identification of any unique process expectations. Mr. Gibson stated should Council confirm project and location, then staff is prepared to complete the project on the following schedule:

- Complete Request for Quote (RFQ) process and select a design firm in September 2014.
- Complete the design process by end of 2014.
- Bid construction in January 2015.
- Council construction contract award in February 2015.
- Complete construction by end of 2015

Mr. Gibson stated the schedule is conservative, but realistic. There may be opportunities to move the process along to a faster completion depending upon the Council's interest in additional or unique processes. The next Council action will be consideration of the adoption of a project budget ordinance. This will appropriate the funding to the defined project and authorize funding across fiscal years. Staff is prepared to bring this forward during the September 8, 2014, Council regular meeting. The standard process would have Council's next formal action be the award of the construction contract at the conclusion of the bidding process. The current practice includes staff administration and execution of the design consulting contract. This project is a bit unique in that there are national pool supply firms who routinely design the pool space, amenities, e.g., slides and spray features, and supporting mechanical infrastructure without cost. They have a significant inventory of prior designs that can be used to start the customization process and consistent experience in the construction and operation of these systems across the nation. That design work is a tremendous resource and creates an opportunity to significantly reduce the design cost and time. It does not, however, address all the design, permitting, bidding, and other related needs of the project. Staff's recommendation is to contract with a design firm that is partnered with one of the national firms. The RFQ selection process includes additional points for local participation in the design process. The City Manager regularly executes these design contracts at the conclusion of the RFQ process. If Council would prefer to make the award decision, then time will need to be added to the schedule to create that opportunity. Most projects designed by the City do not include significant public involvement processes, but this one is not the standard bridge or other piece of infrastructure. With the recommended design partnership, staff anticipates being able to generate design alternatives very quickly and would recommend two or more community meetings at the Westover Recreation center in order to obtain feedback regarding the design. If Council has an interest in broader or more extended community involvement in the design process, then time and resources will need to be built into the project to facilitate that process.

Council Member Mohn cautioned that he does not want to see the project go over budget.

Council Member Arp asked if the design included swim lanes for high school students. Mr. Gibson responded the design does include swim lanes.

Council Member Colvin asked if there would be additional controls in place to monitor security and safety. Mr. Gibson responded there would be additional controls in place. Council Member Colvin suggested staff look at the cost of a smaller lap pool for seniors.

Council Member Wright stated that typically outdoor pools were only utilized for three months out of the year and asked if staff could provide estimates for types of roofing/cover.

Mayor Robertson asked if staff could provide estimates of operating costs to include, for example, lifeguards, chlorine, chemicals, etc.

Consensus of Council was to move forward with this item and report back with findings related to operating expenses, community meetings, design, and equipment.

#### **4.7 Parks and Recreation - Proposed Smoking Ordinance**

Mr. Michael Gibson, Parks, Recreation and Maintenance Director, presented this item and stated the current smoking ordinance, Section 2-121, authorizes the City Manager to adopt regulations regulating smoking in or upon (1) any real or personal property or a building owned,

leased, or occupied by the City and (2) any vehicle owned or leased by the City. The proposed ordinance would allow the Fayetteville-Cumberland Parks and Recreation Department to designate specific areas to permit smoking in an unenclosed parks and recreation facility. This will include any building, structure, parcel, park, ball-field or complex of fields, tennis court, basketball court, playground, gym, athletic complex, swimming pool or other real estate that is designed for recreational use and owned, leased, operated, maintained or managed, directly or indirectly, by the Fayetteville-Cumberland Parks and Recreation Department. This will allow for the implementation of consistent policies regarding smoking throughout the parks system. The intent is to restrict smoking to designated areas in order to reduce conflict over second-hand smoke and to provide facilities to reduce litter and the fire risk associated with this activity.

Discussion ensued.

Consensus of Council was to direct staff to move forward with this item and provide designated smoking areas.

## **6.0 ADJOURNMENT**

There being no further business, the meeting adjourned at 6:10 p.m.