

MINUTES OF RETREAT OF THE
CITY COUNCIL
OF THE CITY OF SANFORD
SANFORD, NORTH CAROLINA

The City Council held a retreat at the Mid Pines Inn and Golf Club, located at 1010 Midland Road, Southern Pines, North Carolina, on Thursday, March 8, 2018, beginning at 1 P.M., in the Conference Center. The following people were present:

Mayor T. Chet Mann	Council Member James Williams
Mayor Pro Tem Rebecca Wyhof Salmon	Council Member Byron Buckels
Council Member Jimmy Haire	Council Member Norman Charles Post III
Council Member Charles Taylor	Council Member Sam Gaskins
City Clerk Bonnie Davis	City Attorney Susan Patterson
City Manager Hal Hegwer	

Mayor Mann called the meeting to order.

Financial Review (History) – (Exhibit A)

Financial Services Director Beth Kelly gave a review of the City's financial history as shown in Exhibit A. She gave a summary of the City's tax rates, fees, and services and compared them to the Town of Apex. The Town of Apex charges a vehicle fee of \$15 per vehicle as a revenue source. Mrs. Kelly explained that the County may go back to a four-year revaluation instead of six years and this would help the City. In FY 2013-2014, Lee County changed the method of the sales tax distribution and as shown on the Sales Tax Revenue chart, the City's revenue was \$3,965,663 and the County's was \$10,914,491. In FY 2017-2018, the County received \$13,669,336 in sales tax revenue and the City only received \$5,442,230. The City's sales tax revenue has increased only 18 percent (\$863,032) over nine years.

The City's available fund balance was \$11,350,750 for FY 2008 and for FY 2017, it was \$7,334,502. She needs to keep at least six months of cash in case of a disaster to pay bills. There is a decrease of \$1,495,481 in Fund Balance for 2017 because the City fronted money from Fund Balance to pay for the streetscape and sidewalk projects. We have since issued the \$2.5 million this fiscal year to replenish the Fund Balance to get our percentage increased. Comparing the City of Sanford to the group average of 56 percent, we typically have around 30 percent in Fund Balance. Our unassigned Fund Balance is \$6,499,036 with no restrictions; this is the cash that is available in case of a disaster, etc. We have a Fund Balance policy that states that the City will keep a minimum of 25 percent in Fund Balance; the target is 30 percent.

Financial Issues/Major Challenges – (Exhibit B)

Financial Services Director Beth Kelly explained that year-end budget estimates are coming in and at this point in time, it is still early to project the outcome. The FY 2018-19 budget based on FY 2017-18 budget is a shortage of \$324,733 but this does not account for any growth in ad valorem (See Exhibit B). In FY 2016-17, we only received \$256,000 in ad valorem; between the ad valorem and sales taxes, we hope to make that a zero balance; not a shortage. For next fiscal year, it appears that we will incur a 3 percent increase in health insurance costs and a 13.5 percent

increase by Duke Energy. Staff included a 1 percent cost-of-living raise and two percent merit; no street resurfacing costs were included. She spoke on the additional costs of projects listed in Exhibit B and that we need revenue sources such as, if we stay on schedule to issue the GO Bonds for the park and greenway – the annual debt payment would be \$500,000 annually; street resurfacing - \$600,000; capital for various departments-\$500,000 (police cars), public art-\$40,000; operating costs for bond projects-\$150,000; additional staffing needs; sidepath estimates and related debt payments. Additional staff will be needed once the parks are completed. Police vehicles are due to be purchased this year and she felt we need to pay cash for them and a few other smaller vehicles that will be requested; the Fire Department is also requesting a new fire truck.

Revenue Options – (Exhibit C)

Mrs. Kelly summarized some potential revenue options; a one cent increase in the tax rate would add \$250,081; a \$10 fee increase in the sanitation fees would add \$89,000; and a vehicle fee, which could vary in the amount charged. Management Analyst Holly Marosites provided Council with a list of cities that charge a vehicle fee which varied from \$15 per vehicle to \$30. A \$15 fee would provide approximately \$345,000 in revenue and a \$30 vehicle fee would provide approximately \$690,000. The state would collect the fee and send the money back to the City. The State would charge a 3.1 percent fee for NCVTS collections. The vehicle fee is a steady source of revenue.

Council recessed the meeting at 2:30 P.M. for a 15-minute break. The meeting was reconvened at 2:45 P.M.

Projects/Initiatives – List – Prioritization – (Exhibit D)

Council Members discussed various potential projects as listed on Exhibit D. Each item was discussed and considered for funding in the next fiscal year. Staff has allocated \$35,000 for thirteen wayfinding signs in Phase IV and the City contributed \$40,000 in this fiscal year's budget for public art. Mayor Mann stated that Sanford needs to be known for something and it could be public art. He would like to keep the funding in the budget for the next three to four years for public art, along with private investment. Discussion was held regarding the renovation of the Depot Building as a Visitors Center. Mr. Czar mentioned that due to the size of the building, one side of the building could be used for a visitors' center and the other side as a conference room and office. The Chamber of Commerce and the Visitors Center could be housed in the Depot building. Mrs. Kelly gave an update on the financial status of the Tourism Development Authority.

Discussion was held pertaining to enhancements to the Cole Street Parking Lot. Lighting is needed at the steps as it poses a hazard. Mr. Gaskins suggested putting up a wooden fence to hide the dumpster. Mayor Mann stated that the micro-brewery has been very successful and a lot of people will be using the Cole Street parking lot for future events. Mr. Czar stated that the cost estimate to replace the retaining wall and steps is estimated at \$400,000. Parking lot improvements for sitework, parking lot repairs, lighting and landscaping are estimated at \$450,000. Council members felt the price for the retaining wall and steps was too high. It was the consensus of Council to move forward with the design process.

Council discussed parking along Moore Street. Staff has met with the ATW railroad representatives to lease the space along the railroad tracks on the Moore Street side. The cost is \$1,500 for the right-of-entry fee and the recurring lease is \$1,800 annually. This will provide seventeen additional parking spaces along Moore Street. This project has been designed.

It was the consensus of Council to pursue the purchase of the existing blue house on First Street since this is the where the proposed greenway will be located and the City is improving the property around it. The City owns the former Love's Grocery Store; however, there are some problems with the building. It was also the consensus of Council for staff to talk with the landowner about an easement to the smoke stack and tower and to get an engineering estimate to secure the structures as a historic landmark.

The City has committed to contributing \$325,000 toward a 24-month lease on the spec building in the Central Carolina Enterprise Park (CCEP). Staff has met with Duke Energy to get a cost of installing street lights at the Colon Road/US #1 interchange to the entrance of the Industrial Park. The one-time charges of tamping, seeding, road boring, and one-time underground service charge is \$33,630. The estimated monthly fee for the lights would be \$860 or \$10,320 annually. It was suggested to talk with the County about splitting the cost.

Staff presented a proposal to install additional lighting (Exhibit D) around the Municipal Center and in the parking lots. With the high cost estimate, Council suggested to look at cutting one-half of the lights proposed by Duke Energy at City Hall.

Council discussed lowering the platform where the Council Members sit and reconfiguring it where it would be easier to see each other and know who is speaking. The cost estimate to improve the TV lighting was \$17,200.

Other matters discussed was the potential location of an additional fire department along the south side of the City. Mr. Haire suggested a joint venture with EMS to purchase the site. Mr. Hegwer stated that the cost is in the personnel to staff it.

Mr. Czar spoke regarding the staffing, fees, and maintenance of the Kiwanis Family Park Splashpad. It was suggested to charge \$1 to \$2 per person and provide a wrist band. The City will be in charge of maintenance of the park at an estimated cost of \$150,000, which the City will be in charge of cutting the grass, etc., since the County donated the land to the City. Other parks discussed were improving Horton Park; a soccer field in Kendale Shopping Center area; and a bike path behind Riverbirch as it connects to the greenway. It was the consensus of Council to design and bid the bike path and pump track and seek sponsorship.

Council recessed the meeting for dinner at 6:05 P.M. and reconvened it at 7:15 P.M.

Mr. Czar spoke on the potential roundabout or mast arm at the Wicker Street and Vance Street intersection and sought which direction Council would like to proceed. It was noted that the roundabout is safer as it is traffic calming and pedestrians walking would have more visibility. With a mast arm, individual will speed up to run a yellow light. It was the consensus of Council (with the exception of Byron Buckels) to pursue the roundabout in lieu of a mast arm.

Land Use Plan Adoption and Implementation Strategies – (Exhibit E)

Community Development Director Marshall Downey gave an update on the status of the 2020 Land Use Plan and the plan is in its final phase. Phase V will be the adoption of the plan. This plan will be the blueprint for the growth of Sanford and Lee County. This is the first step of multiple growth management tools. The remainder of the discussion focused on the next steps after plan adoption, including comprehensive update to the UDO and enhanced zoning enforcement.

Non-Profit Funding – (Exhibit F)

Council was presented with a list of non-profits and the amount they are requesting for FY 2018-2019. The City typically funds the Art Council, Temple Theatre and the Railroad House. Mayor Mann stated that at Council's workshop on Tuesday, March 13, 2018, Council will be presented a tour of the building and a presentation regarding the Temple Theatre. The Temple Theatre brings in a lot of people from out-of-town and also works with a lot of kids in the summer. Pinehurst lost their theatre and it was a huge mistake. He asked Council Members to keep an open mind that if the City lost the Theatre it would make a huge impact economically Downtown and to Sanford. He noted that Lee County needs to help participate in the funding of the Temple. The Temple Theatre is requesting \$35,000 and we typically fund them \$18,000.

Water and Wastewater Rate Model Revisions/Credit

Mr. Czar stated that there are some industries requesting a sewer rate reduction. Currently, the volume used for the calculation of the sewer bill is 100 percent of the water volume. Some industries feel it is inaccurate because they think that not all the water goes back into the sewer system and some of it evaporates as it goes through the cooling tower. They could install a sewer meter; however, they do not want to because of the cost, which is approximately \$35,000 - \$40,000. If Council chooses a reduction, the City could lose as much as \$700,000 in revenue. Coty has a sewer meter. This issue has been brought up several times by a couple of different industries. The City currently has a declining block rate structure for water, which is advantageous for industries because the more they use, the less it costs.

Staff is currently working with the new micro-brewery in town to try to determine an equitable volume to use for calculation of their sewer bill from a water meter that was installed that only serves in their brewing process.

Water Treatment Plant Expansion – (Exhibit G)

Mr. Czar presented a presentation on the water treatment plant and future expansion. The first expansion of the water treatment plant was in 1990 and the plant increased its capacity from 6 MGD to 12 MGD permit capacity. The demand for water is increasing and we are pumping more water due to the economy and increase in the population.

Other counties/cities are looking to increase their capacity, such as Pender County, Raleigh, Chatham County and Wake County. Pender County would like to increase its capacity to 14.5 MGD, which will have to be pulled from the Cape Fear, which is where the City gets its water. Raleigh is looking and studying to increase its capacity and they could pull from Jordan Lake. Chatham County is interesting in partnering with the City to solidify their future water needs which could be 6 MGD per day; Fuquay Varina's permit is for 3 MGD and is looking for an alternative

also and they may want 6.5 MGD. In order to be a regional provider, we need to consider expanding the water treatment plant from 12 MGD to 24 MGD. We need to be thinking about it now as it takes approximately seven years to get to the ribbon cutting.

Mr. Czar informed Council that now is the time to get started. It is an advantage to have a big water treatment plant; the larger expansion results in lower cost per gallon for expansion and treatment. To expand the water treatment plant from 12 MGD to 24 MGD, it would cost approximately \$60 million.

Mr. Czar commented that there is possibly some money (\$50,000 grant) available through the state to get a grant to look at consolidation and regionalization. The state likes regionalization and economies of scale. He added that the \$50,000 grant would not cover the total cost of the study, and the City may have to participate in the funding of the study.

It was the consensus of Council to pursue the grant for evaluation of consolidation/regionalization.

RECESS

Mayor Pro Tem Rebecca Salmon made the motion to recess the meeting (10 P.M.) until Friday morning at 8 A.M. Seconded by Council Member Williams, the motion carried unanimously.

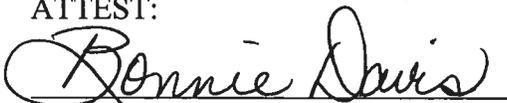
ALL EXHIBITS CONTAINED HEREIN ARE HEREBY INCORPORATED BY REFERENCE AND MADE A PART OF THESE MINUTES.

Respectfully Submitted,



T. CHET MANN, MAYOR

ATTEST:


BONNIE DAVIS, CITY CLERK