

**SANFORD CITY COUNCIL
WORK SESSION
Wednesday, May 30, 2018
SANFORD, NORTH CAROLINA**

The City Council held a work session on Wednesday, May 30, 2018, at 5:00 p.m. in the West End Conference Room at the Sanford Municipal Center, 225 E. Weatherspoon Street, Sanford, North Carolina. The following people were present:

Mayor T. Chet Mann
Council Member Byron Buckels
Council Member Jimmy Haire
Council Member James Williams
City Manager Hal Hegwer
City Clerk Bonnie Davis

Mayor Pro Tem Rebecca Wyhof Salmon
Council Member Sam Gaskins
Council Member Norman Charles Post, III
Council Member Charles Taylor (arrived at 5:10 p.m.)
City Attorney Susan Patterson
Deputy City Clerk Vicki Cannady

Mayor Mann called the meeting to order.

Budget Discussion

Financial Services Director Beth Kelly reviewed three revised options (shown on the attached Exhibit A) to the original proposed budget presented on May 15, 2018, by City Manager Hal Hegwer, and explained details for each, illustrating net changes to the budget. Discussion included the following:

- Vehicle fee: If approved, funds will be received throughout the year (since the fee would be included with license plate renewals, which are staggered). Tax Collector Mary Yow advised Mrs. Kelly that the fee would be implemented by July 1 if approved and funds would be received a few months later.
- Splashpad: The \$4,000 shown as splashpad revenue is an estimate only. Mrs. Kelly stressed that it would be open only a few months in the next fiscal year and will depend on the amount of the admission fee, if one is charged. The Park Capital Reserve Fund balance is up to \$200,000 and combining that with the PARTF grant would produce over \$500,000 toward the project.
- Greenway bond project: This project could be delayed, allowing for more potential growth and reducing costs in the upcoming fiscal year (timeline shown on the attached Exhibit B).
- Homelessness: The state awarded \$57,000 toward this project and the City may receive some funding from the county, although that is not guaranteed.
- Council Member Taylor questioned how decisions made this year will affect the following fiscal year's (FY) budget. Manager Hegwer explained that capital purchases, with the exception of those needed in the Fire and Police Departments, had been postponed and must be addressed next year. If revenue comes in as anticipated, it should provide a buffer for the following FY budget. He suggested that we budget operating revenue to offset at least \$500,000 in capital needs annually. Mrs. Kelly pointed out that her concern is that without a tax increase this year, it is likely that one will be necessary next year because capital purchases are being made from the Fund Balance and that model can't be sustained (see attached Exhibit C).

- Mrs. Kelly informed Council that all state shared revenue, including Powell Bill funds, are flat and this resulted in a loss to the City of approximately \$70,000.
- Health Insurance: Council Member Taylor suggested researching options and incentives to help lower premiums. Manager Hegwer responded that the diabetes management program implemented last year appears to be producing results and other incentives are being considered.
- Property tax revaluation: A revaluation is scheduled for next year and Manager Hegwer noted that recent investments in city will likely produce higher values and a possibility for going “revenue neutral” (when tax bills remain similar, with a higher value but a lower tax rate, and producing about the same amount of revenue for the City).
- Departments and services: Mayor Pro Tem Salmon questioned whether services had been analyzed to determine whether adjustments should be made. Mayor Mann responded that he would like this analyzed further, specifically with the Engineering Department where some reallocations may be needed to prevent delays that may be caused by growth and increased projects.
- Long-range budgeting: Longer, multiple-year budgets should be considered.
- Local option sales tax: Manager Hegwer explained that Mooresville has requested a House Bill authorizing them to hold a referendum for a \$0.25 cent sales tax; we could also consider this option.
- Public Works Equipment: Public Works Director Victor Czar gave information on a “Brush Hawk” (an all-weather C-Model, see the attached Exhibit D), a potential replacement for knuckleboom trucks. Since it is operated completely inside the cab, it can be operated even on rainy days. It has a telescoping boom, overhead window (to detect power lines) and cameras, making it much safer than the knucklebooms, which require employees to climb steps. The anticipated cost is \$211,000 compared to \$165,000 for a knuckleboom but has a ten-year life span.

Recess

A brief dinner recess was taken at 6:15 p.m. and the meeting was reconvened at 6:40 p.m.

Unified Development Ordinance

City Manager Hal Hegwer explained the County has announced that they do not plan to help fund the Unified Development Ordinance (UDO) update. The UDO serves as a tool that provides specifics on how the Land Use Plan (LUP) is implemented while the LUP serves as a blueprint for future growth showing where growth is anticipated; where we would like to see growth and higher density; where water and sewer infrastructure are located, etc. Management Analyst Holly Marosites noted that by delaying the UDO, we are delaying the benefits of our new LUP. Mayor Mann stated that his understanding is that the County wants to see a more specific cost and itemized quote. He also noted that developers and builders want a complete “playbook” on which to make project decisions based on those requirements. Mayor Pro Tem Salmon suggested this be addressed as a major priority at the next interlocal committee meeting.

Sanford Housing Authority

City Attorney Susan Patterson explained that City Manager Hegwer was recently notified that the Sanford Housing Authority (SHA) plans to convert at least three properties (Garden Street, Gilmore Terrace, Matthews Court) to the RAD (Rental Assistance Demonstration) Housing Program. The SHA has previously made a payment in lieu of taxes to the City in exchange for City

services (streets, water/sewer infrastructure, fire and police protection) but converting to a RAD would terminate this agreement and the City would no longer receive this payment, which was anticipated to be about \$45,000 next year. Manager Hegwer explained that the letter from the SHA attorney basically states that they will qualify for exemption from real property tax as a non-profit entity. The SHA currently receives funding from the federal government but they will be receiving capital from the private sector (and receive a tax credit), offering them another way to operate. He asked Attorney Patterson to research this issue and she found that it appears they will fall within the tax-exempt status. The City would continue billing them for water and sewer but not property taxes. Attorney Patterson noted that these units were built many years ago and as repairs and updates are needed, the SHA must find a way to fund those expenses with declining revenues from the federal government and this private equity is a new funding mechanism.

Additional Discussion re: Budget

After lengthy discussion on the pros and cons of each proposed budget option, the following views were expressed by Council members:

Council Member Haire expressed support for a property tax increase not exceeding two and one-half cents (\$0.025) and the vehicle tax (since those funds would be used for street resurfacing). He also noted that tax bills incorporating revaluations will not go out until July 2020.

Council Member Taylor expressed support for increasing the sanitation fee (since it is a prudent business decision to cover the cost of providing services).

Council Member Gaskins expressed support for a property tax increase (since larger industries are contributing whereas they are not subject to the vehicle fee or the sanitation fee) and for the increased sanitation fee (since it would cover actual costs).

Council Member Post asked for Financial Services Director Beth Kelly's recommendation. Mrs. Kelly stated that she would recommend a two cent (\$0.02) tax increase because it puts the City in better position for next year and covers the cost of the park project.

Council Member Buckels stated that since Sanford has a higher percentage of citizens living in poverty than many nearby communities, he does not support the vehicle fee or the sanitation fee increase (since they are regressive, affecting lower-income citizens more proportionately than higher-income citizens).

Council Member Williams expressed support for Mrs. Kelly's recommendation of a two-cent property tax increase.

Mayor Pro Tem Salmon expressed support for the vehicle fee (since it would fund street maintenance) and possibly a two-cent (\$0.02) tax increase.

There was additional discussion about how much revenue would be generated by combining two of the three proposed revenue options, since all Council members did not want to see all three options implemented. Council Member Post requested that Mrs. Kelly prepare summaries illustrating how combining various revenue options could fund certain expenditures, including a two-percent cost of living adjustment for employees (which was supported by several Council members) and how those combinations would affect the Fund Balance.

Mayor Mann noted that there was no consensus on any of the three proposed revenue options and more time is needed to review them. There was a suggestion to itemize several expenses in order to determine which revenue option Council is willing to use to fund them. He suggested that using a process of elimination would help Council reach a compromise or agreement on what would be work best for everyone. Mrs. Kelly explained that the public hearing on the budget is scheduled for June 5 but it could be rescheduled and re-advertised. Attorney Patterson explained that the hearing could be still be held on June 5 and recessed until the proposed budget is finalized and the public hearing could then be re-convened. A Special Meeting was scheduled for Monday, June 4, at 5:30 p.m. to finalize which revenue options and expenditures will be included in the proposed budget.

Other Business

Council Member Taylor stated that it may be prudent to delay any event recognizing Britt Buchanan (who finished second on the television show "The Voice") since he will be graduating from high school next week and has already scheduled four performances at the Temple Theatre. Mayor Mann confirmed that he recently met with Mr. Buchanan who advised him that he is uncertain of what he will be allowed to do before he leaves Sanford again in July. Mayor Mann suggested delaying any event until staff is notified by Mr. Buchanan's family.

Council Member Gaskins commented that the new format for City/State dinner did not provide a good opportunity to speak with our state representatives and Council Member Buckels agreed.

Mayor Mann informed Council that he would be attending the North Carolina Mayor's Association meeting next week and thanked staff and Council members for the budget dialogue.

Adjournment

Council Member Gaskins made the motion to adjourn the workshop. Seconded by Council Member Buckels, 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