

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

The City Council held its budget workshop at the Sanford Municipal Center, 225 E. Weatherspoon Street, on Wednesday, May 19, 2010, at 1:30 P.M. The following people were present:

Mayor Cornelia P. Olive
Council Member Charles Taylor
Council Member James G. Williams
Council Member Sam Gaskins
City Attorney Susan C. Patterson
Financial Services Director Melissa Cardinali
Asst. Financial Services Director Beth Kelly

Mayor Pro Tem Mike Stone
Council Member L.I. "Poly" Cohen
City Manager Hal Hegwer
City Clerk Bonnie D. White

Absent:

Council Member Linwood Mann, Sr.
Council Member Walter H. McNeil, Jr.

Mayor Olive called the meeting to order. She said that the process they have followed in the past has been to start at the beginning of the budget and go page by page and address any questions council may have concerning any issue.

Council Member Charles Taylor stated that there are several people here that want to provide input to Council and would it be prudent to allow them to speak. Mayor Olive replied that in the past, we can waive anything we want to, and this meeting has been advertised as a budget workshop. We have always had public hearings on the budget and at that time, people can ask as many questions as they want to. During the budget workshop, we have traditionally allowed anyone to come and be a participant as far as listening and then at the public hearing, they can pose any questions they like. If you would like to change that process, we will talk to the city attorney about doing it, but right now we are in a budget workshop for the council to discuss the budget.

City Manager Hal Hegwer, Financial Services Director Melissa Cardinali, and Assistant Financial Services Director Beth Kelly answered questions from council members and the mayor regarding the budget.

Council Member Gaskins asked if we record our total miles per year so we know our cost per mile for fuel prices? Mr. Hegwer replied no. We analyzed it this year and the Fleet Maintenance Department looked back at each department and made adjustments, because we felt that in some line items for fuel, they were higher than what they may have needed to be. We are seeing a rate increase of 12.5 cents for gasoline and 10 cents for the diesel. Mr. Gaskins said we obviously do not have a lot of control over what the fuel prices are going to be, but he would have a feel for how many miles and how much variance we have on that. This would help him as he looks through the budget.

Mayor Olive asked about the retiring of debt on three loans - the service center expansion, one fire pumper, and debt associated with street improvements. Mayor Olive stated

that with the economy, it occurred to her that it would be more prudent to continue to pay installments just because of the uncertainty of our ad valorem tax return and sales tax changes. Financial Services Director Melissa Cardinali advised that staff estimated we could save approximately \$25,000 just retiring those three loans and it frees up operating cash for the next three years. The City can only invest in statutory approved investments and our investments are extremely geared toward safety and not yield. We currently are lucky to earn 1/3 of a percent. Where a person could earn more on your personal certificate of deposit or any other investment vehicle, the City is limited and that is a good thing because it protects the taxpayer's money but when it comes to analyzing borrowing versus investing, the gap can be a little bit bigger. Mayor Olive asked how much longer do we have those debts? Mrs. Cardinali replied that we are paying 5.25 percent on the service center expansion with four years left; the fire pumper is 3.83 percent with three years left; and the street repairs was at 3.14 percent with three years left.

Council Member Cohen said that he just came from a local bank meeting and the corporate were there and their health insurance went up by about 28 to 30 percent and the City's went up only 2 percent. He complimented staff on keeping our health insurance way below everybody else's.

Council Member Williams stated that Mrs. Cardinali or Mr. Hegwer needs to explain to the council that sometimes the state requires us to base part of our budget on last year's expenditures. Mrs. Cardinali replied that the one thing that is required to adhere to is on budgeting ad valorem tax revenues. We cannot budget to collect next year any more than we collected last year. We can budget a lower collection rate, but we cannot budget a higher collection rate. What staff is not allowed to do or highly discouraged from doing on the expenditures side, is budget fund balance for recurring operational expenses.

Mr. Gaskins asked about the OPEB expenses, particularly, where it says help offset the costs of those expenses; are these administrative fees? Mr. Hegwer replied there are probably some administrative costs because we deal with it routinely. Mrs. Cardinali replied that prior to Mr. Gaskins joining the council, council set aside almost \$1.2 million in a trust and that trust is run by the State Treasurer's Office and it can only be used for other post employee benefits. What staff has budgeted, because we are paying every year a cost associated with the benefits for our retirees, is that we are going to take some of that money back out of that trust to cover those costs; we are basing that on the interest that is earned and the market value that we have gained on those investments. Mr. Gaskins clarified that the OPEB base part is for the retirement benefits and the other expenses are for health care issues. Mrs. Cardinali replied that we are proposing to put in the additional \$118,000 into the fund because that fund is not tied investment-wise like our hands are tied here. They can gain and get better interest. We are actually seeing that fund doing better than we can do here; so now we are saying they are doing better and take some of that money back out for the purpose for which it was intended. Mr. Hegwer said that this fund has posted some very significant gains and that is what it is there for – to pay for the benefits of the retirees.

Council Member Taylor brought up that as they get into the individual departments that he has not seen a breakdown of the salaries by department where they talked about excluding the management that was mentioned at the last council meeting. Mayor Olive said that in the past, breakdowns of the departments and what everybody was paid has been available to council; perhaps we need to get that. Mr. Taylor requested that it be broken down by non-management

versus management. Mayor Olive replied that they had them all in the list. It is easy to identify. City Manager Hegwer said the question might be how do you define management, which would dictate how you want the list. Mr. Taylor asked how do we define our management team of our current organization structure. Mr. Hegwer replied the eleven department heads. Mr. Gaskins asked is it that difficult; normally, he is used to seeing exempt and non-exempt breakdowns. Mr. Hegwer replied that what he was trying to derive at is there are plenty of people who are involved in management. We have people who are supervisors and department heads; it will clear some of it up but will not clear it up completely. Mayor Pro Tem Stone stated that what would be a helpful tool would be to know when you differentiate the two is the number of employees you are looking at as well. Mr. Stone said that for future reference even in the budget, it would not be a bad idea to have two separate line items so you will know how much you are appropriating to your management and directors every year versus your standard employees; a lot of industries do it.

Mr. Taylor asked if we have looked at our rates on building permit rates compared to our neighboring communities, both residential and commercial. Mr. Hegwer replied that we have not looked at it this year but it has been looked at in prior years. He did not remember when the last rate increase was. Mr. Taylor called attention to it because we have had conversation regarding the new state statute that allows the duration of a permit to be extended. Attorney Patterson stated that land use permits had a moratorium on expiration and she thought it was building permits and other land use permits and it is more than a year. If they were to expire within a certain period of time between two parameters, they automatically extend until the next parameter hits.

Mayor Olive said that a couple of years ago, she asked about what kind of brochures we had available to give to developers who may be interested in building in Sanford. She asked if we have ever published those brochures? Mr. Hegwer replied that the fees are published on line and he has never received any complaints. Mayor Olive replied that she has received some. Mr. Stone said that the number one complaint he gets about inspections is the fact that out-of-town developers do not know who to call. He said that we should put a list of contacts on the back of the permit fee, so they will have a number to call if they have an issue. Mr. Taylor said that we may want to communicate that in the governmental section of the phone book to detail it more. It might be advantageous for us to pursue having them include more detail for commercial and residential permitting.

Council Member Taylor said this is the reoccurring annual question regarding the golf course. The cart fees actual were at \$205,000; the 2010 projection was \$174,000 which is a significant drop. The recommendation is \$189,000. He asked what are we attributing that volatility to this time? Mr. Taylor said that we have an increase in tournament revenue, which is an increase over the 2009 figures. He asked staff to explain the variance between those two lines. Mrs. Cardinali replied that primarily the golf course is extremely hard to forecast because when we are looking at their revenue numbers, it is the worst time of year for them. We start looking at the numbers in February, which is when the course could see bad weather. She hoped the numbers were low because she felt we have had a very good March and April at the course. They are limited as to how they can come back and adjust the numbers and get this publication to Council. Based on what staff has seen before and trying not to be overly anxious, they felt the cart fees of \$189,000 showed growth and improvement but were not overly zealous when going back to the prior year. Mr. Hegwer added that it is so weather dependent; it takes two to three

day of rain with the soils we have. Mr. Taylor said that one thing they have seen in the past is the factor the tournament rounds are included in our total rounds played. In many times, we are leasing the golf course basically on a daily basis for a tournament at a reduced rate. He said that we still see those figures; a breakdown of what is generated revenue wise off of tournament and what rounds are generated off of the tournament versus what rounds are played off of membership, where someone pays \$500 a year. He added that if somebody pays \$500 a year and plays every day of the week for 365 days; obviously, they are getting a lot of money out of that. He wants to see a breakdown of how the revenue is generated, whether it be off of tournament play and if tournament play, how many rounds were contributed in that tournament play. Mrs. Cardinali replied that she thought we could get tournament revenue. The tournament revenue on the sheet is Brick City tournament only. She can talk to Mr. Von Canon about it. Mr. Taylor said that if we cannot get that information, we have serious problems not being able to determine our cost per round and what it is costing us in other areas, expense, gas, and labor content.

Mr. Gaskins said that for the volatility and the cart fees, this has probably been one of the worst winters for anybody to play golf. This year's values would be an aberration because it was just impossible to get out to the course. Secondly, people who are involved in tournaments, regardless of whether or not they have annual memberships, are also paying the fee. If you pay to get into the tournament, you are also paying the regular fee.

Mr. Stone stated that it is \$.18 a swing. Mr. Cohen said it is a quality of life issue. Mr. Taylor said it is just a matter at what price you want to pay for that quality of life issue. Go to a privately owned golf course, and they can tell you down to each round that is played, what rate they were paid at. It should be treated just like any other business within our city. Mr. Cohen said it is the biggest value around; the municipal golf course is a great course.

The workshop was recessed at 2:45 p.m. for five minutes.

Mayor Olive reconvened the budget workshop.

Council Member Taylor asked about the Martin Luther King Park donations and what is it going to take to complete this project. He understands the donations are not coming in as we anticipated, but we started a project and to be honest, he did not think that many of them have donated to this project. Mr. Hegwer replied that not too long ago, council adopted an ordinance to revise the budget to include some additional funds to help fulfill it. There have been a lot of in-kind contributions and it is one of those projects that we have moved slowly on because of the economy. We had to wait on many of the contractors to work around their schedule when they could provide those in-kind donations. We will get an update on the project.

Council Member Williams stated that General Services Director Tim Shaw told him that they were waiting on the lights and they have been ordered. Mr. Cohen said that he thought Council recommended giving \$35,000 to complete the project. Mr. Taylor said that it was pointed out that donations would be coming in and we are still lagging on donations. Mr. Williams replied that Mr. Shaw said it was not a revenue issue. Mayor Olive said that's if the City pays for everything and we do not have any donations to defray the costs. Mr. Taylor said this was originally some involvement from the community and community involvement to kick in some money also. Mr. Hegwer said that he would get a dollar value of the in-kind

contributions and donations that have been made. Mayor Olive said that still it is a lot of cost to the City that we have absorbed because the donations have been sort of tricking in. Mr. Williams said that the cost to the City has been paid by the taxpayers, so everybody pays taxes and he did not see the big deal.

Mr. Gaskins said there has been a tremendous jump in the departments over the last several years. He has only been on the council for a few months but there are a lot of explanations he needs to hear as to why we have such a tremendous jump in the matter of a couple of years. Mrs. Cardinal suggested that it would be easier to look at each department individually, because sometimes it is capital related such as the Shop Department. The Shop Department has expenses and then they charge out parts and fuel. We budget them at the total costs, but what she is reporting on her financial report will be net of all of that. That is not really apples to apples in that particular case. For example, police patrol cars are on it every other year. Mr. Gaskins said that there are certain aspects of each department where there are large jumps, such as training, printing, and supplies.

Mayor Olive asked what the contaminated soil cleanup ended up costing the City and has the rest of that soil been hauled away. Mr. Hegwer replied the State came back and looked at where we cleaned up. They wanted a little more cleaned up and that has been piled up into a pile. He told council to feel free to look at it. They were here one day this week and they felt that when what we had accumulated was hauled off, they would come back and check and we will be done with it. Staff is getting prices to haul it off. Mr. Taylor said that in the first phase of cleaning this up, we had a set figure that it cost us and we were able to accommodate that fee; was it due to a vacant position and can we explain the rationale behind the almost \$100,000. Mr. Hegwer explained that it was a little confusing because where the material was placed was actually on the compost facility. As a result of the inspection of the compost facility, it was recognized that this material was there and we needed to remove it. That material was placed there through the Street Department. It was funded from the Street Department; there was a position vacant for a while. Mr. Hegwer thinks that it may cost an additional \$10,000 to remove the street sweepings. They are evaluating the budget to see if it can be done this year; if it can't we will come back to Council with a budget amendment or we will take care of it in the next fiscal year. The State gave us until the end of July to get it removed and cleaned up. You will see some additional cost in the Street Department in the future for that because we will be collecting that material and hauling it off. Mrs. Cardinali felt that part of the money used was from street lighting because we did not have the capital cost incurred that we had budgeted because we were waiting on Progress Energy. The Street Department had funds available because Progress Energy was held up. Mr. Taylor said that disconcerting to him is that we can come up with \$100,000 in one department to take care of a need like this very quickly. He did not know if there was any other way of tightening our budgets up, but it is very dejecting to him that we could come up with that amount of money, whether it is from positions, etc. Mr. Taylor said that we can take care of that without a budget amendment before it was already committed that we were going to use those resources; this is what his problem is because council did not know about this until after the work was somewhat completed. It was paid for using the things the council voted on to be spent specifically for. Mr. Taylor said that a lot of room in the budget leads to a \$1 million surplus.

Mr. Hegwer said that staff could have gone to Council with a budget amendment but we did not feel we needed to do that because there was enough money to take care of it. Mr.

Hegwer said that we do not just spend money for something we do not need. Mayor Olive said that in the future if there is a situation in which we have contaminated soil or something else on city property that is going to require almost \$100,000 to correct it, this council needs to know about it.

Staff answered questions by the council members regarding the different line items in the various departments. Mrs. Cardinali explained that one of the things that the Finance Department has to do is to monitor the other departments and their budgets. They are not legally allowed to go over their bottom line, so while it may be okay to go over one line, they cannot go over what they are allotted for their department total. They do not have a lot of flexibility because it may not be in the private industry that is a problem, but we will get reprimanded by the state. Staff encourages them to budget carefully and to make sure they know it is there because if they go over on one line, they are going to have to take it from somewhere else. Mr. Gaskins said that in private industry they are held to a very tight regimen and it may not be a reprimand from the state; however, it might be a pink slip.

Mayor Olive asked council members to send City Clerk Bonnie White their preference for meeting next Monday or Tuesday night by 10 A.M. in the morning.

ADJOURNMENT

Mayor Pro Tem Mike Stone made the motion to adjourn the meeting. Seconded by Council Member Charles Taylor, the motion carried unanimously.

Respectfully submitted,

CORNELIA P. OLIVE, MAYOR

ATTEST:

BONNIE D. WHITE, CITY CLERK