

LAW AND FINANCE MEETING  
Wednesday, March 14, 2012  
1:00 P.M.  
Council Chambers

The Law and Finance Committee met on Wednesday, March 14, 2012, at 1:00 P.M., in the Council Chambers at City Hall. The following people were present:

Law and Finance Committee:

Mayor Cornelia Olive	Council Member Rebecca Wyhof
Mayor Pro Tem Sam Gaskins	Council Member Walter McNeil, Jr.
Council Member L.I. (Poly) Cohen	Council Member James Williams
Council Member Jimmy Haire	Council Member Charles Taylor
City Manager Hal Hegwer	City Clerk Bonnie D. White
City Attorney Susan Patterson	

Mayor Olive called the meeting to order.

Consider Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2011-2012 – (Exhibit A)

Public Works Administrator Laura Spivey advised that this ordinance pertains to Round 2 of the State Energy Office grant that we received for the lighting retrofit and HVAC projects. The ordinance transfers \$1,144 from the General Fund to Public Building. These are unspent funds which were not needed to upfit one of the buildings in Broadway. The ordinance also transfers \$9,309 from Public Building into Contingency which is part of the matching funds that were not needed for the project.

Consider Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2011-2012 – (Exhibit B)

Financial Services Director Melissa Cardinali explained that this ordinance transfers \$3,000 from Contingency to the General Services Department for unexpected vehicle repairs and a disaster response course attended by General Services Manager Tim Shaw. Mr. Shaw was asked to attend to discuss our experiences with the tornado last year.

Consider Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2011-2012 – (Exhibit C)

Financial Services Director Melissa Cardinali explained that this ordinance appropriates funds to various departments for interfund reimbursements and funds to the golf course to budget expenditures for anticipated potable water charges (\$31,500) for the year, for interfund reimbursement (\$26,024), and installation of energy efficient lighting (\$871) since it is treated as an enterprise fund. She explained the ordinance in detail as listed on Exhibit C.

Consider Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2011-2012 – (Exhibit D)

Information Systems Director John Clayton stated that this ordinance transfers \$6,750 from the Legal Department to the Governing Body for the purchase of Ipads for council and the city clerk. Mr. Clayton asked council members to let him know if they do not have a wireless a router.

Consider Resolution Directing the Clerk to Investigate a Petition Received Under G.S. 160A-31 for Voluntary Annexation of 47.38 Acres of Land Located at the Intersection of Tramway Road and Jefferson Davis Highway/U.S. 1/15-501– (Exhibit E)

Community Development Director Bob Bridwell said that over a year ago, staff received a preliminary plan for the design of a retail facility at the intersection of Tramway Road and Jefferson Davis Highway/US #1-15-501. Staff reviewed the plan and gave them some recommendations and they have submitted a second plan. The proposed plan now is for retail and a potential shopping center in the back part of the facility. He did not believe any leases have been signed. This resolution directs the city clerk to investigate the sufficiency of the petition before further annexation proceedings take place.

Consider Discussion of Policy for Funding of Non-Profits in FY 2012-2013 Budget and the Use of the City's Golf Course

City Manager Hal Hegwer stated that there was a request to bring back a policy for funding of non-profits in the upcoming budget along with discussion concerning the use of the City's golf course. He said that this was discussed at last year's budget and a proposed plan was presented to council members at that time.

Attorney Patterson advised that she prepared a proposed plan in 2010 because there was discussion about whether the City needed a policy/process for considering non-profit funding by the city. At that time when Council considered it and based on information acquired from other jurisdictions, staff put together a resolution establishing an application process and an evaluation sheet for Council to use to determine funding because each decision on whether to fund a non-profit or not, comes down to Council making a decision. It needs to be looked at on a case-by-case basis. The Council, at that time, chose not to enter into the collection and evaluation of data and the analysis because it comes down to Council making a decision anyway. Attorney Patterson said she still has the drafts of the documents she put together in 2010 if Council is interested and she has copies for council members that would like to have one.

Attorney Patterson said that regarding the request from Central Carolina Community College (CCCC) to hold its annual golf tournament, she has been told by the golf pro that in the past CCCC chose sites throughout all of the surrounding counties in which their campuses are located and they rotated the event at some of these golf courses. However, we have put some effort and energy into the City's golf course and have gotten it up to being a high quality, caliber course. CCCC is interested in having its golf tournament held at the Sanford Golf Course.

Attorney Patterson stated that because Council voted, on the recommendation of Mr. Taylor, to look at more of a broad-based policy issue, Mr. Hegwer asked her to pull out the draft of the document from last year. She said that Council has to remember that for the City to fund

anyone, it has to be for a public purpose and the money has to be spent for authorized purposes by the non-profit.

Council Member Taylor said that things have changed. Last year, they put the golf course in an Enterprise Fund as opposed to the General Fund where it has to show a profit/loss. It would be outrageous if Council had taken a vote on this issue without having a policy in place because we have put parameters by which the golf course has to operate, and we are going to turn around and give it away without having any structure as to how we give it away. It would open up a plethora of organizations such as the Band Boosters, Athletic Booster Clubs, and also open up the non-profits that have current golf tournaments. Mr. Taylor said that he has spoken with some of the golf course owners and we would now be competing with private enterprise because we are giving away an entity they have actually paid for when they were at other sites over the years. They paid for it to be at Carolina Trace and Quail Ridge; and now we are competing with them. It puts us in a very precarious situation on whom we choose and who we don't choose. He did not think it would be fair to put the golf course in that situation and also compete with private industry. He understood last year, as it was a milestone year for CCCC – it was their 50<sup>th</sup> Anniversary; we did not anticipate this request coming back again.

Mayor Pro Tem Sam Gaskins said it was in 2010 when he first brought this issue up of funding for non-profits. He stated that we know that charitable organizations are trying to do good for the community. It was brought about because the Boys and Girls Club was running into serious financial problems. Before Council agreed to help non-profit organizations, he felt Council needed to know their financial information because we did not want to put money into something that would turn around and immediately flop. He said he would like to look at how their board of directors is contributing because if the board of directors does not support the non-profit, there is no reason for the City to support it. There needs to be something in there that would indicate how the non-profit would support how they help the City financially. He does not necessarily mean dollars and cents, but there are certain obvious things for example, the Temple Theatre. Seventy percent of the people who attend the Temple Theatre are coming from outside Lee County. We do not need much more than that to understand that they are bringing in money into the City and helping considerably. The Boys and Girls Club have a phenomenal record for keeping young people out of trouble which has helped our Police Department. Their statistics at that time – two years ago – were 14,000 kids who have gone through with four arrests out of 14,000 kids and those four kids were appointed to the club through from the court system in the first place. Unfortunately, the CUOC were running into some serious problems in which they lost an air-conditioning system which was going to cost about \$20,000. In this instance, the CUOC is helping things that would typically fall in the Department of Social Services which is a County function. The Council decided not to help the CUOC and if we had a set of policy parameters it would be clearly outlined and you would not have somebody coming back saying you gave money to them and did not give money to us and we want to know why. If we have an established set of parameters it would help Council make that decision.

Mr. Cohen said that we presently give the Temple Theatre, Lee County Arts Council, and the Railroad House some money. It is at the discretion of the Council to give what and where and how much. Mr. McNeil brought that up the first time we discussed this issue. He felt we do not need to go through having parameters because he feels the Council is smart enough to figure

out who needs money. In regards to CCCC and the tournament last year when they met with the golf pro at their planning sessions, the golf pro said we made money on that tournament because they bought all their prizes from the pro shop and a few people felt they did not need to pick up their prizes. People will come back during the year and play again at the golf course from the tournament.

Council Member Haire added that Golf Pro/Manager David Von Canon told him that they bought \$3,000 of merchandise. If they would have paid to play it would have been about \$20 a person, so if 150 people play at \$20 that would be about \$3,000. Mr. Von Canon told him that a lot of people came back that had never been exposed to the course. To a certain degree, they are trading it out instead of paying for it because they repaired the train for the City by welding on the train.

Council Member Wyhof said she wanted to make sure we are equitable and fair to any other non-profit and that we have some clarity as to what our position is on how we are making these judgments. She is willing to separate these two issues: the golf course being an enterprise versus our funding of non-profits. There is some type of difference between the quasi-governmental situation that the community college is in that is different from the other 501(C)(3)s.

City Attorney Patterson advised that one of the rules that govern the City and many of its aspects had exceptions for things called interlocal governmental agreements. There are categories of entities that are different. Non-profits are technically private corporations set up to do non-profit work under Chapter 55. The City of Sanford, County of Lee, and Town of Broadway, the school board, the community college to some extent, and the ABC Commission are different. They are governmental-type entities under the State of North Carolina rules. They are different than a general business non-profit. This would be significant because we are allowed to enter into exchanges with intergovernmental agreements, buy and sell, transfer property, etc. without having to follow the same sort of bidding process that we do for other agencies. Encouragement of interlocal cooperation is something that occurs quite often. Whether Council decides to do this or not, is entirely up to Council.

Council Member McNeil stated that we now give the middle and high schools the opportunity to play at the golf course and we do not charge them anything. So, why should we charge the community college? Some of the people who are playing golf at the community college that would be playing in the tournament, are members of the golf course. He did not think that these people would grumble about us bringing people into town.

Mr. Hegwer said that we do not have a structure at the golf course that allows us to be creative. For example, you have a set rate and if a tournament comes, we have a tournament rate. We do not have some of the flexibility that some of the other courses have for their golf courses because it is owned by the government.

Mayor Olive asked what kind of direction do we need to take now. Mr. Hegwer replied that there are two issues. One is the non-profit policy for the upcoming budget and the second is how we deal with the golf course issue. The golf course issue was tabled from the Council

meeting. Attorney Patterson said that at Council's next meeting, it would have to be brought from the table for discussion.

Mayor Pro Tem Gaskins suggested that we first cover the policy for non-profits at the next meeting. He said the policy needs to be distributed so that council can review it and make modifications if necessary. This would be discussed prior to the approval for the golf course for CCCC's request. He would like to see both of these issues on the agenda.

Council Member Taylor said that he would like for us to talk to other municipal golf courses and find out what their policies are within their realm. He said that CCCC can still promote this golf tournament because it is in September. He felt we did not need an answer on Tuesday.

Mr. Gaskins felt that he wanted the policy to come up Tuesday evening because the worst case scenario is people feel they need more information, and we simply table it.

Mr. Hegwer said that we will see what other golf courses are doing; we will have a policy to discuss and vote on it if everyone feels comfortable and then bring the issue of the golf course up.

Consider Discussion of Change in Sales Tax Methodology – (Exhibit F)

Financial Services Director Melissa Cardinali presented Council with a handout explaining the potential impact on the City of change in sales tax distribution to ad valorem method. She said that there is a lot of discussion now regarding the potential change in the methodology of distributing sales tax within the county. Currently, the sales tax is distributed within the county on a per capita basis and the potential change could be to ad valorem method of distribution. These are the only two methods allowed under the General Statutes. If the distribution is changed to an ad valorem method, the City of Sanford's distribution stands to be cut by 27.4 percent or \$1,340,000. That \$1,340,000 equates to almost 6.27 cents on our tax rate.

Mrs. Cardinali explained that the per capita basis of distribution takes the population for the county, the population for the cities within the county (Broadway and Sanford) and proportionately distributes the money based on the number of people living in the county and within the City of Sanford and the Town of Broadway. The ad valorem basis of distribution would take the tax levies; so the greater the value of the land and property within your jurisdiction the more of the distribution you would receive. All that is within Broadway and the City is in Lee County so they get credit for that ad valorem levy as well. Mayor Olive added that this includes all the industries and industrial park.

Mrs. Cardinali said that when you are talking about addressing 6.3 cents on the tax rate, it will take a combination of tactics to address that revenue loss. We will have to consider service level reductions and that is difficult because over 52 percent of our General Fund budget is directly related to public safety. We may have to look at our capital improvement plan and how fast we address major capital improvements and we would also need to consider some increase in the ad valorem tax rate.

Mrs. Cardinali said that the North Carolina Department of Revenue, until the last two years, used to put out a report that said this is what the sales were within the county and then beyond that, this is how much of those sales were generated within each municipality of that particular county. They no longer do this but the last report they did showed that 81 percent of the sales taxes collected were within the City limits and of that 81 percent, the City received just over 35 percent of those sales tax collections. The majority of the sales taxes for this area are generated within the City limits. She also stated that half of the population of Lee County resides within the City limits of Sanford; so changing the sales tax distribution would have a direct negative impact on those county residents.

Mayor Pro Tem Gaskins said that the property taxes which are already collected by the City and the County, by definition are the ad valorem taxes and are distributed as such based on property tax value. The sales tax, which is predominantly collected by the City - based on the latest figures of 81 percent, is distributed disproportionately to outside the City limits tax; so the County is already reaping benefits from the City's collection of sales taxes. They want to change it to the ad valorem which is already how they collect most of their taxes. So the City would end instituting a "Womack tax" of 6.3 cents per \$100. Broadway would even have to institute a "Womack tax" even greater. Over half the County residents would be paying an increased "Womack tax" no matter what they do.

Council Member Haire asked which method is most popular statewide. Mrs. Cardinali replied there is a mix. She said that counties can elect to change the methodology every year in the month of April.

City Manager Hal Hegwer stated that this is the rules that we have lived by for years. If this changes, this is something we have to think about how our philosophy might be in the future. Keep in mind that you have ways to balance some of that out over time. He said to remember that the City owns and controls the water and wastewater treatment plants, all the utilities located in the City and the County, and economic development, without that, is impossible. There are ways we can look at things and how our policies are going forward.

Council Member McNeil suggested having some information placed on the television station explaining this issue.

#### Other Business

Council Member Taylor said that he has looked up the website for CCCC and the golf tournament has been booked at the golf course for this tournament.

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

#### ADJOURNMENT

Law and Finance Committee Meeting  
March 14, 2012

Having no further business to come before the Law & Finance Committee, the meeting was adjourned upon the motion of Council Member Rebecca Wyhof, seconded by Council Member Walter McNeil, Jr., the motion passed unanimously.

Respectfully submitted,

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Cornelia P. Olive, Mayor

ATTEST:

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Bonnie D. White, City Clerk