

MINUTES OF THE CITY COUNCIL RETREAT
OF THE CITY OF SANFORD, NORTH CAROLINA
April 17, 2013

The Sanford City Council held a retreat on April 17, 2013 in the West Conference Room at the Sanford Municipal Building at 8:30 A.M. The following Council members were present:

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| Mayor Cornelia Olive | Council Member Poly Cohen |
| Mayor Pro Tem Sam Gaskins | Council Member Jimmy Haire |
| Council Member Walter McNeil, Jr. | Council Member Rebecca Wyhof |
| Council Member Charles Taylor | Council Member James Williams |
| City Manager Hal Hegwer | Deputy City Clerk Janice Cox |
| City Attorney Susan Patterson | |

Mayor Cornelia Olive called the meeting to order.

The retreat discussions included the following:

Budget – (Exhibit A)

City Manager Hegwer stated that the change in sales tax distribution is a big issue facing the city this year. Council needs to give directions about putting the budget together. Mayor Olive stated that what we are going to do for the deficit for this year needs to be addressed, as well. Mayor Olive asked to include talks about the fund balance, too.

Finance Director, Melissa Cardinali presented a report on the Fiscal Year 2013-2014 Budget. She stated that budget requests have been received for next year from the departments, and, basically, they are asking to continue their current service levels. She reviewed the information in for the FY 2013-2014 Budget. (Exhibit A) Included in this budget are: new unemployment insurance charge out method; new retirement rates; increase in inspection fees of 15%; new fire fees of \$62,000; change in sales tax distribution method; interlocal agreement structures same as FY 12-13; and impact of new waste contract.

Outstanding items – impact unknown; include tax and tag program for motor vehicle taxes; potential replacement of electric franchise with a sales tax; and elections—required primary at \$30,000 to \$35,000, but would double if there is a run-off.

The city's expenses with the increase in health insurance premium were avoided by being passed to employees (\$168,000).

Mrs. Cardinali reviewed a five-year history with an overview of budget impacts which included: loss of interest income of \$540,000; loss of privilege license revenue of \$350,000 plus growth; reduction in tax rate of 1 cent in FY 08-09; inability to fund annual required street maintenance, resulting in borrowing funds to try and keep up paving; four frozen positions; and no merit pay has been funded for five years. She presented charts to demonstrate the city's change in fund balance and impacts of revenue losses with varying tax rates.

The city assumes an annual estimated loss due to a change in sales tax distribution of \$1,400,000; cost for annual paving requirements of \$800,000; annual cost of living = \$149,000 per 1%; annual merit of 2.5% to be \$185,000; a voluntary retirement would generate approximately 1 cent on the tax rate; and a \$25 increase in waste management fee = 1 cent on the tax rate. Refer to charts and other information in Exhibit A. The change in Fund Balance is indicated by the figures: FY 2007 - \$2,436,216 and FY 2013 Projected 650,000. There is an anticipated loss of almost \$270,000 in sales tax this year.

Mrs. Cardinali explained that you cannot budget more than collected for the last year. There was discussion about how long to leave positions frozen.

Mrs. Cardinali discussed how the fund balance had been chipped away and expressed the need to decide where to start with planning the new budget. The logical place to start seemed to be to at least make up for the almost \$1.4 million we think is going away plus another \$800,000 that we really need to put into paving every year just to maintain. She reviewed the Optional Impacts of Revenue Losses on the chart in Exhibit A. This demonstrated, in part, that a tax rate of \$0.51 would mean cutting 22 positions; a tax rate of \$0.56 would mean freezing 2-3 positions; and a tax rate of \$0.57-\$0.60 would have no impact on personnel. A voluntary retirement would generate approximately 1 cent on the tax rate. A \$25 increase in the Waste Management fee would equal 1 cent on the tax rate.

Human Resources Director Christy Pickens stated that there are 15 employees eligible for retirement with full benefits. City Manager Hegwer stated that we would be doing good to get 10. Mayor Olive asked what the benefit's package is for retirees. Mr. Hegwer stated that full retirement is they have paid into the state retirement system and are eligible for retirement payout after 30 years. The city has contributed a percentage to their retirement program. If they do not have 30 years in the program, they are not eligible for full retirement. The city covers their insurance until they are 65. Concern was expressed for employees who are basically working for the insurance and who have to take extra jobs on the side to make ends meet. Mrs. Cardinali explained that every penny increase in the ad valorem tax rate will affect the distribution of sales tax. Mr. Hegwer explained that the waste management fee only covers 50-60 percent of the cost of that service. The only people who benefit from that service are the city residents. Council Member Wyhof suggested having two lines on the tax bill to show a decrease for the cost of trash pickup and add a fee for leaf and limb pickup.

Mrs. Cardinali called attention to the last slide (Exhibit A) that showed the ad valorem tax rates of other towns in North Carolina and Sanford's rate was not high in comparison. City Manager Hegwer stated he would like direction from Council on how to proceed—whether to get the needed funds through fees, tax rate increase, or other methods. Council Member Williams stated he was in favor of a combination of all of them. Mayor Pro Tem Gaskins agreed with Mr. Williams and not adding positions in the Police Department before the end of the year. Council Member McNeil stated that council should look at raising taxes because the county is taking money from us. If the public sees they are going to have to pay more taxes because of the revenue not distributed from the county, they will understand the position the city is in. Council Member Wyhof asked if there were things the city could be doing now to prevent more revenue

problems in the future. Council Member Taylor stated that might mean spending a little money to get us in a good position for the future. Mrs. Cardinali stated that one department is requesting an electric car next year to see how that works. The Golf Course is proposing a different fee structure for next year and their contribution from the General Fund for next year would be \$55,000.

Mr. Hegwer explained that a look at how the city is growing is important. With that in mind, there are things that, investment-wise, we need to be doing in terms of water and sewer infrastructure to help us grow in a certain way. He said there will be a study of the water and sewer system we now have. It is important for growth areas to have police and fire locations in a position to serve them.

Referencing the estimated loss of \$1,400,000 due to a change in the sales tax distribution, Mayor Olive stated that this is a very strong government and we are not a wounded bird that is crippled because of actions taken by another government. She explained that while it is making us be extremely inventive, we have to move forward; we can't continue to belabor what has happened. She stated that nobody wants to raise taxes, but, unfortunately, we are in a position to have to do that. She stated that we could not deplete our work force because we are a service-directed agency.

There was a discussion about raising the solid waste fee and raising taxes. Council Member McNeil stated taxes should be raised just one way, not two. Council Member Taylor wanted the changes advertised so people would understand and he thought the Public Information Officer would be a good way to get the message out. Mayor Pro Tem Gaskins stated that he thought it would be best to charge just one tax, not two. Council Member Cohen expressed that people are looking for recreational areas. Council Member Wyhof asked if there was any possibility of sweepstakes providing revenue sharing for the city. City Attorney Patterson replied that the legislature has introduced a bill legalizing and regulating sweepstakes. It would allow for taxation at the state level as well as allowing counties and cities to tax them. It has been introduced and is moving, but it has not passed through either house yet.

Council Member McNeil asked how personnel and insurance would be impacted. He asked about raises for staff. Mr. Hegwer reviewed the chart in Exhibit A showing the impacts of revenue losses and what differing amounts of increases would mean to the budget. Council Member McNeil noted that later on, with new people on board, the sales tax distribution could change back. Mr. Hegwer pointed out that could be possible in light of a sales tax increase. Mr. McNeil stated that this board has reduced taxes over the years when they could. Mrs. Cardinali stated they would probably present to the council a \$.05 -\$.06 increase on the ad valorem and implement a voluntary retirement program.

Council observed a ten minute break.

Golf Course

Council Member Taylor stated that he wanted the city to retain the golf course as it is an asset to the community. He stated that we are continuing to spend money at the golf course—a recreation. He mentioned that an Asheville golf course was impacted by weather and they did a

seven-year lease agreement with a revenue sharer. (Some leases are for five years.) That might be a possibility for Sanford as it could get us to the point where we are making money on the golf course and still providing the service. Another option might be to make it a free golf course. He stated that we could lose less money by making it a free golf course for recreation. He wanted Golf Pro David Von Canon to put together a presentation first. Mr. Taylor stated he would like to see what we could do at the golf course to maximize the benefits to our citizens. Mr. Taylor stated that nationwide, the trend is for municipal golf courses to enter lease agreements to manage the golf courses. Council Member Wyhof stated that she thought a conversation should be started with Golf Pro David Von Canon to see what he thought about it. She agreed that available options should be kept on the table. Mr. Taylor thought the city should maintain rights to the golf course and the ability to take it back if it is not maintained to standards. Mr. Hegwer stated there are people who want it to be free like the greenway or a park. Council needs to decide if they want it to be a money maker or purely recreational. Mayor Olive stated that council has to consider the golf course with the loss in revenue and consider cuts.

Wastewater—(Exhibit B)

Public Works Director Vic Czar reviewed a wastewater master plan. (Exhibit B) Mr. Czar stated that the planned development known as The Marketplace at Tramway would require a pump station. The pipes currently in place are too small and the demand would be asking the system to do more than they are designed to do. Consideration should be given to who will pay for these changes. Community Development Director Bob Bridwell stated that we can put it in to attract growth in that area, explaining that sewer is a significant driver for growth. It is important to be ready for growth and a plan is needed to take care of potential problems.

Mayor Olive asked if we would be able to treat fracking water instead of having pools. Mr. McNeil asked what would happen when the property is abandoned. Council Member Taylor stated that the intent is not to transport the water, but to treat it on site. Mr. Czar stated that our system can handle the volume, but would it would need pretreatment. It would be important to keep the fracking water out of the river and drinking water.

There was discussion regarding where sewer lines would go and how to prepare for growth in areas you want to grow and determining areas for residential development and for industrial development. Possible impact fees and sewer fees would be looked at. Mr. Bridwell stated that consideration should be given to the long term viability of the city.

Mr. Czar stated that there is \$100,000 included in the Utility Fund in next year's budget to hire a firm to come in and complete a water study.

Bonds

There is the potential for a General Obligation Bond referendum for such items as Green way (\$5,000,000; Streetscape for Sanford (\$5,000,000) and Jonesboro (\$1,500,000), Sidewalks (\$2,000,000); Recreation (\$2,000,000); and Public Safety Building (\$6,000,000) for a total \$21,500,000. In the discussion about recreation, a splash park was considered to appeal to infants and preteens. The accomplishment of these goals could change the nature of the city.

Mr. Hegwer explained that encouraging growth in particular areas would be less costly in providing services. It could mean having four fire stations instead of five, etc. Council Member McNeil stated that you would need to decide whether you wanted to grow residentially or industrially. He stated that industry would pop up around the airport if the infrastructure were in place.

Council Member Haire asked if all of the items listed for the General Obligation Bond would be considered together or split up.

Space Needs

Public Works Director Czar stated that he expects a final report on the Public Safety Building soon. The Police Department now located downstairs of the Sanford Municipal Building has 18,000 square feet of space. Their current space needs are 27,000 square feet. The flow of the space downstairs is also an issue. The \$6,000,000 is just for a new building. It does not include any retrofitting for the space downstairs.

Finance Director Melissa Cardinali explained that the public would have to know what the bond money is for, so all the projects would have to be listed with the amount of money for each. The vote could be for individual projects or for all together.

Mayor Olive asked about building a community center such as was built in Spring Lake which seems to be used a great deal.

Council Member McNeil stated that if the city was going to expand, the money for a new fire station might need to be included in the bond. Mr. Hegwer stated that some areas don't have equitable coverage and how the next fire station is placed needs to be studied. Growth is needed to help pave the way. Council member Haire asked when the deadline is to get this on the ballot in November. Mr. Czar stated that the Board of Elections needs the resolution by July 19 to get it on the referendum.

Council Member Taylor stated that the majority of calls the fire departments respond to are wrecks. He suggested there might be a simpler solution of dealing with wrecks.

Council Member Haire asked how the items would be listed on the ballot. Council seemed to favor listing projects separately. City Attorney Patterson stated that Council would have to decide how to handle a "no" vote on an issue they might have to move forward with anyway. Mrs. Cardinali stated there were some other avenues that could be used in that case.

Council plans to meet again in retreat on May 1 at 8:30 A.M. Council Member McNeil expressed the need for a budget meeting.

Council Member Poly Cohen made the motion to adjourn; seconded by Council Member Rebecca Wyhof, the motion passed unanimously.

Respectfully submitted,

Cornelia P. Olive, Mayor

ATTEST:

Janice Cox, Deputy City Clerk