

BUDGET WORKSHOP OF THE
CITY COUNCIL OF THE CITY OF SANFORD
SANFORD, NORTH CAROLINA

The City Council met at the Sanford Municipal Center, 225 E. Weatherspoon Street, on Monday, June 17, 2013 at 4 P.M. in the Council Chambers to hold a budget workshop. The following people were present:

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

Mayor Cornelia Olive called the meeting to order.

Mayor Pro Tem Sam Gaskins thanked the city staff and the city manager for the work they have been doing to identify various means to minimize the burden on the taxpayers of the City of Sanford while wrestling with the loss of \$1.6 million in sales tax revenues over these fourteen months due to the change in methodology of sales tax distribution by the county commissioners from per capita to ad valorem. The city manager and finance director have been working diligently to find possible ways to maintain the city's tax rate at \$.54 per \$100. They have answered questions for him immediately. He said the fund balance at \$9 million is only a four-month reserve. Mr. Gaskins stated that as the county reduces their property tax rate by \$.03 with part of our sales tax revenues, (diverted from the city), that our taxpayers will realize a reduction in their tax bills or for those who have had a substantial increase in their property evaluations, the tax increase will not be as drastic as they fear. Mr. Gaskins said that he has spoken to most of them individually and asked that they listen carefully to the results of what the city staff has been doing to make every effort to maintain our tax rate at its current \$.54 and possibly hold off the bond issue for another year. Most of the departments have cut back and what staff has done is truly remarkable.

Council Member Charles Taylor stated that last week after the meeting, he got some clarity from the city manager regarding his request for this meeting. He said it is disheartening because any member of this council should have the ability and be given the respect when they request a budget meeting to take place. He was informed that several City council members have been responded to or have been asked about additional meetings and they did not see it necessary. He was also told the mayor did not see it necessary and that it should only take one person on this council to make a request like this. He said it is important to report back to people who are asking questions about the budget. There are still a lot of questions and things they talked about in the retreat that have not been answered. He thanked staff for putting the budget together at the last minute. He hopes the city manager will take to heart that when a council member requests these meetings, they are not just looking at tying up time; they have to have answers.

Charles Taylor asked questions about vehicles and other equipment being replaced. Mr. Hegwer answered the questions and explained that some of the vehicles are passed down to other departments, replacing vehicles with more mileage on them. The vehicles are purchased on state contract and when we sell them on govdeals.com, they sell for just about the amount it cost us to purchase them. Mr. Hegwer added that even if they took these items out of the budget, it would not affect the tax rate proposed, as the vehicles are funded through fund balance. It does not have an impact on the tax rate. Mr. Hegwer said that if you use fund balance for recurring annual expenditures, you will get in trouble pretty quick.

Mr. Hegwer advised that if there is a substantial drop in our fund balance or they see a continuous drop, the City will be alerted by the Local Government Commission. We are viewed according to cities of our size. Financial Service Director Melissa Cardinali added that if we receive a letter from the Local Government Commission, Council has to respond to it as to what their intentions are regarding fund balance.

Council Member Jimmy Haire presented a powerpoint presentation of pictures of streets that are recommended to be repaved on the survey prepared by a consulting firm that evaluates the streets. The survey tells you which streets need to be resurfaced, whether they have structural needs, etc.

Council Member Wyhof said that one thing they have been told concerning golf fees was that Friday, Saturday, and Sunday were all days that have a good supply of players and something that has been relayed to her was that many golf courses do not include Friday in their weekend rates. She asked Mr. Hegwer to look into how much revenue that might generate to include Friday in the weekend rates and it was about \$8,000 to \$10,000. Mr. Hegwer said a rough analysis was done this morning and it was approximately \$9,000 to \$10,000 if you take Friday and make that a weekend rate. Ms. Wyhof said that this would make a difference and put money back in the budget.

Mr. Taylor said that \$10,000 in expenditures add up just like the savings do. He has talked to approximately 25 members at the golf course. Mr. Taylor stated that while no one is here to dispute the sale of or the condition of the golf course, he is looking at different things. If you look at the total number of rounds played, about 1/3 of the rounds played out of 25,000 rounds, are rounds that come from other areas besides the City of Sanford. He said that if you look at other municipal golf courses in the state, there is a difference. There is a delta between out-of-town rates and regular rates. They usually vary \$5 to \$10 per round. So if you are looking at 8,000 rounds of out-of-town rates, you are looking at a potential \$40,000 just in charging \$5 more per round. If he played at the golf course and had somebody from out-of-town, he would pay \$5 more to play that course. Mr. Taylor said there is a reason people from Holly Springs are driving to Sanford to play golf. The course is in good shape and is easily accessible.

Mr. Hegwer said staff will look at it and get it to council first thing in the morning.

Mr. Taylor said that he felt the family membership is extremely low compared to what other memberships are. If you look at the single and double membership, he felt the family rate

is much more lower. Based on the single rate, it takes sixteen rounds of golf a year to balance out what you pay. So, if you look at other municipal golf courses in the state, the family rates are much higher than where our family rate is in proportion to single and double rates. He said that membership rates have declined in the last five years by 20 to 25 percent. This is due to the economy. If you look at the entire golf situation, there are some opportunities out there to get revenue we are not getting. He hopes that Council will take that into consideration.

Council Member Cohen stated that he felt the employees deserve a cost-of-living raise because the cost-of-living has increased. He said that the City has good employees and we need to keep them. He felt the employees deserve a cost-of-living raise every year to keep up. Mr. Williams echoed Mr. Cohen's comments.

Mayor Olive asked Mr. Hegwer where could we get the money to give the raise and restore the awards luncheon. Mr. Hegwer responded that we found some additional savings in the fuel. Ms. Cardinali said that if Council adopts the recommendation of adding Friday to the weekend fees at the golf course, this would be sufficient to put the annual awards banquet back into the budget.

Mrs. Cardinali said that we could save \$79,000 if the fuel rates stay at what they are right now - on average and an additional \$79,000 if we perform strategic services in house. If you cut paving, that is \$500,000. Hopefully, we will not have a bad winter but if we do, that will hurt the roads.

Mr. Hegwer added that we do have \$100,000 in contingency also. This would allow a three-cent decrease.

Mayor Pro Tem Gaskins made the recommendation of taking what the city manager talked about to make the attempt to maintain the tax rate at \$.54 per \$100 this year. He said the other issue they have not wondered into is the possibility of holding off on the bond issues. The main concerns have been we know the County is going to lower their property tax rate by three cents. The people who are going to be suffering the most will be the ones who have substantial increases in their evaluation of their homes. It is difficult to get across that the 5.25 cents potential increase for the bond issues is not going to hit them all at once and depending on city revenues, it may not hit them. That is the worst case scenario but it is very difficult to get it across to people who are very capable of understanding.

Mr. Gaskins said if we can "kick the can down the road a little bit" and let people get through this year, where there are tremendous changes occurring, then maybe it would be better to handle it at a different time.

Mr. Taylor said that he is concerned that Council is taking something out of the citizens' hands that we have discussed beyond belief. Council has spent a lot of time discussing this issue and several votes and resolutions have been voted on regarding this and to take it out of the citizens' hands is a "slap in the face" in his opinion. The citizens are the ones that put them in the office. He said Council spent more time at retreat talking about the bond referendum than

they did anything else. He felt the citizens should have the right to cast the vote for the bond referendum.

Mr. Haire felt that Council should go ahead with the bond referendum.

Mr. Cohen stated there are a lot of unemployed people in Lee County and Sanford and maybe the bond issues should be postponed until employment gets better next year and put it on the ballot next year.

Ms. Wyhof said that she agrees with Mr. Haire. There has been a lot of talking for a lot of years on these subjects. It seem that no one would step up and take action. She felt Council should go ahead and put the vote before the citizens.

Mr. Taylor said that the citizens deserve to have the right to vote on it.

Mayor Olive said that regarding streetscape in Downtown and Jonesboro, she said that people have looked lecherously at the City's fund balance thinking that we could retrieve money out of it to take on projects like this and, of course, that is an impossibility economically. We have people with Downtown Sanford, Inc. who have devoted hours and hours to planning and hoping that we could do the streetscape Downtown and the same thing applies to Jonesboro; Jonesboro deserves a facelift. She said that we can postpone it indefinitely but are we doing the citizens a service by doing this. By putting the vote before the citizens, they can say yes or no and that way we know how to proceed and what the priorities are of our community.

Financial Services Director Melissa Cardinali asked for clarification on where staff needs to be with the budget tomorrow night. Mayor Olive replied that she thought there were some questions that still need to be answered that have been posed or expected during Council's discussion tomorrow night.

OTHER BUSINESS

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

Council Member James Williams. Seconded by Council Member Rebecca Wyhof, the motion carried unanimously.

Respectfully Submitted,

CORNELIA P. OLIVE, MAYOR

ATTEST:

BONNIE D. WHITE, CITY CLERK