

LAW AND FINANCE MEETING  
Wednesday, October 9, 2013  
1:00 P.M. in Council Chambers

The Law and Finance Committee met on Wednesday, October 9, 2013 at 1:00 P.M. in the Council Chambers at City Hall. The following people were present:

Law and Finance Committee:

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

Mayor Cornelia Olive called the meeting to order.

Consider Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2013-2014 - (Exhibit A)

Financial Services Director Beth Kelly explained that the ordinance appropriates \$70,000 of state and federal drug forfeiture funds for the City Drug Unit to use on qualified expenses relating to drug forfeitures.

Consider Resolution Certifying and Declaring the Results of the Special Bond Referendum on the Bond Order Authorizing the Issuance of \$4,000,000 General Obligation Greenway Bonds, \$6,500,000 General Obligation Streetscape Bonds, \$2,000,000 General Obligation Sidewalk Bonds and \$2,000,000 General Obligation Parks & Recreation Bonds Held for the City of Sanford, North Carolina on September 10, 2013 – (Exhibit B)

Financial Services Director Beth Kelly advised that the resolution certifies and declares the results of the Special Bond Referendum and Bond Order authorizing the issuance of \$4,000,000 General Obligation Greenway Bonds, \$6,500,000 General Obligation Streetscape Bonds, \$2,000,000 General Obligation Sidewalk Bonds and \$2,000,000 General Obligation Parks & Recreation Bonds held for the City of Sanford on September 10, 2013. This is simply recognizing that we have received the certification verifying these results from the Board of Elections and this resolution will need to be placed on the regular agenda for the City Council meeting on October 15. This resolution along with the publication of the Statement of Results is the last step in the bond authorization process.

Consider Resolution Authorizing Signatures for the City of Sanford – (Exhibit C)

Financial Services Director Beth Kelly stated that this updated resolution authorizing signatures for the City of Sanford changes her title from Interim Financial Services Director to Financial Services Director.

Consider Discussion Regarding the Sequester and Shutdown

Financial Services Director Beth Kelly explained that the federal sequester and government shutdown will have an effect on revenue bond payments for the utility fund.

In December 2010, the City issued \$52,815,000 in revenue bonds. Of that total, \$34,585,000 was issued in taxable bonds with Build America bonds and Recovery Zone Economic Development bonds and \$18,230,000 was issued in tax-exempt bonds with a lower interest rate.

For each interest payment we make, we will receive a 35-percent rebate (also referred to as a subsidy) on the Build America bonds and a 45-percent rebate on the Recovery Economic Development Zone bonds. This payment structure will exist for the lifetime of the loan.

The rebate structure means the City expected to receive \$16,564,905 in subsidy from the federal government through fiscal year (FY) 2035. Therefore, for FY 2013, we budgeted for the interest expense to be more than \$2.8 million and the federal revenue to be \$962,000.

When the federal sequester went into effect on March 1, 2013, we were told that our subsidy amounts would be reduced by the federal government by 8.7 percent each year. Sequester reductions will continue through FY 2021, unless Congress changes the law. Reduction percentages can change each year.

Mrs. Kelly advised that for FY 2014, we budgeted for rebate revenue to be \$84,000 less than FY 2013. However, on October 1, 2013, the Internal Revenue Service announced that the sequester reduction percentage for FY 2014 will be only 7.2 percent as opposed to the 8.7 percent. This means the City will receive an additional \$7,200 in rebate for FY 2014 if nothing else changes, such as a Congressional decision to alter the sequester.

The City's bond covenants require that we maintain a minimum debt service ratio. Just as with a business, the utility fund requires revenue to offset expenses. However, with the decrease in the projected bond rebates, that source of revenue will not be available from the federal government. The burden will ultimately rest with the rate payers.

Regarding the federal shutdown, each year, the City makes debt payments on the revenue bonds in November and May. We request the subsidy amount from the IRS 45 days before the debt payment is due. Typically we receive the money in time to make the payment.

Mrs. Kelly said that we have filed the IRS form requesting \$481,069 in subsidy for our November payment. We were informed that, due to the shutdown, there is a delay in processing payments so we will have to front that money to make that debt payment in November and wait to see how long it will take us to get that money back. At this time, we do not know when we will receive that subsidy.

Consider Ordinance to Assign Recently Annexed Areas to a City Electoral Ward – (Exhibit D)

Community Development Director Bob Bridwell advised that Council recently annexed the property owned by Solus Industrial Innovations, LLC, located off of McDonald Drive. This ordinance assigns this property that has been annexed to Ward 5.

Consider Interlocal Agreements Between the City of Sanford and Lee County

City Manager Hal Hegwer stated that for some time, City representatives (Council Members Rebecca Wyhof, Poly Cohen, and Sam Gaskins) and he have been meeting with representatives from Lee County to work on the interlocal agreements between the City and County. The committee members feel comfortable with the proposed agreements. Lee County approved the agreements on Monday. One agreement went away which was the Animal Control agreement. The County has assumed this and has budgeted it for this year. There is no cost to the City.

- Contract for Geographic Information Services (GIS) – (Exhibit E)  
Mr. Hegwer said that it is a similar arrangement to what we had. The biggest difference is the amount of compensation. It is an area that is difficult for the County to determine how they help and work with the City. The total amount of compensation for the GIS agreement is \$79,600; in the past, we have been paying between \$90,000 and \$100,000 range. The new fixed rate is tied to what the difference is between the sales tax agreement methodology.
- Interlocal Agreement for Tax Collections – (Exhibit F)  
Mr. Hegwer said that we paid 1 percent for tax collection and there was talk of charging us 2 percent. We will still be charge 1 percent with a few differences in the agreement.
- Contract for Planning (Exhibit G) and Inspections Services – (Exhibit H)  
Mr. Hegwer advised that these agreements have basically stayed as they were previously with a few differences basically, in the language.

Consider Presentation of Flag by the American Legion to the City of Sanford

Mayor Olive said that this item will be placed on the City Council agenda for October 15, 2013.

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

Other Business

Adjournment

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

Respectfully Submitted,

Law and Finance Committee Meeting  
September 25, 2013

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CORNELIA P. OLIVE, MAYOR

ATTEST:

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BONNIE D. WHITE, CITY CLERK