

CITY COUNCIL WORKSHOP MINUTES OF THE
CITY OF SANFORD, SANFORD, NORTH CAROLINA
Tuesday, May 24, 2016

The City Council held a workshop on Tuesday, May 24, 2016, at 5:30 P.M., in the West End Conference Room, of the Sanford Municipal Center, located at 225 East Weatherspoon Street, Sanford, North Carolina. The following people were present:

Mayor T. Chet Mann	Council Member James Williams (Left at 8:30 P.M.)
Mayor Pro Tem Sam Gaskins	Council Member Norman Charles Post III
Council Member Rebecca Wyhof	City Clerk Bonnie Davis
Council Member Charles Taylor	City Manager Hal Hegwer
Council Member Byron Buckels	City Attorney Susan Patterson (Left at 7PM and came back at 8 PM)
Council Member Jimmy Haire	

Mayor Mann called the meeting to order.

Mayor Mann presented Council Members with a copy of the various Boards and Commissions applications (Exhibit A) received to date. He mentioned that council needs to seek some good, qualified applicants to fill the vacancies which will occur on June 30. Mr. Hegwer stated that Community Development Director Marshall Downey spoke about decreasing the number of members of the Historic Preservation Commission from seven to five to have a quorum; however, he may come back with some different ideas.

City Attorney Patterson explained that the Federal Building has been appraised at \$345,000. She is seeking direction from Council if they want to sell the Federal Building and if so, which method they would like to use to sell the building. She said there are five methods of which the City can sell real property; however, only four apply to real estate. The methods are (1) Offer Advertisement and Upset Bid which is the method we typically use to sell vacant lots; (2) Advertisement for Sealed Bids, and Council has the right to reject any and all bids; (3) Public Auction of which you can set a minimum; (4) Exchange – this is when you exchange that property for something else. Of all the four methods, she suggested the sealed bid method. We received an email from the Department of Energy for the grant that was used to improve the efficiency of the lighting in the building and, as far as she understands, the City does not have to repay that grant because it went into a building component; they are not interested in the personal property being removed from the building. She needs consensus on how they would like to pursue selling the building. The tax value is \$532,900 with one-half acre of land with limited parking. It has some issues with the floodplain and it has restrictive covenants on it. In the event the building is demolished or sold, the cornerstone has to go back to the Federal Government unopened.

It was the consensus of Council to use the sealed bid method with the right to reject any and all bids.

Council Member Taylor stated that we need to have a conversation with Lee County at some point regarding these tax evaluations; he could understand when it is a couple of thousand dollars off but when it is 20 to 30 percent off of the appraisal, something is wrong.

City Manager Hegwer referred to an email sent to Council to answer a question about how the City of Sanford's water and sewer rates compare to Harnett County's rates. The City's rates are lower than Harnett County's; however, the City of Dunn, which operates a separate utility in Harnett, is lower than Harnett County and the City of Sanford.

The question of increasing the cost-of-living adjustment from .05 to 1 percent, would add \$105,000 which would derive from: General Fund -\$78,882; Utility Fund - \$25,105 and the Golf Fund - \$1,578.

Council Member Taylor expressed concern over the slight increase of 2 percent in water and sewer rates; it is significant to low-income areas and individuals on social security. We need to be cognizant of the increases. Mr. Hegwer stated that Mr. Buckels has also expressed concern about the increase and how it affects the people who are really struggling. At one time, the City talked about a program that could benefit those types of people. We have non-profits who work through the Finance Director that help people who need assistance with their water and sewer bills. Finance Director Beth Kelly stated that people can donate money through rounding up their bills or just donations.

Council Member Taylor suggested raising the water rates on County customers. Mrs. Kelly stated that you would have to raise the rates higher than 2 percent because you do not have many outside customers that are on sewer. Mr. Taylor asked how much it would have to be to offset the 2 percent the City residents are being charged. Mrs. Kelly replied it would be a lot because you do not have nearly the usage in the County as you do inside the City.

Mr. Hegwer said that the biggest issue we face is in the collection system. We have been rehabilitating a lot of our lines; our system has been in place since 1909. We have old infrastructure; however, we still have some nagging issues of capacity in our system and Little Buffalo is one of them. Some of what is predicating the rate increase is the State of North Carolina wants to know when you have an overflow, what your plans are to address the problem in future. This is the reason you will see \$3.5 million in the budget. Mrs. Kelly added that this is one portion of it.

Mr. Hegwer answered a question by Mr. Haire regarding the income from treating leachate. Mr. Hegwer stated that there is no guarantee that we will treat the leachate. They are paying us to do it now but there are other options for them to handle it. It is not a stable source of revenue. Mr. Kelly stated that we received \$55,000 last month and she included a conservative estimate in the budget based on previous payments received. We added an employee to the budget for NC811 utility locations because it is a purely regulatory issue that we must have two employees to perform these duties for line location.

Council Member Buckles stated he understands the increase and is not against it; however, he expressed concern for the elderly and low income residents and asked what are we going to do or are we going to put in place something for those that cannot afford it.

Ms. Wyhof asked is there a set of customers, with minimum bills, such as an elderly lady with a fixed income that actually does not use the minimum amount of water; is there a structure to lower the minimum bill for them but not punish the system overall.

Mr. Buckels stated that the University of North Carolina has a program called CAPS that has certain programs in it and are we familiar with that program. Mr. Hegwer replied no, but we could look into it.

Mr. Williams asked if the minimum bill would be raised \$.60. Mrs. Kelly replied yes, on the total bill. Mrs. Kelly stated that we have a lot of churches that help with water bills.

Mrs. Kelly stated that we do not have a lot of consumption growth; the majority of our growth has been commercial, which are not always high water users. The revenue has to be there to continue to meet our debt service coverage. With all the capital we have, looking out five years, it won't be much longer before we have to upgrade the Water Treatment Plant to expand it or spend some big dollars to get it up to par. Looking on the horizon, it is just whether Council wants to do small increases because the sewer rehab money – we are looking at a total of \$18 million over a period of time – worst case. These are overflows that if we do not eventually address, we will have bigger issues and spend more money fixing it fast. It is looking at the capital needs, and what we have done in the past is to fund some with cash but we used a lot for those projects lately.

Mayor Mann said everything he has seen in this budget has to go to tax base expansion. The problem is we have flat growth. Anything we can do to boost economic development, residential housing, marketing, and promotion; those are the things that will get us back in the growth mode. It will be so much easier to get tax base expansion. Installing the sewer out at the Central Carolina Enterprise Park is our best chance of getting 2,000 jobs; this will help us derive the revenue. The questions is do you risk that growth not happening and hit the lower income residents with a 6 percent increase next year instead of 2 percent this year.

Attorney Patterson clarified that when you set your rate, you can have different categories of rates for different types of customers but you have to have uniform rates throughout your system. Mayor Mann commented that you cannot charge one citizen different no matter what their economic status is. Attorney Patterson added that the way you can help is by people donating money or rounding up your bill.

Mr. Kelly advised that the increase will result in about \$300,000.

Mr. Hegwer indicated that you will continue to see increases in the cost of water, safe water, clean water, and wastewater. The regulations are not changing and are not going to get less; they are going to get stricter and you are going to see more merger of systems because the small entity cannot keep up. The State of North Carolina is going to force you to take care of your systems and make sure you are spending the money appropriately; they are not going to help you if you are not doing the right things.

Mr. Buckels felt there is enough cash on hand even if we did not do anything for the next two years. He expressed concern if this is the right timing with everything going on.

Mr. Hegwer replied that the cash is a different story altogether than your debt service coverage ratio required now; in a sense it creates cash. You have a coverage outside of your expenditures to cover it and they want to see you are doing more than that. Before we had bond debt, you had more flexibility.

Mrs. Kelly stated that in her projections, you projected some of that cash. She knew it would cost us less for a project so she built in her projections using what cash she felt the City could afford over the next five years and the capital and this is still what she has figured as far as the debt service coverage goes.

Mr. Hegwer said that the problem with it is when you borrow again, they are looking at your debt service coverage ratio. The fear factor is once you get behind, catching up is tough.

Mr. Gaskins commented to keep in mind that we have \$6.7 million of your debt service this coming year; \$300,000 does not have a lot of effect on almost \$7 million. Even if we have unstable money coming in for the leachate, Duke is wanting to bury it on site rather than ship it; it may never come here, which isn't a bad thing. It is an unstable source of income.

Mr. Post added that he is concerned if we do not increase rates this year by 2 percent, then next year it could be way more.

Mr. Taylor said that we need to look at it from a five-year standpoint. Mrs. Kelly stated that we have to have projections out for years for the rating agencies.

Mayor Mann noted that staff will get more information together and come back to Council.

Council Member Taylor indicated that we have made a concerted effort with the salary study and adjustments; however, it did not cure all of them. There is some clean up that needs to happen primarily with fire and police. Compression still exists between a supervisor and another employee. We still need to address those areas. He would like to know what it would take to clean that up. Mr. Hegwer noted that there are also positions in Finance and Public Works with compression.

The meeting was recessed for a 10 minute break at 7:22 P.M. The meeting was reconvened at 7:34 P.M.

Mr. Haire referred to his memo (Exhibit A) he presented Council regarding sidewalk being installed along Charlotte Avenue from Second Street to Third Street where WITS Construction renovated three houses. Mr. Hegwer said that if you are going to run sidewalk from Second to Third Street, you need to do First Street to Second Street because it would tie directly from that area to Downtown. The cost is estimated at \$31,040.

Mr. Taylor said that he sees more delineation on what we are funding and don't fund. We are doing a lot of arts and historical related items. He felt it would be nice to hear from United Way because we are giving money and we do not know who United Way is funding and who they are not funding. We could be duplicating efforts.

Mr. Gaskins said that what has been discussed in the past is County functions versus City functions. With the exception of Boys and Girls Club, there was a clear issue about reducing police force, but the others were pretty much health and human services related, which we avoided.

Mr. Hegwer noted that Lee County did fund several groups (Exhibit B) totaling \$41,000. He included the following in the City's budget: Lee County Arts Council - \$2,700; Railroad House - \$2,700 and Temple Theatre - \$18,000.

Mayor Mann stated that regarding SAGA, he is a proponent that we try and continue to fund any additional funding to SAGA, which would be used in marketing. We did give \$25,000 to the visitor's tourism center, so he is not going to push for an increase. He may come back to Council in the future for a budget amendment depending on how things shake out during the course of the next fiscal year. We do not need to back off businesses bringing jobs. Mr. Gaskins noted that we need to see what will happen with the Occupancy Tax. It was noted that the non-profits need to include a narrative of their services.

Mr. Hegwer stated that with the changes in the regulations by the state, it may be necessary to suspend the compost facility. We are studying the issue to see if it is feasible to operate. It may be mid-year before staff comes back with a recommendation.

Mr. Taylor asked that staff look at what it would cost to bring the Brick Capital functionalities under City staff. He said that in the last three years they had one lot listed on the MLS and now everything is up for sale. Mr. Taylor stated that we asked them to sell the properties that UNC recommended.

Mr. Taylor asked for a copy of the previous Capital Improvement Plans to see the items requested by the various divisions. Mr. Hegwer said that when staff submits the items, they put a priority number on them.

Mr. Taylor suggested holding a meeting at the Fire Department because he felt Council would see a lot of things that are happening. One thing disconcerting to him were the beds in Fire Station #2 on Woodland Avenue. They are falling apart. They are Murphy Beds; the frames are from 1971. Mrs. Kelly and Mr. Hegwer stated that the furniture was replaced in the common areas last year. They have included \$3,200 in the budget for eight mattresses. Mr. Taylor asked that someone look at the Murphy Beds. The fire chief has budgeted \$3,000 each year to replace furniture. Mr. Taylor said it will not touch the Murphy Beds. Discussion was held regarding the construction of a new fire station and about constructing a building to house the 1925 Betsy Fire Truck.

Mr. Taylor asked if we ever considered contracting out the cleaning for the fire station and other facilities. Mr. Hegwer replied that if you recall, staff has changed to where instead of city employees running the WTP and WWTP, cleaning and maintaining the facilities, the grass, etc.; we prefer for those operators to spend more time running the plant instead of cutting grass. We have transitioned the whole city towards contracting those types of things out. We can get these things done cheaper than you can hire custodian type individuals to do the work; however, it was too expensive to include in the budget this year. Mr. Hegwer said he will find out how it was priced for those facilities and he will get the numbers on it. He would prefer employees being experts at what they do.

Mr. Taylor said we have gone four budget years since the space needs study was done. There has been no relief yet. Mr. Hegwer said that we are still waiting to hear back on utilizing the BB&T building in Jonesboro. Mr. Taylor stated that we have two sallyports being used for parking now. Have we looked at taking that sallyport and converting part of that into an energy area that they can use immediately,

because you have three brick walls; there is no better area than to put an interview area in the bricked-in area. Mr. Hegwer replied that we have not looked into that yet because it is a short-time fix. Council has heard that the interview area is a problem and nothing has been done to it. Mr. Hegwer commented that we can look at it.

It was discussed about increasing the round of play at the golf course by \$.25. Mr. Taylor expressed that he felt the rates should be increased for people who live out-of-town.

Mr. Post felt that the Golf Fund should be moved from the Enterprise Fund to the General Fund. The golf course has to pay for City water which is about \$30,000. Mr. Hegwer stated that the bond rating agencies raised a lot of questions as to why the golf course was not under the General Fund.

Mr. Taylor felt staff should look at waiving fees for a developer that goes into low-income areas and renovates low-income homes.

Council Members raised various questions regarding all the departments. Council and staff did a recap of the meeting of items they wished to see addressed.

Recess

The meeting was recessed at 9:20 P.M. until Tuesday, May 31, 2016 at 5:30 P.M., in the West End Conference Room, upon the motion of Rebecca Wyhof and seconded by Mayor Sam Gaskins and unanimously carried.

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

Respectfully Submitted,



T. CHET MANN, MAYOR

ATTEST:



BONNIE DAVIS, CITY CLERK