

CITY COUNCIL WORKSHOP MINUTES OF THE
CITY OF SANFORD, SANFORD, NORTH CAROLINA
Tuesday, May 31, 2016

The City Council held a budget workshop on Tuesday, May 31, 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 Pro Tem Sam Gaskins
Council Member Jimmy Haire
Council Member Charles Taylor
Council Member Rebecca Wyhof
City Attorney Susan Patterson

Council Member Byron Buckels
Council Member Norman Charles Post III
Council Member James Williams
City Manager Hal Hegwer
City Clerk Bonnie Davis

Absent:

Mayor T. Chet Mann

Mayor Pro Tem Gaskins called the meeting to order.

Discussion Regarding Budget (Exhibits A and B)

Handouts were provided summarizing questions from the May 24 budget workshop, along with responses from staff.

Golf (Exhibit C)

Golf Course Manager David Von Canon proposed the following fee increases:

- Weekday ride and play 18 holes- from \$24.75 to \$25.00;
- Weekend ride and play 18 holes- from \$29.75 to \$30.00;
- Monday through Thursday ride and play 18 holes for seniors- from \$20.00 to \$22.00.

Mr. Von Canon proposed no increase in membership fees, which run from July 1 through June 30 annually. He also noted that members have had an option to pay fees in three installments (July, September, November) but he would not be opposed to collecting half in July and half in December in order to reduce the amount of paperwork required.

Council Member Taylor noted the high number of players from out-of-town and suggested that any increases be passed along to them. Mr. Von Canon stated that this strategy was not well received when it was implemented years ago and that out-of-town guests also visit other area businesses and restaurants. Council Member Rebecca Wyhof suggested that rather than “penalizing” out-of-town guest players, we could offer a discount to city and possibly to county residents. City Manager Hegwer suggested that staff conduct more research on this issue and report back to Council.

Utility Rates

Financial Services Director Beth Kelly, in response to questions regarding the possibility of raising rates only for county residents (rather than city residents), explained that it would take a nine percent increase to raise the same amount of revenue as the proposed two percent increase

to all customers. She noted that there are very few county residents who have sewer service and that this proposal would have significant implications for our large industrial clients.

Regarding a proposed customer assistance program, Mrs. Kelly explained that the city's next software update, currently scheduled for early December, would include the capability to allow customers to round their bills up to the next dollar or donate a fixed amount monthly to a customer assistance program. Funds could be administered by a non-profit third-party, subject to direction and criteria established by Council, including use of a charity-tracking program to prevent those receiving assistance from manipulating the system. Public Information Technology Officer Kelly Miller could work to educate customers on how to make donations and also instruct customers how to apply for assistance through the program.

Mr. Hegwer stated that with constant regularly changed, technology updates and the increasing cost of materials, it is unrealistic to expect water and sewer rates to remain unchanged for years at the time. Mr. Hegwer and Mrs. Kelly both confirmed that if the proposed rate increase is not implemented this year, a higher increase would likely be required next year. Although many costs have increased (including five to seven percent increases for water and wastewater facilities' utility bills), we have held rates unchanged for the past two years. Mrs. Kelly also noted that proposed capital expenses are for rehabilitation of water and sewer, not for any expansions to the plant facilities. She also noted that work on a rate model showing the ten year history is ongoing and is due soon.

Compression

City Manager Hegwer followed up on the compression issue previously discussed by Council, noting that the lack of merit (performance based) raises in the past few years has resulted in longer-term employees' salaries being very near those of newly hired employees' base salaries. He also addressed the issue of some supervisors earning less or only slightly more than some of the long-term employees they are responsible for supervising. He explained that both of these issues are complex and will require additional study outside of this budget workshop session.

Radios

Financial Services Director Beth Kelly informed Council that Motorola is offering a discount of \$13,000 if all 24 radios are purchased before July 14. City Manager Hegwer stated that the budget includes the cost to replace twelve this year and twelve next year, noting that support for the software expires in 2019. Council Member Taylor pointed out that improved technology may be available before that time.

Leasing Fire Truck

City Manager Hegwer explained that while leasing a truck may not reduce costs, it would offer more financing flexibility and quicker replacement of a vehicle if one was needed. Financial Services Director Beth Kelly noted that leasing would provide a fixed debt payment versus one large lump sum outlay in a single budget year.

Tuition Reimbursement Program

City Manager Hegwer followed up on the question of how many employees are taking advantage of the tuition reimbursement program by stating that nine employees were reimbursed in the 2014-2015 budget year and twelve were reimbursed in the 2015-2016 budget year.

Sidewalk Repair Priorities

City Manager Hegwer confirmed that the sidewalk repair on Charlotte Avenue, from First Street to Third Street recently requested by Council Member Haire, was included on the sidewalk repair priority list which classifies repairs into three categories. This project was shown as "priority one" (the highest rating). A total of \$100,000 was included in the proposed budget for sidewalk repairs (including grant funds received from DOT), with \$15,000 of that designated for the Charlotte Avenue project. Another \$15,000 was added since this segment serves as a visible connection to the downtown area.

Brick Capital

City Manager Hegwer, responding to Council Member Taylor's question as to whether Brick Capital's functions could be handled by city staff, confirmed that staff could handle those responsibilities and it is in Council's discretion to provide direction on this option. He noted that the proposed budget includes no funding to Brick Capital and more research would be required to determine the cost of providing those services in-house.

Repairing areas disturbed during streetscape (Exhibit D)

City Manager Hegwer stated that the estimated cost of repaving areas disturbed during the streetscape project are between \$90,000 and \$100,000 for publicly-owned areas and approximately \$100,000 for privately-owned areas (approximately 42,000 square feet). He noted that some areas were not in prime condition even before the project. Council Member Wyhof suggested offering a cost-sharing option to private owners and including the city's share of that expense to the loan previously approved by Council, which Financial Services Director Beth Kelly will be finalizing soon. Mr. Hegwer noted that Council could elect to repair only the high-profile privately-owned lots and postpone repair to the city-owned lots. He suggested that staff research the issue further in order to narrow the scope and report back to Council.

Compost

Council Member Taylor questioned whether the amount budgeted would be removed if Council decides to discontinue the program. City Manager Hegwer explained that the figure is included only as a noted placeholder and if Council discontinues the program, it will take some time to phase it out of operation. He agreed with Council Member Taylor that the program is more heavily regulated than in the past. Mr. Hegwer stated that the knuckleboom truck included in the budget would still be needed for pick-up of bulk trash, as well as for leaf and limb.

Inmate Labor

City Manager Hegwer informed Council that no additional labor is available through the inmate program at this time and stated that they do a great job and bring a lot of value through their service.

Code Enforcement

Addressing the possibility of adding another position in the department, City Manager Hegwer stated that he doesn't believe that adding another staff member would make a significant difference in resolving blight and appearance issues: by the time a problem is visible (such as grass that needs cutting or overall neglect), the damage has been done and another employee would not prevent it. He suggested alternate strategies such as acquiring properties for demolition or an incentive program to encourage private investment. Council Member Wyhof added that the awning program offered by DSI for awnings is an example of a successful incentive for façade improvement. Mr. Hegwer also stressed that the department's number one priority is for the health, safety and welfare of all citizens living in blighted areas.

Utility Fund Capital Outlay

Council Member Taylor questioned why only two items were not funded in the entire outlay. City Manager Hegwer explained that when dealing with drinking water, there can be no system interruptions: it is an entirely different level of health, safety and welfare. There is no option for equipment to be out of operation at the water treatment plant or at the wastewater treatment plant. He noted that he is more liberal with capital needs in this department due to the importance of these services.

Warehouse

Financial Services Director Beth Kelly stated that inventory control is handled through monthly reconciliations, along with an annual physical inventory where testing is done from the floor to the sheet and also from the sheet to the floor.

Water and Sewer at Enterprise Park and Triassic Park

Council Member Williams questioned whether the entire \$4.7 million dollar estimate was for extensions to the proposed Enterprise and Triassic parks. City Manager Hegwer explained that \$1.2 million of that is for extending water line, which is considered a system improvement since it will allow connection from the existing industrial park to Colon Road, regardless of when Enterprise Park is developed. He also stressed that these figures are only estimates since the project has not yet been opened for bids.

Mr. Hegwer also informed Council that the county has recently delayed committing to provide improvements at the park entrance. After learning this, \$87,000 previously budgeted for the sidepath at the park was removed and will be used toward an additional 0.5 percent cost-of-living adjustment (COLA) for city employees, bringing the total COLA to one percent.

Utility Kiosks

Council Member Byron Buckels noted that only one utility kiosk is included in the proposed budget and questioned whether another unit could be added. City Manager Hegwer stated that until a decision is made on possibly re-locating the utility administration to Jonesboro, only one is included and the location is in Council's discretion. Financial Services Director Beth Kelly confirmed that the cost is for an outside unit, which will be reduced if it is placed indoors.

Public Works Administration

In response to Council Member Taylor's request for feedback on the departmental realignment, City Manager Hegwer stated that he thinks organizing by function rather than by department will be more efficient but since it is more time-consuming for accounting purposes, we will confirm that the benefits outweigh this factor.

Water Treatment Plant

Council Member Taylor questioned whether we have any difficulty complying with state and federal regulations. City Manager Hegwer responded that there was no problem with compliance but there are constant changes and that any reductions at the federal level are merely passed down to the state and local level. He also noted that when the bonds were sold, the city was due a 35 percent interest credit on the Build America Bonds and 45 percent on the Recovery Zone Economic Development Bonds, totaling approximately \$85,000 annually and these funds have not been received due to the sequester several years ago, which is still in effect.

Water Capital Improvements

City Manager Hegwer explained that water line rehabilitation includes replacing the old one- and two-inch water lines which we have attempted to do over the years. The goal is to replace all undersized water lines.

Little Buffalo Outfall

City Manager Hegwer explained that the main outfall line (15 and 16 inch pipe, eventually reducing to 12 inch) runs parallel to the Little Buffalo Creek and needs to be upsized. A tremendous amount of rehabilitation has been done to prevent overflows; \$3.5 million is included in the proposed budget plan for the first phase but the entire project may take as much as \$15 million to complete.

Central Business District (Municipal Service District)

City Attorney Susan Patterson explained that new state regulations for Municipal Service Districts ("MSD") include several requirements: more input from those in the district; the addition of language in the budget ordinance explaining how the rate was set and exactly how the funds will be used; and providing a "RFQ" (Request for Qualifications) process soliciting non-profit agencies to administer the MSD. The administrator will be required to identify any subcontractors they use and will also agree to audits. Administration of our MSD has been handled by Downtown Sanford, Inc., the non-profit established by the city for that purpose. These changes are to be implemented with this year's tax levy for 2016.

City Manager Hegwer noted that there appeared to be consensus on the following:

- Implementing the proposed utility rate increase beginning January 1, 2017, along with a Customer Assistance program;
- Postponing construction of the sidepath at Central Carolina Enterprise Park and applying the estimated cost of \$87,000 toward another 0.5 percent COLA for city employees (bringing the total COLA to one percent);

- Implementing the golf rate increases as proposed by Golf Course Manager David Von Canon, and researching the possibility of increasing rates for out-of-town guests or offering discounts to city and possibly to county residents;
- Voting on whether to transfer the golf department out of the Enterprise Fund into the General Fund; and
- Researching with other city managers how they manage issues of compression and salary disparity between supervisors and long-term employees.

ADJOURNMENT

Council Member Taylor made the motion to adjourn the workshop. Seconded by Council Member Post, the motion carried unanimously.

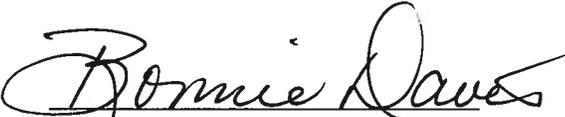
**ALL EXHIBITS CONTAINED HEREIN ARE HEREBY INCORPORATED
BY REFERENCE AND MADE A PART OF THESE MINUTES.**

Respectfully Submitted,



T. CHET MANN, MAYOR

ATTEST:



BONNIE DAVIS, CITY CLERK