

**SANFORD CITY COUNCIL
BUDGET WORK SESSION**

Tuesday, May 26, 2020
Sanford Public Works Service Center
601 North Fifth Street, Sanford, NC

The City Council held a work session on Tuesday, May 26, 2020, at 6:00 p.m. in the Assembly Room of the Public Works Service Center. The following people were present:

Mayor Chet Mann
Council Member Sam Gaskins
Council Member Charles Taylor
Council Member Rebecca Wyhof Salmon
City Manager Hal Hegwer
Management Analyst Holly Marosites
Financial Services Director Beth Kelly

Mayor Pro Tem Byron Buckels
Council Member Jimmy Haire
Council Member Norman Charles Post, III
Council Member James Williams
City Attorney Susan Patterson
Deputy City Clerk Vicki Cannady
Senior Budget Analyst Cindy O'Quinn

Absent:
City Clerk Bonnie Davis

Mayor Mann called the budget work session to order and noted that while this is an unusual budget year, he has been spoken with Sanford Area Growth Alliance representatives and others who agree there is reason to be hopeful going forward.

City Manager Hal Hegwer recapped the budget summary for the General Fund, Municipal Fund and Municipal Service District (as shown on the attached exhibit) and explained that staff will review revenues later in the year due to uncertainties related to the COVID-19 pandemic with sales tax revenue. He suggested some decisions may be delayed until more information is available. No increases in funding are recommended to outside agencies (Temple Theatre, Railroad House, Arts Council, SAGA, Downtown Sanford, Inc.). Recommended funding for the homelessness initiative remains unchanged but staff has reached out to the County to encourage them to contribute; however, if they decide not to, he will return to Council since staff is not comfortable absorbing all of the costs. No increase is recommended for health insurance premiums but there was a state mandated increase for retirement contributions. While no salary increases are recommended at this time, he advised Council that he would like to revisit the issue after the first quarter of the new fiscal year. He commented that there is continued pressure with hiring, particularly in the police department. Staff has made an effort, along with the Triangle J Council of Governments, to recruit personnel and increase salaries as we compete with other nearby communities.

Council Member Williams stated that he was in favor of salary increases and questioned whether a cost-of-living adjustment (COLA) was possible, particularly since county employees are receiving raises. Mr. Hegwer confirmed that the County has proposed giving employees a 2.1 percent COLA and they have had salary studies done recently. He explained that COLAs help keep minimum salaries up but provide little separation for long-term employees. Council Member Taylor questioned how the City could address salary compression in key positions, such as Permitting, and how to compete with salaries offered nearby. Mr. Hegwer explained that we really can't compete without a merit system to reward long-term employees and cited an example: we could not attract a Building Inspector III because the salary to draw qualified applicants would have exceeded the salary of the department Administrator.

Without a merit system, there is little difference between a one-year employee and a ten-year employee. Several Council members suggested we analyze the impact of having no merit system in place and the financial impacts. Mr. Hegwer stated that a one percent COLA would cost about \$250,000, with about \$182,000 of that from the General Fund. Council Member Post questioned whether we could consider using from revenue from the ABC board, since it was more than originally anticipated. Mayor Mann noted that merit increases are based on job performance and not all employees would not qualify.

Council Member Haire questioned whether changes should be made to our recycling program. Mr. Hegwer responded that we could do some research but we could try to provide additional education to residents on what should and should not be placed in the recycling bins.

Council Member Taylor questioned whether there are any signs of changes in County participation on joint ventures such as SAGA or the Buggy Building that would affect the City's budget. Mr. Hegwer responded that he has heard nothing of concern other than they may not fund the homelessness initiative.

Mr. Hegwer reminded everyone that the issue is uncertainty with revenue and there are three months between the time sales tax is paid and we receive it. Council Member Salmon agreed that delaying decisions on salary increases and capital purchases is the prudent thing to do; however, if we delay some purchases, such as the shed for the golf course, it may cost more in the long run (since the carts may be damaged). Financial Services Director Beth Kelly stated that he would compile a prioritization schedule detailing milestones and triggers and agreed that it will be several months before we know how sales tax receipts for April and May will impact the City. She has a short list of what she proposes to finance since interest rate are near historic lows. Departments rank their capital priorities and her decisions typically agree with theirs. Rolling stock purchases can be done without GLC approval but repairs to the Municipal Center building cannot. Mr. Hegwer reminded Council that the windows at the main entrance have condensation and need to be replaced and security enhancements are needed to the Service Center. These items could be combined into one transaction in the next three to six months. Mrs. Kelly also stated that there has been a decrease in personal property listings and valuations and noted that tax receipts may decrease this year if businesses close or file bankruptcy and that information may not be available until December. She also noted that interest rates on certificates of deposit are very low – in the 0.15 to 0.25 percent range – and this reduces the City's interest income

Regarding recreation services, Mr. Hegwer stated that citizens have used the golf course and greenway a great deal during the pandemic but parks remain closed per Governor Cooper's orders. The splash pad and playground at Kiwanis Family Parks will likely remain closed because of the need for social distancing.

Regarding funding assistance, Mr. Hegwer explained that the City has submitted a request for funding available through the County from the federal government CARES Act. Of the \$224,000 received, \$188,000 will be used for structural items, such as plexiglass at the Revenue Department, Service Center and Buggy Building, and \$36,000 for personal protective equipment and cleaning materials. We have requested reimbursement for masks, gloves, sprayers, electrostatic cleaners, general cleaning materials and related items and reimbursement will also be sought through FEMA.

Regarding the impact COVID-19 has had on payments, Mrs. Kelly explained that has been an increase in payments received through the Charlotte mailbox, online payments, check free stations (especially the Piggy Wiggly grocery store), and the City's drop box. To date, 1,200 accounts are unpaid

since Governor Cooper's moratorium on utility cutoffs and late fees. Plans call to give customers six months to repay those balances less than \$500 and complete details will be provided to Council when established. She also noted that the time frame may be extended beyond July 31 and a sample bill will be posted on the City's website showing current charges and prior balances so clients will be aware of the difference. Mr. Hegwer explained that the Municipal Center building will likely remain closed to the public but people can make appointments. A new position has been requested for someone to allow people into the building when it reopens, wipe down doors and common areas and ensure citizens are properly distanced.

A brief recess was taken at 6:55 p.m. and the meeting was reconvened at 7:10 p.m.

Mr. Hegwer explained that a five percent increase has been proposed in the Utility Fund for water and sewer accounts effective September 1. There will be some large capital expenses (water treatment plant expansion, sewer remediation projects, addressing problems during heavy rains) and this increase will hopefully prevent larger increases in the future. The water treatment plant expansion is needed to prepare for anticipated growth and it will be a major project; however, we have parties who are interested in becoming partners and there may be more. He reminded everyone that system development fees are also included in the budget and along with a \$20 increase in the solid waste fee, the majority of which is due to an increase in Waste Industry's recycling charge. Council Member Taylor stated that as long as we are providing the service as efficiently as possible, we should cover all cost increases. Mrs. Kelly explained that costs are analyzed annually and the Public Works department tracks costs for labor, vehicles, etc. Mr. Taylor questioned whether we should include costs incurred in the last few months as a "worst case" scenario but Mrs. Kelly explained that would likely have to lower it next year since we cannot charge more than the cost to provide the service and the cost won't likely be as high in the future as in the past two months and that is why we try to keep it level. Mayor Mann noted that there was consensus to consider an increase in the solid waste fee based on increased costs to provide the service.

Regarding the Municipal Service District, Mr. Hegwer explained that no tax increase is proposed and the property owners did not request one.

Mayor Mann questioned whether more information on the budget was needed by Council before the next meeting and Council Member Taylor requested more information, which Mrs. Kelly agreed to provide. Council Member Gaskins commented that very few items caught his attention. Council Member Post stated that he anticipated a proposed tax increase but that was before the pandemic. Council Member Salmon suggested an Interlocal meeting be held soon. Council Member Williams suggested another look at funding employee raises but Council Members Gaskins and Salmon suggested we wait until additional revenue information is received. Mayor Mann agreed that it would be prudent to wait and reminded everyone that DOT will be reducing their funding and that will increase our costs.

Mr. Hegwer commented on all the projects moving forward in our area; they all want to be at the front when the economy picks up and they are holding on to valuable staff. He suggested we consider resuming the merit system and Mayor Mann agreed it was the perfect time to do so. He explained that the next Council meeting is scheduled for June 2 and staff thinks it could be held in the Public Works Assembly Room with social distancing protocols. He also suggested that the next meeting could possibly be held in Council Chambers with limited capacity, if Council is comfortable, since its sound and recording systems work better for public hearings. Mayor Mann suggested a 4:30 p.m. budget workshop be held before the June 2 Council meeting and encouraged everyone to wear face masks. Mrs. Kelly agreed to provide information on capital requests and short-term COVID-19 related expenses. Council

Member Taylor questioned whether we should be more aggressive on capital purchases with low interest rates and Mr. Hegwer explained that two options would be presented. Mayor Mann stated that he would like to see the capital budget work harder this year and use it to position the City to come out strong next year.

Council Member Gaskins commented that about \$40,000 was saved on lower fuel prices. Mrs. Kelly confirmed we purchased as much fuel as possible and due to concerns about potential plant closings, staff also stocked up on tires. She also confirmed that staff training has been reduced in anticipation of ongoing COVID-19 concerns.

Mayor Mann noted that he has asked the City Manager to research when public hearings on rezoning requests can be resumed since he has received several phone calls from builders and developers. He also reminded everyone that public hearings will be needed on UDO updates.

Council Member Haire commented on the fact that enforcement on sales tax collections appears to be lax. He also mentioned that many residents have questioned what the future holds for the Riverbirch Shopping Center; plans continue to move forward on the new Valenti's restaurant in Jonesboro; dust is again a problem on Globe Street near the Hallman Foundry; and questioned what was causing the increased activity at the water tank near the post office. Regarding sales tax collections, Mrs. Kelly stated that when our finance department is audited by the Department of Revenue, they analyze vendors in an effort to audit whether they collect sales tax and auditing local governments helps them locate violators. She also stated that transmitters for the automated meter program are being installed at the water tank.

Council Member Buckels questioned why COVID-19 testing was being held in the Deep River area, rather than a more central location. Mayor Mann explained that decision was made by the County Health Department and he was not sure why it was selected.

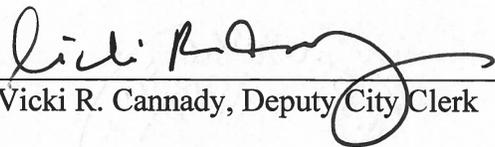
Adjournment

Mayor Pro Tem Buckels made the motion to adjourn. Seconded by Council Member Salmon, the motion carried unanimously.

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T. Chet Mann, Mayor



Vicki R. Cannady, Deputy City Clerk