



GOVERNING BODY

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COUNCIL MEMBER PHILIP E. DUSENBURY

**SUBMITTED TO:
THE MAYOR AND THE CITY COUNCIL**

BY

**Leonard O. Barefoot
City Manager**

**Melissa C. Cardinali
Director of Financial Services**



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Sanford
North Carolina**

For the Fiscal Year Beginning

July 1, 2004

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Sanford, North Carolina for its annual budget for the fiscal year beginning July 1, 2004. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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CITY OF SANFORD HISTORY

The Town of Sanford was incorporated in Moore County on February 11, 1874 - 31 years before the creation of Lee County. The stimulus for growth provided by Sanford, along with the towns of Broadway and Jonesboro led to the birth of Lee County in 1907. Lee County was formed with portions of Moore and Chatham Counties, the county seat being a point equal-distance between Sanford and Jonesboro.

Sanford itself sprung up from the crossing of the Western and Chatham Railroads. These rails are now known as the Atlantic and Western and Seaboard Coastline. Colonel C. O. Sanford was chief civil engineer of the now Seaboard Coastline and Sanford is named in his honor. At one point near the turn-of-the-century, citizens debated changing the name of Sanford to Scottsville in honor of Major John W. Scott, but the name Sanford held. In 1947 the name Sanford survived the merger with Jonesboro. The area of Jonesboro became known as Jonesboro Heights. It is ironic that with the decline of the retail hub in Downtown Sanford, two distinct City centers have re-emerged. To this day Jonesboro Heights, as it is now known, retains a special identity and gives Sanford the unique pleasure of having two downtowns.

With the merger of the two incorporated towns of Jonesboro and Sanford a new municipal charter was adopted and the official name became the City of Sanford. The City was governed by seven Aldermen living in separate residence wards until 1991 when the City's wards were redesigned into five wards with two Aldermen being elected at-large.

The City of Sanford is operated under the Council-Manager form of government, which was adopted in 1944. Policymaking and legislative authority is vested in a City Council consisting of seven Council Members and a Mayor who are elected in odd-numbered years. The City Manager is employed by the Council and is responsible to the City Council for the administration of all affairs of the municipality. The City Manager appoints the Department Heads and supervises and coordinates the activities of the departments.

Sanford enjoys steady growth. In 1880 the population was 236; in 1900, 1,044; in 1920, 2,977; in 1940, 4,960, in 1950, after the merger of the Town of Jonesboro, 10,013. In the late 1950's, growth became more suburban in character. Taking advantage of municipal water and sewer lines, development occurred just outside the City Limits, and population growth became a function of annexation. In 1960 the population was 12,252; in 1970, 12,028; and in 1980, 14,773. Rapid development in the 1980's was contained in the City's Extra-Territorial Jurisdiction, but this development did not begin to be annexed into the City until the 1990's. The 1990 population was only 14,755 as a result of this phenomenon. The 1991 population was 18,125; the 1994 population was 20,385; and the 2000 population is in excess of 23,000. In addition to these citizens, there are presently some 8,500 individuals who either reside in the Extra-Territorial Planning Jurisdiction or who are connected to existing municipal water and sewer service.

Community Profile

- o Population
- o Landscape
- o Economic Characteristics
- o Family Income
- o Current Tax Rates
- o Education/Hospital
- o Climate

Lee is one of 100 counties in North Carolina situated in the geographic center of North Carolina. It is on the divide of the Coastal Plains to the east and the Piedmont to the west. The City of Sanford (Lee County Seat) is approximately forty-five (45) miles south of Raleigh and Durham. Approximately one hundred fifty (150) miles to the east is the Atlantic Ocean, and one hundred sixty (160) miles to the west are the Appalachian Mountains. It is an economically diverse community.

Current Population

City of Sanford*	24,000
Town of Broadway*	1,085
Lee County*	50,709

Population Projections

Lee County in 2005*	54,933
Lee County in 2010*	58,806
Lee County in 2015*	62,459

Landscape

Land Area*	257.2 sq. miles
Population Density*	191.11 people/sq. mi.
Urban Area (Sanford)*	49 percent
Rural Area (Outside City)*	51 percent
Latitude	35° 28'
Longitude	79° 07'

*From the Office of State Planning, Population density figures are from 2002.

Economic Characteristics

Median Age (2002)	35.9 years
Average Household Size	2.6 people
Bond Rating for City of Sanford	
▪ Standard & Poor's	A+
▪ Moody's	A1
Bond Rating for Lee County	
▪ Standard & Poor's	A+
▪ Moody's	A1

Family Income

Median Household**	\$41,822
Per Capita**	\$20,375
Average Household**	\$53,339

** (Figures from fiscal year 2003)

Current Tax Rates

Lee County	\$0.79 per \$100 valuation
Sanford	\$0.59 per \$100 valuation
Broadway	\$0.49 per \$100 valuation

Education

Public High Schools	2
Public Middle Schools	2
Public Elementary Schools	7
Private K-12 Schools	2
Montessori Schools	2

Central Carolina Community College

Access available to:

University of North Carolina at Chapel Hill, Duke University, North Carolina State University, Campbell University, North Carolina Central University, Fayetteville State University, and Sandhills Community College

Hospital

Central Carolina Hospital	137 beds and 100 physicians
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Climate

Average Temperatures	
January	37° F
June	76° F
Average Annual Rainfall	48 inches
Average Annual Snowfall	less than 5 inches

Water System Daily Capacity

Sanford	12,000,000
Broadway	500,000

Waste Water System Capacity

Sanford	6,800,000
Broadway	145,000

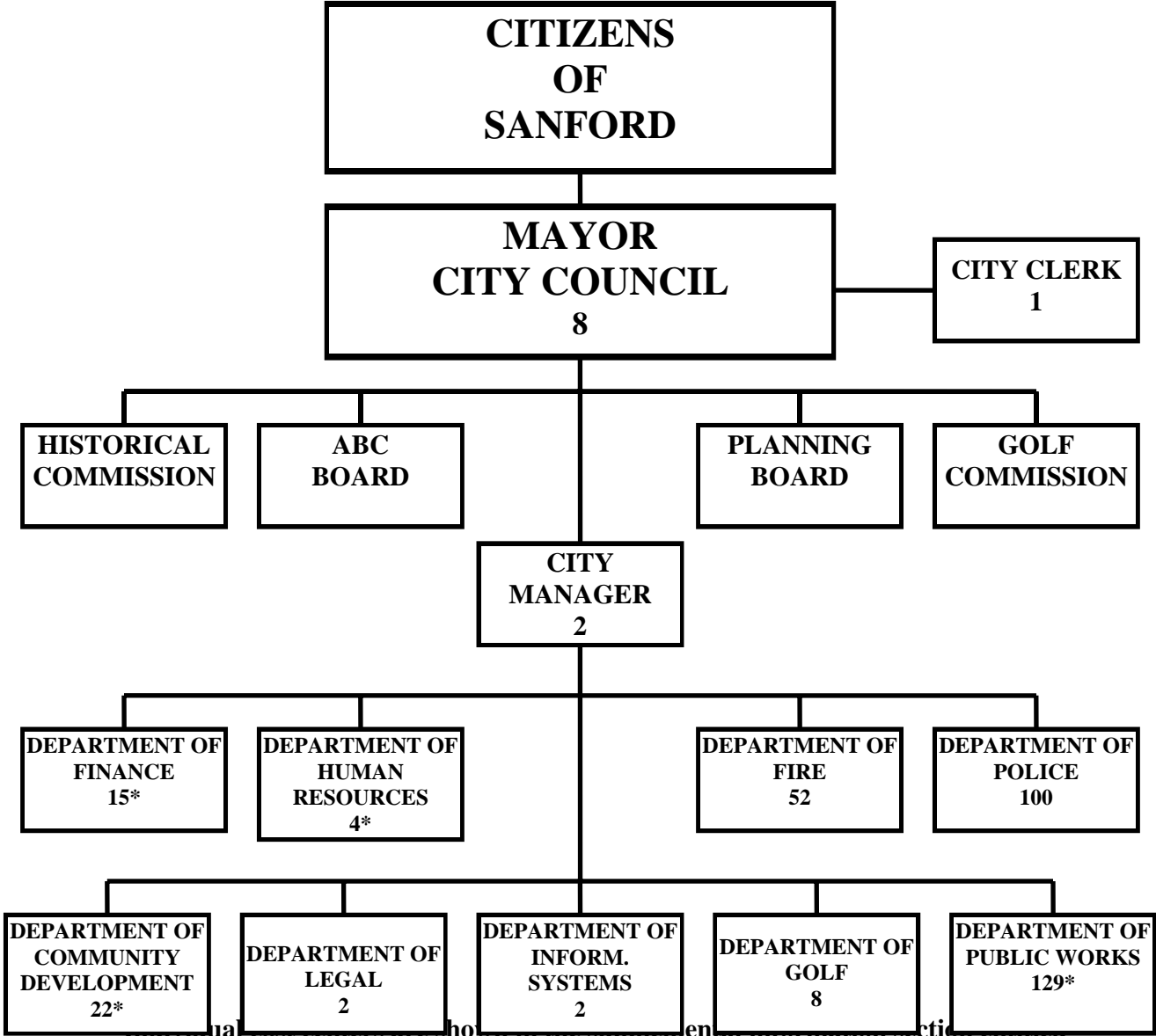
General Information

Power -	Progress Energy and Central Electric Membership
Gas -	PSNC Energy

CITY OF SANFORD



ORGANIZATIONAL CHART



“Departmental Employee Classification”.

FY 2005-2006 MAJOR GOALS

The goals of the City of Sanford have been adopted to strengthen the relationship between service priorities and delivery of service. The goals and key budget principles on which the budget was developed do not vary considerably from past budgets. The goals are established with the clear understanding that the citizens of Sanford demand a high quality of service. Within the context of the City's goals we have established specific goals at the departmental level. Departmental goals and objectives are stated within each department's budget. Departmental goals will be monitored by the Administration and Governing Body to ensure that major City goals are being accomplished.

SECURITY – The citizens of the City of Sanford must be provided with a feeling of personal security and property protection. The City Council and the City will continue to improve its citizens feeling of security by improving existing public safety programs and exploring new and more effective ways of delivering public safety services.

MASTER PLANNING AND ZONING - Our neighborhood, whether composed of single or multiple family dwellings and our industrial community must be stabilized, strengthened and controlled. To promote an attractive, harmonious community, preserve natural resources and promote a sound tax base a comprehensive land use development program, economic incentive program, code enforcement, zoning and minimum housing will be maintained.

TRANSPORTATION - The development and implementation of a road improvement program to include maintenance and expansion will assist in meeting increased traffic demands with emphasis on particular land use configuration. To ensure transportation needs are met, the City will continue to update and modify the thoroughfare plan for the City.

UTILITIES - The governing body continues to stress as one of its major goals the providing of adequate, safe water and wastewater collection and treatment to its residential and industrial users. To ensure water and sewer programs meet the needs of both existing and future customers, continuous study and analysis of utility operations will be maintained.

FINANCIAL PLANNING – To ensure a sound financial position, a comprehensive, well-integrated financial plan composed of long and short-term elements will be maintained. Five-year analysis of operations and capital planning will be integrated as an ongoing management tool.

DEVELOPMENT OF STAFF - To ensure the City attains and keeps well-qualified productive workforce, a competitive wage; salary and benefit plan will be monitored and maintained.

FY 01-02 ACCOMPLISHMENTS

The accomplishments of the City of Sanford are highlighted below to give the reader some insight as to how the major goals provide direction to all areas of municipal service.

SECURITY

- The Inspection Department enforced the International building Code, which became effective January 1, 2002. In addition, the city ordinances were enforced, with regards to issuing zoning violations pertaining to junked or abandoned vehicles, nuisance violations, overgrown lots, and minimum housing.
- The Fire Department continues to be the organizational lead for the SAFE KIDS COALITION in Lee County. Applied for and received an additional grant to operate a permanent checking station for child passenger restraints. All department members received training and certification to operate the checking station.
- A Permanent Fitting Station Grant in the amount of \$20,000 was awarded through the Governors Highway Safety program and a grant in the amount of \$10,000 was awarded to purchase a trailer and equipment in order to conduct safety checkpoints. These funds were received as a result of efforts within the Community Development and Sanford Fire Department.
- The Fire Department has four Level III fire inspectors as a result of training and testing during this year. Training continues for new 2002 addition of the North Carolina Fire Prevention Code.
- Information systems procured new computers for the Police Department to utilize for the Records Management Software. Also completed network connectivity at Fire Station No. 3 and Jonesboro Fire Station.

MASTER PLANNING AND ZONING

- The Sanford/Lee County/Broadway Unified Ordinance re-write continues which will consolidate land use and development regulations for the three municipalities into one document. This will provide more adequate services and land use regulations for the citizens of Sanford, Broadway and Lee County.
- The Community Development Department initiated long-range planning and education efforts through the development of a small area plan for the Greenwood community. This project is at the beginning stages, and will resume in late fall of 2002.
- The Geographic Information Systems Section of the Community Development Department continues to create maps and charts for various city departments and other agencies. It also has expanded its extensive database, including assigning 591 new addresses, acquisition of soil data, topography maps and FIRM Maps.
- Voluntary annexations continue.
- Three new restaurants and more than twelve new businesses opened in the Downtown Sanford District. Downtown Sanford was awarded a Building Improvement Grant in the amount of \$10,000 for awning replacements, façade improvements, building improvements and new signage.
- Phase I of Depot Park was completed, and several special events were held in the park, including the Depot Park Dedication, Holiday Tree Lighting, Unity in the Park and Earth Day. More than five concerts were held in the bandstand.
- Downtown Sanford participated in the planning and implementation of the Inaugural Pottery Festival. Activities included a downtown event, "Fine Arts Downtown Sanford", which drew over 1,000 people into downtown businesses and restaurants, and held a fundraiser for the Pottery Festival and Fine Arts Downtown.

TRANSPORTATION AND PUBLIC WORKS

- In preparation for construction of highway projects including US 421 bypass and Lee Avenue widening, design, contract administration and construction inspection was performed for \$400,000 of water, sewer main and appurtenance adjustments.
- Street improvements totaling approximately \$525,000 were performed last fiscal year including curb, sidewalk and street rehabilitation and resurfacing. Engineering performed all design, construction inspections and administration.
- Asphalt crew and/or pothole patching crew placed 2,509 tons of asphalt on city maintained streets, which is a 22% increase in production.
- Street markings were placed on city streets with an increase production ratio of 228%.
- Traffic services performed sixty nine percent more site distance cutbacks.

UTILITIES

- Cool Springs Road water tank was painted on both the interior and exterior. Engineering performed design, contract administration and construction inspections for the project.
- Construction improvements at the Water Treatment Plant have begun. The treatment process is being modified from free chlorine to chloramines, as well as rehabilitation of the existing filters.
- A 36-inch valve was installed on the pipe header at the influent station. This allows the main influent pumps to isolate while a secondary pump handles the flows, allowing work to be performed on the main header or influent pumps.
- Encasement pipes for future sewer line crossing of the US 421 bypass were installed this year. Design, construction, administration and inspection were performed by the Engineering Department.
- The City's sewer, water, and street systems were expanded by 2.4, 3.0, and 2.4 miles respectively, at a value of approximately \$1.8 million. The Engineering Department performed plan review and construction inspection for these projects.
- Through the petition assessment process, utility service was provided to approximately 40 new customers by installation of 3,500 linear feet of lines. Engineering performed all design, construction inspection and administration.
- Sludge removal through land applications was continued (six million gallons of bio-solids distributed).
- Certification of the Wastewater Treatment Plant laboratory was completed this year.
- Completed final draft application for 28 mgd allocation for Jordan Lake.
- Completed a major update to the Public Works Policy & Procedures Manual, Utility Manual, and Safety Manual.

FINANCIAL PLANNING

- Replaced condensing unit for air conditioning at the Federal Building resulting in a savings of approximately \$95,000.
- A major construction project began at the Sanford Golf Course to include but not limited to a sewer re-use grant project, which includes a new irrigation system. Other improvements at the course were completion of greens re-construction, bunker re-construction, tee complex re-construction, a new driving range and construction of five new golf holes. The project should be totally complete by early fall of 2002.
- Designed, created, and implemented an automated timesheet for employees and supervisors. The automated timesheet has significantly reduced the number of manual math calculations and provides precise information for payroll.
- Coordinated computer software changes for banking services from Wachovia to RBC Centura.

- Completed the fiber optic project for high speed networking among the main government structures. Added forty new email users citywide and completed network connectivity at Fire Station No.3, Jonesboro Fire Station, Water Plant, Wastewater Plant, City garage and Sanford Golf Course.
- Administration continues for a FY 2000 Community Development Block Grant Scattered site Project in the amount of \$387,500; a 1999 Single-Family Rehabilitation (“SFR99”) Program; the Little Buffalo Creek Clean Water Management Trust Fund Grant, in the amount of \$765,000; and a Lee County Community Development Block Grant and a Housing Finance Agency Single-Family Rehabilitation Grant totaling \$600,000.
- A Community Revitalization Grant was awarded in the amount of \$1,750,000 to be spent over a five year time period. This grant will be utilized for the restoration of the W. B. Wicker School as a multi-use community center, including adolescent and elderly day care facilities, Lee County Youth Services Center, mental health and supportive housing for Lee Harnett Haven, a computer center, a cafeteria, and a small business incubator. This grant requires a qualifying local government to seek historic approach in addressing the root causes of poverty in high poverty areas.

DEVELOPMENT OF STAFF

- Building inspectors attended schools, and seminars in an effort to stay abreast of the code changes.
- Shop supervisor has access to state contract pricing by adding Internet at the shop.
- The Information Systems expanded the city website to 400 + pages for citizens and city employees to use for job postings, applications, forms, departmental information and more.
- Human Resources Division prepared employee benefits information sheets detailing benefits available and their costs. The benefit value was provided by dollar and percentage of salary.
- Human Resources held the second Benefits Fair and increased providers participating from twelve to twenty-three. A Health Fair was held in conjunction with the Benefits Fair. It was an open house setting with information, handouts and door prizes.
- A complete review of the personnel database has been performed by the Human Resources Department in order to ensure accuracy of employee information.
- The Human Resources Department organized, bid and executed the City’s Service Awards Luncheon. This was the first luncheon and the first to be held in the Public Works Assembly Room that included service awards for employees obtaining benchmark years.
- The Human Resources Department administered the bidding process for health, life, short-term disability, cobra and dependent life insurance. Negotiations led to a contract with Blue Cross and Blue Shield of North Carolina. Over twelve training sessions with employee (active and retired employees) followed and enrollment was completed timely and efficiently.
- Information systems administered the continuation of the Employee Computer Purchase Program with sixty-seven personal computers acquired.

FY 02-03 ACCOMPLISHMENTS

The accomplishments of the City of Sanford are highlighted below to give the reader some insight as to how the major goals provide direction to all areas of municipal service.

SECURITY

- The Mobile Precinct and the Community Policing Team continue to be one of our major accomplishments. We continue to initiate community watch programs and are working very closely with the communities across Sanford. This continues to be one of our major changes in the philosophy of law enforcement in Sanford.
- The City/County Drug Unit continues to provide a public awareness of the drug problems in Sanford and Lee County through stringent drug enforcement and educational programs to young people, which utilize narcotic enforcement officers.
- The Code Enforcement Department enforced the City of Sanford City ordinances with regards to issuing zoning violations pertaining to junked or abandoned vehicles, nuisance violations, overgrown lots and minimum housing.
- The Fire Department continues to be the organizational lead for the SAFE KIDS COALITION in Lee County. All department members received training and certification to operate the checking station.
- The Fire Department has five Level III fire inspectors as a result of training and testing during this year. Level I inspector training and one member of the department has completed testing with award anticipated for early 2003-2004. The 2002 Edition of the North Carolina Fire Prevention code is now in effect and being used for new and existing buildings in Sanford/Lee County.
- Training of all fire department members continued during the year with all members maintaining an average of over 240 hours in such diverse topics as hazardous materials, basic life support, firefighting tactics, apparatus operation and vehicular extrications.
- Rescue services have been transferred to the Sanford/Lee County Fire Departments. A study by the fire service of Lee County was completed and each department is scheduled to handle specific areas of rescue as a specialty. The Sanford Fire Department will be handling, in addition to extrication, confined space, trench and structural collapse rescue duties.
- The Inspection Department reviewed construction plans and conducted the necessary inspections to ensure compliance with the International Building Code. The inspectors attended schools, and seminars, in an effort to stay abreast of the code changes. The department was merged with Lee County to enhance service and provide the most economical and efficient service.
- Information Systems added the fiber optic backbone for high-speed networking and data transfer capabilities to the Makepeace Building with the Inspections/Permit staff.

MASTER PLANNING AND ZONING

- The Sanford/Lee County/Broadway Unified Ordinance re-write continues which will consolidate land use and development regulations for the three municipalities into one document. This will provide more adequate services and land use regulations for the citizens of Sanford, Broadway and Lee County. The completion date is scheduled for January 2004.
- The Community Development Department initiated long-range planning and education efforts through the development of a small area plan for the Greenwood community. This project is at the beginning stages, and will resume in late fall of 2003 with an expected completion date of January 2004.

- The Geographic Information Systems Section of the Community Development Department continues to create maps and charts for various city departments and other agencies. It also has expanded its extensive database, including assigning new addresses, acquisition of soil data, topography maps and FIRM Maps.
- Four voluntary annexations were completed during the year.
- Two new restaurants and more than thirteen new businesses opened in the Downtown Sanford District. Downtown Sanford was awarded a Building Improvement Grant in the amount of \$10,000 for awning replacements, façade improvements, building improvements and new signage.
- The downtown district west of Horner Boulevard was adorned with Downtown Sanford banners on light posts to give the area a more defined boundary. Several events were held in the recently completed Phase I of Depot Park, including the holiday tree lighting, multiple music concerts, large family gatherings, fundraising events, and even a wedding.
- Downtown Sanford, Incorporated and the City just received North Carolina Department of Transportation Enhancement Funding to begin Phase II of Depot Park. The phase will include a splash-fountain; information kiosk, landscaping, fencing, picnic tables, public restrooms and improvements to the popular train play area.
- DSI and the City also applied for an Urban Redevelopment Grant from the Department of Commerce in the amount of \$900,000 for the purpose of renovating the Buggy Factory in partnership with Progressive Contracting Company and streetscape along Chatham Street and Charlotte Avenue.
- The current planning division continued to administer the land use regulations of the City of Sanford, Lee County and the Town of Broadway. This division processed six zoning text amendments, reviewed ninety-eight site plans, an average of fifty minor subdivisions, and twenty-three major subdivisions. Planners met with developers and citizens, and processed forty rezoning, special use and variance cases for three jurisdictions.

TRANSPORTATION AND PUBLIC WORKS

- The Engineering and Street Departments began a major street improvement project to resurface streets with the use of \$1,000,000 installment loan proceeds.
- Design, contract administration and inspections were performed on the Hill Avenue bridge improvement project (\$200,000).
- The Solid Waste Division and Public Works Director negotiated the waste management contract for garbage collection (five year contract).
- The Solid Waste Division was granted permit renewal to operate a large type three-compost facility for an additional five years.
- Street improvements totaling \$300,000 was completed including sidewalk catch basin, curb and gutter repair, as well as street patching. Street ditches cleaned totaled 32,676 feet, which was a 122% increase over last year. Drainage pipe installed totaled 389 feet, which was an increase of 42% compared to the prior year.

UTILITIES

- Construction at the water treatment plant to change the city's treatment process has been completed.
- A study was performed on a portion of the Dry Creek drainage basin to identify sources of inflow and infiltration. The basin serves the Rosemount-McIver areas with sewer. Meters were placed in manholes; rain gauges measured rainfall in given storms and a model of the sewer system developed.

FINANCIAL PLANNING

- The Sanford/Lee County Community Development Department administered the FY 2000 Community Development Block Grant Scattered Site Project (\$387,500); a 1999 Single Family Rehabilitation Program; the Little Buffalo Creek Clean Water Management Trust Fund Grant (\$765,000); and a Lee County Scattered Site Housing grant (\$400,000).
- The Department also administered the first phase (\$350,000) of a \$1,750,000 Revitalization Strategies Community grant. This grant will be utilized for the restoration of the W. B. Wicker School. Year one consisted of demolition and clearance activities on the buildings in the rear of the Wicker site. Plans are to construct a dental facility and mental health offices to serve the low wealth community.
- The Sanford/Lee County Community Development Department was responsible for assisting Sanford Fire Department in applying for a FEMA/USFA grant in the amount of \$101,850 for equipment items, such as, thermal imaging cameras, portable radios, rapid intervention kits, vehicle extraction systems, and personal protective equipment.

DEVELOPMENT OF STAFF

- Human Resources held the third annual benefits/health fair with the number of participating vendors increasing from twenty-three to thirty-three. This year's health vendors included a chiropractor, a masseur, masseuse and acupuncturist.
- Human Resources updated the employee benefits summary sheets which provide general information about subjects such as health, life and short term disability insurance, vacation and sick leave accrual, personal leave, 401K retirement plan, paid holidays, etc.
- The Human Resources Department organized and held the second annual City of Sanford service awards luncheon in the public works assembly room. Forty-two employees were recognized for a total of 545 years of service to the City of Sanford.
- The Human Resources Department negotiated renewal of the health, life, short-term disability and dependent life insurance contract with Blue Cross Blue Shield of North Carolina.
- Information systems administered the continuation of the Employee Computer Purchase Program with forty personal computers acquired. The Information Systems Department enhanced the city website (www.sanfordnc.net) for citizens and city employees to use for job postings, applications, schedules, downloadable forms, departmental information and much more.
- Information systems supported and modified an automated timesheet for employees and supervisors. The automated timesheet has significantly reduced the number of manual math calculations and provides precise information for payroll.
- Information systems added fifteen new email city users and maintained, repaired and supported one hundred forty-five computer systems/users. Also began project to upgrade network connectivity with newer low cost high-speed circuit technology at Fire Station No.3, Jonesboro Fire Station, Water Plant and Sanford Municipal Golf Course.

FY 03-04 ACCOMPLISHMENTS

The accomplishments of the City of Sanford are highlighted below to give the reader some insight as to how the major goals provide direction to all areas of municipal service.

SECURITY

- The Inspection Department reviewed construction plans, and conducted the necessary inspections to ensure compliance with the International Building Code.
- The Inspection Department staff continued to attend schools and seminars in an effort to stay abreast of code changes.
- The Code Enhancement Department enforced the City of Sanford City Ordinance, with regards to issuing zoning violations pertaining to junked or abandoned vehicles, nuisance violations, overgrown lots, and minimum housing.
- The changeover by the Lee County and the City of Sanford Fire services to include rescue services in addition to firefighting and other emergency services has taken place. The Sanford Fire Department is now handling extrication, confined space, trench and structural collapse rescue duties.
- The Fire Department's permanent checking station for Child Passenger Safety Seats has been very active at Central Fire Station. Staff at all three fire stations take an active part in instruction and installation for parents and families of young children in need of this service. The Lee County SAFE KIDS Coalition continues to be spearheaded by members of the Sanford Fire Department.
- The Fire Department has completed another year of SCBA physicals and medical testing to ensure our members have base-line monitoring for use in physical fitness programs and incident scene vital statistic record keeping.

MASTER PLANNING AND ZONING

- The Sanford/Lee County/Broadway Unified Ordinance re-write continues which will consolidate land use and development regulations for the three municipalities into one document. This will provide more adequate services and land use regulations for the citizens of Sanford, Broadway and Lee County. This process began in March 2000 and continues with a completion planned in January 2005.
- The Community Development Department initiated long-range planning and education efforts through the development of a small area plan for the Greenwood community. This project is at the beginning stages, and will continue with a completion date of January 2005.
- The Geographic Information Systems Section of the Community Development Department continues to create maps and charts for various city departments and other agencies. It also has expanded its extensive database, including assigning new addresses, acquisition of soil data, topography maps and FIRM Maps.
- Two voluntary annexations were completed during the year with one for the new Lee County High School property.
- Several new businesses opened in downtown Sanford and several events were held in the recently completed Phase I of Depot Park.
- Phase II of Depot Park began this year which will include a splash-fountain, information kiosk, landscaping, fencing, picnic tables, public restrooms and improvement to the popular train play area.

- DSI and the City were awarded an Urban Redevelopment Grant from the Department of Commerce in the amount of \$900,000 for the purpose of renovating the Buggy Factory in partnership with Progressive Contracting Company and streetscape along Chatham Street and Charlotte Avenue.
- Over twenty-seven recorded events were held at Depot Park and a pilot light project on Steele Street was begun which increased lighting to encourage more pedestrian traffic at night.
- DSI granted fourteen businesses \$20,570 in matching building improvement funds, resulting in a total of \$87,240 improvements in private and matching funds.
- The current planning division continued to administer the land use regulations of the City of Sanford, Lee County and the Town of Broadway. This division processed twenty-four zoning text amendments and rezoning cases; reviewed sixty-eight site plans; an average of forty nine minor subdivisions; and ten major subdivisions. Planners met with developers and citizens, and processed four special use and variance cases for three jurisdictions.
- Historic Preservation and Appearance Commission reinstated with three major and seventeen minor cases ruled on. Also the commission reinstated the annual historic preservation and community appearance awards.

TRANSPORTATION AND PUBLIC WORKS

- The Engineering and Street Departments finalized a major street improvement project to resurface streets with the use of \$1,000,000 installment loan proceeds and operating budget revenues totaling approximately \$300,000. This project included twenty-two miles of street resurfacing.
- The Engineering Department performed inspection and administration for the replacement of 2,100 feet of sidewalk, 1,700 feet of curb and gutter and installation of 29 wheelchair ramps.
- Traffic services performed 251 cutbacks for site distance and installed 259 traffic lights. Street name signs installed totaled 158 and the street sweeper recorded 1,303 man-hours.
- Street improvements completed include 15,895 feet of street ditches cleaned. Drainage pipe installed totaling 554 feet and installed and repaired 1,380 feet of sidewalk. Curb and gutter installations and repairs for the year totaled 927 feet.
- Replacement of the heating and air conditioning system in the shop was completed. This included switching from heating oil to natural gas, which has saved substantially in operational cost.
- Replacement of one of the in ground lifts in the shop which included upgrading the lift capacity from 9,000 lbs. to 12,000 lbs.
- All city shop mechanics were certified with the state of North Carolina for emission testing.
- The Solid Waste (Refuse) division collected 1,465 loads of limbs and 673 loads of leaves during this fiscal year. The division submitted application to renew the permit to operate a Large Type III compost Facility for another five years. Also replaced 3-man leaf vac truck with new Freightliner one-man leaf vac.
- The Engineering Department coordinated with contractors and developers to expand three miles of city streets.

UTILITIES

- Construction at the water treatment plant to change the city's treatment process to a chlorination system has been successfully completed.
- The Sewer Construction Department successfully cleaned forty-two percent of the city collection lines.

- All sewer lift stations were installed with remote communications, audible and visual alarms and telemetry, which has greatly, enhance the reliability of the system. Also other major repairs were completed at each lift station. Additional backup parts were inventoried in order to decrease down time of lift stations.
- Sewer right-of-way access points and creek crossings were improved and mowing of 40 miles of right-of-way easements was completed.
- Sewer crews responded to 213 stoppage complaints and jetted 72 miles of sewer main. There were approximately 15 miles of sewer pipe smoked tested.
- The Engineering Department coordinated with contractors and developers to expand two miles of water lines and three miles of sewer lines.
- The Engineering Department coordinated with contractors to install permanent generators at Carr Creek and Gaster's Creek Sewer Lift Stations and electrical connections were provided at all other lift stations for a portable generator.
- The sewer system evaluation was initiated for the Little Buffalo drainage basin. The study divided the area into several sub-basins then prioritized the sub-basins based on volume of storm water inflow and infiltration.
- Approximately 10,000 linear feet of the sewer system was rehabilitated by inserting a cured-in-place liner in the Dry Creek drainage basin.
- Major installation of new gear drive on clarifier number 2 completed and rebuilt influent bar screen with all new parts at the wastewater treatment plant. Also drained and cleaned both sides of the chlorine contact tank. Installed new air dryer system on effluent filters. Replaced control panel at influent grip collector and completely rebuilt gear and reducer for Thicken Waste Activated Sludge pump.
- Land applied six million gallons of bio-solids as part of the land application program at the wastewater treatment plant.

FINANCIAL PLANNING

- The Sanford/Lee County Community Development Department continued administration of the FY 2000 Community Development Block Grant Scattered Site Project (\$387,500); a 1999 Single Family Rehabilitation Program; the Little Buffalo Creek Clean Water Management Trust Fund Grant (\$765,000); and a Lee County Scattered Site Housing grant (\$400,000).
- The Department also administered the second phase (\$350,000) of a \$1,750,000 Revitalization Strategies Community grant. This grant will be utilized for the restoration of the W. B. Wicker School. Plans are to construct a dental facility and mental health offices to serve the low wealth community.
- The City's Debt Set Off program was started this past year and continues to be successful in the collection of delinquent accounts.
- The Governmental Accounting Standards Board (GASB) has changed the framework of financial reporting for state and local governments. The result of this project was the issuance of GASB Statement No. 34 which represents the most important change in the history of accounting and financial reporting for state and local governments. The City has successfully completed its first audit addressing the new GASB 34 accounting rules.
- This year the accounting records have been updated to reflect new account numbers. The new account numbers should assist in grouping and reporting of accounts relative to the new GASB rules. A new fixed asset program was also implemented which should further enhance the City's financial records.

- The City of Sanford has received the Government Finance Officer's Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Financial Report for twenty-two consecutive years. It has also been awarded the GFOA's Distinguished Budget Presentation Award for eighteen consecutive years.

DEVELOPMENT OF STAFF AND TECHNOLOGIES

- Information Systems administered the continuation of the Employee Computer Purchase Program with thirty-eight personal computers acquired. The Information Systems Department continues to enhance the city website (www.sanfordnc.net) for citizens and city employees to use for job postings, applications, meeting minutes, schedules, downloadable forms, departmental information and much more.
- Information Systems created the Downtown Sanford Website for citizens and others to access local information.
- New computers were reinstalled at City Hall, Fire Departments, Service Center and the Water Plant. New software was installed as required.
- Netware connectivity was upgraded with low cost ADSL high-speed circuit technology at Fire Station No. 3, Jonesboro Fire Station, Wastewater Treatment Plant, Water Treatment Plant, and Sanford Municipal Golf Course.
- Twenty new email users were added to the city's network.
- Information Systems continues to maintain, repair, and support 150 computer systems/users on 9 local area networks at 10 remote systems with 40-networked printers.
- The Fire department continued during the year with all members maintaining an average of over 240 hours in such diverse topics as aerial ladder operation, AED operation, hazardous materials, basic life support, firefighting tactics, apparatus operation and vehicular extrication.
- The Human Resources Department held the fourth annual benefits fair. One hundred thirty employees attended, visiting many of the thirty vendors present. The goal was to provide valuable benefit information that could be used during the annual employee benefit open enrollment process.
- Human Resources provided overview sessions to interested employees regarding all of the City's benefit programs. This educational tool served as a reminder of the complete benefit package provided to employees by the City. Employees also received updated information packets including BCBSNC Certification Booklets, Benefits Review and Summary sheets, Summary Plan Descriptions, etc.
- Human Resources negotiated renewal of the health, life, short-term disability and dependent life insurance contract with BCBSNC. Health insurance premiums were increased 2.8%, while other benefit premiums remained unchanged.
- Human Resources organized another successfully Service Awards Banquet in 2003 recognizing fifty-four recipients.
- Human Resources implemented process improvements for a number of tasks to include employee separation, leave of absences, new employee orientation, etc. These changes should improve productivity, efficiency and customer service.
- Human Resources developed and distributed an Employee Development and Training Needs Assessment to all employees of the Fire Department. Results from the assessment will now be used to identify priority training needs, develop materials and conduct training sessions.
- Human Resources audited all City of Sanford facilities to ensure Department of Labor compliance for posting of appropriate labor information.

FY 04-05 ACCOMPLISHMENTS

The accomplishments of the City of Sanford are highlighted below to give the reader some insight as to how the major goals provide direction to all areas of municipal service.

SECURITY

- The Public Building Department completed a system wide change out of the uninterrupted power source (UPS) for the City's 911 call center and emergency backup systems. The new UPS insures that citizens will have continuous access to emergency services.
- The Inspections Department reviewed construction plans, and conducted the necessary inspections to ensure compliance with the International Building Code. Additionally, the Inspections staff continued to attend schools and seminars in an effort to stay abreast of code changes.
- The Code Enhancement Department enforced the City of Sanford City Ordinance, with regards to issuing zoning violations pertaining to junked or abandoned vehicles, nuisance violations, overgrown lots, and minimum housing.
- The Fire Department received a federal grant in the amount of \$184,200. This grant was used to place emergency generators at all three fire stations. These generators allow the Fire Department to continue normal operations during all types of weather events as well as serve an emergency dispatch center during power outages. Also purchased were exhaust removal systems, two thermal imaging cameras, six additional portable radios, and three Rapid Intervention Team kits. These items help to enhance the health and safety of Fire personnel.
- The Fire Department's permanent checking station for Child Passenger Safety Seats at Central Fire Station remains very active. Staff at all three fire stations take an active part in instruction and installation for parents and families of young children in need of this service. The Lee County SAFE KIDS Coalition continues to be spearheaded by members of the Sanford Fire Department.
- The Fire Department has completed another year of SCBA physicals and medical testing to ensure our members have base-line monitoring for use in physical fitness programs and incident scene vital statistics record keeping.

MASTER PLANNING AND ZONING

- The Unified Development Ordinance is intended to consolidate land use and development regulation for the three governmental units of Sanford, Broadway, and Lee County into one document. The result will provide more adequate services and land use regulations for the citizens of Lee County. The process began in March 2000 and continued through the 2004 -2005 fiscal year. The ordinance is projected to be completed in October 2005.
- The Community Development Department administered the third phase (\$350,000) of a \$1,750,000 Revitalization Strategies Community grant. This grant is being utilized for the restoration of the W.B. Wicker School. Plans are to contract a dental facility and mental health offices to serve the low wealth community.
- The Community Development Department initiated long range planning and education efforts through the development of a small area plan for the Greenwood Community. The plan was completed in January 2005.

- The Geographic Information Systems Section of the Community Development Department continued to create maps and charts for various City departments, and other agencies, and expanded its extensive database, including assigning new addresses, acquisition of soil data, topography maps, and FIRM maps.
- Work was completed for the consolidation of the Sanford Strategic Services Division of Community Development and the Lee County Land Records Department.
- The Community Development Department continued to be involved in several voluntary annexations and one involuntary annexation.
- DSI awarded \$13,356 in Building Improvement Grants, which generated \$28,888 in private investments.
- Over twenty events were held in the recently completed Depot Park including a grand opening celebration, Lee County Orchestra performances, jazz concerts and private band performances.
- The newly completed Depot Park includes an interactive fountain, a train play zone, sidewalks, benches, and information kiosks.
- DSI continued to administer a \$900,000 Urban Redevelopment grant for the purpose of renovating the Buggy Factory.
- The City was awarded a \$150,000 Enhancement Grant which DSI used to implement the Pilot Street Light Project to increase lighting throughout downtown.
- The Planning Division continued to administer the land use regulations of the City. The Division processed 11 zoning text amendments, 33 rezoning cases, and reviewed 168 site plans.

TRANSPORTATION AND PUBLIC WORKS

- The Solid Waste (Refuse) Division collected 1,326 loads of limbs, 763 loads of leaves and 630 loads of bulk trash during the fiscal year. They also put a new knuckle boom truck into service.
- The Engineering Department coordinated contractors to accomplish \$500,000 in street improvements, resurface 10 miles of street, replace 680 feet of sidewalk, as well as replacing 1600 feet of curb and gutter.
- The Shop Department replaced three in ground lifts – two 10,000 pound lifts and one 12,000 pound lift. Shop also upgraded the emissions machine to meet the new CANS standard, which allows in house inspection of 2005 year model vehicles.
- The Shop Department began using online computer diagnostics, replacing the compact discs that were only upgraded every three months.
- The Street Department continued to repair catch basins, ditches, and sink holes.
- Additionally, the Street Department worked with utility companies to get more street lights installed.
- Street Department began a program to change all signal lights in the City to LED lights.
- The Street Department continued to post public parking signs as well as street markers.

UTILITIES

- The Finance, Public Works and Legal Departments worked together to accomplish the purchase of the Lee County Water System. This purchase resulted in a 33% increase in the City's water customer base and streamlines the water system for uniform growth throughout the County.
- The Water Construction and Maintenance (C&M) division continued hydrant maintenance as well as the meter exchange program.
- Water C&M also repaired main breaks, installed water taps, replaced broken hydrants, located control valves and repaired booster pumps.

- Testing of meters also continued to insure accuracy in billing of water consumption.
- The Sewer Construction and Maintenance (C&M) division cleaned 42% of the City's collection system lines, handily exceeding the annual requirement of 10%.
- Sewer C&M smoke tested 12 miles of sewer pipe to aid in problem detection, as well as rodded and jetted 88 miles of sewer main to reduce potential stoppages. Additionally, 86 miles of the sewer collection system were inspected.
- Repairs and maintenance were performed on the Northview, Lemon Springs, Globe Street, Carr Creek and West Lake Downs lift stations.
- The Big Buffalo wastewater treatment plant's (WWTP) laboratory received certification.
- The Gaster's Creek lift station received a new air control system, a new surge valve, two new suction valves and a new drive shaft for the pump.
- The WWTP completed and submitted a new process safety management program.
- During the fiscal year, the WWTP reissued permits for the pretreatment program.
- The WWTP drained and cleaned both sides of the chlorine contact tank and land applied six million gallons of bio-solids.
- The City accepted 2 sewage lift stations during the year; Gum Fork lift station which serves approximately 2200 acres and the expanded Lee County Industrial Park, and the Mulatto Creek lift station which serves approximately 1500 acres as well as the new Southern Lee High School.
- Approximately 25,000 linear feet of the sewer system was rehabilitated by inserting a cured-in-place liner in the Little Buffalo drainage basin. Additionally, 100 manholes were cemetitiously lined.
- The Engineering Department coordinated with contractors and developers to expand the water system by 4 miles and the sewer system by 5 miles.

FINANCIAL PLANNING

- The City's Debt Set Off program continues to be successful in the collection of delinquent accounts.
- The City of Sanford has received the Government Finance Officer's Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Financial Report for twenty-three consecutive years. It has also been awarded the GFOA's Distinguished Budget Presentation Award for nineteen consecutive years.
- The Revenue Division began the outsource printing of monthly water bills. The outsourcing allowed the billing statements to be upgraded from a post card style bill to a larger 8 ½ x 11 paper size bill.
- The Revenue Division oversaw the implementation of a lockbox service to receive payments from utility customers. This service allows payments made by mail to go directly to the bank for immediate credit to the City. Additionally, customer service staff is relieved of processing mail payments and are able to focus on assisting customers.
- Public Works Administration negotiated and entered into a contract with the Town of Broadway which commits Broadway to purchase all of its water from the City.
- The Store Division of Public Works implemented reporting changes to enable Finance to account for adjust inventory levels accurately.
- The Store Division worked with Finance to insure the accurate accounting of freight and delivery charges. In this year alone, Store was able to account for over \$1,300 in these charges thereby avoiding inaccuracy in it's year end inventory reporting

DEVELOPMENT OF STAFF AND TECHNOLOGIES

- Information Systems enhanced the City website for citizens and employees to use for job postings, applications, City Council meeting minutes, schedules, downloadable forms, and departmental information.
- Information Systems updated the Downtown Sanford website for citizens to access local information.
- Information Systems installed new computer systems at City Hall, the Fire Departments, the Public Works Service Center and the Inspections Building.
- Twenty five computers were reformatted and software reinstalled for both software upgrades and hardware replacements.
- The email system was upgraded with new web enabled features for remote access.
- Information Systems maintained, repaired, and supported 150 computer systems/ users on 9 local area networks at 10 remote sites with 40 networked printers.
- Human Resources organized and sponsored another successful benefits fair for City employees.
- Human Resources created HIPPA documentation to ensure compliance by the City with the privacy act.
- All City job descriptions were reviewed by Human Resources to ensure compliance with recent changes to FLSA regulation. Additionally, the year end vacation report was audited to insure accuracy with leave records.
- Human Resources organized, bid and executed the catered City Service Awards Luncheon that included service award for employees obtaining benchmark years of service. The luncheon included music and local dignitaries.
- The Human Resources Department sponsored financial planning sessions for all employees. Additionally, monthly wellness sessions were held on important topics such as weight loss and high blood pressure.
- Human Resources conducted Personnel Policy review meetings for management team members. These policy review meetings will be an ongoing monthly event in the next fiscal year as well.

only 1.3 percent. Because we are a service organization which relies heavily on personnel, containing our health care costs is very important to us as we try to hold down expenditures.

Within our Utility Fund, we continue to face escalating operating costs, as well as the need for additional major capital expenditures. We are pleased to have purchased the Lee County Water System and its assets on March 10, 2005. In exchange for the assets, we issued debt in the amount of \$7,630,000 for a fifteen-year term at a very favorable interest rate of 3.47 percent. We also agreed to pay off \$1.2 million in debt which Lee County could not prepay. It is our view that consolidation of these water systems will have a profound positive effect on citizens of our county for many years to come. Since we acquired the system barely two months ago, staff is continuing to work through numerous issues relating to the consolidation with an eye towards a rate study to be accomplished within the next year or two.

In the meantime, water and sewer revenues appear to be growing stronger and, hopefully, will allow us to eliminate or minimize rate increases for the foreseeable future. We also expect that operating efficiencies from the consolidation of the systems should have a positive effect on our finances going forward. Likewise, the continued capital improvements to our aging sewer system should soon begin to pay dividends.

The proposed budget for FY 2005-2006 of \$35,621,692 reflects an increase of \$1,983,300 or 6 percent when compared to the current year appropriation. Our General Fund budget represents 57 percent of the total, an amount equal to \$20,236,070, which is an increase of \$664,492 or 3 percent when compared to the current year appropriation. The proposed Utility Fund budget of \$14,673,265 reflects an increase of \$1,386,481 or approximately 10 percent when compared to the current year appropriation. This increase is due in large part to the acquisition of the county's water system and ongoing system-wide capital expenditures. The following represents a summary of revenues and expenditures contained within the proposed FY 2005-2006 budget.

GENERAL FUND REVENUES

For FY 2005-2006, General Fund revenues are estimated to be \$19,331,870 which reflects an increase of \$639,269 or 3 percent when compared to our current year's budget. A fund balance appropriation in the amount of \$904,200, which is essentially earmarked for increased capital spending, is included. Available fund balance at June 30, 2004, was \$6.2 million or 27 percent of General Fund Expenditures. Please note that cities our size typically maintain a ratio of 35 to 40 percent available fund balance to General Fund appropriations. Because this year's appropriation is essentially for capital expenditures and the fact that we anticipate only \$139,400 of the original appropriation for FY 2004-2005 budget will be used, I feel comfortable with this level of appropriation from fund balance.

Using a proposed rate of \$.59 per \$100 valuations, ad valorem tax revenues are projected at \$9,846,792 which represents an increase of \$248,852, or 3 percent more than our current year budget. As noted earlier, our improved collection rate is attributable to a major portion of this increase.

Other significant General Fund revenues include intergovernmental revenues and sales tax revenues. Intergovernmental revenues within the General Fund amount to \$2,769,728 which represents a decrease of \$330,914, or 11 percent compared to the current year budget. Sales tax

revenues are projected to be \$4,334,350 which reflects an increase of \$299,035 or approximately 7 percent. As noted earlier, compared to recent years, this trend represents very good news for our General Fund Revenues.

One source of income which has been negatively impacted during the last three to four years is investment income or interest on idle funds. However, during the past nine months alone, yields on interest rates have doubled. As a result, we expect to gain an additional \$65,000 or an increase of more than 75 percent over FY 2004-2005 total. This trend is projected to continue for the next several years. We see this as a bright spot for us, since we undertook a number of capital projects during the past few years while interest rates were low.

GENERAL FUND EXPENDITURES

Our annual budget ordinance segregates governmental functions within the General Fund into five categories. They are General Government, Public Safety, Public Works/Transportation, Waste Management, and Operating Transfers/Contributions. My comments regarding General Fund expenditures will be segregated accordingly. Significant changes in the General Fund expenditures are as follows:

General Government - This category shows a decrease of \$115,273 or a 3 percent reduction when compared to the current year. All of this decrease and more is associated with the elimination of the City's Strategic Information Services Department. This department will be combined with Lee County's Land Records Department to form the Strategic Information Services Division as a part of the Sanford/Lee County Community Development Department. Because this department, which will be headed by Don Kovasckitz, will be a County department, this category of expense will become a contracted service and accounted in our operating transfers/contributions cost center. This shift will produce a reduction of \$126,564 in this category. The contracted services amount will be approximately \$90,000.

Other expenditures within this category include full funding for the Risk Management position which was included in the current budget year for partial year funding. I expect to fill this position within the next two months. Also, funds are included to pursue establishing a public television access station. The amount of appropriation is \$65,000 which will revert to fund balance if not used for this purpose. Finally, this category includes an appropriation of \$60,000 for the Municipal Center renovations, which were put on hold during the past two years. There are two areas under consideration - one being the space vacated by the building inspectors near the elevator area and the other, customer service counter area, located within our Revenue Department.

Public Safety - This category of expenditures is proposed to decrease by \$273,363 or 3 percent when compared to current year budget. This decrease is primarily attributable to the fact that we purchase police vehicles during alternating years. Police vehicles were purchased during our FY 2004-2005 at a cost of \$236,500.

Within our Code Enforcement cost center, we included additional funds during the current year to hire and equip two additional code enforcement officers in order to allow us to keep pace with ever-increasing code enforcement issues and, also, allow us to begin to provide our own animal control services. One of those code enforcement officers was hired almost immediately, while the other was placed on hold until we could negotiate with Lee County to

accept our animals at their shelter. It should be noted that county governments are under no obligation to accept animals from municipalities who operate their own animal control programs.

During those discussions, the health director asked us to give them an additional opportunity to increase their level of animal control services within the City to a level satisfactory to us. The health director gave us numerous reasons for their failures in the past and pledged to be successful this time around. We actually have a meeting next week to finalize their offer. Based on those budget discussions, adjustments may be necessary depending upon our final agreement.

Public Works/Transportation – This category essentially includes all of our General Fund public works expenditures with the exception of refuse and sanitation. Overall, this category is recommended to increase by approximately \$666,790 or 24 percent when compared to current year budget. Capital increases within this cost center include funds for the paving of Currie Drive, Rand Street, and Webb Street. There is also an additional appropriation of \$360,000 for paving due to the exponential cost increases associated with this service. Asphalt prices have gone through the roof during the last several weeks, as have other costs related to this process.

Waste Management - This category of expenditures includes our Solid Waste Department and funds for our sanitation contract with Waste Management Company for curbside garbage collection. Because of rising costs associated with landfill charges and fuel, our contracted consumer-price-index adjustment for this service will be 4 percent effective July 1, 2005. This increase will amount to \$32,423. Capital expenditures within our solid waste budget include funds for the installment purchase of a leaf-vac truck and a cash appropriation of \$50,000 for a 2-ton, flatbed, dump truck.

Operating Transfers/Contributions - This category of expenditures, which includes a number of transfers between governmental agencies and contributions to various organizations, is recommended to increase by approximately \$235,423 or 58 percent. Reasons for this substantial increase are as follows. The cost for our Strategic Information Services (GIS) will be paid for in the new budget as a contracted service in the amount of approximately \$90,000 each year from this cost center. With animal control remaining a county service provided by the Lee County Health Department as a contracted service, an amount equal to \$50,000 must be appropriated. There is also an Economic Development Corporation incentive grant totaling \$72,385 for the upcoming year, as well as our portion of the Economic Development Corporation program at a cost of \$72,027. Also, I am recommending a \$25,000 increase in our appropriation to the Central Business Tax District to continue assistance with the streetscape program and other projects. And finally, the Golf Fund loan payment appropriation from the General Fund is included in this cost.

UTILITY FUND REVENUES

Utility Fund revenues are estimated at \$13,213,000 which reflects an increase of \$142,531 or 1 percent compared to the current year's budget of \$13,070,469. The bulk of these revenues are for water charges in the amount of \$6,800,000 and \$5,200,000 in sewer charges. The balance includes miscellaneous revenues such as tap and connection fees, monitoring fees, and investment income, etc. These revenues do not take into consideration potential new customers associated with the completion of Phase III of the former Farmer's Home program.

At present, it appears there will not be very many customers meeting the City's criteria in order for the projects to be undertaken.

Considering the fact that the City acquired the County's water system a mere two months ago, we are projecting revenues in the Utility Fund conservatively. It should be noted that the volatility of water customer habits, potential plant closings, weather, and other factors associated with the merger of the systems support our decision to estimate revenues conservatively. It has been noted elsewhere that funds are included in the budget to begin our efforts to conduct a rate study hopefully within the next two years.

UTILITY FUND EXPENDITURES

Appropriations for the Utility Fund expenditures are recommended at \$14,673,265 which represents an increase of \$1,386,481 or 10 percent when compared to the current year budget. These increases are attributable to both continued capital expenditures and debt associated with the purchase of the Lee County Water System. Our current year appropriation for debt service is \$4,129,469 which represents an increase of \$264,841 or 7 percent compared to the current year budget. This debt service is necessary to pay off the \$7,630,000 installment purchase loan issued at an annual rate of 3.47 percent for a fifteen-year period for the purchase of the Lee County Water System. There is an additional payment directly to Lee County in the amount \$131,450 annually for a portion of their debt which could not be prepaid and made a part of our loan package.

Capital projects include \$20,000 in preliminary funding for a water rate study which will likely take place within two years; continued sewer rehabilitation in the amount of \$750,000; potential sewer assessments in the amount of \$400,000; funds to paint water tanks in the amount of \$150,000; improvements to Gaster's Creek Lift Station at \$120,000; and a number of smaller projects. An appropriation from Fund Balance in the amount of \$1,460,265 is included to help fund these capital improvements. With this appropriation, the fund balance on June 30, 2004, remains at 25 percent of total expenditures.

GOLF ENTERPRISE FUND

We continue to be pleased with the results of our capital project which was completed approximately two and one-half years ago; however, the amount of play we would like to see continues to lag. Like most golf courses throughout the nation, our amount of play and subsequent revenues are down at least 15 percent. We feel a portion of our lack of play is attributable to the closure of Hawkins Avenue and other transportation construction projects in the area. We also attribute a portion of the decline to weather and the economy. As a result, following our recent City Council retreat, we implemented a new rate structure and membership package which we hope will foster an increased interest in the Sanford Municipal Golf Course by area golfers.

The proposed Golf Fund budget equals \$637,357 which reflects an increase of \$11,527 or 2 percent compared to current year budget. There are no major capital expenditures included in the Golf Enterprise Fund for this fiscal year.

SPECIAL TAX DISTRICT FUND

The proposed Special Tax District budget for FY 2005-2006 totals \$165,500, which reflects a decrease of \$54,200. The proposed tax rate for the district is recommended at \$.15 cents per \$100 assessed valuation in accordance with the request from the DSI Board of Directors. This proposed increase of \$.02 per \$100 assessed valuation will generate approximately \$6,000 in additional revenues, which will be used to provide funding to help subsidize annual projects. These projects include renovation of the Cole/Steele Street parking lot and continuation of our streetscape plan. Clearly, Downtown Sanford Incorporated (DSI), working in conjunction with the City through its Special Tax District, has made great strides during the past several years.

GENERAL EXPENDITURES

Personnel - During the past four years, local governments throughout North Carolina have continually faced the challenge of trying to maintain services to its citizens during a period of declining or stagnant revenues. The City of Sanford, like other municipalities, has had to make adjustments to continue to deliver quality service to its citizens, while trying to provide for its workforce and their families. Three years ago, we suspended our merit-based pay plan in order to help hold the line on increased expenditures. My proposed budget for FY 2005-2006 reinstates the merit-based pay plan at a cost of approximately 1.25 percent of salaries. I have also proposed a cost-of-living adjustment at the beginning of the new fiscal year to help our employees' salaries stay abreast with inflation, which is estimated to be in excess of 3 percent.

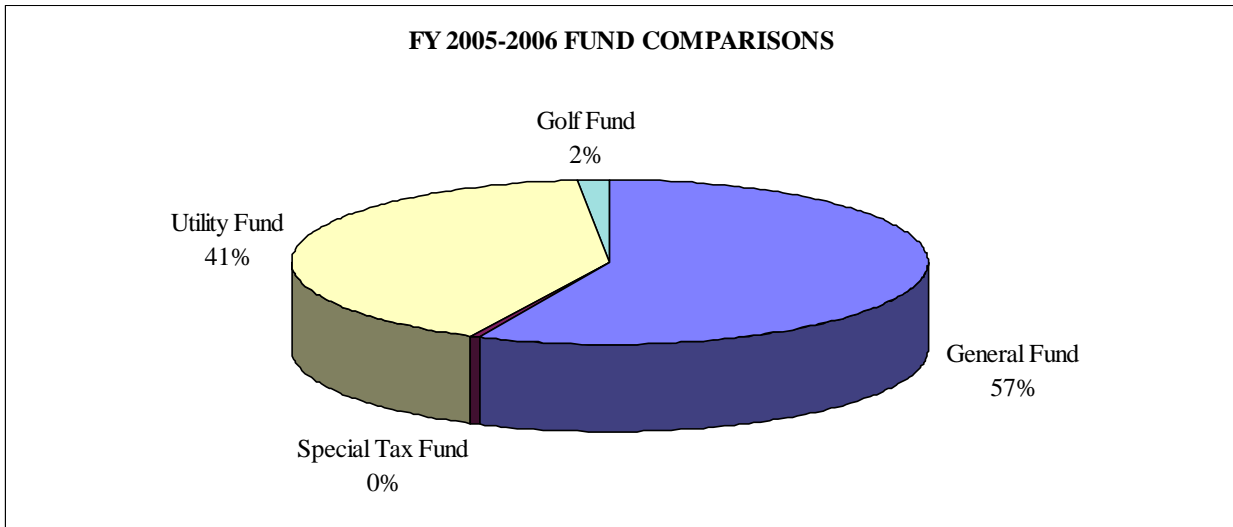
I recommend that on July 1, eligible employees receive a cost-of-living adjustment to their base salary in the amount of 3 percent. This pay date will actually compensate employees for the pay period beginning June 23 through July 7. This across-the-board adjustment will approximate the consumer price index for the previous twelve months and is intended to help offset the inflationary cost described above.

Worker's Compensation, Employee Health Insurance, and Property and Liability Insurance Program - We continue to be pleased with the services provided by Blue Cross/Blue Shield for our employees group hospital health plan. We are also pleased that the proposed increase for FY 2005-2006 will be only 1.3 percent, which is substantially lower than the last several years. We continue to contract with the League of Municipalities for our worker's compensation, property, and liability insurance programs. Property and liability insurance will decrease approximately \$13,000 in FY 2005-2006, while no increase is anticipated for workers' compensation coverage.

BUDGET SUMMARY

The Fiscal Year 2005-2006 proposed budget is balanced with requests for an overall appropriation of \$35,621,692. The funds are broken down as follows:

	FY 04-05 BUDGET	FY 05-06 PROPOSED BUDGET	VARIANCE	% CHG.
SUMMARY				
General Fund	19,571,578	20,236,070	664,492	3%
Utility Fund	13,286,784	14,673,265	1,386,481	10%
Golf Fund	625,830	637,357	11,527	2%
Special Tax District	219,700	165,500	-54,200	-25%
SUB-TOTAL	33,703,892	35,712,192	2,008,300	6%
Less Interfund Activity	65,500	90,500	25,000	38%
TOTAL BUDGET	33,638,392	35,621,692	1,983,300	6%



CONCLUSION

FY 2004-2005 has been an exciting year for the City of Sanford. Much has been accomplished. The long anticipated completion of Depot Park and the acquisition of Lee County's water system are noted examples of accomplishments which will positively affect our community for years to come. Depot Park has shown us what can be accomplished when property owners, community leaders, and volunteers come together for a common cause. The consolidation of the County's two major water systems is an example of governmental entities working together for the betterment of the total community.

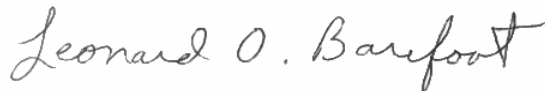
Depot Park pays tribute to our heritage, but more importantly provides a renewed energy as our journey through the twenty-first century continues. We know that journey will contain unprecedented growth here in Lee County. The consolidated utility system will make dealing with that growth much easier.

While our employees contributed significantly to these accomplishments, they and their counterparts spent a majority of their time providing basic services to our citizens in the manner they have year after year. Such is our mission, and I applaud all of our employees for their efforts. I believe we have a superior work force, and I give credit to Mayor Hester and members of our Council who have been so supportive of them.

I thank Financial Services Director Melissa Cardinali and her staff for their efforts in the preparation of this budget. I am particularly pleased that it contains no tax or rate increases considering the fact that our community will be called upon to pay for the addition of a new high school and other much-needed county services.

Please feel free to call me if you have questions regarding the proposed FY 2005-2006 budget or any supplemental support materials.

Respectfully submitted,

A handwritten signature in cursive script that reads "Leonard O. Barefoot".

Leonard O. Barefoot, City Manager

**CHANGES FROM THE PROPOSED BUDGET AS SHOWN IN THE
TRANSMITTAL LETTER TO THE
APPROVED BUDGET – FY 05-06**

	PROPOSED	APPROVED	NET CHANGE
TOTAL GENERAL FUND	\$20,236,070	\$20,228,070	(\$8,000)
 REVENUES			
Consolidated Planning Service	\$310,013	\$318,013	\$8,000
Fund Balance Appropriations	\$904,200	\$888,200	(\$16,000)
TOTAL REVENUE			(\$8,000)
ADJUSTMENTS			
 EXPENDITURES			
Information Systems	\$312,971	\$247,971	(\$65,000)
General Fund Contributions	\$641,959	\$698,959	\$57,000
TOTAL EXPENDITURES			(\$8,000)
ADJUSTMENT			

GENERAL FUND

Revenues

The initial proposed budget inadvertently omitted the planning services contract with the Town of Broadway. Appropriated fund balance was reduced to reflect the combined reduction in expenditures and increase in planning services revenue.

Expenditures

The new Strategic Information Services contract with Lee County was actually approved at \$82,000 annually by both governmental units instead of \$90,000 annually. Additionally, \$65,000 had been included in the proposed budget to fund a new public access television station. Council, however, decided to delay this project for the near future.

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