MINUTES OF RETREAT OF THE
CITY COUNCIL OF THE CITY OF SANFORD
SANFORD, NORTH CAROLINA

The City Council held a retreat at the Mid Pines Inn and Golf Club, located at 1010 Midland Road, Southern Pines, North Carolina, on Thursday, March 7, 2019, beginning at 9:00 A.M., in the Julius Boros Boardroom. The following people were present:

Mayor T. Chet Mann
Council Member Byron Buckels
Council Member Sam Gaskins
Council Member Charles Taylor
City Manager Hal Hegwer
Management Analyst Holly Marosites
Deputy City Clerk Vicki Canady

Mayor Pro Tem Rebecca Wyhof Salmon
Council Member Jimmy Haire
Council Member Norman Charles Post III
Council Member James Williams
City Attorney Susan Patterson
City Clerk Bonnie Davis

Mayor Mann welcomed everyone and called the meeting to order. He explained that the theme of the retreat is “Growth and Survival.”

Opening Remarks and Introduction

City Manager Hal Hegwer stated that two of our state representatives, Senator Jim Burgin and Representative John Sauls, would join Council later in the meeting to discuss some of the challenges the City is facing and how they can help us move forward.

Financial Overview (Exhibit A)

Financial Services Director Beth Kelly reviewed the City’s tax rate and sanitation fees going back to 1993. She discussed revenue sources and noted that ad valorem property taxes generate 51 percent of our revenue. She reviewed the County’s and City’s share of sales tax revenue and noted the significant decrease in FY 13-14, the year the method was changed from per capita to ad valorem. She pointed out that the County’s revenue increased 142 percent since FY 09-10, while the City’s increased 22 percent during that same period. She noted that state-shared revenue for sales taxes from electricity, natural gas, telecommunications, beer and wine, are flat. The City’s current and historic fund balances were reviewed, and she reminded Council that the adjusted fund balance on June 30, 2018 (after required restrictions and re-appropriations were considered) was $9,056,458, or 31.24 percent of net expenditures, which is above the 30 percent self-imposed city policy. General Fund expenditures and annual debt service payments were also reviewed and Mrs. Kelly noted that debt service payments do not include installment purchase issuances. She explained that in light of this year’s property tax revaluation, it is too early in the budget process to say whether the tax rate would be revenue neutral and City Manager Hegwer confirmed that detailed revaluation information won’t be received until mid-April.

Mrs. Kelly reviewed a projected budget for FY 19-20 with an estimated shortage of about $766,000 but noted that this does not account for any growth from ad valorem property taxes nor the cost of repairs needed to the Hill Avenue Bridge. She also reviewed Municipal Service District rates and the city’s utility rates, noting there has been no increase since FY 16. Mr. Gaskins stated that he will be in Washington D.C. next week and requested that any potential needs for infrastructure be submitted to him before his trip so that he may pass those requests along. He explained that the National League of Cities has recommended that infrastructure needs should be the highest priority item discussed with our representatives.
A brief recess was taken at 10:10 and the meeting was reconvened at 10:30 a.m.

**Strategies for Growth/Closed Session**

Council Member Buckels made a motion to go into closed session pursuant to N.C.G.S. 143.318(11)(a)(4), to discuss matters relating to the location or expansion of industries or other businesses in the area served by the public body, and (5) to instruct the public body's staff or negotiating agent concerning the position to be taken by or on behalf of the public body in negotiating the price and other material terms of a contract or proposed contract for the acquisition of real property by purchase, option, exchange or lease. The motion was seconded by Council Member Gaskins and carried unanimously.

**Return to Regular Session and Recess**

A lunch break was taken at 11:45 a.m. and the meeting was reconvened at 1:00 p.m.

**Capital Improvement Plan (Exhibits B and C)**

Financial Services Director Beth Kelly explained that information requested by Council Member Taylor is shown on the attached Exhibit B, detailing capital outlays approved by Council for the previous ten years, departmental requests and amounts approved in each budget. She reviewed the Capital Improvement Plan for the General Fund and noted that the Utility Fund is not included since the feasibility study is not yet complete. She reminded everyone that vehicles for the police department were purchased last year and that vehicles, equipment and rolling stock are included in the operating budget (not in the Capital Improvement Plan), along with infrastructure items costing less than $50,000. The plan typically provides a five-year perspective and is used to coordinate financing, scheduling and planning of capital infrastructure needs. When discussing debt issuance with ratings agencies, the agencies want to review plans for how these purchases will be made and financed.

Council Member Taylor suggested that many of the requests from department heads for capital improvements are rejected by the City Manager and Council is unaware of them until they become an issue. He asked the City Manager for the rationale behind some of those rejections and Mr. Hegwer explained that requests must fit within the budget for any given year and requests are prioritized based mostly on mandates and issues of legal, health, and safety. He cited an example of how the fire department's request for bay doors was handled, noting that a great deal of analysis was done on that request (safety, whether the costs of heating, cooling, and other expenses would be reduced). Mr. Taylor requested information on departmental requests to illustrate which items have been requested for several years. Mrs. Kelly noted that this information is already included within the preliminary budget draft, as well as amounts recommended by the Manager. Mr. Hegwer noted that even though some requests are not ultimately approved, he wants the departments to share information on items they need and suggests that they include requests so that there is a record. He confirmed that there are repercussions in deferring purchases over long periods (in maintenance expenses) and requested Council's assistance in prioritizing capital needs and requests since choices will be tougher. Mr. Hegwer noted that certain projects - such as the Hill Avenue Bridge - are given priority because of safety concerns and not because of choice, which means that funds will not be available for other items. Mrs. Kelly explained that several factors are considered on vehicles and rolling stock, including mileage, man hours, salvage value, and maintenance costs. Mr. Hegwer noted that we have a vehicle replacement schedule that includes these factors and many pieces of equipment (leaf and limb vehicles, knucklebooms) are on a ten-year cycle but budgetary pressures in some years, such as this year, restrict that schedule. He and Mrs. Kelly confirmed that renovations are still needed at City Hall.
but funds are simply not available at this time. Since the Hill Avenue Bridge is a public safety issue, that project is the only one currently included in the upcoming fiscal year’s budget planning. The Greenway Bonds are currently included in the 20-21 FY. She reminded Council that the bond referendum was approved in September 2013 and we have seven years from that date to issue the bonds but we can request a three-year extension from the LGC, which would allow us to issue that debt through September 2023. That could be moved out a year or two but Mrs. Kelly pointed out that this project will carry an annual debt payment of about $500,000, so we must have revenue to offset it. Planning year 21-22 includes the Temple Theatre parking lot, the Depot project (which may be funded through private donations or a public/private partnership); vehicles and upgrades to the Service Center (since there are maintenance issues at that building); land acquisition and design work for Fire Station No. 4, which will also require substantial and ongoing operating costs (estimated at $1-$1.5 million annually) once it becomes operational. The Little Buffalo Greenway and Carthage Street Greenway projects are included in FY 23-24, as well as the City Hall/Police Department remodel of City Hall, which would also require a substantial debt service payment. The Enterprise Park Sidewalk project has been pushed out to FY 24-25 since it will depend on how the property is sold and what is needed by the businesses that ultimately locate to the park.

Mr. Hegwer explained that repairing and painting the Hill Avenue Bridge is the one issue that is imperative going into next year’s budget and other projects must be delayed. Mr. Taylor expressed concern about delaying the purchase of property for the fire station since prices continue to increase in the area being considered. He suggested that we purchase property and if the station is ultimately built elsewhere, we could sell it, which Mr. Hegwer confirmed could be considered but Mrs. Kelly noted that the debt payment on a land purchase wasn’t included in next year’s budget planning. Mayor Mann suggested we consider acquiring an option to purchase property in anticipation of a fourth fire station and noted that property near the area being considered for the multi-sports park (near the Broadway Road/Highway 421 intersection) could be considered. Contracting with Carolina Trace was discussed but Mr. Hegwer stated that the facility may be too small to accommodate additional staff and that the primary expense is not in the building but ongoing personnel and operating costs, and is located in the southernmost portion of the county.

Mr. Kelly reviewed future debt service obligations that peak around 2026 based on current projections. Regarding current DOT projects, she reminded Council that the County is funding the $199,000 needed for the Carthage Street roundabout (rather than contributing to the Moncure Sewer Extension project). She reviewed other upcoming DOT projects, noting that figures are estimates only and dates are subject to change due to weather and bids. Community Development Director Marshall Downey confirmed that the Wicker Street sidewalk project (from the Wicker/Carthage Street roundabout to West Lee Middle School) is separate from the bond project. Council Member Haire questioned what could be done to encourage business owners to improve appearance along Wicker Street. Mr. Downey explained that repair shops often receive zoning approval for minor repair work (oil changes, tune ups, etc.) but cars often accumulate around those shops and become eyesores. The code could be strengthened to require screens and fencing, but since they can be unattractive, he suggested outside storage be prohibited and violations be addressed through code enforcement. He also noted that we have zoning districts in place (light industrial, highway commercial) that allow and encourage those types of businesses. He reminded Council that we have become more aggressive about code enforcement and outsourced some of the nuisance abatement cases. Code Enforcement does have the ability to enforce commercial maintenance health and safety issues and staff is available for this; however, staffing is inadequate to address zoning land use issues consistently. While most business owners are cooperative when addressing violations, it is time-consuming and often
reoccurring. The Zoning Administrator has very little time to address code violations because permits and processing are consuming so much manpower and resources are limited. Mr. Downey explained that code enforcement is most successful when fines are enforced or action is taken on violations and there is follow-up.

Mrs. Kelly explained that we have only an early estimate on the Carthage Street roundabout and anticipate an agreement from DOT around July, after which the project will be open for bids and prices presented for Council approval. She also noted that the price does not include the cost to run underground power and the last estimate from engineering was about $2.4 million to run it from Fire Tower Road to Wicker Street. Mr. Gaskins suggested we reduce the scope and extend it only from Fields Drive to Wicker Street. Mr. Hegwer stated that we hoped to incorporate underground utilities from the Wicker Street sidepath (from Carthage to Horner) with the bond project to tie into the downtown revitalization. There was discussion about how to prioritize underground utilities based on limited funds, by starting from the inside and working outward. Mr. Hegwer noted that there would very likely be additional expenses for relocating utilities in connection with several DOT projects and Mrs. Kelly reminded Council that we cannot borrow funds on projects unless we own property securing the project. Mr. Hegwer added that we can relocate utilities prior to DOT construction but it is risky since DOT may revise their plans.

Regarding capital requests for the upcoming budget year, Mrs. Kelly explained that she received some figures last week and they are incorporated into the information presented but departmental budget information has not yet been submitted. She noted that the ladder truck will likely be requested next year and since the last estimate was $1.5 million, it will have to be delayed. Mr. Hegwer explained that he will prioritize funding items that are critical, such as the Hill Avenue bridge, until we have a revenue model that works for us. He acknowledged that neither Council nor citizens want to raise property taxes to fund projects and suggested that the proposal to extend the area for voluntary annexation may help. Our legislative representatives provided the ability to implement the vehicle tax and they can also help with the voluntary annexation extension, since they agree that we should not be heavily dependent on property tax as a revenue source when alternatives are available to fund needed projects, especially those related to infrastructure. Most of these projects can be delayed but the bridge must be addressed. DOT is responsible for inspecting bridges every two years and they make recommendations. We have been fortunate that local companies (such as Sanford Contractors) have done repair work on the bridge at prices that are quite reasonable. He explained that there are options for closing the bridge and re-routing traffic and he has also approached DOT about a solution for maintenance responsibility since they will consider trades on street maintenance. While we are responsible for maintenance and have done quite a bit of work on that bridge over time (expansion joints, endcaps, painting, etc.), federal funds would likely be available if it needs to be replaced but that might require a match.

Mrs. Kelly reviewed an updated version of the General Fund forecast for the upcoming fiscal year and explained that about 1.5 percent is included for property tax growth but sales taxes are flat and no increase is included. She stressed that these numbers are only estimates based on the current fiscal year. A 2.5 percent increase is included in the personnel line and the $199,000 DOT expense for the Carthage Street project is included in the revenue line since those funds are coming from the county. She noted the anticipated shortage increases from about $504,000 in FY 19-20 to more than $1.2 million in FY 20-21 but revenue increases will hopefully reduce that. Any increases in revenue should, according to Mrs. Kelly, be earmarked for capital purchases since some projects cannot be financed. Mr. Hegwer reminded Council that the economy is going very well now just as it was about
ten years ago (when we had about $10 million and could fund all capital needs) before the economy slowed, so he suggested we should prepare now for a slowdown in the economy. Mrs. Kelly reminded Council that we are paying four pennies on the tax rate for interest and we anticipate receiving approximately $100,000 next year in interest income. Mr. Taylor questioned whether we could consider a bond for transportation, roads or public safety needs and Mrs. Kelly replied that even though we just issued the sidewalk and streetscape bonds in 2015 (for 20 years), we pay cash for many expenses and have very little outstanding debt in the General Fund. Mr. Hegwer agreed that we have very little debt: none before the General Obligation bond other than that tied to water and sewer, which is practically unheard of. Mrs. Kelly confirmed that she confers with financial advisors on CIP and rolling stock purchases to determine how best to collateralize and combine issuances to reduce costs. She also noted that future projects at the Moncure Megasite will generate revenue for the General Fund.

**Proposed UDO (Exhibit D)**

Jason Epley with Benchmark Consulting led discussion on the Unified Development Ordinance ("UDO") and how we can facilitate residential development that aligns with the recently adopted Land Use Plan that is responsive to current market demands, provides the most benefit to the community and provide services most efficiently. He reminded everyone that the land use vision is to foster sustainable growth and direct development toward existing high-quality development while protecting the unique character, quality of life and natural resources in Sanford and Lee County. He reviewed policies, themes and recommendations from the plan that encourage higher density land use for the city. Community Development Director Marshall Downey added that developers say the primary request they receive from perspective homeowners is more walkable communities. Mayor Mann, who works in the mortgage industry, stated that the National Association of Realtors show that 49 percent of all new homes purchases in the country were made by millennials (the largest population segment), and the largest age group for household formation is 29 to 30 year-olds.

Mr. Epley highlighted characteristics of urban and suburban neighborhoods and how each will guide preservation and redevelopment of existing neighborhoods and form the basis of regulations for new residential neighborhoods within the city. Mr. Downey noted that from a policy standpoint, we now have the Land Use Plan in place but there is a disconnect because we don’t have zoning rules for enforcement. Challenges were discussed, including the fact that this gap requires much more staff time since staff has to use conditional zoning to achieve what the UDO would provide. He predicted that there will be increased market demand in the next few years in Sanford for residential housing, particularly entry-level housing (generally about $200-$250,000 according to many tract-style builders compared to $300,000 and up in the Triangle area) and he anticipates the challenge will be having standards in place to ensure quality development and sustainable neighborhoods. We will have to balance pressure from larger tract-type builders for housing in their target price point range with standards for what we want to see in Sanford. He should have standards in place to guide developers on neighborhood elements and amenities. The market will control the price point while the UDO will guide creation of quality neighborhoods and provide opportunities for housing choices.

Mr. Epley highlighted physical design and layout elements of how great neighborhoods are created and also reviewed active (recreational) and passive open spaces. Mr. Downey explained that we cannot dictate how homes are designed – that is dictated by the market – but we can encourage certain elements and/or require some type of diversity between houses in subdivisions through regulations rather than negotiations (as done currently with conditional zoning). He also noted that the current UDO includes the opportunity for developers to offer a fee in lieu of creating open space
in their project which would allow using those funds toward public parks, but we have never taken advantage of this. Mr. Epley shared examples of how pocket neighborhoods, both single-family and multi-family, can be developed as high-density infill while meeting higher standards and visions. Mr. Downey suggested that these concepts could be incorporated into revitalizing East Sanford through public/private partnerships. Staff is working on preliminary plans to add onto existing subdivisions to create higher-density products. Mr. Epley discussed some of the difficulties when transitioning from established neighborhoods to higher-density patterns but reminded everyone that the goal is to create a more connected community that would reduce traffic, road maintenance, and provide services more efficiently. Mr. Downey added that staff typically does not see resistance if there is an existing opportunity to connect to another street but there is resistance when connecting to undeveloped property. He encouraged Council to think long-term and plan for the future. Staff needs a formal policy now for development standards to prevent problems in the future, such as those being experienced by communities that grew without standards. They have problems with emergency services and traffic congestion on major roads and there is no easy fix. When tying new neighborhoods to well-established ones, it is often useful to include emergency, fire and police personnel and have clear communication early in the process, with lots of outreach and neighborhood meetings to share positive aspects of connecting. Strategies to help improve residential development patterns and tailor them to Sanford were also reviewed.

Mr. Downey encouraged Council to revise the UDO so that it can be used to implement standards that can be passed along to developers for the urban development we want to see. His department could request funds in next year’s budget to hire a company like Benchmark to examine and incorporate some of these design techniques as an immediate next step. This recommendation was included as one of the strategies in the Land Use Plan rather than a wholesale revision, since it appears that updating residential development is the most immediate need due to market pressure; commercial development should be the next step. Proactive zoning would help encourage lower density development on larger lots in rural areas and match “place types” (zoning districts) as described in the Land Use Plan. Mr. Epley also stressed the importance of having policies in place for utility extensions and working with the county to maintain and reinforce low density residential development patterns in the county and higher density in the city. Mr. Downey suggested we use the Joint Planning Commission as a guiding agent and use the consultant to research various options for streetscapes, open spaces, and to investigate how other communities have successfully handled these issues to determine what we want to see before presenting it to Council.

Council Member Buckels questioned how affordable housing can be incorporated into zoning updates. Mr. Downey explained that truly affordable low-income housing cannot be achieved without some type of tax credits or subsidy. We have had success with developers working with housing tax credit projects for apartments and could possibly incentivize development to attract this type of project; however, he cautioned that some communities previously tried to do this through force and were struck down. Mr. Epley suggested we might be able to do some trade-offs by encouraging higher-density affordable housing and offsetting costs for those projects. Some cities used a program to renovate historic homes for firefighters and teachers to draw them to areas being revitalized and provide workforce housing, thereby accomplishing several goals. Other communities used programs through which a designated percentage was set aside for low- and moderate-income but there are legal boundaries to consider.

Mr. Hegwer noted that he has heard concern that new UDO requirements for amenities (such as sidewalks and open space) will reduce the number of affordable housing options and questioned
whether this is a valid concern or just a misconception. Mr. Downey replied that the cost of higher standards for amenities will be offset by reduced per-unit costs. Mr. Epley reminded Council that revitalizing neighborhoods in the core part of the city and new development would improve conditions throughout those neighborhoods and also open new opportunities for affordable housing. He encouraged Council to view the City as a whole when considering how to attract residents to new and existing areas by putting quality standards in place to incentivize and help revitalize existing neighborhoods, so that development spills over into the core of the city and not only on the fringes and new areas. Mr. Downey noted that one of the advantages of using an outside consultant is to avoid “group-think” mentality and gain a different perspective on what will fit best Sanford since there are many options. He stressed that one of the key points is to make sure that existing development elements and features are incorporated to ensure there is a connected transition. Many large developments offer several price points and options for consumers to move from one style to another within the same neighborhood.

Mr. Downey summarized that there is a balance to be found between implementing standards and allowing continued development. Conditional zoning works but it is frustrating to developers and staff when working without clear rules and standards during planning and review. Mr. Hegwer commented that the goal is to include funding for a consultant in next year’s budget and encouraging the county to contribute.

A brief recess was taken at 3:45 p.m. and the meeting was reconvened at 4:00 p.m.

Mr. Hegwer commented on the success of public/private partnerships such as CCEP and the S3 Residential Housing Task Force. He encouraged Council to continue seeking opportunities for partnerships since there are many in the community willing to help, as they have with S3. Prior Councils have been interested in seeking “All American City” designation and S3 aligns very well with criteria for humanitarian and social aspects. He also reported that we have reached out to ascertain if there is interest in rehabilitating any of the houses currently slated for demolition.

Mayor Mann informed Council that one of the CCCC trustees suggested offering office space in the Civic Center to the TDA at a nominal rate. While this may not be a long-term solution, there will be additional discussion between the Chamber, DSI and TDA about where a welcome center should be located and who will operate it. It appears that the currently proposed legislation will be an extension of our Memorandum of Understanding until the TDA is well established.

Council Member Haire commented on a newspaper article from 2015 about municipalities having to pay to dispose recyclables and suggested that many problems can be tied to larger bins that allowed consumers to dispose of items without having to break them down. He noted that we are experiencing these difficulties now.

Mr. Taylor reported that signage is still a big issue. There is still confusion about temporary signs and problems with LED signs that are extremely bright.

Council Member Williams commented that the wayfinding signs are very attractive.

Regarding the King Roofing demolition, Mr. Hegwer explained that the project has been posted on the “govdeals” website and there is at least one bid to dismantle the building and clean the lot. Mayor Mann suggested that the site could provide additional parking space in the future.
Regarding the Kendale Shopping Center, Mr. Downey explained that he recently met with design professionals in connection with the proposed school project. His department is actively pursuing code action on the breezeway at the far end of the center which will likely be removed. Mr. Hegwer stated that the developer has maintained contact with him and is still interested in potential development on the property.

Regarding opportunity zones, Mr. Downey explained that SAGA recently hosted an informational workshop session attended by investors, developers, financial advisors, and a wide cross section of community members. Tax and finance professionals provided an overview of potential advantages to the community and investors, and how we could attract this investment. He shared information on our local opportunity zone – East Sanford and along Hawkins Avenue up to the Highway 421 Bypass – and how investors could partner with the City. He reminded Council that the UNC School of Government’s Development Finance Initiative is working on a comprehensive market analysis of East Sanford that will help identify sites that could realistically provide opportunities. We could then work independently or with DFI to solicit investors and developers on a project, as the town of Fuquay-Varina did recently. Combining tax incentives with other market factors and infrastructure already in place will make this zone attractive to investors. There is also potential for retail property and affordable housing in these areas.

Regarding the timeline for the splashpad and Kiwanis Family Park project, Mr. Hegwer explained that the contractor is running near schedule, even with the large amount of recent rainfall. They encountered some issues with bad soil in the parking areas that will increase costs but the contractor offered a credit for removing a contract item for a waterline out front. He also noted that there are ongoing discussions about fundraising efforts and staff is researching how other areas have accomplished this.

Regarding questions from Mr. Buckels about a glazed product for windowson boarded houses, Mr. Downey explained that there has been a shift in philosophy on how blighted areas are seen. There is a technology for a glazing product that can be used as opposed to replacing windows or boarding them with plywood sheathing. A clear plexiglas type product may help prevent some of the negative connotations of boarded windows since they look more like traditional windows. He noted that Code Enforcement Supervisor Barbara McMillan, who came from a more urban area, has had experience with this product and shares the philosophy of avoiding plywood if possible, with the knowledge that replacing windows is quite expensive and they may be damaged since they are an “attractive nuisance” at unoccupied buildings.

A brief recess was taken at 4:50 p.m. and the meeting was reconvened at 5:10 p.m.

**Meeting with Legislative Delegation**

Mayor Mann extended thanks to Senator Jim Burgin and Representative John Sauls for attending the retreat and for their efforts on behalf of the City. He shared that the theme of the meeting is “Adapting to Change- Striving to Achieve Sustainable Revenue.”

Management Analyst Holly Marosites thanked Representative Sauls for helping to secure funding for several ongoing projects. He helped pass the occupancy tax, through which the Tourism Development Authority was created. The TDA collected nearly $175,000 in the first partial year and is budgeted to collect about $200,000 this fiscal year; these funds will be used to promote Sanford and Lee County. State funding of $57,000 was also provided through assistance from Representative
Sauls and those funds were used for an HVAC system and generator at the Bread of Life shelter; bedbug treatment and metal bunk beds at the Outreach Missions shelter; and for operational costs at both organizations. He also helped secure $40,000 for the arts initiative, which also received $50,000 from the City and more than $100,000 from private fundraising efforts. Ms. Marosites also thanked him for his help in securing a $4 million grant from the state to construct a new terminal building at the airport that will draw additional visitors to the airport. She explained that a new master plan is underway and sewer service is being extended to the airport that will allow for additional growth.

Ms. Marosites also thanked Senator Bergin for attending and stated that we look forward to working with both of them on annexation issues and smart growth.

Ms. Marosites reviewed some of the challenges facing the City, including revenues that are stretched too thin (as with other municipalities throughout the state). We are highly reliant on property tax revenue which means that the burden is falling property owners, so we would benefit from flexibility and diversification of revenue sources. Financial Services Director Beth Kelly noted that property tax revenue represents about 52 percent of the City’s General Fund revenue. Ms. Marosites reviewed sales tax revenues and noted that some of our current revenue challenges are related to the 2013 shift in the sales tax distribution method by Lee County, from the per capita method to the ad valorem method which resulted in stagnant revenue: Lee County saw a 142 percent ($8.7 million) increase over ten years while the City saw a 22 percent (just over $1 million) in that same time frame.

Mayor Mann noted that while we are having great success as a community, the collection levy method punishes us for growth, so we are trying to find alternative revenue sources. City Manager Hal Hegwer noted that about 80 percent of the sales tax is generated within the City but we aren’t seeing our proportional return on the strong economy and are concerned about being heavily dependent on property taxes. He commented on the unpredictability of the model since it is based on a proportionate share of the levy and is difficult to project from year to year. Mrs. Kelly pointed out that expansions by Pilgrim’s Pride and Pfizer are great for our community but since they are located outside the city limits, they reduced our estimated increase. Mayor Mann explained that we have serious concerns on how to grow the City, bring jobs, sustain economic development and open growth in the northern portion of the County.

Ms. Marosites pointed out that we don’t have a great deal of control over several revenue sources, including state shared revenue (sales taxes on electricity, natural gas, telecommunications, beer, wine) and Powell Bill funds. We spend about $1.7 to $2 million annually on street resurfacing and receive about $800,000, slightly less than we received in FY 2012-2013. Since this revenue is not adequate to maintain a healthy infrastructure system, the City instituted a $30 municipal vehicle fee that will generate about $690,000 this year going directly to street maintenance but this fee is borne by city residents only (while roads are also used by non-residents). Ms. Marosites stressed that we would benefit from some type of revenue diversification and asked Senator Burgin and Representative Sauls to share information on revenue models used by other municipalities.

Ms. Marosites shared updates on several projects (shown on the attached Exhibit E), including the Kiwanis Family Park and the planned renovation and repurposing of the historic Depot Building which may house a new Visitors’ Center.

Senator Bergin reported that he serves on committees on agriculture; health care; health care finance; and state and local government. He noted that one of the governor’s top priorities is Medicaid
expansion, which is a topic of much conversation now with many proposals being offered. There will be five different Medicaid providers in our area and area residents will begin receiving letters around September. Since there will likely be confusion on this topic, social services offices have been advised that they should be prepared to provide assistance. He introduced a bill exempting retired military from income tax which has a lot of bipartisan support. His mission in the senate will be mental health issues, which ties into the current opioid crises, one of the most expensive behavioral health issues in the state. Research is currently ongoing regarding an agricultural district to encourage investment in agricultural manufacturing and job creation in rural areas. He acknowledged retail growth in Sanford and expressed surprise that it is not generating more sales tax for the City. Ms. Kelly stated that under the current levy model, we received approximately 24 percent of the sales tax last year even though about 80 percent is generated in the city (whereas the per capita model was about 33 percent to the City and 67 percent to the County). Mayor Pro Tem Salmon confirmed that the County has been very cooperative and we have partnered on many projects but the revenue model is an issue that has forced the city to become more creative. Mayor Mann commented on how well the public/private partnerships have worked, especially the CCEP project, and we will be in great shape long-term but the short-term is more of an issue. He noted that the proposed annexation revision would provide additional opportunities for economic development and potentially avoid property tax increases.

Representative Sauls shared information on his committee assignments: Judiciary Committee; Public Utilities Committee; Chair of the Community College Committee (he has requested a three percent raise for instructors and staff making less than $60,000 annually); Co-Chair of the Education Appropriations Committee; Chair of the Ethics Committee; Vice-Chair of the Full Appropriations Committee; and Vice-Chair of the Redistricting Committee.

Senator Burgin encouraged everyone to visit the legislature. He and Representative Sauls reminded everyone that they are working together for Sanford and encouraged everyone to let them know what we need. Sen. Burgin stated that he first met Mayor Mann when they both served on the CCCC Board of Trustees and acknowledged his work on behalf of the City. Representative Sauls commented on the harmony and cooperation between the City, County, and area organizations.

Community Development Director Marshall Downey reviewed key information presented earlier in the meeting (shown on Exhibit E) and noted how the public/private partnership with CCEP is allowing sewer extension to the northern portion of the county, to the Moncure Megasite in Chatham County (one of the four megasites in the state) and a gravity line to provide sewer service to the airport. These extensions will open opportunities for economic development and job creation along the US Highway 1 Corridor, and we are also receiving inquiries about residential development. Mayor Mann noted that while we have had commercial and industrial growth, we don’t have residential inventory. Mr. Downey explained that this corridor is a great opportunity for growth and development and the idea behind the request for a local bill is to provide the ability to receive petitions for voluntary annexation beyond the current limitations. Once the area is opened for potential development, the best scenario would be to allow the City to receive those petitions in exchange for providing sewer service, allowing it to develop in more of a true urban manner with smart growth. Mayor Mann added that the current levy split hurts the City since we would bear the cost of providing sewer service to help bring jobs and the benefit would go the County; without annexation, we will not benefit. We are receiving inquiries from prospective businesses and residential development but they want sewer service. Mr. Downey noted that one of the things affecting our ability to annex is nearby development and there are plans for Chatham Park (the Chatham County project to our north) to be incorporated into the town of Pittsboro at some point, which could potentially encroach into Lee
County and they could then accept petitions for annexation within the current three-mile limit. If we are providing utilities to that area, we should have the ability to grow in that area through voluntary annexation. City Attorney Susan Patterson explained that a local bill was enacted years ago that prohibits Sanford from annexing into Chatham County. She explained that there are statutory restrictions on annexation and one stipulates that an area cannot be nearer a city than the city seeking to annex, so as one area grows, it becomes an issue for property in the middle. Mr. Hegwer stated there have been conversations with large companies considering locating at the Moncure Megasite which would really spur growth in that area. Representative Sauls commented on the rapid growth of Holly Springs and Apex and agreed that growth will eventually extend into this area.

Recess

The meeting was recessed at 6:30 p.m. until Friday morning at 8:30 a.m.

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

Respectfully Submitted,

[Signature]
T. CHET MANN, MAYOR

ATTEST:

[Signature]
BONNIE DAVIS, CITY CLERK