The City Council held a work session on Wednesday, May 29, 2019, at 6:00 p.m. in the West End Conference Room at City Hall. The following people were present:

Mayor T. Chet Mann
Council Member Byron Buckels
Council Member Sam Gaskins
Council Member Charles Taylor
City Attorney Susan Patterson
City Clerk Bonnie Davis
Deputy City Clerk Vicki Cannady
Financial Services Director Beth Kelly

Council Member Jimmy Haire - arrived at 6:11 PM
Council Member Norman Charles Post, III – left 7 PM
Council Member James Williams
City Manager Hal Hegwer
Management Analyst Holly Marosites
Senior Budget Analyst Cindy O’Quinn

Absent:
Mayor Pro Tem Rebecca Wyhof Salmon

**Work Session**

Mayor Chet Mann called the work session to order. Mayor Mann took a recess for dinner at 6:00 P.M. The meeting was reconvened at 6:20 P.M.

Mr. Hegwer stated that we will run through some things in the budget such as tax rate and several different things. Financial Services Director Beth Kelly gave a recap of revenues (Exhibit A) totaling $32,332,170. The budget includes a $640,000 Installment Purchase loan for a fire pumper and $575,000 for street resurfacing. We will have to use $241,629 from Fund Balance to balance this budget.

Mr. Hegwer explained that the expenditures are your true operating expenses less capital. Our number one priority for Council and staff is public safety and that we have the necessary equipment needed. For years, we have had a vehicle replacement schedule. Some of our large equipment is on a ten-year replacement and we are not far off of the schedule but we are trying to get as much as we can out of the equipment. Mrs. Kelly added that the capital outlay requests from departments total close to $3.5 million

Mrs. Kelly stated that we are using $241,629 from Fund Balance to balance the budget. Technically, staff does not like to appropriate Fund Balance; however, we are budgeting conservatively. She explained the details (Exhibit B) of the Fund Balance available as of 6/30/18 which was shown at the retreat. She explained they hope to add more than $58,300 to the Fund Balance creating an adjusted balance of $9,056,458, with a 31.24 percent of net expenditures. Based on the City’s Fund Balance policy, it is 30 percent with a minimum of no less than 25 percent without some type of plan to increase it. Mr. Hegwer added that if you get to 25 percent in Fund Balance, you will receive a letter from the Local Government Commission. We target 30 percent and that leaves about 1 to 2 percent where there is a little buffer.
Mrs. Kelly reminded Council that when you see $1.4 million in capital and add the fire pumper, to it, it totals approximately $2 million. Departments total requests for capital was approximately $3.5 million. We had to postpone a lot of capital that was requested as staff is trying to meet the needs of the overall equipment list and being able to fund it without borrowing additional monies. She reminded Council to keep in mind the Department of Transportation projects (Exhibit C) that are grant funded with matching costs. We want to be able to fund those projects and this is another reason why you want to make sure Fund Balance can cover those one-time costs. Keep in mind the capital improvements schedule because we are continuing to need to prepare for these projects and GO Bonds if you decide to issue the $2 million greenway bonds.

Mrs. Kelly referred to Exhibit D about some unresolved issues for FY 2019-2020. Sanford Area Growth Alliance (SAGA) Economic Development Director Bob Joyce presented to Council at a previous workshop, that DSI is recommending not leaving the tax rate at 9.2 cents (revenue neutral) and recommended increasing it to 11 cents. Council Member Gaskins suggested increasing its contribution to Municipal Service District and at the mayor’s meeting on the sports complex, there was discussion by Kirk Bradley regarding funding in the amount of $10,000 for entrepreneurship grants. Another topic was the Homelessness costs. It was included in the budget presented to Council and it was assuming that Lee County was going to pay 45 percent of that portion; however, the County did not include any funds for the homelessness issue. The City budgeted $42,500 for the homelessness issue to pay for some things between the Bread of Life, Outreach Mission, and funds to replace Terri Allebaugh’s contractual services. Mayor Mann noted that we will need to talk with the Commissioners on the Homelessness committee. Staff included funds for the UDO. Before staff finalized the budget, we were told that the County was not going to participate in the funding. The County Manager’s letter did include their portion of the UDO funding; however, they wanted to discuss it because they previously paid for some UDO expenses and because the County felt the issues are more related to incorporated areas of the City and not the County. Mayor Mann stated that the UDO is a county-wide document and is a blueprint for growth. Council Member Taylor stated that it benefits the County more than the City. Mr. Hegwer was not sure of what the County is going to budget for these issues. Before Council starts making too many decisions about what they want to cut, just realize it may be the last minute before they decide. Mr. Taylor asked if Council could have a small meeting before the budget is voted on to see what the County decides to fund. Mr. Hegwer stated the staff wanted to make Council aware of what could happen with the unresolved issues.

Mrs. Kelly explained that moving the fireworks for Streetscape from April to October, resulted in a savings of $7,000 in this year’s budget. After this year, it will be a recurring cost. There is a question as to whether the City will participate in funding the potential Sports Complex as Lee County is revising the design. Regarding broadband, staff budgeted $6,600 (based on numbers given to IT Director John Clayton by Lee County) for 50 percent of the monthly cost to provide broadband Downtown. The employee survey was estimated at $7,225; however, Human Resources received another quote of $3,000; resulting in a savings of $4,000. If we back off on one of the Fire Department/Police Department accreditations, it will save us about $11,000. Mayor Mann noted that the County is changing the design of the sports complex so we hope they are going to help fund it.

After discussion of several issues concerning shared departments, Council gave the consensus to raise the tax rate for the Municipal Service District to $.11 cents to help with the recruitment of a DSI Executive Director; to hold off on the fire accreditation to help fund the entrepreneurial grants
($10,000) for Downtown Sanford businesses. Since Lee County did not include funds for homelessness and if they fund the Sports Complex study entirely, it will be a wash with the Homelessness costs. Council Members felt Lee County should help fund the UDO because it benefits the County more than the City.

Council Member Post left at 7 P.M.

City Manager Hegwer referred to and discussed with Council Members Exhibit C - Enhancements, what was requested from various departments and what is recommended by staff. A public hearing is planned for Tuesday night on the proposed operating budget.

**Other Business**

Council Member Buckels noted that he would like to have conversation/presentation regarding the operation of the splash pad. Mr. Hegwer replied that a presentation will be presented very soon regarding the splash pad.

**Other Business**

Mr. Hegwer explained that a public hearing on the budget is planned for the June 4 Council meeting and another budget workshop could be scheduled for June 3 if needed. Mayor Mann suggested that a meeting may be needed after the Commissioners make decisions on the County’s budget. Mr. Hegwer stated that none of their decisions are critical to the City’s budget and Mrs. Kelly reminded them that there are some items were not included in next year’s budget and that will produce some savings (fireworks delayed until October 2020, accreditation for the fire and police departments). Mayor Mann noted that a special called meeting could be scheduled for June 26 and cancelled if not needed. If the Commissioners approve their budget at their June 17 meeting, Council may be able to vote on the budget at the June 18 meeting. Mrs. Kelly confirmed that the tax for the Municipal Service District will remain at $0.11 as requested by the Downtown Sanford, Inc., board and increase the General Fund contribution by $10,000 for their Entrepreneurship Grant program.

Council Member Taylor stated that there will some one-on-one reviews with S3 beneficiaries (Haven, Outreach Mission, the shelters) to ascertain their needs. Some rapid rehousing funding was included in the budget and S3 wants to ensure that it’s being directed properly. He explained that they are seeking private funding for S3 and not relying on the City or County. Mr. Williams informed Council that it was difficult to find a spot over the weekend for a woman who was homeless since the women’s shelter was full. With several staff members away for the day, staff at the shelter was able to find a place for her but Mayor Mann noted that prior to the S3 program, she would have been housed only by a concerned individual who would have paid for a hotel room for the weekend. While the system may not have worked perfectly, it did work. Mayor Mann explained that we are working on S3’s sustainability. He asked everyone to be patient and help find extra funding to get the shelter to the next level. The “211” phone system now has staff members trained and they are sharing systems; once a client is registered, staff will know how to help them better. Mr. Hegwer reminded Council that we have invested in consultants who can help lead these efforts and know how to work through the system. It is hoped that eventually, the faith-based community and private citizens and businesses will become bigger supporters and funders of this program and our role will be to provide services to get them there. Mr. Taylor noted that our program is being talked about statewide and the fact that Outreach Mission went from high-barrier to low-barrier within less than a month is practically unheard of in this industry.
Having this program in place for the future will make a huge difference to our citizenry, help our school system and everyone will benefit.

Mr. Buckels questioned how day-to-day operations at the splash pad will work. Mr. Hegwer confirmed there have been lots of conversations about hours of operation and other details and staff is working behind the scenes to develop a plan. Mr. Taylor suggested a meeting on the site but Mayor Mann suggested we wait until construction is more complete. Mr. Hegwer stated that a “soft opening” had been discussed. Mr. Taylor questioned whether the playground will be open before the splash pad and Mr. Hegwer expressed concern about children wandering into construction areas.

City Manager Hegwer stated that the splash pad construction at Kiwanis Family Park is moving along but will be open only for a short time this summer. While we won’t have the entire summer this year, we will gain some very helpful information for next year. He questioned whether a fee should be collected this year and suggested we could get an idea of how much the public would be willing to pay to use the facility and reminded Council that staff has concerns on how fees would be collected and of the associated costs. Mayor Mann suggested that the park could be free but we could charge a fee for the splash pad, and noted there may be complaint if don’t charge this year but do next year. Council Member Gaskins suggested we collect a fee this year and gather feedback before next year’s opening. Mr. Gaskins noted that Fuquay-Varina charges $2 charge for their splash pad (which is much smaller). Council Member Taylor suggested a sponsorship program to help offset operating expenses and Mr. Gaskins confirmed that the Kiwanis Club has already began a sponsorship effort. Financial Services Director Beth Kelly expressed concerns about security with daily cash collections and deposits and informed Council that City policy requires unannounced audits. Mayor Mann suggested that staff contact other municipalities to discuss their best practices.

Council Member Williams requested clarification regarding operating responsibilities, whether they were the City’s or the Kiwanis Club. Mr. Gaskins explained that the Kiwanis Club is not responsible for any operational costs since they turned the park over to Lee County several years ago and they now fund only special projects at the park. The County is responsible for the park, while the City is now responsible for the portion donated by the County for the bond project. Mr. Gaskins explained that Don Reuter, City Park Director, relayed information to the Kiwanis Club on sponsorships, which has been done previously at the park through stations along the walking trail and signs will designate sponsors in the new section. While the park is now owned by the County and the City, it still bears the name “Kiwanis Family Park” and is a service project for the organization, with a great deal of volunteer work going into the park over the years.

Mr. Hegwer explained that Mr. Reuter is working on these issues and pursuing options to establish a non-profit corporation to receive donations. Mayor Mann confirmed that a “Friends of the City” is being pursued which would be the best vehicle to receive donations. City Attorney Susan Patterson explained that the City would have a non-profit corporation to help raise money, receive funds and offer grants for arts and other cultural events and to provide tax benefits to donors. Mayor Mann reminded Council that this effort resulted from fundraising efforts to restore the Depot Building. Mr. Hegwer also explained that new portion of the park will incorporate the Reives family name (most of the land for the park was donated by the Reives family), the Kiwanis Club, the City and the County.

Regarding the budget for the upcoming fiscal year, the following issues were discussed:
• Mr. Taylor questioned water rates for city versus county customers, noting that county residents' rate is approximately double that of city residents, and questioned whether there were statutory parameters, noting that rates have been increased but county residents receive no additional services. Mr. Hegwer explained that the rate differential is due to higher costs to serve an area less dense than the City; higher flushing rates resulting from lower turnover, and higher maintenance costs. He expressed confidence that the differential rate can remain the same since it is cost-justified and is typical of other areas. Financial Services Director Beth Kelly stated that the last time they discussed this with the consultant, they advised that the rate should be no more than double the city rate; other municipalities have increased theirs and then had to reduce it. Mr. Gaskins noted that there is an average of 50 taps per mile inside the City limits compared to 17 per mile outside. Mr. Hegwer stated that the water treatment plant and wastewater treatment plant were funded by City rate payers through General Obligation Bonds many years ago (the first form of borrowing by the City) and many areas charge a fee to connect to the system, essentially “buying into” the infrastructure and investment in the system. Mayor Mann noted this is we are encouraging density: it is much easier to serve 50 houses in an area than five.

• Mr. Taylor questioned whether the compost program should be continued. Mr. Hegwer explained that several analyses have been done and there may be a small cost savings if the program were discontinued. While demand appears to have waned somewhat, he questioned the intrinsic value to citizens who know their leaves are being composted. The compost facility is always popular with citizens and students who tour the City property. He confirmed that we have struggled to get rid of the wood chips and unscreened compost and there has been debate on whether to continue the program. Additional rules and regulations may factor into the decision but requests for equipment were made this year and no substantial investments are needed at this time. Mr. Williams questioned what would be done with the debris and Mr. Taylor suggested that it may be better to have them hauled away, depending on the cost, and Mr. Hegwer confirmed that once a certain volume is reached, we pay to have it removed. He suggested that there is a market for various products preferred by consumers and there have been comments that we should not compete with the private sector. Screening mulch does help move it faster but it is not highly sought after by citizens. Council Member Buckels noted that the compost program was advertised more heavily in the past and questioned whether that created more demand. Mr. Hegwer stated that the program was never intended to maximize profit and is more of a public service.

• Mr. Taylor questioned whether rates and the membership program at the golf course are still relevant. Mr. Hegwer responded that it depends on philosophy and usage (frequent users will get their money back) and the Golf Pro reports that customers spend money on other items (balls, concessions, etc.). Mr. Taylor stated that other municipalities have dropped membership programs or gone to a “60 and above” rate. Mr. Hegwer stated that staff feels that our location attracts lots of golfers and they have as much as they can handle on most days. Mayor Mann suggested there is a delicate balance with providing a service that is affordable for youth, older adults, people who may not typically frequent a golf course, and it is difficult to manage it like a private business. He also commented that our course is one of the best public courses around. Mr. Hegwer suggested that as the City grows, the course will become more of an asset.
• Mr. Taylor questioned whether fire code violation funds go back to the Fire Department or to the General Fund. Financial Services Director Beth Kelly responded that all General Funds receipts go back into the General Fund. Mr. Taylor questioned whether funds should be returned to the department whose personnel is being impacted. Ms. Kelly explained that the funds do help offset departmental costs since all General Fund money is pooled. The Fire Department’s budget is $4.8 million, so $60,000 in permit revenue offsets those funds paid out of the General Fund: their expenses far outweigh any revenue generated. Fire Department Chief Wayne Barbour noted that fees vary from year to year and they must have stable funding. Mr. Taylor questioned how we plan to fund new equipment (per requirements) and Mr. Hegwer responded that this is one of the reasons we are being very cautious with the budget and that fire departments typically pursue grants for equipment (typically for 80 percent, with a requirement for a 20 percent match). Mrs. Kelly explained that we would be funding capital purchases through a reserve account but another source of revenue would be needed to fund it.

• Mr. Taylor questioned whether we could pursue fire bonds. Mr. Hegwer explained that that isn’t typical for essential services. Mrs. Kelly explained that financial advisors recommend against that: if the bonds fail, the Local Government Commission frowns upon issuing debt within the next two to three years for that purpose. Some areas may use them to build a fire station due to rapid growth. Mr. Hegwer reminded everyone that Fire Station Number 3 was constructed after the City annexed a large area that created a large tax base that helped fund increases in fire and police department personnel. Mr. Taylor questioned how much impact a lower rating would have on homeowners’ insurance. Chief Barbour responded that there would not be a large impact for homeowners and small businesses would see some difference; however, insurance companies actually set rates for very large companies like Coty, regardless of the fire department’s rating, as long as they have a fire department that responds to their alarms. He noted that many factors are included in a fire department’s rating, including the station, personnel, equipment, and water. Council Member Williams (who owns an insurance business) explained that unless the classification is a four or less, there would be very little difference in residential premiums.

• Mr. Taylor questioned where we see contract services going in the future. City Attorney Susan Patterson explained that they could potentially increase, since there are times that outside expertise is needed, such as establishing the Tourism Development Authority. Mr. Hegwer explained that we analyze this expense annually and when it exceeds the cost of hiring someone, we should consider additional personnel. Many experts are available, and there are many former city attorneys who can be very helpful.

• Mr. Taylor noted that a request for a digital repeater was not funded and questioned whether it would impair our communications now or in the future. Fire Department Chief Wayne Barbour explained that the digital repeater is used when they go to the scene of a fire so that the portable radios can communicate with the truck and get the main repeater at the micro-tower on our fire channel; it does not impact anything else. He also stated that the repeater is scheduled to go on the Battalion Chief’s vehicle. There is one on each engine and they tried to get one on the Battalion Chief’s. When the new fire truck arrived, they put the digital
on the new engine so it would be on scene. Normally, they have at least one engine that has one of the repeaters on it, it’s just that they are trying to get all of their equipment standardized to the same levels. Chief Barbour expressed appreciation for the funding to place radios on their vehicles and their repeaters up to a very good level. They have the ability on all of their engines through the “800 Viper” to work with helicopters and medical transportation, as well as to communicate with state and federal personnel. They have base radios on all of their engines and all of their mobile units. He commented that it is just a matter of having one available: if the fire truck was needed elsewhere, the Battalion Chief could stay on the scene and still have the capacity to talk with the portables away from his vehicle. Mr. Hegwer noted that the priority was the new fire pumper since we try to replace them every ten years.

- Mr. Taylor questioned the status of the Youth Council and whether its $17,830 allocation should be labelled differently since the Youth Council program has essentially folded. Financial Services Director Beth Kelly explained that this item is for money raised, donated, re-appropriated and restricted for the “Race to Read” program. The Youth Academy program is funded through Council’s “Governing Body” budget.

- In connection with capital outlays, Mr. Taylor questioned the status of the proposed memorial for Hal Siler. Mr. Hegwer noted that it ties in with the Depot Building restoration project. Council Member Jimmy Haire suggested that some type of memorial could be done inside the Depot Building that will house the Visitors’ Center, perhaps through naming a room in his honor. Mayor Mann applauded that suggestion, commenting that it was very appropriate, and noted that the Depot Committee could likely raise funds in Mr. Siler’s name.

- Regarding recycling, Mr. Taylor stated that Moore County’s rate just increased from $42 to $100 per ton. He suggested that since we own our rollout carts, we might consider alternatives and talk to Waste Industries about trends and what they foresee down the road in light of changes in the Chinese market and what other countries are accepting. Mr. Hegwer explained that staff has been researching recycling and we have not felt real pushback from our recycling contractor about problems with contamination and the Chinese market. Mr. Gaskins commented that this issue comes up at every National League of Cities meeting, and he suggested that the problem becomes bigger the further you go out west, particularly in California because they have been virtually dependent on China. While it will likely reach us eventually, the east coast is not being impacted nearly as much as the west coast since most of our recycling does not go to China. Mr. Taylor noted that Duke Energy is creating partnerships and he suggested that we should work with Central Carolina Community College and be at the forefront of recruiting companies that work with renewables. Our best path forward could be consuming our own recyclables. Research is already being done on how to recycle leachate water, hydraulic fracturing fluid and other substances. Mr. Hegwer agreed that innovation will develop when there is a market for it.

- Mr. Taylor questioned the $210,204 contribution from the Utility Funds for the Central Carolina Enterprise Park/Triassic Park since no detail was given. Financial Services
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Director Beth Kelly explained that it was for water and sewer lines to the park and they were actually shown to explain a decrease in this year’s budget, not for next year.

Other Business

Mr. Buckels questioned how day-to-day operations at the splash pad will work. Mr. Hegwer confirmed there have been lots of conversations about hours of operation and other details and staff is working behind the scenes to develop a plan. Mr. Taylor suggested a meeting on the site but Mayor Mann suggested we wait until construction is more complete. Mr. Hegwer stated that a “soft opening” had been discussed. Mr. Taylor questioned whether the playground will be open before the splashpad and Mr. Hegwer expressed concern about children wandering into construction areas.

Adjournment

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

T. Chet Mann, Mayor

Bonnie Davis, City Clerk