

CITY OF SANFORD

Popular Annual Financial Report

FOR FISCAL YEAR
ENDING JUNE 30,

2019





*Well Centered.
Worldwide Access.*

Providing transparency about the City of Sanford's financial operations.

The Popular Annual Financial Report provides residents and other interested parties with an overview of the City of Sanford's financial results. This report is prepared to increase awareness and provide transparency about the City's financial operations.

The financial information provided here is obtained from the audited financial statements in the City's Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2018-19. The CAFR is audited by Joyce and Company, CPA and has received an unmodified or "clean" opinion.

The Popular Annual Financial Report is not an audited document and it does not include details by fund or component unit, nor does it include the other disclosures required by generally accepted accounting principles (GAAP).

This report is designed to provide a summary of the City's overall financial condition in a user-friendly format and to serve as a supplement to the CAFR – not as a replacement.

To view the CAFR, visit our website at sanfordnc.net/cafr. To access all City of Sanford financial reports, visit www.sanfordnc.net and search "finance."

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PUBLIC ART

See how the City of Sanford Appearance Commission is bringing art to public spaces.

Pages 10-11

MANAGER'S MESSAGE

OUR CITY is in a period of tremendous growth and opportunity, thanks in large part to our Sanford City Council's unified vision for a modern, progressive city.

Each year, the City of Sanford's budget reflects the four strategic objectives Council has identified: create jobs, develop a sense of place, instill community pride, and establish Sanford as a destination.

FY 2018-19 was a key year for meeting many of those goals. We closed on voter-approved general obligation bonds to increase municipal recreation. We also closed on approximately \$10 million in bonds for major infrastructure improvements. The financial implications of these decisions will affect residents for generations.

In this report, you will see many of the ways – both big and small – that Council's vision has taken shape, from investments in public art to engaging citizens in local government to welcoming new industry.



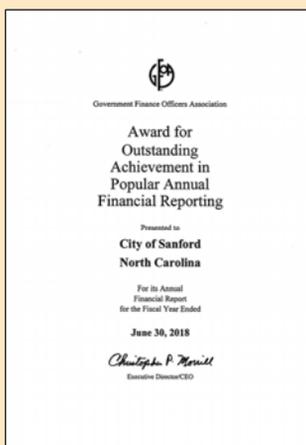
The City of Sanford takes great pride in what we've accomplished. We hope this report gives you a better understanding of how each decision aligned with one overarching goal: to improve the lives of all residents.

Sincerely

A handwritten signature in black ink, appearing to read "Hal Hegwer". The signature is fluid and cursive, with a large loop at the end.

Hal Hegwer

BUDGET & FINANCE AWARDS



THE CITY OF SANFORD'S Comprehensive Annual Financial Report (CAFR) has won the Government Finance Officers Association of the United States and Canada (GFOA) award for 38 consecutive years. For the last 33 consecutive years, the City has received the GFOA award for Distinguished Budget Presentation.

To earn these awards, the City must produce an easily readable and efficiently organized budget and CAFR whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and accepted legal requirements.

The Popular Annual Financial Report has received the award for Outstanding Achievement for four consecutive years.



Sanford was named the 15th Best Small City to Start a Business in a study by Wallethub of more than 1,200 cities with a population between 25,000 and 100,000.

- ◆ **AWARDED BEST OUTDOOR** Space Improvement by North Carolina Main Street for the Downtown Sanford Mural Trail.
- ◆ Awarded the inaugural Mobi Award in the rural category by the North Carolina Department of Transportation for the downtown streetscape project.
- ◆ Awarded a \$750,000 grant from the CDBG Neighborhood Revitalization Program by the North Carolina Department of Commerce.
- ◆ Awarded Class 3 insurance rating by the North Carolina Department of Insurance Office of State Fire Marshal, a rise in rank from 2018.
- ◆ Awarded a grant from the North Carolina Department of Transportation to provide 50 bike helmets for local youth.
- ◆ Named a Tree City USA by the Arbor Day Foundation for the seventh consecutive year.

Principal Employers

(in order of ranking)

Lee County Schools
Caterpillar, Inc.
Pilgrims Pride Corporation
Pentair Water Pool & Spa, Inc.
Central Carolina Community College
Coty, Inc.
Central Carolina Hospital
Belflex Staffing Services
County of Lee
Frontier Spinning Mills, Inc.

Principal Property Taxpayers

(in order of ranking)

Coty, Inc.
Frontier Spinning Mills
Simpson & Simpson
Magneti Marelli USA, Inc.
Moen
Static Control Components, Inc.
Southpark Village, LLC
Central Carolina Hospital/AMISUB
Tyson
Pentair

MUNICIPAL TAX

THE CITY OF SANFORD'S tax rate for Fiscal Year 2018-19 is \$0.62 per \$100 assessed valuation.

Sanford City Council approved a \$0.02 tax increase for FY 2018-19 due to the cost of upgrading Kiwanis Family Park. The project was approved by voters in the 2013 municipal bond referendum.

The FY 2018-19 budget added a \$30 fee for every vehicle and trailer registered within the municipal city limits for maintenance of City-owned streets and capital purchasing.

OUR CITY



GREEN SPACES

The City of Sanford owns and maintains nine green spaces within the city limits. Of those, there are:

- 8 parks
- 1 greenway

More greenways are scheduled for construction in FY 2020-21.

INCORPORATED IN 1874, Sanford has seen steady growth. In the late 1950s, the city's population was approximately 10,000. The city's current population is approximately 30,000 residents and growing.

Centered in the heart of North Carolina, Sanford offers residents and visitors a unique blend of small town charm and big city amenities. Our city boasts an active, energized downtown complimented by lush natural resources and a thriving community.

Whether relaxing, playing, or working, Sanford offers a high quality, well centered way of life.



CITY LIMITS
28.62 sq mi



HOME VALUE
\$137,400



MEDIAN AGE
35



POPULATION
29,917



AVG INCOME
\$45,417



UNEMPLOYMENT
4.2%

CITIZEN ENGAGEMENT

THE CITY OF SANFORD offers an annual Sanford Citizens' Academy program to residents and community members.

The mission of the Academy is to educate residents about how their city government functions. At the end of the program, participants have a greater understanding of how and why municipal decisions are made.

The ultimate goal is for residents to be more engaged in and knowledgeable about the decision making process.

The program runs for 12 weeks with each week featuring a different department, including the police department and the municipal golf course. Some standout sessions include trips to the Raleigh Exec Jetport, Sanford Fire Department, and the Central Carolina Enterprise Park.

Since its inception in 2014, the program has had nearly 100 graduates and continues to attract newcomers and life-long residents who see the benefit of this unique education option.

SIGNIFICANT EVENTS



THE CITY OF SANFORD held the fifth annual Downtown StreetFest & Fireworks festival in partnership with Downtown Sanford. This year, the festival expanded from live music on two stages to include a third stage. There were also more food trucks, demos, vendors, and art than in previous years. The festival ended with a 20-minute firework display.



Sanford City Council awarded \$12 million in construction contracts to extend the City of Sanford's wastewater collection system to the Moncure Megasite. The 2,500-acre North Carolina Certified Site is a cooperative endeavor between the City of Sanford and Chatham

County that is expected to serve as an economic development catalyst for the region.



Sanford City Council entered into an agreement with Chatham County to establish how the governments will share costs and divide revenue for the Moncure Megasite for the next 50 years. The agreement stipulates that Chatham County will pay Sanford approximately \$3.5 million toward sewer construction costs. The County will also share a portion of the property tax revenue it receives from all commercial and industrial properties served by the City's wastewater system.



The NC Housing Finance Agency awarded the Sanford Housing Authority with a forgivable loan for \$440,000 from the Supportive Housing Development Loan Program to renovate a vacant, boarded building. The goal is to create 5 permanent, affordable housing units that will be available for families who fall below 50 percent of the area median income.

"Citizens Academy graduates become key ambassadors of information who help benefit our city and its people in immeasurable ways."

Mayor Chet Mann



COMMUNITY SUPPORT

THE CITY OF SANFORD created the “Sanford Cares” Community Assistance & Relief Emergency Support program in Fiscal Year 2016-17 to allow utility customers to contribute toward an emergency relief fund to help struggling residents pay their water and sewer bills.



From July 1, 2018 through June 30, 2019, Sanford Cares collected approximately \$1,100 in one-time contributions from customers. Additionally, the program collected \$7,600 from the customers who have opted to either round up their monthly bill or donate a fixed amount each month. Since inception, the program has raised \$12,219 for emergent utility needs.

Sanford Cares is administered by Johnston-Lee-Harnett Community Action, a private, nonprofit agency. For FY 2017-18, the agency helped residents with \$2,123 in water and sewer bills. For FY 2018-19, that number rose to \$4,611, bringing the total amount paid out to \$6,734 over two years.

ECONOMIC DEVELOPMENT

THE SANFORD AREA Growth Alliance broke ground on a Class A shell building in Central Carolina Enterprise Park to recruit new industry to Lee County.

The shell building will be optimal for manufacturing and distribution. At 117,000 square feet, with a 100,000 square foot expansion pad, the facility will offer flexibility for the occupant with the ability to adjust certain features of the structure including dock area doors and interior layouts.

The building is located at the intersection of Enterprise Park Drive and Colon Road, adjacent to US Highway 1, a four-lane divided high-speed freeway.

“This Class-A facility, located within 35 minutes of Raleigh and 40 minutes of the front gate at Fort Bragg, represents an incredible opportunity for

businesses looking for a new location in the geographic center of North Carolina,” said SAGA CEO Michael Smith.

The Sanford Area Growth Alliance is an economic development agency that was formed by a public-private partnership between the City of Sanford, Lee County Government, and private donors.

The agency’s goal is to increase the tax base, stimulate the local economy, and create jobs.





MAYOR CHET MANN, Councilman Byron Buckels, and Councilman Charles Taylor created S3 Housing Connect to combat homelessness in Sanford after officials discovered 22 homeless people living in a condemned building.

The joint city-county task force seeks to make homelessness brief, rare, and non-recurring. It is comprised of 13 members who vote on items put forth by subcommittees on community engagement, affordable housing, provision of services and other issues.

S3 Housing Connect plans to accomplish its mission through three key initiatives: an extreme weather shelter, sustainable shelters for men and women, and affordable and sustainable transitional housing.

In Fiscal Year 2017-18, the task force partnered with the Bread of Life Mission to operate a low-barrier shelter that would be open during extremely hot and cold temperatures. FY 2018-19 was the mission's first full year of operation as a shelter.

Bread of Life was already operating as a food pantry but needed help bringing their facility into compliance. The City of Sanford helped fund repairs and new equipment so that the facility could operate safely.

In addition to municipal funds, S3 Housing Connect relies on federal and state grants. In FY 2018-19, the task force began an annual Cow Patty Bingo fundraiser. The inaugural event brought in \$5,100 for the task force's many projects and needs.



TECHNOLOGY

THE CITY OF SANFORD launched a mobile app to give residents another option for connecting with local government. This digital tool serves as an on-the-go resource for municipal news and information that's accessible from any Wifi-connected device.

Sanford NC Mobile can be used to access permits, police reports, and online payments. Users can find current employment opportunities, news, maps, and contact information for municipal staff and Council members.



PUBLIC ART

AFTER ITS \$13.4 MILLION investment in downtown, the City of Sanford embarked on a Public Arts Program that would grow to include murals, sculptures, and interactive installations.

Why invest in public art?

The goal of the Public Arts Program is threefold. Public art combats blight by beautifying public areas while also encouraging residents to take ownership of its spaces.

For Sanford, public art also establishes our cultural identity as a progressive and forward-thinking city. The twist on our program is its historical focus. Each project gives residents and visitors a peek into our city's 150-year history.

"Unlike many cities of our size, Sanford is rich in history," says City Planner Liz Whitmore who spearheads the initiative. "From a cornet band in the early 1900s to a champion baseball team in the 1940s to volunteers working right now to revitalize our downtown, our art tells a story."

Art by the numbers

The first several public art projects were funded entirely by private donations. Seeing the success of the program and the demand from residents for more, public funds were allocated.

"\$150,000 was privately donated money from citizens and businesses," Whitmore says. "Then we received a grant from the State of North Carolina for \$40,000 and Sanford City Council chose to match that grant money."

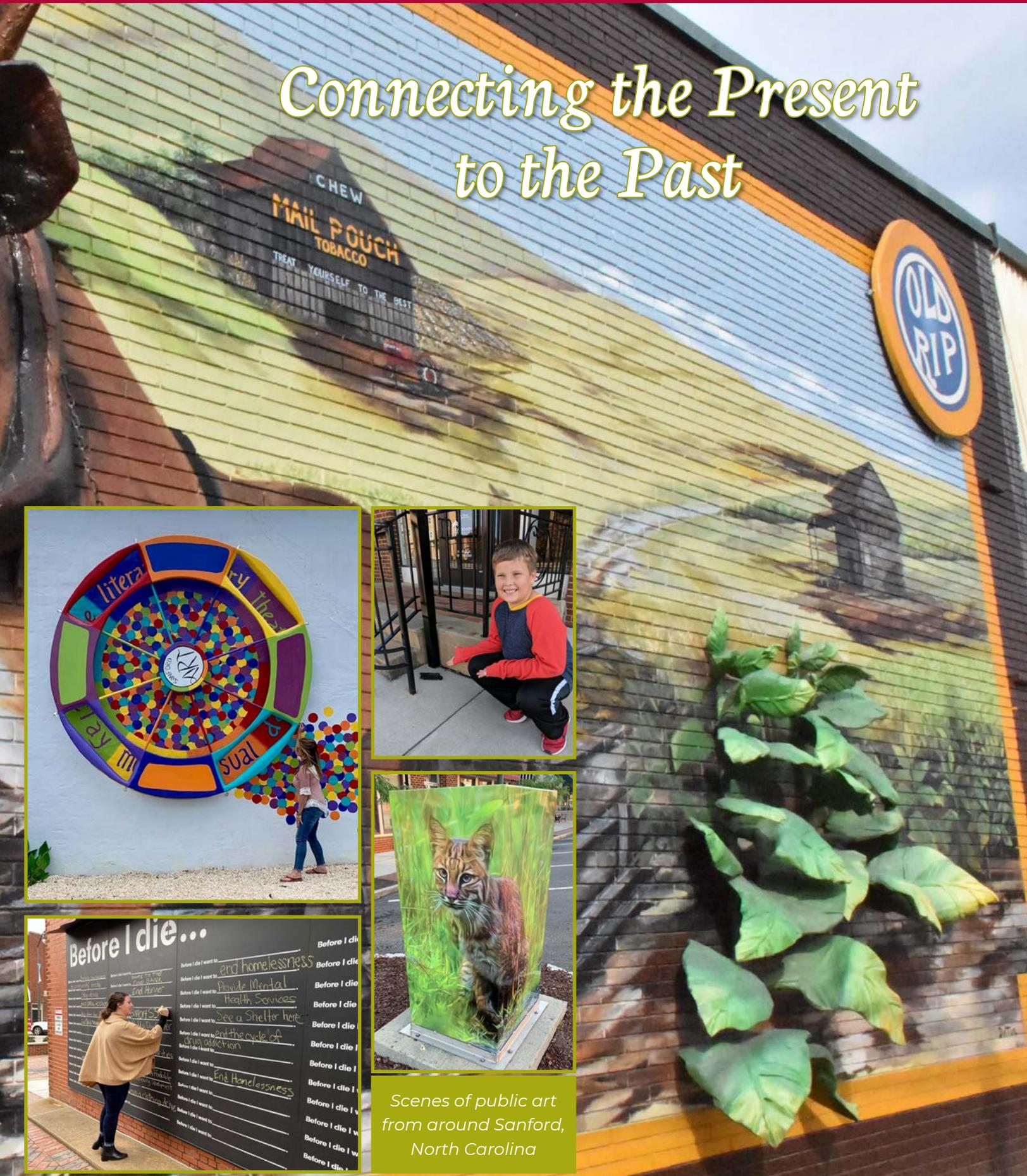
Modern city, modern art

For the coming year, the Public Art Program will focus on modern, interactive pieces including street pianos, selfie stations, and a "love lock" piece that will allow visitors to add their own locks to enhance the installation.

"This program has turned Sanford into an arts destination," says Mayor Chet Mann. "Our history has always been an asset but now it is brought to life for others."



Connecting the Present to the Past



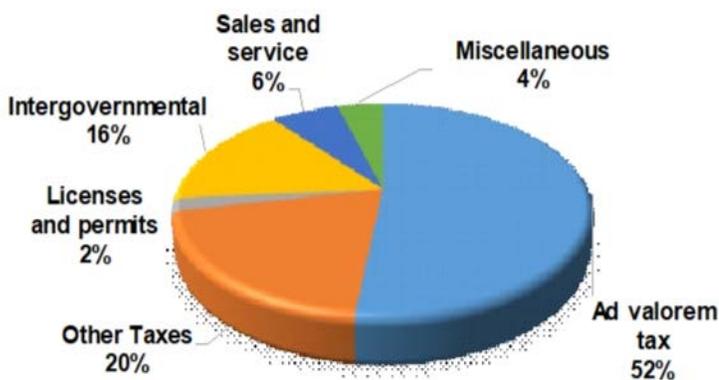
Scenes of public art from around Sanford, North Carolina

GENERAL FUND

THE GENERAL FUND is the largest fund of the City of Sanford. All revenues, expenditures, and capital additions, except those required to be accounted for in other funds, are accounted for in the General Fund. Most of the governmental services and functions are provided through the General Fund, including general government, public safety, streets, and sanitation. These services and functions are financed primarily by property taxes, other taxes, and intergovernmental revenues.

Revenues	2019	2018	2017	2016	2015
Ad valorem tax	\$16,253,181	\$15,485,911	\$15,216,230	\$14,959,396	\$14,555,304
Other Taxes	6,254,472	5,431,167	5,211,914	5,126,460	4,561,945
Licenses and Permits	598,721	682,409	737,715	671,132	400,860
Intergovernmental	4,943,754	4,616,542	4,688,737	4,111,194	3,948,316
Sales and Service	1,994,985	1,986,415	1,852,633	2,188,242	1,802,784
Miscellaneous	1,343,618	1,177,452	1,110,443	1,022,811	882,489
Total Revenues	\$31,388,731	\$29,379,896	\$28,817,672	\$28,079,235	\$26,151,698

Where The Money Comes From



Taxes comprise the vast majority of the General Fund revenues at 72% of the total.

Property taxes are the largest funding source at 52% of total City revenues. Other taxes are second at 20% of total City revenues.

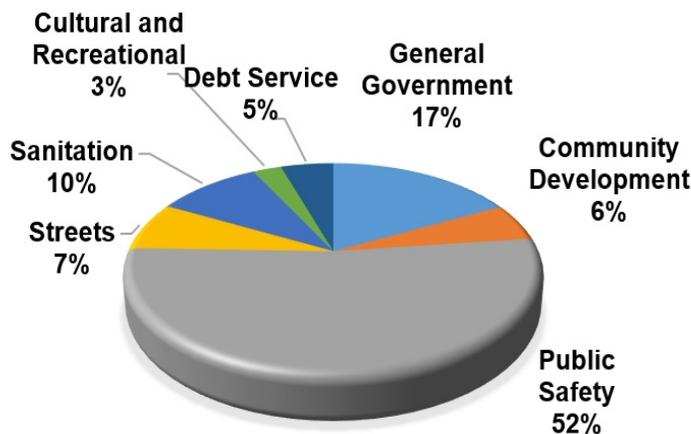
Intergovernmental funding source consists of items such as utility franchise tax, Powell Bill, 911 surcharge reimbursement, and revenue received from other local governments and reflects 16% of total City revenues.

Revenue Trend Variances

- ◆ **Licenses and permits** revenue decreased by 12.3% compared to prior year. Heavy commercial activity from past years has slowed. Residential growth continues at a steady pace.
- ◆ **Other taxes** revenue reflects a 15.2% increase compared to prior year. The state collects and distributes proceeds from the locally levied tax on retail sales, which varies from year to year. Council elected to implement a \$30 municipal vehicle fee to help offset the cost of street paving.
- ◆ **Ad valorem tax** revenue reflects a 4.9% increase compared to prior year. This is the result of a 2-cent tax increase approved by council in FY 2018-19.
- ◆ **Miscellaneous** revenue increased by 14.1% compared to the prior year. Investment income is showing steady growth.

Expenditures	2019	2018	2017	2016	2015
General Government	\$4,950,487	\$4,934,643	\$5,058,446	\$5,837,040	\$4,747,007
Community Development	1,642,834	1,445,911	1,395,507	1,362,229	1,126,641
Public Safety	15,025,201	14,583,556	14,390,240	14,129,746	13,060,114
Streets	2,112,906	3,556,406	3,181,574	2,149,254	2,985,578
Sanitation	2,770,664	2,545,634	2,571,849	2,542,887	2,634,376
Cultural and Recreational	751,910	883,559	690,827	—	—
Debt Service	1,383,178	1,043,238	1,061,238	1,096,740	259,750
Total Expenditures	\$28,637,180	\$28,992,947	\$28,349,681	\$27,117,896	\$24,813,466

Where The Money Goes



Public Safety accounts for 52% of general fund expenditures and consists of police, fire, and building inspections.

At 17%, the General Government function includes Governing Body, Administration, Human Resources, Finance, Information Technology, Legal, Public Buildings, Fleet Maintenance, and Horticulture.

Street category includes street maintenance and street capital improvements. Community Development includes Code Enforcement and Downtown/Historic Preservation.

Expenditure Trend Variances

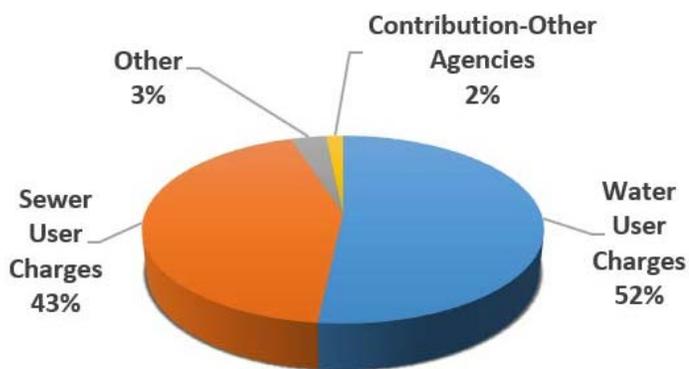
- ◆ **Street** category decreased by 40.6% compared to prior year. This significant decrease is due to the timing of projects such as street resurfacing.
- ◆ **Community Development** category increased by 13.6% compared to prior year. The increase is mainly due to the installation of Energov software and the homelessness initiative.
- ◆ **Cultural and Recreational** category reflects a decrease of 14.9% due to the purchase of golf carts in Fiscal Year 2017-18.
- ◆ **Debt Service** category reflects an increase of 32.6% and is mainly due to additional debt for the streetscape project as well as the bond issuance cost for the new parks project.

UTILITY FUND

THE CITY OF SANFORD uses the Utility Fund to account for the City’s water and sewer system operations. This fund operates in a manner similar to private business enterprises. The costs (including depreciation) of providing water and sewer services to its customers on a continuing basis are financed primarily through user charges.

Revenues	2019	2018	2017	2016	2015
Water User Charges	\$11,037,854	\$11,187,764	\$10,590,494	\$10,275,173	\$10,342,799
Sewer User Charges	9,251,851	9,644,991	9,763,436	7,644,040	7,171,039
Other	722,649	667,840	622,932	603,141	588,172
Contribution from Other Agencies	338,932	6,888	442,230	0	0
Total Revenues	\$21,351,286	\$21,507,483	\$21,419,092	\$18,522,354	\$18,102,010

Where The Money Comes From



User charges comprise the vast majority of utility fund revenues at 95%.

Other funding sources are items such as monitoring fees, connection and tap fees, investment income, and charges to other funds.

Contribution from other agencies includes Federal Emergency Management Agency (FEMA) funds.

Revenue Trend Variances

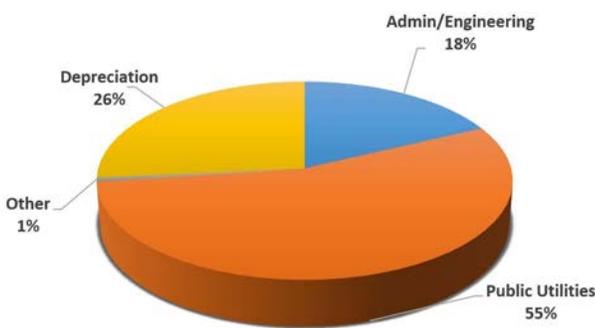
- ◆ **Water and sewer user charges** decreased by a combined 2.6% compared to prior year. This decrease is related to no longer participating in coal ash leachate disposal.
- ◆ **Contributions from other agencies** includes federal and state revenue received from FEMA due to damage caused by Hurricane Florence resulting in the increase shown.
- ◆ **Other** revenue reflects an 8.2% increase compared to prior year and is the result of additional interest income received.



The City of Sanford installed waterlines down Colon Road to accommodate the newly annexed Lee County Industrial Park and to prepare for growth at Central Carolina Enterprise Park.

Expenses	2019	2018	2017	2016	2015
Administration/Engineering	\$ 3,779,901	\$ 3,972,601	\$ 3,389,058	\$ 3,002,873	\$ 2,655,947
Public Utilities	11,623,356	9,662,569	9,172,099	8,377,312	7,788,469
Other	137,864	100,609	277,145	470,966	458,754
Depreciation	5,582,302	5,624,842	5,563,619	5,532,519	3,720,583
Total Expenses	\$21,123,423	\$19,360,621	\$18,401,921	\$17,383,670	\$14,623,753

Where The Money Goes



Public utilities represent 55% of the total utility fund expenses.

This money is used to maintain the water and sewer lines, as well as operate the water filtration and water reclamation facilities.

Depreciation accounts for 26% of utility fund expenses.



Water and sewer infrastructure repairs accounted for some of the increase in Public Utility expenses.

Expense Trend Variances

- ◆ **Administration/Engineering** decreased by 4.9% mainly due to a one time contribution to Lee County for waterline on Colon Road made in prior year.
- ◆ **Public Utilities** reflect a 20.3% increase from prior year. This increase is mainly due to major infrastructure repairs throughout our water and sewer system; repairs to Water Reclamation Plant related to hurricane damage; and an alternate disposal method for sludge removal due to excessive rain.
- ◆ **Other** expenses show a 37% increase due to purchases for inventory.



FUND BALANCE

FUND BALANCE is similar to a savings plan in that it represents monies which remain unspent after all budgeted expenditures have been made.

The City of Sanford strives to only use fund balance to cover capital items and other one-time use items. The City works to keep at least 30% of the closing fiscal year's General Fund operating budget as reserves.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, the fund balance available in the General Fund was \$12,030,594. Total fund balance reached \$17,290,537.

The City currently has an available fund balance of 42.0% of General Fund expenditures, while total fund balance represents 60.4% of the same amount.

The City maintains an AA bond rating from Fitch and was upgraded to an AA bond rating from Moody's for the general obligation bond debt issued.

The City maintains an Aa3 bond rating from Moody's and an AA- from Fitch for the revenue bond issuance.

General Fund	2019	2018	2017	2016	2015
Beginning General Fund Balance	\$14,406,606	\$10,425,457	\$11,810,474	\$10,931,196	\$9,444,886
Adjustment to Beginning Fund Balance	—	—	147,764	474,451	405,021
Revenues	31,388,731	29,379,896	28,817,672	28,079,235	26,151,698
Expenditures	28,637,180	(28,992,947)	(28,349,681)	(27,117,896)	(24,813,466)
Issuance of Debt	—	1,000,000	—	—	1,058,506
Insurance Recovery	89,637	12,822	29,817	71,775	—
Sale of Property	165,017	361,833	—	—	—
Transfers In	2,096,000	2,581,236	54,809	—	1,410,700
Transfers out	(2,218,274)	(361,691)	(2,085,398)	(628,287)	(2,726,149)
Net Change in Fund Balance	2,883,931	3,981,149	(1,532,781)	404,827	1,081,289
Ending General Fund Balance	\$17,290,537	\$14,406,606	\$10,425,457	\$11,810,474	\$10,931,196



The City of Sanford funds the Sanford Youth Academy each year. The Academy is a week-long summer program that introduces youth to public safety careers.



NORTH CAROLINA GENERAL STATUTES allow cities to go into debt for large capital projects, such as streetscape improvements, infrastructure updates, and heavy equipment purchases.

However, the statutes limit how much debt a city can incur. The limit is 8% of the total assessed value of taxable property located within that government's boundaries. This is called a legal debt margin.

As of June 30, 2019, the City of Sanford had total bonded debt of \$49,200,000, which is only 26% of our legal debt margin.

Of our total debt, \$40,500,000 is backed by revenue from water and sewer user charges. Another \$8,700,000 is in general obligation bonds that were approved through voter referendum and are supported by annual property taxes. Remaining debt includes revolving state fund loans and installment purchase agreements.

The legal debt margin for the City of Sanford is \$184,175,529.

BUDGET PROCESS

THE CITY OF SANFORD operates under an annual budget ordinance adopted in accordance with the provisions of the Local Government Budget and Fiscal Control Act.

The budget ordinance is the legal basis of the budgetary accounting system and the standard by which proposed expenditures are measured. The balanced budget ordinance must be adopted prior to the beginning of the fiscal year.

The ordinance is subject to public inspection and a public hearing prior to adoption. The budget is considered balanced when estimated net revenue equals appropriations.

Sanford City Council has the authority to amend the annual operating budget through legislative action. All budget amendments must be reported in a public Council meeting and made a matter of record.

The proposed budget ordinance is posted on our website at www.sanfordnc.net/budget. The document is updated with the final ordinance upon its adoption.

371
EMPLOYEES

11
DEPARTMENTS

\$58M
EXPENDITURES

1
BUDGET

GOVERNING BODY

THE CITY OF SANFORD'S policy-making and legislative authority are vested in a council-manager form of government. The Governing Body consists of the mayor and Sanford City Council.

There are seven council members. Five are elected from individual wards and two are elected at-large. The mayor is elected for a four-year term of office and the council members are elected for staggered terms of four years. There are no term limits for council members or the mayor.

The council is responsible for establishing general policies for the City; appointing the

City Manager, City Clerk, and members of various boards and commissions; enacting ordinances, resolutions and orders; reviewing the annual budget; and authorizing contracts on the City's behalf.

Working hand in hand with the city manager, the council plays a key role in the budget process and the financial well being of the City of Sanford.

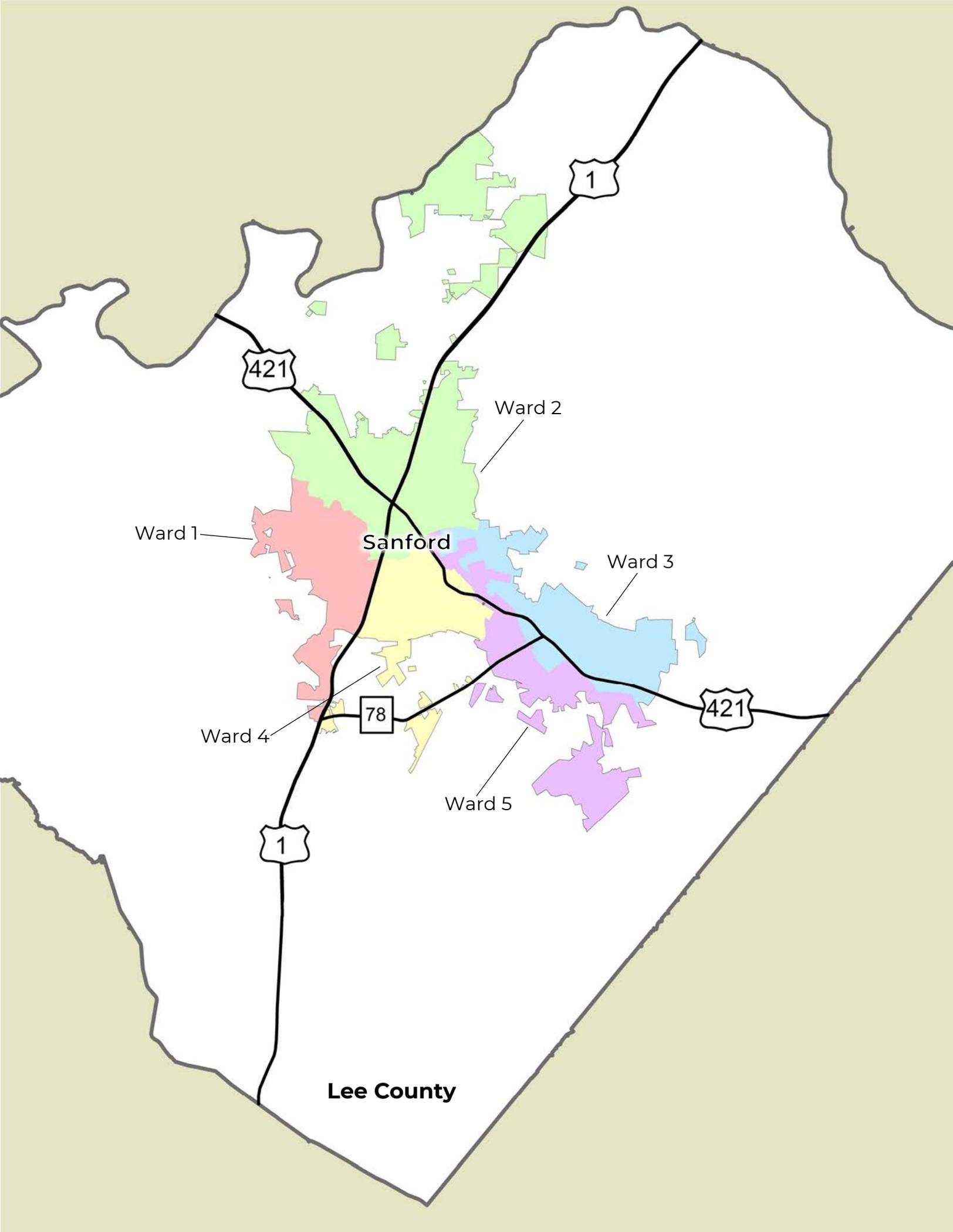
The City Council holds regular meetings on the first and third Tuesday of each month. They hold workshops on the second Tuesday or as needed. Meetings are open to the public.



Back row left to right: Byron Buckels, Council Member; Sam Gaskins, Council Member; Chas Post, Council Member; and Jimmy Haire, Council Member. Front row left to right: Rebecca Wyhof, Council Member and Mayor Pro Tem; T. Chet Mann, Mayor; James Williams, Council Member; and Charles Taylor, Council Member.

If you have any questions about this report, or need additional financial information, please contact the Finance Department of the City of Sanford by email at cindy.oquinn@sanfordnc.net, by phone at (919)777-1141, or by mail at City of Sanford, Finance Department, PO Box 3729, Sanford, NC 27331-3729.





1

421

Ward 2

Ward 1

Sanford

Ward 3

78

Ward 4

421

Ward 5

1

Lee County



S3 HOUSING CONNECT | P. 9

The City of Sanford spearheaded a task force to address homelessness. Their first fundraiser was Cow Patty Bingo, which raised \$5,100 for the initiative.