



MINUTES

April 29, 2022

SPECIAL CALL MEETING OF THE CITY COUNCIL CITY OPERATIONS CENTER | 305 WILLIAMS ST. | 8:30 a.m.

Present: Mayor Barbara G. Volk and Council Members: Mayor Pro Tem Lyndsey Simpson, Dr. Jennifer Hensley, Debbie O'Neal-Roundtree, and Jerry A. Smith Jr., J.D.

Staff Present: City Manager John F. Connet, Assistant City Manager Brian Pahle, City Attorney Angela Becker, City Clerk Angela Reece, Communications Manager Allison Justus, Community Development Director, Lew Holloway, and others

1. **CALL TO ORDER**

Mayor Barbara G. Volk called the meeting to order at 8:30 a.m. and welcomed those in attendance. A quorum was established with all members in attendance.

2. **PRESENTATIONS**

A. Presentation of the Draft FY 2022-23 Budget – *John Connet, City Manager, Brian Pahle, Assistant City Manager, Adam Murr, Budget Manager*

General Fund

Assistant City Manager Brian Pahle discussed recommendations for the FY 2022-2023 Budget with City Council. Manager Pahle reminded everyone that staff approached the development of the document with future years in mind. Manager Pahle stated there are no tax increases included in the budget and discussed financial trends and economic conditions. The City currently levies a tax rate of \$0.52 per \$100 of assessed value. Manager Pahle recommended approaching the budget in a conservative manner due to inflation and economic uncertainty in the coming months. City Manager John Connet agreed and said staff will continue to monitor the situation moving into the next fiscal year.

Assistant City Manager Brian Pahle discussed revenue totals and sales tax collection. Final revenue totals will be revised in the final budget amount concluding the fiscal year on June 30th. Manager Pahle discussed the importance of sales tax revenue on the ability to fund services without raising property taxes. Manager Pahle presented information regarding collection and percent change stating the total annual collection is estimated at \$3.85 million dollars and said this is a \$746,000 increase over the prior year. Manager Pahle advised Council that staff is monitoring a slowdown in economic conditions and said the GDP growth for the first quarter has declined by one percent which can be indicative of a recession. Manager Pahle provided conservative estimates for year end collections. City Manager Connet discussed the impact of development on the tax base and said the construction market drives sales tax tremendously year over year. In summary Manager Pahle advised staff are estimating a 4% budget increase and said factors accounted for include economic uncertainty, increases in local sales tax distributions, housing starts, and the construction market.

Personnel and Benefits

Assistant Manager Pahle discussed salary increases and retirement contribution rates stating along with health insurance premiums, it is one of the main expenses. Manager Pahle stated the City's health insurance premiums are claim driven and said with the stability over the last fiscal year staff does not expect an increase. City Manager John Connet discussed increases in the employer contribution to the retirement system and the stability of the fund and said analysts anticipate the local government employee retirement system will be fully funded by 2025. Manager Connet said once this happens the employer contribution may be reduced.

Police Chief Blair Myhand discussed the need for new positions and reorganization of current police department positions to incorporate a non-sworn officer to focus on animal control who would be supported by sworn officers if necessary. Chief Myhand proposed using two existing sworn positions to supplement a new traffic safety unit.

The meeting was recessed for a break at 10:00 a.m. and reconvened at 10:15 a.m.

Assistant City Manager Brian Pahle discussed the Fund Balance. He discussed various projects and illustrated their impacts to the available fund balance as they come online. Manager Pahle discussed property revaluation and revenue neutral calculations and said there may be a minimum property tax increase of 20% in the next fiscal year. Council Member Jerry A. Smith Jr., J.D. stated he does not think there is any way to avoid a tax increase in FY2024 and suggested implementing a 1 cent tax increase in the FY22-23 budget. Council Member Dr. Jennifer Hensley stated she is not opposed to this but would like time to consider.

Council Members discussed ¼ cent sales tax and unanimously agreed to support legislation to allow this citing it would bring an additional \$2.5M to the community. Council Member Dr. Jennifer Hensley acknowledged arguments that additional sales tax impacts low-income persons but clarified property taxes are passed down to renters directly. Council Member Hensley stated the additional tax would empower tourists to contribute to city services and said this would spread out the burden. Council Member Jerry A. Smith Jr. J.D. clarified the North Carolina General Assembly would have grant this authority to the City which would ultimately require a referendum. City Manager John Connet stated the process is difficult and would require multiple municipalities to support and said the initial step would be to adopt a resolution to ask delegates to support it.

Council Member Jerry A. Smith Jr. J.D. discussed recommended budget figures and inquired if Council should be addressed the increase now to avoid a significant increase later. Council Member Smith suggested utilizing capital outlay and reducing pay-go to \$750,000. Council Member Dr. Jennifer Hensley clarified the Fund Balance is estimated be approximately \$83,000 above the required threshold and said this may help lessen the impact to what Council perceives to happen in FY2024 with the revaluation.

Council Member Dr. Jennifer Hensley moved that City Council direct staff to develop a resolution in support of the ¼ cent sales tax to be placed on the May 5, 2022 agenda. A unanimous vote of the Council followed. Motion carried.

Council Member Lyndsey Simpson discussed the addition of a sustainability coordinator and parks position or combination position within the Planning Department which could be utilized to apply for grant funding to assist city-wide departments. Council Member Simpson stated she feels the position is necessary. Assistant City Manager Brian Pahle discussed additional positions and said two other positions would need to be cut to fund the request. City Manager John Connet clarified there is an environmental compliance officer position being proposed in the water treatment department to meet the requirements of the Clean Water Act. Manager Connet discussed the desire of Council for new positions and any requirements. Manager Connet recalled prior Council discussions of not wishing to duplicate county services and a desire of having a parks manager to work on park maintenance, improvements, and expansion. Council Member Dr. Jennifer Hensley agreed with Council Member Simpson and said she believes the needs are related. After much discussion City Manager John Connet stated based on the feedback, he believes the new position would be better suited to public works as a hybrid sustainability and parks management position. Council Member Simpson expressed concern that the amount of responsibility may set this position up for failure and stated if the initial position was funded, she would support splitting this into two in the future.

Council directed City Manager John Connet to begin the process and to present additional information as appropriate.

Assistant Manager Brian Pahle discussed the Main Street and 7th Ave. municipal service district funds stating both are in good shape and clarified street improvements were included. He further discussed the Parking Services Fund and said the general fund is supporting this fund initially.

Budget Manager Adam Murr discussed the Water and Sewer Fund and reminded everyone there is a 5% annual rate decrease built in for outside city customers until the rates are equalized in the year 2030. Mr. Murr said there are still overall rate increases to the fund and clarified they are adjusted to account for rate equalization. City Manager John Connet discussed the increased number of new taps and said residential development increasing in the community. Mr. Murr discussed increases in the operation costs due to chemicals, sludge hauling, fuel, and utilities.

The meeting was recessed for a break at 12:06 p.m. and reconvened at 12:30 p.m.

Budget Manager Adam Murr discussed the environmental service fund recalling rate adjustments in the prior year to allow the city to be more competitive and stated there is no rate increases

recommended this year. Staff discussed route efficiency and said a study will be conducted in future years and said options for franchise agreements for commercial waste management removal are being explored. He explained if the city chooses a single provider, it will be easier to determine waste management issues as well as the potential to generate revenue to this fund.

Assistant City Manager Brian Pahle acknowledged receiving special appropriations recommendations from Council. Council Member Jerry A. Smith Jr., J.D. and Council Member Lyndsey Simpson agreed they would like to see more overall funding applied to special appropriations. Council Member Smith said his reason is due to population increase and budget increases. City Manager Connet reminded everyone the funds must go toward a public purpose, will require a disclosure of conflicts of interest by Council for any nonprofit involvement, and must be voted on separately with the final sum contained in the budget. Council Member Dr. Jennifer Hensley expressed support for funding to go toward a public purpose which benefit taxpayers and the community equally. Mayor Barbara G. Volk stated she supports funding groups who support or supplement city services such as SafeLight. Council Member Smith advocated for funding cultural and arts groups and expressed the importance of funding to allow them to exist. Mayor Volk agreed with Council Member Smith and said this also ties into economic development. Council Member Lyndsey Simpson stated she supported having two categories, so she is not having to choose between arts and safelight services because both is important. Council Member Hensley stated she feels health and human services for people who cannot help themselves is always priority and said she would like to have some analysis to determine how to allocate funding.

City Manager John Connet wrapped up the workshop by discussing Council Values, meeting goals, and priorities and reminded everyone that staff utilizes these statements to recommend a budget.

4. ADJOURN

There being no further discussion, the meeting was adjourned at 1:11 p.m. upon unanimous assent of the Council.

ATTEST:

Barbara G. Volk, Mayor

Angela L. Reece, City Clerk