



**May 21, 2012**

## **MINUTES**

The Holly Springs Town Council met in a duly-called special session on Tuesday, May 21, 2012 in Holly Rooms A and B of the Holly Springs Cultural Center. Mayor Sears presided, calling the meeting to order at 2 p.m. A quorum was established as the mayor and all five council members were present as the meeting opened.

**Council Members Present:** Mayor Sears and Councilmen Jimmy Cobb, Chet VanFossen and Tim Sack and Councilwomen Cheri Lee and Linda Hunt Williams.

**Council Members Absent:** None.

**Staff Members Present:** Chuck Simmons, assistant town manager; John Schifano, town attorney; Joni Powell, town clerk (recording the minutes); Linda Harper, deputy town clerk; Gina Clapp, director of planning and zoning; Eric Tayler and Rick Ralph, information technology technicians; Mark Andrews, public information officer; Drew Holland, finance director; Jenny Mizelle, director of economic development; Len Bradley, director of parks and recreation; Erika Phillips, human resources director; Luncie McNeil, public works director; Capt. M. Bornes of the police department; Daniel Weeks, project analyst; Seann Byrd, public utilities director; Stephanie Sudano, director of engineering; and members of the Parks and Recreation Department.

Mr. Dean reviewed his budget message providing highlights of his proposed budget with the Town Council. Personnel and program needs were discussed, and Mr. Dean and department heads fielded questions from Council members.

Budget highlights were included in the manager's budget message, which is below:

### "Fiscal Year 2012-2013 Budget Message

*Holly Springs continues to be a great place to live as the Town maintains positive growth that enhances the Town's ability to improve services provided to citizens and to invest in the Town's future through transportation projects, water and sewer infrastructure and parks and recreation facilities.*

*To ensure that the Town's growth is managed in a sensible, strategic and sustainable way, the management team and staff constantly evaluate development to ensure there exists a healthy balance of necessary and innovative growth and adequate protection of quality of life and town character. As our Town continues to develop, a clear vision should be maintained with this balance in mind. This vision should include managed growth to enrich the quality of life objectives of the Town; economic development in keeping with our community; investment in the Town's future through careful planning, funding and scheduling of capital projects; beneficial partnerships to provide opportunities and funding for improvements; and innovation in developing the Town's identity and promoting the highest standards for our citizens.*

*In the current economic climate, we identified priorities in how we would achieve both the goals of the organization and the service needs of our citizens. As reported earlier this year, while our finances have remained consistent over the last year -- especially in relation to other communities -- we still felt it important to budget conservatively. We limited the number of new positions requested; eliminated vacant positions when we determined that we could absorb the workload; identified areas that we felt we could have an additional revenue stream; and have restricted spending for the remainder of the year as we do every year. This budget has been developed to meet all the various needs of both our organization and our community, but one which I feel will provide us flexibility in the future.*

*The proposed budget is designed to keep the Town on a course to meet these objectives during the next year. Highlights of FY 2012-2013 budget are as follows:*

#### Revenues - General Fund

- A. Ad Valorem Taxes: Figures are based on a 99% collection rate with an approximate tax base of \$3,311,250,000 keeping the existing tax rate at \$0.415 per \$100 valuation.
- B. State Revenues: The state-shared revenues are estimated based primarily on previous years' collections. The legislature still is in session, and through the state has not given any indications that it will make changes in local government revenue line items, we will need to be aware that these numbers could be impacted.
- C. Solid Waste Fees: There is no increase in monthly garbage collection fees, recycling fees or yard waste fees. The monthly fee will remain \$9.50, \$4.25 and \$2.00 respectively.
- D. Fund Balance: We have not appropriated any funds from Fund Balance.

#### Revenues - Utility Fund

- A. Water & Sewer Rates: An increase of \$0.50 per customer to the water and sewer monthly access fee, a 5% increase to the existing water rate and a 5% increase to the existing sewer rate is proposed in the FY 2012-2013 budget. These increases are needed to cover the debt for the WWTP expansion project and water capacity purchase from Harnett County.
- B. Fund Balance: We have not appropriated any funds from Fund Balance.

#### Expenditures - General Fund

- A. All capital items have been appropriated, and a list has been provided of each department's requests for your review in the Capital Outlay section of this proposed budget.
- B. Six (6) new positions are proposed in the General Fund: Two Telecommunicators in Public Safety; Two Public Works Technicians in Streets; a Customer Service representative for the Hunt Community Center and a Parks Assistant at Bass Lake in Parks & Recreation. We have eliminated the Administrative Assistant position in the Manager's Office, and reduced part time costs in both the Hunt Center and at Bass Lake. Other Reclassifications and position changes can be found in the Salaries & Positions List section of this proposed budget.
- C. This budget includes contributions to nonprofit organizations of \$15,000 to be designated as the Council so desires, a \$20,000 membership renewal to the Holly Springs Chamber of Commerce and a \$5,000 contribution to TRACS, totaling \$30,000.
- D. All debt service requirements have been appropriated in this budget to meet our debt obligations. The statement of debt is included for your review.

#### Expenditures - Utility Fund

- A. All capital items have been appropriated and a list of each department's request is provided for your review.
- B. No new positions have been proposed in the Utility Fund. Other reclassifications and position changes can be found in the Salary & Positions List section of this proposed budget.
- C. All debt service requirements have been obligated in the FY 2012-2013 budget. A statement of debt is included for your review. Over the last six (6) years, we have been placing funds in reserve to cover the cost of the WWTP debt, and for that reason we are using \$1.205 million for the debt payment next year. This was planned when we considered expanding the waste water treatment plant to allow the Town to grow into these costs in the future. With the savings realized from the expiration of the Raleigh water contract (\$400,000), and with the additional revenues expected from both commercial and industrial customers, this number will continue to be reduced in future budgets, but it is needed again this year.

#### **Other Highlights**

The salary requirement for next year includes a market adjustment of 2.5%. The Town has not had a COLA or market adjustment in the last two years. Funding is provided for employee merit/performance pay in the amount of 2.5% of salary. The salary budget also includes a 5% 401(k) contribution, longevity benefits and State-mandated Retirement of 6.74%.

Employee health insurance has been budgeted with a 7.5% increase in the rates for next year. This increase is due to several large claims from the previous year. We have determined to make a change from United Healthcare to Blue Cross/Blue Shield. While 7.5% does represent an increase, the original increase with United Healthcare was 16.9%. We had IDB Benefits, who is our current insurance broker, negotiate the new contract with minimal changes in our plan. One aspect of our insurance policy which has saved us money is due to a reduction in the use of the emergency room, resulting from better educating our employees. We also saved approximately \$30,000 in other benefits without reducing services.

With the current economic environment, our goal is to create a budget that will maintain and improve services to citizens while still controlling the costs for these services. I feel the Town of Holly Springs has a solid and conservative budget for next year.

As part of the budget process it is important to have new development absorb additional expenses for infrastructure rather than passing cost on to existing citizens. We have used a portion of water capacity fees in order to maintain the current debt obligations and operations within the utility fund. The remaining water and all sewer capacity and acreage fees continue to be removed from the operating budget to go directly into reserve accounts. It is important that the Town gradually reduce its dependence on impact fees and charges for operating expenses, and we will continue to attempt to reduce these charges in future budgets to eliminate potential financial problems within the operating budget.

I have included with your budget the departmental worksheets we used in developing this budget proposal. I hope this will provide you with a better overview of the process and issues discussed during the budget-balancing procedure.

As we proceed into the next several years, we will continue to evaluate projects and personnel needs as they relate to the provision of services. We have several substantial projects (water, sidewalks & greenways, park improvements) which will be initiated during this fiscal year; therefore, it will be important to prioritize programming needs with future budgets. We will continue to work with Council, staff, and citizens to establish our goals and objectives as the Town grows to provide the level of services expected.

As mentioned previously, we have several major projects currently underway, water and sewer line extensions, streets, sidewalks, additions to existing town parks, and ongoing involvement in economic development. As I have stated earlier, this document represents the budget as I would normally provide in a normal year, and addresses a regular operating budget for FY 2012-13.

Town staff has been instrumental in the development of this document, and I feel they have done a good job of controlling costs while providing service levels expected by the Town Council and our citizens. This budget is my best estimate of what we should expect next year, and I feel it represents a fair assessment of our anticipated revenues and expenditures.

This budget reflects my recommendations based on department meetings, evaluation of existing service needs, and input from Town Council. I would like to say a special thanks to our department heads—especially Finance Director Drew Holland and Assistant Town Manager Chuck Simmons—for their time and effort in the preparation of this document. Without their help, this budget could not have developed to address both present and future service needs.

While I felt it was important to provide you with a balanced budget at this time, we are still working out some issues which could potentially change these numbers. I anticipate these issues to be addressed at the budget work session.

The FY 2012-2013 Budget represents a level of funding that will allow the Town to maintain and improve current service levels while making organizational changes to provide the best possible programs for our citizens. It is important to note that with any budget external forces can affect these projections, and it is for that reason that the figures proposed in the FY 2012-2013 Budget are a very conservative forecast of our revenues and expenditures for the next year. Overall, the General Fund budget has been reduced by 1.3% or \$342,930 from the current budget. The Utility Fund shows an increase of 1% or \$102,000 from the current budget.”

In discussions:

- Council asked why a new police station was needed.

Captain Bornes explained that the police department is a large department working out

of a small building. He said storage is an issue and the department will only grow as the town grows in population and non-residential development. Currently, needs of the department are estimated at 25,000 square feet, but the current building is only 5,000 square feet, and a lot of that square footage is not usable. He added that rental space in a building, as some have suggested, does not lend itself to a working police department.

- Council asked if there was anything that could be done to avoid Utility Fund fee increases. The proposed budget calls for a 50-cent per customer increase in the water and sewer access fee and a 5% increase to the water and sewer rates.

Mr. Dean said the only thing that could be done was to pull money this year out of wastewater reserves and take another look at the access fee next year. The 5% increase to water and sewer rates is a scheduled rate increase needed to cover the debt for the wastewater treatment plant expansion project and water capacity purchase from Harnett County. (The Town has initiated gradual annual increases over the past few years in order to avoid a dramatic rate increase to cover this debt.)

Mr. Simmons pointed out that the town could use wastewater reserves this year to avoid at least one year of water and sewer rate increases. He said the Town could probably absorb the loss of potential revenue but that staff would have to look at rates again in preparation of the FY 2013-14 budget.

**Direction:** The Council directed that wastewater reserves be used this year instead of imposing a 5% rate increase for water and sewer customers.

- Council asked that the Town look into filling a planning technician spot to give support to the planning department and to make better use of personnel.

**Direction:** The Council directed that the town manager identify \$50,000 in the budget so that the planning position could be funded with salary and benefits.

At its May 15 regular meeting, Council directed the town manager to add 2.5 cents to the tax rate and come up with a plan to spend the additional revenue on a series of parks and recreation improvements. Based upon that, the Town can borrow \$11 million to \$11.5 million through the issuance of bonds, paying the debt off in 20 years with annual revenue of over \$818,000.

Priority projects would be:

<b>Project Description</b>	<b>Estimated Cost</b>
Finish Womble Park	\$ 3,000,000
Finish Jones Park (without pier or water feature)	\$ 500,000
Greenways	\$ 1,000,000
Progress Energy field lease and preparation	\$ 1,000,000
Mims Property park	\$ 2,000,000
Gymnasium (after Woodcreek bridge is built)	\$ 3,000,000
Land Acquisition for New Parks	\$ 1,000,000
<b>Total</b>	<b>\$11,500,000</b>

This would leave about \$9.5 million in projects that are planned but will remain unfunded.

Mr. Dean said the big benefit of funding these projects in this way is to get the projects done and not leave them for a time uncertain as other priorities take precedence. He noted that the level of demand will grow as the population increases.

In discussion, Council entertained the question of whether the Town could issue less in bonds and lower the tax rate increase to two cents or lower.

Council noted that if the Leslie-Alford-Mims property park development, which only

recently became a project after the bond referendum, were removed from the list, the bond issue would be reduced to \$9 million, which can be done with a two-cent increase that would raise \$600,000.

Councilwoman Lee suggested also to eliminate the gym or at least put it last on the list. Councilwoman Williams agreed.

**Consensus:** There was Council consensus to remove the Leslie-Alford-Mims property park development from the spending plan, but there was no consensus to remove the gym. Council agreed, however, that the gymnasium naturally was a lesser priority as its planned location depends on the future construction of a bridge.

Mr. Dean noted that his budget proposal does include one parks and recreation capital project that would be removed from the budget and placed in the parks and recreation bond project list (as in the table above): the completion of Bass Lake Park.

**Action:** The Council approved a motion to direct the town manager to prepare a budget with a two-cent tax rate increase to be dedicated to parks and recreation improvements funded by the issuance of bonds with the removal of the Leslie-Alford-Mims property park development project.

**Motion by:** Sack

**Second by:** VanFossen

**Vote:** The motion carried, following a 3-2 vote. Councilmen VanFossen, Sack and Cobb voted for the motion. Councilwomen Williams and Lee voted against.

Mr. Dean said the Council will hold a public hearing on the budget during its June 5 regular meeting. Because various Council members will be unavailable for meetings in June, Mr. Dean suggested a special meeting for adoption of the budget on a date when all members could vote on the motion.

**Action:** The Council approved a motion to set a special meeting for noon Friday, June 29 in the Council Chambers for the purpose of adopting the final version of the FY 2012-13 budget (on June 5, the Council approved a replacement motion to add budget amendments to the special meeting agenda.)

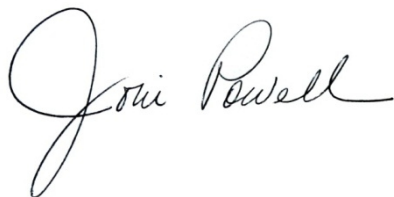
**Motion by:** Cobb

**Second by:** Lee

**Vote:** Unanimous

**Adjournment:** There being no further business for the afternoon, the May 21, 2012 meeting of the Holly Springs Town Council was adjourned following a motion by Councilman Sack, a second by Councilman VanFossen and a unanimous vote.

Respectfully Submitted on Tuesday, July 3, 2012.



These minutes follow and are a part of the official record.

