



**VILLAGE COUNCIL
MINUTES FOR REGULAR MEETING OF MAY 26, 2020
ASSEMBLY HALL
395 MAGNOLIA ROAD
PINEHURST, NORTH CAROLINA
4:30 PM**

The Pinehurst Village Council held a Regular Meeting at 4:30 p.m., Tuesday, May 26, 2020 remotely, via Zoom. Assembly Hall, located at Pinehurst Village Hall, 395 Magnolia Road, Pinehurst, North Carolina was open to the public to view the remote meeting live and to provide public comments in real time.

The following were in remote attendance of the meeting:

Mr. John C. Strickland, Mayor
Ms. Judy Davis, Mayor Pro Tem
Mr. Kevin Drum, Councilmember
Ms. Lydia Boesch, Councilmember
Ms. Jane Hogeman, Councilmember
Mr. Jeffrey M. Sanborn, Village Manager
Ms. Beth Dunn, Village Clerk

And approximately 5 attendees, and 5 staff members.

1. **Call to Order.**
Mayor Strickland, called the Village Council meeting to order.

2. **Reports:**
Village Manager

- A press release went out this afternoon regarding plans to reopen Village facilities.
- Moore County is eligible for 1.89 million, from the CARES Act, to assist local governments and private entities in dealing with the impacts COVID-19. Local officials meet today to discuss how to use these funds. Most municipalities have very few expenses to reimburse due to COVID-19. The County is looking at partnering with an outside organization to manage applications for private entities to apply for the funds.

Village Council

- Mayor Strickland reminded everyone to be smart, continue social distancing, and wear a mask. Council and Staff are trying to find ways to help local businesses deal with impacts.
- Councilmember Drum stated that Triangle J Council meeting tomorrow night, via WebEx. On Thursday there is a Partners in Progress meeting for a tourism roundtable at 4:00 p.m.
- Councilmember Boesch stated she received feedback that the new radar speed signs are effective. She thanked staff for their work and ability to receive the Certificate of Excellence in Performance Management Award.
- Mayor Pro Tem Davis stated that the Tri Cities group will meet on June 26th via WebEx
- Councilmember Hogeman stated the Beautification Committee has completed all of the spring plantings. She spoke with NCDOT about the recent resurfacing completed on Highway 5 and asked if that had anything to do with upgrades discussed

previously. NCDOT told her the current resurfacing was just regular maintenance and not part of the project to improve Highway 5.

3. Motion to Approve Consent Agenda.

All items listed below are considered routine or have been discussed at length in previous meetings and will be enacted by one motion. No separate discussion will be held unless requested by a member of the Village Council.

- Resolution 20-15 Donating Turnout Gear to Fire Academies.
- April Public Safety Reports.
- Approval of Village Council Meeting Minutes.
 - May 5, 2020 Special Meeting
 - May 12, 2020 Regular Meeting
 - May 12, 2020 Work Session
 - May 12, 2020 Closed Session
- Budget Amendment Report.

End of Consent Agenda.

Upon a motion by Mayor Pro Tem Davis, seconded by Councilmember Boesch, Council unanimously approved the Consent agenda by a vote of 5-0.

4. Discuss Consider Resolution to Re-Appoint Leo Santowasso as Chairman of the Planning and Zoning Board.

Mayor Strickland stated this item was to re-appoint Leo Santowasso as the Planning Board Chair to finish out the remaining time of his last 3 year term, which will expire in November 2020. Mr. Santowasso provided a brief update on items the Planning and Zoning Board were working on.

Upon a motion by Councilmember Drum, seconded by Councilmember Hogeman, Council unanimously approved Resolution 20-11 to re-appoint Leo Santowasso as the Chairman of the Planning and Zoning Board, by a vote of 5-0

5. Discuss and Consider Resolution to Appoint Eric Von Salzen as Historic Preservation Commission Chair.

Mr. Von Salzen provided an update on items the Historic Preservation Commission has been working on. Molly Gwinn, Chair of HPC, gave a brief summary of Mr. Von Salzen background and stated she is pleased he is willing to serve as Chairman.

Upon a motion by Mayor Pro Tem Davis, seconded by Councilmember Boesch, Council unanimously approved resolution 20-12 appointing Eric Von Salzen as the Chairman of the Historic Preservation Commission, by a vote of 5-0

6. Discuss and Consider Resolution to Appoint Anne Lucey to the Historic Preservation Commission.

Molly Gwinn, Historic Preservation Commission Chair, introduced Ms. Anne Lucey to Council and provided a brief summary of her background. Mayor Strickland noted that he and Mayor Pro Tem Dais had met with Ms. Lucey before the meeting.

Upon a motion by Councilmember Boesch, seconded by Councilmember Hogeman, Council unanimously approved resolution 20-13 appointing Anne Lucey to the Village of Pinehurst Historic Preservation Commission, by a vote of 5-0

7. Discuss and Consider a Resolution to Appoint David Herring to the Historic Preservation Commission.

Molly Gwinn, Historic Preservation Commission Chair, introduced Mr. David Herring to Council and provided a brief summary of his background.

Upon a motion by Councilmember Hogeman, seconded by Councilmember Boesch, Council unanimously approved resolution 20-14 appointing David Herring to the Village of Pinehurst Historic Preservation Commission, by a vote of 5-0.

8. Presentation of Financial Statements for the Quarter Ended March 31, 2020.

Brooke Hunter, Financial Services Director, stated as we enter the final quarter of the fiscal year (FY), the Village's financial

condition remains strong, despite the economic uncertainties surrounding the COVID-19 pandemic. Our revenue forecast for the first three quarters is right on target, operating expenditures are running below expected levels, and our capital outlays are within budget. Ms. Hunter noted that we will continue closely monitor the impacts of the pandemic on our more economically sensitive revenues as we move through the final quarter of FY 2020 and into FY 2021.

The Village's General Fund is showing \$6.5 million in income for the first nine months of the year, which is considerably higher than the \$3.0 million the prior year. One of the largest components of this increase is the return of \$1 million previously contributed to the Given Memorial Library capital expansion campaign. Another significant component is the timing of projects completed through the end of the third quarter this year. Fund balance in the General Fund is currently 66% of budgeted expenditures, which is slightly lower than the 70% level seen the previous year at March 31. The Village's total cash and investment balances increased by \$1,584,000, or 12.8%, compared with the previous year. The most significant components of this increase are the returned funds from the library and operating expenditures that are lower than expected at this point in the fiscal year. Of the \$14.0 million in cash and investments at March 31, 2020, \$8.3 million was invested in the North Carolina Capital Management Trust Term portfolio and \$5.4 million was held in the Government portfolio. Our long-term debt balances also continue to decline, with the Village currently owing \$142,000 in notes payable.

Ms. Hunter explained General Fund revenues were \$130,000, or 0.7%, above the year-to-date budget projections. Property tax revenues are \$176,000, or 1.6%, above the quarterly revenue estimate. The real and personal base grew by 7.4%, compared to the same period last year, and the motor vehicle tax base grew by 6.9%, compared to the prior year. For local option sales taxes, the adopted budget forecasted a 3.5% increase over the previous year. Ms. Hunter noted we are expecting a reduction in sales tax revenue for the last quarter of FY 2020 due to the impacts of COVID-19 on the economy.

Ms. Hunter stated that the general fund operating expenditures were \$3,189,000, or 21.9%, below the quarterly budget. This variance is significantly larger than the expected year-end expenditure variance of 5% and is the primary factor in our overall quarterly budget variance. Ms. Hunter explained the largest factor is the timing of paving, patching, and small drainage projects completed by March 31.

Ms. Hunter explained the Village has issued 146 single-family residential building permits valued at \$39,290,000 during the first three quarters compared to 85 the previous year. Ms. Hunter noted that we project approximately 185 homes will be constructed in FY 2020, which is above the 122 permits issued in FY 2019. Based on our current estimates, we anticipate the Village's fund balance will increase by approximately \$1,985,000 by the end of FY 2020. Most of this increase is related to the \$1 million returned from the library this year. Ms. Hunter stated that ending fund balance for the General Fund is projected to be approximately \$9,857,000, 45%, of expenditures, which is above our current policy range of 30-40%.

Ms. Hunter stated that during the first three quarters, the Fair Barn covered 71% of operating expenditures with operating revenues, which is lower than the 84% achieved at this point the previous year. Before discounts were applied, the Fair Barn covered approximately 92% of operating expenditures with operating revenues. We are anticipating decreased revenues in the last quarter of FY 2020, as the facility will be closed for most, if not all, of the quarter due to the COVID-19 gathering restrictions. The Harness Track covered 62% of its operating expenditures compared to 57% the previous year. While there were fewer horses stabling this season, operating expenditures are also down due to staff vacancies and delayed Buildings and Grounds maintenance projects.

9. Motion to Recess Regular Meeting and Enter into a Public Hearing.

Upon a motion by Mayor Pro Tem Davis, seconded by Councilmember Hogeman, Council unanimously approved to recess the regular meeting and enter into a public hearing, by a vote of 5-0.

10. Public Hearing No. 1

Jeff Sanborn, Village Manager, stated the purpose of this Public Hearing is to allow the public to comment on the proposed Fiscal Year (FY) 2021 Budget and Strategic Operating Plan (SOP). Mr. Sanborn gave a presentation of the FY 2021 budget which included the modified revenues suggested after the Council's budget work sessions last week. The modified budget excludes the recommended \$.005 tax rate increase in the FY 2021 budget and uses appropriated fund balance. Mr. Sanborn explained Village staff plans monitor COVID-19 financial impacts by monitoring sales tax and other revenues each month and review revised revenue estimates with Council after the 1st quarter of FY 2021. He noted that Council has identified expenditures to defer until October 1st,

or later, totaling \$384,750. Mr. Sanborn explained the tax rate will remain the same at \$.30 and will warrant a projected loss of \$84,544. The total FY 2021 budget is at \$21.26 million and the ending fund balance is projected to be \$9,772,249, which is 46% of expenditures. Mr. Sanborn reviewed the areas of focus which the budget tries to address. He also reviewed the 7 Initiative Action Plans (IAP) included in the FY 2021 budget, at a cost of \$252,000.

Mr. Sanborn stated that the Engage Pinehurst Topic for the budget was available for comment for 30 days. We had 16 people view the topic and 1 person, John Webster, provided a comment on the budget.

Public Comments:

- John Webster, Pinehurst resident, submitted the following public comment by email: 1. The FY 2021 budget should never have included a property tax rate increase, because it is financially unnecessary: a. The third quarter and YTD FY 2020 financials are proving better than budgeted. b. As the VOP currently measures its General Fund balance as a percentage of budgeted expenditures, it is forecast that this will reach 46% (without a tax rate increase). The defined policy is that it should be between 30 and 40%, so the VOP is purposefully ignoring its own policy in order to progressively augment an idle slush fund. If Council is incapable of explaining why this policy is obsolete or why the VOP's risk profile has radically changed, then we would expect to hear how the VOP expects to revert to the policy range. I also think the way this percentage is calculated per policy is potentially misleading given (i) the fact that expenditures (the denominator in the fraction) are budgeted to be 107.5% of expected and thus depresses the percentage and (ii) the ending balance is used as the numerator rather than the beginning GF balance of each FY, when what you are trying to measure is the capacity of an initial balance to meet the uncertainty of the year ahead. You might consider modifying the policy in this regard. 2. In the light of the Covid-19 pandemic, VOP residents and businesses are all suffering its financial effects. Even proposing a tax rate increase in these circumstances shows a lack of empathy and connection with VOP stakeholders. In my mind, you should be proposing a tax rate decrease. 3. Given the balance of the General Fund and the reliability of property tax revenues, I don't think there was any need for the list of expenditures to be postponed. Not prepaying minimal expensive financial debt while holding a \$ 14MM cash balance at end March and which will not drop below \$ 10MM in the FY is just not logical – the debt should have been prepaid a long time ago. If the GF balance actually goes up in the worst economic circumstances since the Great Recession, it just points to the reliability of revenues, the low level of risk facing VOP's finances and an erroneous tax policy resulting in increasing the tax rate at the same time as properties were revalued, but which is allowing a FY 2020 13% increase in expenditures. 4. If actual expenditures are now routinely expected to be 93% of budget rather than 95%, why do you continue budgeting with this parameter? Would it not make more sense to budget at 95% or even 97% and make the financial statements more understandable for the public?

11. Motion to Adjourn Public Hearing and Re-Enter Regular Meeting.

Upon a motion by Councilmember Drum, seconded by Mayor Pro Tem Davis, Council unanimously approved to adjourn the public hearing and re-enter the regular meeting, by a vote of 5-0.

Mayor Pro Tem Davis explained we should communicate major projects needed and that those have to be funded. She stated Pinehurst has the most favorable tax rate in the County and we need to be proud that but at the same time be realistic that we may need to add more to it over time to get more for our community. Councilmember Drum noted that some municipalities have capital funds to fund big projects but the Village doesn't have that. He agrees with Mayor Pro Tem Davis on not putting the tax increase off.

Natalie Hawkins, Assistant Village Manager, stated our capital forecasting is only projected out 5 years but there are projects looming past those 5 years. She suggested Council talk about the fund balance policy and capital funding at a work session. Ms. Hawkins explained that we budget at 100% expected revenues and expenditures are projected at where we will be but something always happens to change that number. Mayor Strickland noted that Local Government is restricted by law in the way the budget is structured and changed over the course of a year, which makes it more difficult.

12. Discuss and Consider Legal Contract for Legal Services for FY 2021

Brooke Hunter, Financial Services Director, stated this contract is for FY 2021 legal services. This contract includes a 2% increase,

in line with inflation. The monthly retainer fee is \$4,753 per month or \$57,036 for the entire year. The hourly rate for services above the 30 hours per month included in the contract amount is \$375 per hour, which is the same rate as last year. Ms. Hunter noted that historically there has been minimal additional billing above the 30 hours per month.

Upon a motion by Councilmember Boesch, seconded by Councilmember Drum, Council unanimously approved to authorize the Mayor or his designee to execute a contract with Van Camp Meacham & Newman, PLLC for legal services for Fiscal Year 2021. , by a vote of 5-0.

13. Other Business.

No other business was discussed.

14. Comments from Attendees.

No comments were made by the public.

15. Motion to Adjourn.

Upon a motion by Mayor Pro Tem Davis, seconded by Councilmember Drum, Council unanimously approved to adjourn the regular meeting by a vote of 5-0 at 6:30 p.m.

Respectfully Submitted,



Beth Dunn,
Village Clerk

A videotape of this meeting is located on the Village website: www.vopnc.org

Vision: The Village of Pinehurst is a charming, vibrant community which reflects our rich history and traditions.

Mission: Promote, enhance, and sustain the quality of life for residents, businesses, and visitors.

Values: Service, Initiative, Teamwork, and Improvement