# VILLAGE COUNCIL
# MINUTES FOR BUDGET WORK SESSION
# OF MAY 19, 2020
# REMOTE MEEING
# ZOOM

## 2:00 PM

The Pinehurst Village Council held a special meeting for a budget work session at 2:00 p.m., Tuesday, May 19, 2020 remotely, via Zoom. The meeting was streamed in real time on the Village's website for the public to view. The following were in attendance:

The following were in remote attendance:

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

And approximately 12 attendees, including 12 staff.

1. **Call to Order.**
   Mayor John Strickland called the meeting to order.

2. **Overview and Discussion of the Recommended 2021 Strategic Operating Plan.**
   Natalie Hawkins, Assistant Village Manager, reviewed the Strategic Challenges and Opportunities, identified by Council, which frame the new initiatives and projects in the Strategic Operating Plan. Ms. Hawkins reviewed the fiscal year (FY) 2021 Balanced Scorecard, Areas of Focus, and the Initiative Action Plans (IAP) included in the proposed FY 2021Strategic Operating plan.

   Brooke Hunter, Financial Services Director, provided an overview of the general fund summary for FY 2021. She explained all of the revenues and expenditures proposed will result in a fund balance of 9.96 million at the end of FY 2021 which equates to 46.9% of budgeted expenditures. Ms. Hunter explained due to COVID-19 adjustments have been made to revenues from sales tax and investment incomes. Ms. Hunter noted that staff has also identified potential expenditure deferments for FY 2021 due to the uncertainty of revenue impacts.

   Ms. Hunter reviewed revenue assumptions for FY 2021. She stated the largest revenue source is property taxes, which is $11.59 million for FY 2021, assuming the proposed property tax rate being increased $.005 to $0.35. Ms. Hunter noted that a half cent tax increase on a $300,000 home equals $15.00 per year. Ms. Hunter explained the historical property tax collection rates have remained high even through the recession in 2007. Ms. Hunter reviewed a five-year forecast tax rate comparison document to show the impacts of not increasing the tax rate as proposed. She also explained some of the key expenditures that warranted looking at the .005 tax increase in the 5 year plan. One key factor was that the Local Government Employment Retirement System (LGERS) implemented a new 5 year plan to increase contribution rates. Ms. Hunter also noted that last year we experienced an increase in recycling and tipping fees.

   Ms. Hunter explained for sales tax revenues projections we are expecting a 10% decrease in the fourth quarter of FY 2020 and a 5% decrease in the first quarter of FY 2021 with no growth in the remaining year, due to COVID-19. She noted we will start to see the true impacts on sales tax at the end of June, 2020. Ms. Hunter explained that revenues from permits and inspection fees and planning and zoning fees for residential construction are both expected to decrease in FY 2021 due to the depletion of buildable lots and impacts of COVID-19. Harness Track stall rental revenues are expected to decrease by 4.3% and shows and event revenues to decrease by 15.2% in FY 2021 due to the lower occupancy rates and rentals experienced at the track in FY 2020.

Ms. Hunter explained the largest expenditure in the budget is for salaries and benefits at 11.76 million, and includes staffing of 146.6 full-time equivalents (FTEs). Ms. Hawkins reviewed the need for a Transportation Planner position as well as the draft job description for the position. Council discussed the requested position and ask to see the deliverables created by this position. Ms. Hunter explained that a 1.8% cost of living adjustment, merit raises at an average of 2% per employee, and a 10% increase in group insurance costs were included in the proposed budget. Staff is also recommending adding an additional paid holiday for employees, for a total of 12 holidays per year, and changing the Service Award Program to award \$50 per year instead of the current \$5 per year. This award would remain payable to the employee at every 5th year of employment.

Ms. Hunter explained that paying the full outstanding debt, of \$148,167, was factored in this proposed budget, however, staff has identified this as an item that could potentially be deferred, as the debt service is not due until FY 2022 . Council reviewed and discussed the capital expenditures included in the FY 2021 budget. Some of the key items marked as capital projects include storm drainage improvements, pedestrian facilities, additional structured parking at Cannon Park, garbage truck, and a fire pumper tanker truck.

Ms. Hunter reviewed the five-year financial forecast. She noted this section details the forecasting methodology which includes key assumptions used and planned revenues and expenditures for the forecast period. Ms. Hunter explained sales tax revenue is projected to remain flat in FY 2022. However, sales taxes are projected to increase by 4% in 2023 and 5% in 2024 due to us hosting the U.S. Open Championship, and 3% in FY 2025 returning to a normal growth pattern. Ms. Hunter discussed the operating margin and Fund Balance targets. She reviewed the 5 year forecast for the general fund in relation to the \$1 million in contingency returned by the library.

Ms. Hunter reviewed the five year Capital Improvement Plan which totals of \$9.4 million in capital spending for fleet, information technology, and other capital additions. She noted this includes replacement of vehicles and equipment per the replacement schedules.

Council discussed the proposed tax rate increase of half a cent. Councilmember Hogeman voiced her concerns with raising the tax rate in this difficult time when so many are unemployed. She feels like the \$187,000, the increase would produce, could be absorbed this year. Mayor Pro Tem Davis stated maybe we need to run a couple more what if analysis to see different scenarios for property and sales tax revenues. Staff will run the numbers on different scenarios and worse case sales tax revenues and bring those back at the budget work session on May 21st.

3. **Motion to Adjourn.**

Council unanimously approved to adjourn the special meeting at 6:00 pm.

Respectfully Submitted,

Beth Dunn

Beth Dunn,
Village Clerk

*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*