



**VILLAGE COUNCIL
MINUTES FOR BUDGET WORK SESSION
OF MAY 16, 2022**

4:30 PM

The Pinehurst Village Council held a special meeting for a budget work session at 4:30 p.m., Tuesday, May 16, 2022 in the Assembly Hall of Pinehurst Village Hall, 395 Magnolia Road, Pinehurst, North Carolina.

The following were in attendance:

Mr. John C. Strickland, Mayor
Mr. Patrick Pizzella, Mayor Pro Tem
Ms. Lydia Boesch, Treasurer
Mr. Jeffrey Morgan, Councilmember
Ms. Jane Hogeman, Councilmember
Mr. Jeffrey Sanborn, Village Manager
Ms. Kelly Chance, Village Clerk

And approximately 13 attendees, including 13 staff and 0 press.

1. Call to Order.

Mayor John Strickland called the meeting to order.

2. Discussion of the Recommended 2023 Strategic Operating Plan.

Matthew McKirahan, Performance Director, provided a general overview of the Strategic Operating Plan process, which began approximately in November and December. He noted we would be going through the budget and preparing it for final approval in June and implementation beginning July 1. Mr. McKirahan noted many key inputs went into the plan, with three key areas of focus: manage development to protect Village character; Support the business community; and provide a safe and effective multi-modal transportation system. He noted Council approved the Balanced Scorecard in January.

Mr. McKirahan noted there are seven Initiative Action Plans (IAPs) of which, five will start this fiscal year. Mayor Pro Tem Pizzella asked for some explanation on how the Balanced Score Card goal percentage is derived and stated that it appears we are basing these off our actual percentage. He stated that the citizens may not understand the marginal error figures in. Village Manager Jeff Sanborn stated he understands how this method could cause some confusion, but this system has worked historically and changing the percentage is splitting hairs.

Councilmember Boesch asked if at some point a discussion could be had on what the multi-modal transportation plan might look like. Darryn Burich, Planning and Inspections Director, stated he will send some examples to the Council.

Mr. McKirahan noted in addition to these, we have a list of 45 projects and 26 evaluations that staff plans to accomplish over the next five years. Mr. McKirahan noted that we do evaluations before moving on to any projects. He noted these evaluations are divided into Birdies or Aces. Mr. McKirahan stated we have one (1) Birdie planned and five (5) Aces identified. Councilmember Boesch asked if we compare ourselves with other top-performer comparisons to which Mr. Sanborn explained we did switch to this per Council direction.

Mayor Strickland asked Councilmembers if there were any specific areas of concentration that they would like to have Brooke cover as we go throughout the presentation. Councilmember Boesch stated she would like to discuss the artificial turf request. Mayor Pro Tem Pizzella stated he would like to discuss the tax rate. Councilmember Morgan said he would like discussion around the fund balance and the inflation rate. Councilmember Boesch stated the BPAC would like Council to allocate a higher rate to walking paths.

Brooke Hunter, Financial Services Director, provided an overview of the general fund summary for FY 2023. She stated the proposed General Fund budget for FY 2023 is \$27,099,100, an increase of approximately 6% from the previous year's amended

budget. Ms. Hunter reviewed revenue assumptions for FY 2022. She stated the largest revenue source is property taxes, which is \$12.2 million for FY 2022, which is comparable with previous years. Ms. Hunter stated the next largest is Unrestricted Intergovernmental Revenue and then Restricted Intergovernmental revenue, which includes Powell Bill funding. She stated the remaining revenue is comprised of permits & fees, sales & services, assessments, and other revenues. Ms. Hunter stated the largest expenditure function is Public Safety at 33%, Cultural and Recreation 23%, followed by Transportation at %. General Government 12%, Environmental Protection 9%, Economic & Physical development 4%, Cultural & Recreation, and Debt Service follow these up.

Ms. Hunter noted the expenditures are also summarized by type and department to facilitate further analysis of expenditure trends. These include Salaries & Benefits, Operating expenses, Capital expenses, Debt Service, and Other financing uses (any transfers out). She noted this year we have zero debt service for this year.

Ms. Hunter stated the fund balance is estimated to be \$14,900,000 at the end of FY 2023, which is an increase of 1,700,000 for the fiscal year due to the transfer of the ARPA funds. We have plans for those to be expended for the library project and potential parking facility. She noted the plan is to complete spending of these funds by the end of calendar year 2023.

Ms. Hunter gave an overview of the general fund revenue, first looking at Ad Valorem Taxes. She stated the tax rate for the Village of Pinehurst would be \$ 0.31 per \$100 valuation for the fiscal year ending June 30, 2023. Ms. Hunter stated the combined growth factor used to estimate the real property valuation for FY 2021 is 1.54%. She stated the Village is expecting to permit 150 homes in FY 2023 and an increase of 1.0% for motor vehicle valuation. Councilmember Boesch asked if we have ever seen changes or fluctuations that surprised us to which Jeff Sanborn stated yes, citing the Covid pandemic period. Ms. Hunter stated during this time they do go back and review historical information and use this to make accurate assumptions. She stated staff has updated their projections with the most up-to-date information to date.

Ms. Hunter stated that permits and fees revenues are expected to be \$924,500 in FY 2023, or approximately 4% of total General Fund operating revenues, which means an increase of 3% over the original budget for FY 2022. She reported sales and services revenues consist primarily of Harness Track stall rentals, Fair Barn rentals, and recreation fees and total revenues in this category are expected to be \$767,900, or approximately 3% of total General Fund operating revenues, which is an increase of approximately 11% from budgeted sales and services revenue in FY 2022. Ms. Hunter stated that other revenues consist of transfers from the American Rescue Plan Act Special Revenue Fund, which total transfers to the General Fund are estimated to be \$4,286,720 and are not considered operating revenues.

Ms. Hunter provided an overview of expenditures by type, starting with salaries & benefits and operating expenditures. She noted staffing accounts for \$13.7 million of total General Fund Expenditures. Ms. Hunter stated included in this is staffing of 158.6 Full-Time Employees (FTEs). She noted this year's budget assumes a 10% increase in group insurance costs and the addition of 2 full-time police officers.

Ms. Hunter stated operations expenditures are 8 million dollars and some of the key items in this is the 1.3 million to resurface streets included in the Powell Bill, and \$200,000 for resurfacing & patching streets, funds for stormwater repairs funds, operations for the library, the PDO Update, and the Parks & Recs. Master plan.

Ms. Hunter noted Capital expenditures comprise approximately 5.3 million dollars, which is 19% of our total expenditures. Mayor Strickland stated he would like to spend some time on how the library fits in since this is the first year it is included. Ms. Hunter stated Capital expenditures are for the purchase of vehicles, equipment, land, infrastructure, and other items that have a value greater than \$5,000 and a life expectancy of at least one year. Ms. Hunter reported in FY 2023, the Village has no debt service expenditures, as all existing debt agreements were paid off in FY 2021.

Ms. Hunter reported on June 30, 2022, the Village's fund balance in the General Fund is projected to be approximately \$13.1 million, or 51% of the FY 2022 Budget. She stated the budget as proposed for FY 2023 will increase the level of fund balance to approximately \$14.9 million, or 55% of expenditures. She noted in recent years, the Village saw a reduction in fund balance from FY 2018 to FY 2019 due to funding the \$4.6 million construction of the Cannon Park Community Center without debt financing. She stated it realized an increase from FY 2019 to FY 2020 with the return of \$1 million from the library capital campaign.

Ms. Hunter stated as required by North Carolina General Statutes, the recommended budget is balanced. She noted the budget is based on an ad valorem tax rate of \$0.31 per \$100 valuation for the General Fund. She reported the recommended budget projects a fund balance of 54.9% of FY 2023 General Fund budgeted expenditures, which is above the Council's adopted policy minimum of 30%. Ms. Hunter stated Council amended its policy in FY 2021 to include a provision to commit fund balance more than 40% for future capital needs. She stated the projected level of fund balance positions the Village well to address significant future projects that are incorporated in the five-year planning period.

Ms. Hunter reported departmental requests were reduced by approximately \$298,000 to balance the budget. She noted that although the budget does not fund all the requests made by departments or external groups, it is set to achieve strategic goals and targeted levels of performance as communicated in the Village's Balanced Scorecard.

Ms. Hunter noted a Public Hearing to receive citizen input on the recommended budget will be held on Tuesday, May 24, 2022 at 4:30 p.m. in the Assembly Hall of the Pinehurst Village Hall. She noted a copy of the proposed budget is available for inspection at Village Hall and is posted on the Village's website.

Mayor Pro Tem Pizzella and Councilmember Morgan both noted that we are in a very healthy financial position. Councilmember Boesch stated we have been in this position before and we were cautious, but everything worked out. Mayor Strickland stated in recent discussions council discussed enforcement – are we able to do more enforcement of things from different policies we may adopt or do we need to consider future budget to allow for this. Darryn Burich, Planning and Inspections Director, stated our enforcement is at 90% and so it is the codes on the books that are lacking and may need some updates to help resolve some of the enforcement problems. He stated these can be Pinehurst Development Ordinances and Municipal Nuisance Ordinances. Mr. Burich stated our response is about 2 days.

Mr. Sanborn stated he believes our police officers are adequately appointed and their usage may not be best suited to just monitor issues such as parking violations. Mayor Strickland stated he would just like to know we have the resources we need if we need to adjust in the future to inspect myvop complaints. Mr. Sanborn stated that a lot of these issues that come from the public are not necessarily code violations, but more so perceptions.

Ms. Hunter stated the Village of Pinehurst's five-year Capital Improvement Plan (CIP) represents a \$22.3 million General Fund investment plan to address the Council's strategic objective to "Maintain Village assets" under the strategic goal to "Professionally manage a high performing organization. She noted Capital expenditures are driven by the types and levels of services provided to customers and the target performance levels established by the Village Council. She reported the proposed plan represents maintaining all current service levels while enhancing others through increased capital investment.

Ms. Hunter stated this CIP was developed under the assumption that the Village will fund those items that are able to be included under the proposed tax rate of \$0.31 per \$100 valuation and projected tax rates shown in the five-year financial forecast. She stated the Village Council updates the CIP annually as part of the Strategic Operating Plan to ensure it is reflective of the Council's current strategic goals and objectives. She noted, in addition, it is expanded annually to add a year of programming to replace the year previously completed.

Ms. Hunter stated the adoption of the CIP by the Village Council does not constitute a commitment to fund a particular item, but rather signifies Council's intention to fund capital expenditures at the indicated level during the five years. She stated the capital investment shown in FY 2023 of the CIP, however, does represent the amount of capital spending appropriated in the FY 2023 Budget.

Ms. Hunter stated the CIP includes capital investments with a total estimated cost of \$22,338,900 over the next five years. She stated these costs are divided into four major areas – Capital Projects, Fleet, Information Technology, and Other Capital Additions. Ms. Hunter reported the Village has two capital projects planned in the FY 2023-2027 CIP. She stated in FY 2022, the Village will begin design for an addition to the existing Given Memorial Library and Tufts Archives building to increase the amount of space for library programming. Ms. Hunter reported construction will begin in FY 2025 after the 2024 U.S. Open Championship. Ms. Hunter noted the second capital project is set in FY 2025, with the design of a Carriage House parking facility to provide additional parking in the downtown Village Center area, with construction to follow in FY 2026.

Mayor Strickland stated there seemed to be some increased enthusiasm for the Harness Track training facility itself and how we could continue to attract more trainers. Mark Wagner stated we do maintenance every year and most of what we heard from the trainers were the need for better manure bins, stormwater, and field upkeep.

Mayor asked if there is something we should do more urgently to be able to take advantage of those in Florida – facility changes that would provide an enticement. Mr. Wager stated it is probably where we spend our advertising dollars, which we plan to increase this advertising effort and marketing. We advertise in Ohio and Indiana and will move to Florida now. Councilmember Morgan suggested we sell advertising on our track for events as another source of revenue. Mr. Wagner stated we spend \$14,000 or so on advertising which now we are doing more videos and websites. Council consensus was that if the staff wants to do something now to increase these efforts, they are onboard. Mayor Pro Tem Pizzella suggested that if there are some monies left over in this budget year, let's use it. Staff will take it back for discussion with anticipated Grooms quarters upgrades being the biggest change. Jeff Sanborn stated the other change they would like is RV hookups for the trainers. We have 8-10 hookups which are only water and electric. Unfortunately, they are by the manure bins. Consensus was for staff to look at this. Councilmember Morgan stated we should strive to make it, so the horse track is not subsidized by the citizens.

Councilmember Boesch stated if we want to do a walkway, we should not stop it short of what makes sense because we are not budgeted for it. We can come back for a budget amendment. She stated also that she has heard concerns that with the financial pinch it may not be conducive to spend that high cost on AstroTurf. Councilmember Hogeman stated the goal was to recoup that money in the long run and gain more usage from the fields now. And this was to combat the lack of field usage and growth of new park. Councilmember Boesch said she also has concerns that the figure we are using is an old figure and we do not know what

this final cost might be. Councilmember Hogeman stated we had a million dollars in placeholder for the West Pine Park, so the plan was to move it to the AstroTurf project.

Mr. Hunter stated the budget public hearing will be on May 24th. The document is on engage Pinehurst and we are scheduled to present the budget to council on June 14th with the vote for approval. Council consensus was that a meeting is not needed for Wednesday, May 18th so this meeting will be cancelled.

3. Motion to Adjourn.

Upon a motion by Mayor Pro Tem Pizzella, seconded by Councilmember Hogeman, Council unanimously voted to adjourn the meeting, by a vote of 5-0. Council adjourned at 7:45 p.m.

Respectfully Submitted,



Kelly Chance,
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