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VILLAGE OF
PINEHURST

VILLAGE COUNCIL
MINUTES FOR BUDGET WORK SESSION
OF MAY 19, 2021

9:00 AM

The Pinehurst Village Council held a special meeting for a budget work session at 9:00 a.m., Tuesday, May 19, 2021 in the Assembly Hall of Pinehurst Village Hall, 395 Magnolia Road, Pinehurst, North Carolina.

The following were in 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
Mr. Mike Newman, Village Attorney
Ms. Kelly Chance, Village Clerk

And approximately 12 attendees, including 9 staff and 1 press.

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

2. **Overview and Discussion of the Recommended 2022 Strategic Operating Plan.**
Jeffrey Sanborn, Village Manager, reviewed the Strategic Challenges and Opportunities, identified by Council, which frame the new initiatives and projects in the Strategic Operating Plan. He noted we do have two work sessions scheduled, with the second one occurring on Friday from 9:00 a.m. to 12:00 p.m., in the event we need the additional time.

Lauren Craig, Performance Director, provided a general overview of the Strategic Operating Plan process, which began approximately in November and December. She noted we would be going through the budget and preparing it for final approval in June and implementation beginning July 1. Ms. Craig 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. She noted Council approved the Balanced Scorecard in January.

Ms. Craig noted there are six Initiative Action Plans (IAPs) of which, five will start this fiscal year. She noted in addition to these, we have a list of 57 projects and 27 evaluations that staff plans to accomplish over the next five years. Ms. Craig noted that we do evaluations before moving on to any projects. She noted these evaluations are divided into Birdies or Aces.

Brooke Hunter, Financial Services Director, provided an overview of the general fund summary for FY 2022. She stated the proposed General Fund budget for FY 2022 is $23,987,230, an increase of approximately 6% from the previous year's amended budget. Ms. Hunter explained all of the revenues and expenditures proposed will result in a fund balance of 10.1 million at the end of FY 2022, which equates to 42.2% of budgeted expenditures, which is above our minimum 30% requirement.

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%, followed by Transportation at 19%. Environmental Protection, Economic & Physical development, 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. She noted this year we have zero debt service, but do have $550,000 listed under other financing uses which will be funds transferred to the two capital projects we have planned for this year.

Mayor Strickland inquired about the Investment Income level decreasing to 1,400 compared to FY 2020, which stood at $159,539. Ms. Hunter explained we were investing in the NC capital management Trust Portfolio during a time when interest rates were higher. She explained when COVID hit interest rates plummeted and the Capital Management trust followed suit, which means we are drawing less. Ms. Hunter also noted we are still waiting to see what the American Recovery Programs grant funds can be used for. She stated we would use a special separate revenue fund, which has a separate audit process for this. This would not be part of the general fund.

Ms. Hunter stated the fund balance is estimated to be $10,122,275 at the end of FY 2022, which is a decrease of $871,000 after considering the budget to actual variance we have. She stated the main reason for that is the use of the $550,000 for capital fund establishment.

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 increase from $0.30 to $0.315 per $100 valuation for the fiscal year ending June 30, 2022. She noted this increase includes one cent for assuming operations of the Given Memorial Library and Tufts Archives and one-half cent for operating expenditure pressures related to state mandated retirement contribution rates and increasing recycling and tipping fees. 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 2022 and an increase of 1.0% for motor vehicle valuation. Ms. Hunter acknowledged the collection rates used to estimate actual ad valorem tax revenue are 99.9% for real and personal property, and 100.0% for motor vehicles.

Ms. Hunter provided an overview of the Unrestricted Intergovernmental Revenues, noting that local Option sales tax accounts for 64% of the unrestricted Intergovernmental revenue. She stated the telecommunications tax and video programming tax continues to decline as less people are using landlines. Ms. Hunter stated this year; the NCLM is projecting sales tax growth in FY 2021 of 13.5% and 2.5% in FY 2022. She stated based on the strong forecast, the FY 2022 local option sales tax revenue budget would increase by approximately 16.3% over the FY 2021 budgeted amount.

Ms. Hunter provided an overview of the Restricted Intergovernmental revenues and stated this revenue is down 36.7% from last year, primarily because of the $252,000 we received for Coronavirus Relief Fund grant revenue in FY 2021, which we will not receive in FY 2022. She stated that in this category we also have the Powell Bill revenue of which we received a smaller distribution this year. Jeff Sanders, Village Manager said they are receiving less gross fuel tax revenue as efficiency continues to approve and because until recently fuel prices were very low. Councilmember Boesch asked what determines the Powell Bill revenues, and whether that is a statutory rate. Ms. Hunter stated the rate changes each year and Mr. Sanborn said it is a statutory rate and this leads to the largest municipalities taking the hardest hit. Lauren Craig, states the statute is 136.140.1 – State gives to the DOT and then the DOT configures the division based on certain formulas.

Ms. Hunter stated that permits and fees revenues increased by 42.7% over the original budget for FY 2021. She stated the Village forecasts the construction of 150 homes, which is the number in FY 2021. Stated we also have Fire District revenue in this category, which comes from fire protection, rescue services, and medical first response, as well as from a contract to provide fire services to Taylortown and other areas.

Ms. Hunter stated we have no dollars budgeted for assessments in FY 2022. She stated in FY 2020 the final installment of the Cotswold community stormwater project assessment was received, and in FY 2021, the final installment of Municipal Service District for improvements made to the dams was collected.

Ms. Hunter provided an overview of sales and services revenue, which has a decrease of 4.9%, primarily due to reduced Harness track, stall rental, and Fair Barn revenue decreases. She stated recreation fees are expected to decrease as well due to lingering Covid related gathering restrictions. Ms. Hunter noted this category also assumes $79,050 Library Revenue this year; this is related to book sales, events, and photo sales. She stated this includes revenue estimates that are prorated for three-quarters of the year. This assumption may adjust dependent upon the opening date of the library.

Ms. Hunter stated that other revenues are up 46.4% primarily due to projected library donations, based on historical data figures. She noted that investment income is projected to be 1,400, a reduction of 94.5% as investment rates have decreased and are expected to remain low throughout FY 2022. She stated this is due to historically low interest rates following the outbreak of the COVID-19 pandemic. The NCCMT closed the term account in FY 2021, as it was no longer beneficial to investors.

Mayor Strickland asked why with COVID restrictions decreased we would not figure in more money in fair barn rental revenue. Ms. Hunter and Mark Wagner, Parks & Recs Director, stated they were being conservative due to not knowing when the restrictions would be lifted on indoor dances etc., which are a large part of the Fair Barn Rentals, including weddings and large-scale events. Mr. Wagner stated that since we now have more information, we could adjust this figure as time goes on. Ms. Hunter noted that the amount designated of $205,500 is not a drastic drop from the previous year of $215,500. Mr. Wagner stated the Fair Barn is already booked for FY 2022. It was noted that if the figures do change, a budget amendment would occur.

Councilmember Drum discussed the fact that Harness racing is on the decline and so a discussion on whether this should be a category we keep in Pinehurst may be called for in the near future. He suggested that a future work session be used to re-evaluate this. Mr. Wagner agreed there are many constraints that put as at a disadvantage. He stated that until we see contracts coming in, he remains cautiously optimistic that we will receive 50 new horses next year leading to the number rising.

Ms. Hunter discussed the usage of the fund balance appropriations as a tool to balance the fiscal year budget. She stated the Village has appropriated $2,530,950 as a revenue source and noted that historically, operating revenues come in at 101% of budget while operating expenditures typically fall 7% below budget. Ms. Hunter stated if historical trends continue for FY 2022, we will reduce fund balance by approximately $871,000, which will result in a projected ending fund balance of 42.2% of General Fund expenditures. Mr. Sanborn noted that the $871,000 includes $550,000 of funds designated for the two capital projects funds.

Ms. Hunter provided an overview of expenditures by type, starting with salaries & benefits and operating expenditures. She noted this is approximately $24 million with staffing accounting for $12.9 million of that figure. Ms. Hunter stated included in this is staffing of 156.6 Full-Time Employees (FTEs) and the addition of 10 FTEs in the plan. She noted included in this is merit raises recommended at an average of 2% plus a 1.2% Cost of Living expense, as well as a 10% increase estimated for group insurance cost. Councilmember Hogeman asked if there was an opportunity to add an additional Planning & Zoning staff person would that require a budget amendment. Ms. Hunter stated yes, a budget amendment would be required.

Mayor Strickland asked what the procedure is for awarding merit pay increases and what the evaluation process is. Mr. Sanborn stated we do not do this every year, but when we do, we try to compare our salaries with other comparable areas and municipalities. He stated this process is hard as well due to the extreme variance of methods used. Angela Kantor, Human Resources Director stated the NCML does an annual survey that we use this data in the assessment. Mr. Sanborn said there are several sources we pull data from. Councilmember Boesch asked if there is a policy for this. Mr. Sanborn stated where we are now is close to the 3% which is normal.

Ms. Hunter stated operations expenditures are 7.7 million dollars and some of the key items in this is the 1.2 million to resurface 4.5 miles of street 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. Mr. Sanborn noted we do a lot more than most communities in spending funding above the Powell Bill allotment. Mr. Sanborn noted we normally do a minimum of 4 miles yearly.

Ms. Hunter noted Capital expenditures comprise approximately 2.8 million dollars, which is 12% of our total expenditures. She stated we storm drainage projects, pedestrian facilities funding, and construction of a storage building behind the fire station, Village Hall office expansion, and library improvements for accessibility, vehicle fleet replacements, and information technology updates. Ms. Hunter stated there will be a $150,000 transfer to a separate fund for the Downtown Parking Facility Design Capital project and $400,000 will go into a fund for the Library Expansion. Mayor Pro Tem Davis asked where the remainder of the agreed upon $1 million for the library. Ms. Hunter said we would bring forth a resolution to Council to commit $1 million to commit fund balance in this upcoming financial report. This will reduce the amount we can commit to future capital projects. There will be a remainder of monies in the fund balance for later use of capital projects decided upon.

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.

Councilmember Drum addressed the Bike-Pedestrian plan as a big topic for work along with the multi-modal plan. Mayor Pro-Tem Davis would like to eliminate the $400,000 included for sidewalks. She stated a Transportation Planner is needed to help pull all these sub-projects together. Councilmember Hogeman agreed she does want to see transportation that does fit in other areas, highlight it in certain ways, and make sure we are working on it. Ms. Craig points out that we do have a plan and that staffing is an issue as to why we are working gradually at this issue. Councilmember Drum said he sees safety issues over the last three years – he understands that we don't have the manpower now, but he wants to move this up Councilmember Hogeman said let us ask the bike ped committee to look at it and see what can be move up. Ms. Craig said we need to balance out the community input – we are already pulling a lot for the small area plans and this is still staff intensive. Mr. Burich said both the bike ped plan and the multi modal plan have priority objects so we should review those. Mayor Pro Tem Davis wants an all-encompassing sidewalk plan. Councilmember Hogeman said the bike ped committee does have a plan; community center to the new Pinehurst elementary school / linden to west Pinehurst Park and the marina. west side of highway 5 north of linden to walk to Rassie wicker and another on 211 down highway 5 coming south and this would lead to Linden and there would be a connection on Mackenzie to bring people to the park. Mayor Pro Tem stated she is against sidewalks on burning tree and Diamondhead and she wants us to reevaluate what these will look like. Mr. Sanborn stated that the projects that have been initiated have been done so because they follow an overall plan.

Councilmember Drum stated he disagreed about the elimination of the sidewalk funding, but he would like to see the multi-modal plan moved up. Councilmember Hogeman stated all these issues come under the heading of transportation, but they are not all the same. She stated the sidewalks would be based neighborhood by neighborhood upon their needs and desires. Councilmember Hogeman states we do not have a crisis all the sudden, but we are indeed limping along. She stated she would like to see us take transportation and highlight in a comprehensive way. She stated this is a transcending issue that we need to pay attention to.

Mr. Burich said we should look at the existing plans and evaluate its relevance. Mark Wagner stated the Bike Pedestrian plan was based on public input and considered many angles. Mayor Pro Tem Davis wants to see a visual on what these sidewalks will look like as they relate to the character of their neighborhood. Councilmember Boesch stated maybe the answer is not putting in sidewalks, but maybe there is a different way to address safety. Councilmember Hogeman said the Bike Ped Committee does have a well thought out plan and have highlighted these beginning points as crucial to connecting parts of the Village that are currently needed. Councilmember Drum said he thinks there should be a holistic plan that includes all aspects of transportation, including the sidewalks, parking facilities, and a total multi-modal approach.

Ms. Craig stated the questions staff needs answered today is if the $400,000 stays in the budget earmarked for pedestrian facilities and does the initiative action plan stay in FY 2023. Mr. Sanborn stated we might need to reconsider the Hwy 5 project that DOT is also looking at, as this may cause us to spend money unwisely. Mayor Strickland stated he understands we need to keep the $400,000 in, but consider further where this funding will be used. Mr. Sanborn stated we already have a multi-modal plan and it just needs to include non-traditional things like golf carts and some updates made. Mayor Strickland stated $400,000 will stay in and we will consider later how to use the funds.

Ms. Hunter stated that during the break they did verify there is not a drastic difference between what is projected for Fair Barn rentals compared to what was brought in last year. She stated since the amount is less than $30,000 difference, she would not change the budgeted amount. Ms. Hunter than moved on to Capital Project Funds and noted there is a plan to adopt the plans in July. The first project will be the downtown parking facility design, which would ensure ample downtown parking and help provide additional spaces for the library project. The total project is estimated to be $3.5 million dollars, which will be financed. Ms. Hunter stated the other plan is the Library Expansion Plan, which is $5 million; $3 million will be financed, $1 million will be a capital campaign, and the remainder will come from the general project fund balance. She stated operations costs have been increased in FY 2026 to account for needed Library staff and other needs.

Ms. Hunter overviewed the five-year financial forecast and explained to the departmental and staff process used to pull together this forecast. She stated we project our revenues on an account-by-account basis. Ms. Hunter stated the property tax rate would increase from $0.30 to $0.315 cents per $100 valuation for FY 2022. This includes one-half cent in FY 2022, one-half cent increase in FY 2023 and FY 2024 and then will remain flat in FY2025. She stated that in FY 2026, there would be an increase by one cent with additional staffing and operating expenditures associated with the planned library expansion. Ms. Hunter stated real property taxes are estimated to grow at 1% over the planning period due to the construction of new homes and commercial properties.

Ms. Hunter stated local option sales taxes are planned to increase at 3% per year for all years in the plan except FY 2024. In this year, she stated there would be an increase by 5% in FY2024 due to the U.S. Open Championship. Ms. Hunter stated other revenues in FY 2024 include an estimated $1 million in donations toward the library and archives expansion during a planned capital fundraising campaign.

Ms. Hunter stated there are two key financial management concepts that guide management in producing the five-year financial forecast. First, she stated the Village strives to maintain a healthy operating margin. The operating margin ratio measures how much of available operating revenues are required to support operating expenditures. She stated the Village strives to maintain an operating margin ration between 0.89 and 0.91. She noted that monitoring this key ratio ensures that operating expenditures are kept in check and that funds will be available for capital improvements.

Ms. Hunter stated the second measure management uses to guide the development of the forecast is the fund balance ration. She stated the Village has adopted a Fund Balance Policy that requires management to develop budgets that maintain total fund balance of at least 30% of budgeted expenditures. She stated we have remained in the minimum range when developing the five-year forecast.

Ms. Hunter stated the Village of Pinehurst's five-year Capital Improvement Plan (CIP) represents a $21.7 million General Fund investment in capital for fleet, information technology, and other capital additions including some notable items: Design and construction of a downtown parking facility in FY 2022-2023, design and expand library and archives building in FY 2022 & FY 2025, expansion of Village Hall offices in FY 2022, Construction of a storage building behind Fire Station 91 in FY 2022, streetscape improvements in FY 2022-2023, Addition of Wicker Park soccer field lights and replacement of field 2 lights in FY 2022 & FY 2025, replacement of six solid waste vehicles in all years, a stormwater projects in all years, pedestrian facilities in all years, land and design for public services complex relocation in FY 2023-2024, West Pinehurst Prk development in FY 2023 & FY 2025, and the purchase of a Fire Dept. ladder/quint truck in FY 2024.

Ms. Hunter stated there is an Engage Pinehurst topic on the Village website with information for the public. She stated the next step in the approval process of the Strategic Operating Plan for FY 2022 would be the Budget Public Hearing on May 25th and then the potential adoption of the Strategic Plan and Budget Ordinance on June 8th. There were no follow up questions from Council.

Mayor Strickland provided some thoughts on the three areas of focus for this year. He stated he looked at the Initiative Action Plans and noticed that much of what is happening within our Village shows we are still struggling to have a study on the traffic issue. He noted some of those are parking issues, Highway 5 issues, the impact of Small Area Plans on our traffic, the multi-modal overall issues, the new school opening this fall, the library addition, and the GPS issues surrounding us. Mayor Strickland asked what Council and staff could do to begin addressing these issues. Councilmember Drum and Mayor Pro Tem Davis noted that some of the issues are DOT controlled and we have no control or influence over these. Mr. Burich stated he will talk to our Consultants about some of these issues and report back on what has been considered.

Mr. Sanborn acknowledged that there are some issues that are within our control, such as zoning and the resulting development problems. He suggested that it is the residential rooftop that is adding the additional traffic, versus the commercial businesses. He stated we need to look for a better development pattern that could fix this; perhaps lessening the amount of driving required by replacing the walkability of the Village. He stated that as well this could include placing more needed and desired amenities in areas that would lead to less travel to the core Village. Ms. Craig stated the best approach would be to create a task force to evaluate this specific topic, as it is so multi-faceted. She suggested we add this as an evaluation this fiscal year that can work toward creating an appropriate plan. This would eliminate the responsibility placed on just one person, such as the Transportation Planner. This process, she noted, would include Council, staff, specialist, and a small group who are continually focused on the issue. Council all agreed this is a great idea. Mayor Strickland noted this could actually lead to some of the pieces being resolved within the evaluation process.

Councilmember Boesch asked why we were removing a potential police officer or adding police officers. Mr. Sanborn stated we are evaluating the data this year to determine what the need is for staffing. Councilmember Boesch asked if the money coming from the American Rescue Plan could be used to help with the Harness Barn, which has suffered. Mayor Strickland stated we still do not know what the specific uses can be and so will have to continue to await final wording on this.

Council recessed for lunch until 1:00 p.m., then came back, and entered into a closed session meeting.

3. Motion to Recess the Work Session and Enter a Closed Session

Upon a motion by Councilmember Boesch, seconded by Councilmember Drum, Council unanimously approved to recess the work session and enter into a closed session pursuant to NCGS §143-318.11(a)(5)(i) to establish, or to instruct the public body's staff or negotiating agents concerning the position to be taken by or on behalf of the public body in negotiating (i) the price and other material terms of a contract or proposed contract for the acquisition of real property by purchase, option, exchange, or lease, by a vote of 5-0.

4. Closed Session

Council held a closed session to discuss the material terms of a contract or proposed contract for the acquisition of real property by purchase, option, exchange or lease

5. Motion to Adjourn the Closed Session and Re-Enter the Work Session

Upon a motion by Mayor Pro Tem Davis, seconded by Councilmember Drum, Council unanimously to adjourn the closed session and re-enter the work session, by a vote of 5-0.

6. Motion to Adjourn.

Upon a motion by Councilmember Hogeman, seconded by Councilmember Boesch, Council unanimously approved to adjourn the work session, by a vote 5-0, at 2:30 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