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VILLAGE OF
PINEHURST

VILLAGE COUNCIL
MINUTES FOR SPECIAL MEETING OF MAY 17, 2023
ASSEMBLY HALL
395 MAGNOLIA ROAD
PINEHURST, NORTH CAROLINA
9:00 AM

FY 2024 Budget Work Session
9:00 a.m. to 12:00 p.m.
Council Conference Room

The Pinehurst Village Council held a Special Meeting at 9:00 a.m., Wednesday May 17, 2023, in the Council Conference Room in Pinehurst Village Hall, 395 Magnolia Road, Pinehurst, North Carolina.

The following were in attendance in Assembly Hall:
Mr. John C. Strickland, Mayor
Mr. Patrick Pizzella, Mayor Pro Tem
Mr. Jeff Morgan, Councilmember via Zoom Platform
Ms. Jane Hogeman, Councilmember
Ms. Lydia Boesch, Councilmember
Mr. Jeffrey M. Sanborn, Village Manager
Mr. Doug Willardson, Assistant Village Manager
Mr. Jeff Batton, Assistant Village Manager
Ms. Kelly Chance, Village Clerk

And approximately 5 attendees, including 4 staff and 0 press

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

2. **FY 2024 Budget Work Session Agenda**
Dana Van Nostrand, Finance Director, provided an overview of the planned agenda for the work session.

3. **Discussion of the Recommended 2024 Strategic Operating Plan.**
Matt McKirahan, Organizational Performance Director, provided an overview of the Strategic Operating Plan. To determine the Village's financial capacity to fund the SOP, staff prepares a five-year financial forecast. This forecast projects anticipated revenues and expenditures for the planning period, inclusive of expected operating revenues and costs for planned IAP's, OFI's, and projected capital expenditures included in the five-year CIP.

Mayor Pro Tem Pizzella asked why our target/goal numbers are lower than we have previously achieved. Mr. McKirahan stated this is because we build in for the +/- variance that is a result of our customer service survey. Councilmember Pizzella asked how we determine our projections will go up or down. Councilmember Morgan stated a Balanced Scorecard is an administrative tool used to identify an appropriate target for that specific area. The goals allow administration to guide where we are going. Councilmember Pizzella stated it makes sense that we are increasing the number, but to reduce from 100% down to a lesser percentage makes it unclear. Mayor Strickland stated the ability to reach the goal of 100% is dependent upon many factors, including staff availability, and so 90% may be more reasonable.

Mr. McKirahan stated we have a ceiling that comes with this structure; the higher we get with the goal, the more concern there is if we do not meet that goal. Councilmember Boesch stated if you look at the process, which we have been using since 2012, it has provided a lot of guidance and has created better efficiencies. Mayor Pro Tem Pizzella stated he is not opposed to the process, he just has some questions on the formula used to determine our target goal percentage.

Mr. McKirahan stated we have identified seven (7) initiative action plans, including:

- Safeguard the community
- Promote high quality neighborhoods, development, and appearance
- Promote a thriving business community
- Promote transportation mobility and connectivity
- Preserve the environment
- Promote active living and cultural opportunities
- Professionally manage a high performing organization
- Attract & retain an engaged workforce
- Maintain a healthy financial condition

Mr. McKirahan reported there are two objectives under "Safeguard the Community" which are to deliver effective fire and rescue services and deliver effective police services. He reported under the goal to "Promote High Quality Development and Appearance", there are three objectives including: develop codes and ordinances to protect the character of Village neighborhoods, enforce codes and ordinances to protect the character of Village neighborhoods, and maintain and enhance the appearance of public spaces.

Mr. McKirahan reported there is one objective under "Promote a Thriving Business Community" which is to support the business community. He reported that under the goal of "Promote Transportation Mobility and Connectivity" there are two objectives, which are to provide a safe and effective multi-modal transportation system and maintain high quality streets. He stated under the goal to "Preserve the Environment" there are three objectives including: manage stormwater systems, provide effective and efficient solid waste collection services, and conserve natural resources.

Mr. McKirahan reported there are three objectives under "Promote Active Living and Cultural opportunities" which are: provide recreation programs and facilities, provide cultural services and events, and provide library and archives services. He stated under the goal of "Professionally Manage a High Performing

Organization" there are four objectives including communicate with and engage the community, provide a high level of customer service, continuously improve, and innovate, and maintain Village assets. Mr. McKirahan reported for the final goal to "Attract & Retain an Engaged Workforce", there is one objective which is to provide a supportive and rewarding work environment.

Mayor Pro Tem Pizzella asked if the Village has an approach to how we will be addressing the resident satisfaction with street lighting. Village Manager, Jeff Sanborn stated we had a line item for incremental additions of lighting in the five-year plan. Mr. Willardson stated it is still in the current plan.

Dana Van Nostrand, Finance Services Director, provided an overview of the General fund summary. Councilmember Boesch asked who is charged with looking for grants that are available for municipalities. Mr. Sanborn stated it is a shared effort and there are some years we do not receive any grants because they may be targeted toward areas that are need-based. Councilmember Morgan stated he wants to make sure whatever process we have in place, that we look at it closely, and make sure we are not losing out on free money. Ms. Van Nostrand stated we can certainly evaluate our process and ensure we are not missing out on grant opportunities.

Mayor Pro Tem Pizzella asked about sales tax projections and what we anticipate the number to be. Ms. Van Nostrand stated the NCLM puts out information supplying projected guidelines to use. Councilmember Pizzella asked what our variance of degree of accuracy is on these projections. Ms. Van Nostrand stated she would need to research this, but we have taken a conservative approach to the budget and we do not want to rely on these figures so much that we experience a detriment.

Ms. Van Nostrand provided a brief overview of what the revenue assumptions for restricted intergovernmental revenues were based on, which included factors such as local option sales tax estimates, telecommunications taxes, electricity sales taxes, video programming sales taxes, and wine and beer tax revenues.

Ms. Van Nostrand reported that property revaluation by the Moore County Tax Department resulted in an estimated 49.5% increase in property values. She noted the Village recognizes the "inflation-adjusted revenue neutral tax rate", and is electing to adopt a tax rate of $0.23 per $100 of property valuation. The total estimated valuation of real and personal property includes real property valuation and motor vehicle valuation. She noted that although it varies from year to year, we are expecting the motor vehicle valuation to increase by 1.0% next fiscal year. She further noted 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. She stated these have historically been some of the highest tax collection rates in the State and noted the average increase for residents will be 11%, dependent on various factors for Village of Pinehurst taxes.

Ms. Van Nostrand reported restricted intergovernmental revenues include Powell Bill funds, solid waste disposal tax, controlled substance tax, library, State Aid, and may include other miscellaneous federal or state grants that are restricted for a specific purpose. She stated revenue assumptions for restricted intergovernmental revenues are based on the per capita rate used in the estimation of Powell Bill revenues, the solid waste disposal revenue, grant revenues, and the Village is projecting level funding for Library

State Aid.

Ms. Van Nostrand reported revenue assumption for sales and services for the Village is based on Harness Track stall rental revenues, show and event revenue, Fair Barn rental revenues, Recreation fees, logo merchandise sales, and Library revenue from archives book and photo sales.

Ms. Van Nostrand reported other revenues include items such as ABC revenues, library donations, library endowment income, and other miscellaneous revenues. She noted revenue assumptions for this category are based on ABC revenue, Library endowment income, and a projected decrease in other miscellaneous revenues in the FY 2024 budget.

Ms. Van Nostrand reported under the category of Investment Income, the assumptions are based on $640,100 expected in FY 2024 as interest rates increased in FY 2023 and are projected to remain in the 4.1% - 5.1% range during FY 2024. She noted the average rate of return expected in FY 2024 is 3.0%.

Ms. Van Nostrand reported the American Rescue Plan Act Special Revenue Fund accounted for the $5.3 million of federal grant funding received from the American Rescue Plan Act. She noted the transfer to close the American Rescue Plan Act Special Revenue Fund occurred in FY 2023 and is not expected again in FY 2024. She stated lease liabilities will be issued in FY 2024 for $25,100.

The council took a ten-minute break in preparation for the discussion on Expenses.

Ms. Van Nostrand reported the proposed General Fund budget for FY 2024 is $26,931,400, a decrease of approximately 8% from the previous year's amended budget when the Village, along with other local governments, received financial assistance in response to the pandemic from the American Rescue Plan Act. She noted after accounting for an Other Financing Source of $25,100, an Other Financing Use of $80,000 and adding Appropriated Fund Balance of $600,100 to revenues, the Village's FY 2024 recommended budget is balanced in accordance with North Carolina General Statutes.

Ms. Van Nostrand reported General Fund Expenditures fall into one of five categories: Salaries and benefits, Operating costs, Capital expenditures, Debt service, Other financing uses. She stated salaries and benefits for the Village's 162.9 full-time equivalents account for $15,235,300 or 57% of the total General Fund Budget. The council reviewed the new positions being proposed and reached a consensus that they were in approval of the need.

Mr. McKirahan reported the measures for success the Administration department goals of Effectively communicate with and obtain actional feedback from customers. He noted measures that will be focused on are the percent of businesses satisfied with VOP efforts to communicate with businesses, and the percent of businesses satisfied with the quality of life. The council stated that the business community will be very receptive and appreciative of the beautification areas being focused on with the Downtown Amenity Plan. It was discussed that staff need to ensure that the community results are reflective of all businesses and not merely those that are members of the Pinehurst Business Partners.

Mr. McKirahan provided a review of the Measures for Success that will be focused on in future years for each department, which gives staff a better ability to fulfill the Village Strategic goals by being proactive on shortfalls.

Ms. Van Nostrand reported anticipated capital projects are the design and construction of a new building for the Given Memorial library and renovation of the existing building to expand the Tufts Archives, the relocation of the Public Services facility, and the design and construction of the Fire Station 93. She provided a quick overview of the Five-Year Financial Forecast Summary for FY 2024-2028. Councilmember Hogeman inquired about the operation margin and whether the proportion we project of 90%-10% is state law or best practices. Mr. Sanborn stated this is a best-practice method that the Village has used for more than 10 years.

The council reviewed other Budget Scenario Results prepared by Finance Director Van Nostrand. Mayor Pro Tem pizzella suggested the Council consider moving the West Pinehurst Park and fire truck capital items out to FY 2029, identified as Scenario G, attached as Exhibit A. Councilmember Boesch stated she would like to hear the staff's opinion on these numbers. Councilmember Morgan stated he finds this is the last phase in a long process of developing this budget, and he personally feels the West Pinehurst Park and the Fire Truck should stay on because this Council provided staff with the guidance, which included this. He stated he also feels this is too late to be considered now, at the end of the process. Councilmember Pizzella stated it is not too late because the budget is being brought to Council for vote.

Councilmember Morgan stated it is an excellent work product and follows the guidance Council provided Staff. He stated, we of course can always evaluate changes, but he does not agree with dropping the two items. He stated this also increases the risk of fluctuations and takes away stability over time. Mayor Pro Tem Pizzella asked if we could drop the tax rate to $0.22 in FY 2024 and FY 2025 and then up it to $0.23 in FY 2026. Village Manager Jeff Sanborn reported this is not feasible as the Village must reach $0.24 by FY 2027. He stated you can take big chunks out of capital, but it does not change operational margins. He noted staff has laid out a factual argument on why this plan will work and it keeps us on track to get where we need to be in 2027 and 2028.

Mayor Strickland stated the impact would be $600,000 and so the question to ask would be, if we do this, what would we use those dollars for in FY 2024. Assistant Village Manager of Administration, Doug Willardson, stated the difference would be, that the average savings, for the average resident, would be $51 a year or $4 a month for residents. Ms. Van Nostrand stated she would be hesitant relying on a one time revenue bump like from the U.S. Open to make up for any shortages.

Councilmember Boesch stated USGA is going to sell less tickets for the 2024 Open, which means there will be less of a monetary impact. She noted this is so that USGA guests can have a better experience. Mr. Sanborn stated that we already have firehouse no 3 planned in the outlying years, and making this suggested change would leave us without the fund balance needed to take on the firehouse and other capital projects marked for the outlying years. Councilmember Morgan, Councilmember Boesch, and Mayor Strickland were in agreement to not make the suggested change put forth by Mayor Pro Tem Pizzella.

Mayor Pro Tem Pizzella left the meeting at 12:20 p.m. The council determined it will not need to meet tomorrow. The Village Clerk will send a notification.

4. **Motion to Adjourn.**

Upon a motion by Councilmember Boesch, seconded by Councilmember Hogeman, Council unanimously approved to adjourn the regular meeting by a vote of 4-0 at 12:29 p.m. Mayor Pro Tem Pizzella had already left the meeting.

Respectfully Submitted,

Kelly Chance

Kelly Chance,
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