

SPECIAL MEETING CITY COUNCIL

February 9, 2023

The City Council of the City of Albemarle met in a special session on Thursday, February 9, 2023 at 4:00 p.m. at the EE Waddell Community Center, 621 Wall Street in Albemarle for a planning/budget workshop. Mayor Ronnie Michael presided, and the following members were present, to-wit: Mayor Pro Tempore Martha Sue Hall and Councilmembers Chris Bramlett, Chris Whitley, Dexter Townsend, Bill Aldridge, Benton Dry, and David Hunt.

Also present were the following staff:

- City Manager Michael J. Ferris
- Assistant City Manager Darren Rhodes
- City Attorney Britt Burch
- Public Information Officer David Fath
- Finance Director Jacob Weavil
- Clerk/Assistant to the City Manager Cindy Stone
- Fire Chief Pierre Brewton
- Police Chief Jason Bollhorst
- Public Works Director Ross Holshouser
- Parks and Recreation Director Lisa Kiser
- Planning and Development Services Director Kevin Robinson
- Human Resources Director Dana Chaney
- Public Housing Director Dr. Kim Scott

Facilitating the session or presenting were:

- Geraldine Gardner – Centralina Regional Council (CRC)
- Emily Parker – Centralina Regional Council (CRC)
- Pat Madej – Research Program Manager, North Carolina League of Municipalities

The Mayor called the meeting to order.

Introduction and Meeting Overview

City Manager Michael J. Ferris welcomed everyone and noted that the CRC team would be moderating the meeting, and that Mr. Madej came in person to present an overview of the state's financial outlook. Following Mr. Madej, Finance Director Jacob Weavil would provide a brief overview of the City's financial standing to date, with discussion and exercises following to recap where the City is with implementing the strategic plan and how Council can provide input about aligning the strategic plan with the FY 23-24 budget process.

Ms. Parker went over housekeeping items such as the meeting objectives and ground rules.

2023 Revenue and Economic Update Presentation

Mr. Madej gave a presentation which went over the following aspects of the state's financial picture:

- Statewide revenue trends and considerations:
 - 1st quarter FY 2023 revenue trends show the biggest increases in state revenue from sales tax and natural gas tax.
 - The utility sales tax has fluctuated since 2018 with decreases in telecommunications, video programming, and increases in electricity and particularly natural gas in the last quarter of 2022 due to inflationary effects.
 - The solid waste tax has remained stable.
 - Powell Bill taxes also have remained stable, with the exception of 2020 when COVID kept many residents in homes and off roads.
 - The sales tax has shown volatility over time but has been increasing over the past few years, and for the last 2 fiscal years has shown double digit growth.
- Economic factors to watch:
 - Population trends indicate that NC is 1 of the fastest growing states in the nation, and the region also is growing and moving around.
 - Spending trends statewide are aligned with national spending trends with steady increases in overall spending since late 2020.
 - Consumer spending is up with NC spending up 12.1% between 2020 through the beginning of this year. The areas where income is being spent are retail and entertainment.
 - As a result of inflation, the Federal Reserve's interest rate hikes are finally starting to slow the economy down, which has been evident in a cooling down of the housing market statewide over the last few months.
 - The Consumer Price Index has been very high in 2021 and 2022 but is now gradually decreasing.
 - Disposable income has risen then dipped during the pandemic and is now leveling out.
 - The unemployment rate is relatively low, with only certain sectors being hit with layoffs currently, such as the technology sector.
 - A recent national survey of Chief Financial Officers showed that they were confident about stability and growth in their own companies but did not feel the same way about other companies.
 - Will there be a recession? There are differing opinions about that.
- Other/miscellaneous state government news:
 - LGERS (local government employees retirement system) announced new rates, so the increase might show growth but could also spell "pain" for those contributing in the near future.

- State budget highlights showed a \$6 billion surplus which the General Assembly placed in reserve funds.

City Financial Review

Finance Director Jacob Weavil provided a handout to the group and reviewed the City's revenue status to date. Highlights included:

- As of June 30, 2022 the City had revenues of \$54.1 million, up \$7.5 million from the same time the year before. That was largely due to receipt of 1st tranche ARPA funds, unspent equipment loan funds, and landfill operations.
- Effective December 31, 2022 the City had cash revenue in the amount of \$59.7 million up \$5.6 million since June 2022, largely due to receipt of 2nd tranche ARPA funds and the mid-year cycle status of City funds, with expectation that some of those funds would be used for Public Works streets projects (which are being bid now) and paying debt service on Public Utilities projects which are coming due soon.
- Major revenue for the General Fund includes property taxes which make up 41% of all General Fund revenues and are a stable revenue source. In FY 2021-22, the City collected \$7.8 million, which was at a 98.06% collection rate. Collection rate percentage is important because it reflects how much money the City actually receives and gets to spend.
- Sales taxes collected are much more volatile than property taxes. They make up about 28% of General Fund revenues. There has been over 15% growth in sales tax since FY 2020-2021.
- For a more detailed look at sales taxes collected year-to-date, there has been an average 14% increase year over year, with sales tax only beginning to decrease in November.

Budget Process and Strategic Plan Overview

Ms. Gardner reviewed the strategic planning process and overview of the City's plan as approved by Council in 2022. There are 5 goals with 2 to 3 strategies for each goal. Under strategies there are tactics to implement the strategies aligned with the goals. For this upcoming budget year Council will assist the Leadership Team in aligning the strategic plan with the budgeting process by voting on tactics to be funded through the budget.

The process thus far had the Leadership team brainstorm tactics, reviewing those from last year and envisioning what could be accomplished in the next budget year. The group used the iterative process of "propose, develop, refine, and finalize" to bring tactics to this session for Council consideration and review/discussion.

Mr. Ferris added a review of how the strategic plan was developed alongside of the budget last year, which did not allow for development of tactics to be reviewed for funding in the budget process. This year since the plan has been approved overall there is time to agree upon tactics to

be funded by the FY 2023-24 budget which would align the strategic plan to the budget. Tactics this year would be approved after the budget is approved.

Mayor Pro Tem Hall and Mr. Ferris discussed the enterprise funds and how they generate revenue in comparison to the General Fund. Through that discussion Council understood that those departments with revenues generated through enterprise funds have some notion of revenue and tax trends in order to forecast budgeting needs rather than operations/departments which rely on the variable General Fund for their primary revenue.

Councilmember Aldridge entered the meeting.

Ms. Parker instructed Council to go to the five stations around the room which paralleled the 5 organizational goals. The biggest wall paper was the goal with the strategies listed. The other papers surrounding that larger one are breakdowns of each strategy with a few tactics listed for each strategy. Council would be given blue dots to indicate which strategies should be prioritized for FY2023-24. Yellow dots would be for tactics they thought were good, while green dots would be for tactics about which they have questions. This would not be the only time Council was able to provide feedback. Ms. Parker added that sticky notes could be used to write down specific feedback.

Council engaged in this exercise until dinner break.

There was a short dinner break.

After the break the CRC team facilitated the report out for the exercises Council engaged in. Per the results of the dot placement, Council prioritized the following goals/strategies:

- Organizational Capacity – Fund additional resources and services to support anticipated growth
- Safety and Security –
 - Develop public safety and
 - Preparedness plan and Review resources, policies, and guidelines for accountability
- Infrastructure – Plan for and fund infrastructure resilience
- Community and Economic Growth Opportunities
 - Prioritize downtown revitalization and beautification
 - Diversify community and economic investments
 - Anticipate new growth and educate residents, business owners, staff, and elected officials on the importance of structured, well- planned growth
- Inclusive Community Engagement
 - Plan for inclusive services, programs, and amenities to enhance the diversity of our community
 - Develop or enhance partnerships with private and non-profit organizations to leverage combined resources for our community

Top Council picks for potential tactics (by goal/strategy) included:

- Organizational Capacity/Fund additional resources and services to support anticipated growth – Reorganize teams for increased efficiency and improved service
- Safety and Security/Develop public safety and preparedness plan –
 - Continue developing emergency operations plan
 - Continue safeguarding City buildings and facilities
 - Develop warning signals and devices to better alert staff and citizens of possible dang
- Safety and Security/Utilize data and technology to increase effective and efficient service delivery – Implement new radios Citywide
- Infrastructure/Plan for and fund infrastructure resilience – Continue funding Public Utilities (Electric/Water/Sewer) transition to AMI (smart meters) metering with Outage Management System tied into the process
- Infrastructure/Fund community infrastructure at sufficient levels – Implement stormwater management program
- Community and Economic Growth Opportunities/Prioritize downtown revitalization and beautification – Complete Alleyway Project
- Inclusive Community Engagement/Plan for inclusive services, programs, and amenities to enhance the diversity of our community – Install self-service kayak rental at City Lake Park

Ms. Parker engaged Council in clarifying the questions they had about the listed tactics.

Next Steps

Mr. Ferris noted that next steps in the process would be to compile the votes of Council and go over their questions related to the proposed FY23-24 tactics, then work with a small group and the Leadership Team to iron out differences and distill the tactics.

This concluded the planning and budget meeting proceedings.

Discussion: Resolution 23-02 - Sales Tax Resolution for Increasing Funding for Roads

Per Council decision to reconsider this resolution to increase funding for roads by agreeing to a quarter cent sales tax request for the City on the state level, Council raised the topic again. The Mayor noted that in 2018 and 2020 the sitting City Councils adopted resolutions to request the General Assembly consider a sales tax increase to provide more funding for roads. Per recent press reports, the State House Speaker and Senate leader both have specified that transportation funds should go to road maintenance and construction, so there is a positive climate at the state level for this request. Per the contractor hired by the City last year, it would take \$1.3 million annually to just maintain roads.

Mayor Pro Tem Hall confirmed that per Robert’s Rules of Order, Council can consider a “re do” on an item previously considered. She thought a motion to either rescind the Council decision made on February 6th or to reconsider the motion to adopt Resolution 23-02 should be brought to the floor.

The Mayor called for a motion to reconsider Resolution 23-02. Mayor Pro Tem Hall made the motion which was seconded by Councilmember Dry. The Mayor asked if there was further discussion.

Clarification on what the potential proceeds for Albemarle would be was asked, with Mr. Weavil replying that per the current flow through via Stanly County, Albemarle would receive \$500,000 per FY 2021-22 figures. Mayor Michael noted the specific dollar amount would depend on the distribution method, noting the County does not fund roads. The final distribution method would be established in enabling legislation by the NC General Assembly, if approved.

Council debated the tax and the potential proceeds against whether it would be substantial enough to actually help the City fund road work. A few members on Council felt that the tax would be unfair to residents when not all local residents use the roads. Other Council members felt that the tax would be the most equitable way to raise the funds.

Mr. Holshouser gave Council some updates on recent Council action with road improvement funding, reminding Council that they voted last year to allow Public Works to roll over FY 2012-22 road funds with this fiscal year's funding in order to accomplish "mill and fill" road improvements. Bidding for the work is occurring now. The estimated cost of 2 miles of road maintenance currently would be \$900,000.

The Mayor called for a vote on the motion. The motion was carried with a vote of 5 Council members for the motion and 2 against. Councilmembers Bramlett and Aldridge voted against the motion.

Discussion – Reconsideration of Radios Funding

The Mayor noted that last fall Council voted down ARPA funding for radios purchase for the City, with a majority in the Fire and Police Departments. Per the Fire and Police Chiefs, the purchase price for the radios is now \$1.8 million. Council has to decide how to fund this purchase.

Councilmember Hunt made a motion for ARPA funds to be used for the radio purchase. The motion was seconded by Councilmember Dry. A question was asked about how many radios will be purchased. Fire Chief Brewton replied that 140 radios would be purchased.

Upon a vote the motion passed, with 6 Council members voting for the motion and 1 voting against. Mayor Pro Tem Hall voted against the motion. She then stated that this type of funding should be planned for in the budget and should not be acquired through use of one-time funding sources such as ARPA funds.

Councilmember Bramlett announced that per the Resolution 23-02 vote, technically Council voted on reconsidering the resolution not adopting and recommended that Council take the vote to adopt the resolution.

Upon a motion to approve/adopt Resolution 23-02 by Councilmember Dry, seconded by Councilmember Townsend, the motion was passed with a vote of 5 Council members for the motion and 2 against. Councilmembers Bramlett and Aldridge voted against the motion.

[Resolution 23-02 – Approval for Increased Funding for Roads]

The Mayor called for a motion to adjourn to Monday, February 20, 2023 at 6:30 pm in City Hall.

Upon a motion by Councilmember Dry, seconded by Councilmember Whitley and unanimously approved, the motion passed and the meeting was adjourned.