

SUMMARY OF MINUTES

FINANCE COMMITTEE

4:00 P.M., MONDAY, JANUARY 11, 2010

COMMITTEE ROOM

ROOM 239, CITY HALL

MEMBERS PRESENT: *Mayor Allen Joines*
 Council Member Wanda Merschel, Chair
 Council Member Molly Leight, Vice Chair
 Council Member Vivian H. Burke (out at 5:13 p.m.)
 Council Member Robert C. Clark (out at 5:51 p.m.)

OTHERS PRESENT: *Council Member Denise D. Adams (in at 4:03 p.m.)*

Chair Merschel called the meeting to order and stated that without objection, the Committee would first consider the Consent Agenda.

No items were removed for consideration. Council Member Clark made a motion to approve the balance of the Consent Agenda. The motion was duly seconded by Council Member Burke and carried unanimously.

CONSENT AGENDA

Finance/Budget

- C-1. CONSIDERATION OF ITEMS RELATING TO A CONTRACT FOR A LAW ENFORCEMENT TACTICAL VEHICLE:
- a. RESOLUTION AWARDING CONTRACT FOR A LAW ENFORCEMENT TACTICAL VEHICLE UNDER THE BID PROCEDURE WAIVER OF N.C.G.S. 143-129(g). [\$318,602.]
 - b. RESOLUTION AUTHORIZING INTERLOCAL AGREEMENT BETWEEN THE CITY OF WINSTON-SALEM, NORTH CAROLINA AND FORSYTH COUNTY, NORTH CAROLINA REGARDING THE USAGE, OPERATION AND MAINTENANCE OF A LAW ENFORCEMENT TACTICAL VEHICLE.
 - c. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM, NORTH CAROLINA FOR THE FISCAL YEAR 2009-2010.

- C-2. RESOLUTION APPROVING LEASE AGREEMENT BETWEEN NORTH CAROLINA MUNICIPAL LEASING CORPORATION AND CITY OF WINSTON-SALEM, AND SUBLEASE AGREEMENT BETWEEN THE CITY AND THE TRIAD MUNICIPAL ALCOHOLIC BEVERAGE CONTROL BOARD RELATING TO THE LEWISVILLE ABC STORE AND PROPERTY.

Transportation

- C-3. ORDINANCE AMENDING THE PROJECT BUDGET ORDINANCE FOR THE CITY OF WINSTON-SALEM NORTH CAROLINA FOR FY 2009 - 2010 TO APPROPRIATE FUNDING FOR THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION TRAFFIC SIGNAL UPGRADES. [\$410,000.]

General Government

- C-4. MONTHLY REPORT ON ECONOMIC STIMULUS PROJECTS UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT.
- C-5. CITIZENS' BASEBALL STADIUM REVIEW COMMITTEE MONTHLY REPORT TO THE CITY COUNCIL.
- C-6. APPROVAL OF FINANCE COMMITTEE SUMMARY OF MINUTES - *December 14, 2009.*

GENERAL AGENDA

- G-1. RESOLUTION AUTHORIZING THE CITY OF WINSTON-SALEM TO CONTINUE ITS AGREEMENT WITH THE FERGUSON GROUP AND APPROVE THE FY 2011 FEDERAL AGENDA FOR WINSTON-SALEM/FORSYTH COUNTY.

Council Member Adams in at 4:03 p.m.

Mr. Derwick Paige, Deputy City Manager, provided an amended Fiscal Year 2011 Federal Agenda. He noted that staff has had success working with the Ferguson Group throughout its relationship and that the community has benefitted as the recipient of approximately \$25.8 million through Ferguson's efforts with the national government. The City's contract with the Ferguson Group will continue through 2011, and he noted that it is an annual contract, which is budgeted on a Fiscal Year (FY) basis. He also noted that Ms. Leslie Mazingo, Ferguson Group, Washington, D.C., was present to answer any questions. He further noted that changes to the originally proposed agenda are the Geographic Information System Project and pointed out that the City was successful in obtaining funds for a gang prevention education program. In the future, staff will pursue a broader request for funding for joint City and County programs for gang prevention.

Council Member Burke requested updates on the Airport Business Park, the Firearms Training Facility and the Gang Prevention program.

Mr. Paige noted that the City has been requesting funding for the Airport Business Park since 2005

and for the first time, the City has received \$487,000. In early spring, staff should begin receiving information about filing forms to obtain the funding. He also noted that funds were approved for infrastructure at the Airport Business Park, and that staff would like to construct a shell building in the park. Two lots have already been completed, are development ready, and are about 5.7 acres each. In response to Council Member Burke's question, Mr. Paige stated that the park is being promoted on the Winston-Salem Business, Inc. website and that the Winston-Salem Chamber of Commerce is actively marketing it as well. Once some construction begins to take place, more interest should be generated in the area. He also stated that Development Office staff met with an interested partner for the Park in December.

In response to Chair Merschel's question, Mr. Paige noted that a couple of parties have expressed interest in the park and the most recent interest is still actively looking in the area surrounding the airport, but they are in need of additional space to grow, and see opportunity in the Park. Of the last three interested companies, one found a building on Lowery Street which was move-in ready, one ended up not moving to the area, and a third needed a larger site.

In response to Council Member Clark's question, Mr. Paige stated that the optimum size building for a 5.7 acre lot would be approximately 40,000 to 50,000 square feet.

Mayor Joines noted that having a building in place would be a positive addition to the site because about 80% of companies looking to relocate are in need of an existing building.

Mr. Paige noted that the request for Gang Prevention funding was expanded through 2011 which will allow a broader category rather than simply offering Juvenile Delinquency prevention in a detention center, and will now allow for a City/County Juvenile Delinquency Prevention program.

Mr. Lee Garrity, City Manager, noted that staff will bring a report to the February Public Safety Committee meeting next month, and are working with Forsyth Technical Community College and the County to work out legal and technical issues around Firearms Training equipment, as the appropriated funding must be used for new technology.

In response to Chair Merschel's question, Ms. Mozingo, 4315 Woodburn Drive, Clemmons, noted that the Gang Prevention Program and Youth Promise Act program compliment one other, and spending will be directed within appropriation bills. She also noted that she hopes to have funds directed toward a City/County joint gang initiative. The Youth Promise Act will fund new programs and provide additional funds to local governments for juvenile delinquency and gang activity. The Ferguson Group is developing letters of support on behalf of the City Council to be sent to House representatives. In response to Council Member Burke's question, Ms. Mozingo stated that the Ferguson Group will provide a copy of any correspondence to Representative Scott and any other participants in the bill.

In response to Council Member Burke's question regarding streetcars, Ms. Mozingo stated that through legislative initiatives and additional priorities, the Ferguson Group does not pursue a specific earmark, but notes that the community is still interested. The City is not at the point to pursue a streetcar project so funds are not needed, but it should still demonstrate an interest in initiatives that provide those funds. If the City should want to directly pursue a streetcar program, it has a designation for authorization of those funds once a program is in place.

In response to Council Member Adams' question regarding greenway initiatives, Ms. Mozingo stated it was viewed in the same manner as a streetcar program, where the City has demonstrated an interest in local greenways, but they cannot be pursued without competing with other projects, so the Ferguson Group monitors those funding opportunities. She also stated that any information available is provided to staff so staff can then forward to Council Members.

In response to Council Member Burke's question regarding job placement and re-entry programs, Ms. Mozingo stated that the House passed a stimulus bill, now known as the Jobs Bill, and job creation is at the top of the list, especially for local governments. The Ferguson Group watches out for any funding sources that become available and presents those opportunities to staff.

In response to Chair Merschel's inquiry, Ms. Mozingo noted that the Ferguson Group sent a health care analysis to City staff this week about a potential local government component for health care, and they watch for barriers or threats to funding and help the City to address those threats and minimize that impact to the budget. She also noted that there will be a push before midterm elections to get various bills passed and there seems to be a strong recognition that local governments are suffering and their needs should be addressed. The current Jobs Bill is focusing on local government, because historically, the momentum has been that if federal money was going to be directed, it should filter through the State, and the State would then decide what was needed at the local level.

In response to Council Member Burke's question regarding homelessness and veterans, Ms. Mozingo stated that there are various pieces of veteran's legislation addressing problems that new veterans will face as they return home and any additional resources that they can be provided. She also stated that she will provide an analysis of veteran's legislation.

Mayor Joines expressed his support of continued efforts with the Ferguson Group, and expressed his thanks for their work with staff on the City's federal agenda. He also noted that Ms. Mozingo seems to have a great level of trust with congressional staff and understands the local government process.

Council Member Clark made a motion for approval. The motion was duly seconded by Council Member Leight and carried unanimously.

G-2. REVIEW OF THE FY 2010-2011 BUDGET OUTLOOK.

Mrs. Ann Jones, Budget and Evaluation Director, presented the summary of the FY 08-09 budget, what can be expected for the current FY, a projection for FY 10-11, and a long range forecast through 2014. In response to Chair Merschel's question, Mrs. Jones noted that although the City was criticized for using a portion of its General Fund balance in a recent bond write-up, staff was projecting a hit to the balance and explained that there was a plan in place for dealing with that hit and actions would be taken to minimize any risk.

Mr. Garrity stated that if the City dips into the General Fund balance more than one year in a row, bond rating agencies will take notice and take precautions.

In response to Council Member Clark's question regarding personnel expenditure savings in 2009, Mr. Garrity noted that it was not due to personnel turnover, rather there were very few new hires. In response to Chair Merschel's question, Mrs. Jones noted that there has always been an undesignated portion of the General Fund to cover any additional needs, but there are other undesignated funds in other categories. She also noted that the City holds a higher amount than the required General Fund reserve.

Mr. Pete Rodda, Forsyth County Tax Collector, 351 Pine Ridge Drive, noted that it has been a challenging budget year, and unprecedented unemployment rates have had an effect on tax collections. Forsyth County is in the 90th percentile for collection, which is what County staff projected. He also noted that his staff works with citizens experiencing financial difficulty to develop a payment plan but other steps can be taken for non-payment. He further noted that County staff aims to have all taxes collected and paid at the end of each FY, and that he had a conservative tax base estimate this year which is to be expected during a reassessment year. In response to Council Member Burke's question, Mr. Rodda stated that foreclosure has a small impact on property taxes because all real estate tax will eventually be paid as a priority lien.

Council Member Clark noted that he would be surprised if tax collection stays in the upper 90th percentile and requested that staff plot tax collection from the last few years and into the next few months to see if it will close the gap and bring the collection rate to 97% or 98%. He expressed concern that there may be a collection shortfall.

Mr. Rodda noted that 97% was the budgeted collection rate and as of last week, both Forsyth County and the City were running at just under 91% for collection, so it is still early to project. He also noted that as it is still early, he did not feel comfortable making a prediction for the tax base, but stated that as building permits are down, and as they tend to stem from nonprofits in this community, the tax base growth may not be as high as in recent years.

In response to Council Member Clark's question, Mr. Rodda confirmed that the 97% collection rate is multiplied by a base number containing certain assumptions, but it is too early to know that number or if it will be close to what was budgeted.

Mr. Rodda stated that revaluation started late in 2009 but a more accurate number was received because more of 2008 was accounted for. He also stated that the appeals process was late, so that pushed back the Board of Equalization and Review, which puts the County in a weaker position to determine where it currently stands. In response to Chair Merschel's question regarding the number of appeals, Mr. Rodda noted that more citizens appealed than normal, but the appeals process still ran less than 10%. The Board of Equalization and Review received approximately 3,800 appeals, which is more than average and some very high value properties were appealed.

In response to Council Member Adams's question regarding the influx in appeals, Mr. Rodda noted that at the Board of Equalization and Review, there is always a certain group that will appeal due to the expense of property tax on businesses and some rental properties. Rent for properties are derived from retail sales receipts, so if sales are down, rent is down, income is down and tax revenue is down. He also noted that he feels some individuals were scared by Case-Shiller Reports, but those reports only draw information from the top 50 markets in the nation, which does not include Winston-Salem. He further noted that certain segments of the housing market were more depressed

than others but there was not a wholesale decrease in real estate values as may have been seen in other parts of the country.

In response to Council Member Burke's question, Mr. Rodda noted that he is unsure if the real tax value would be a disadvantage if the real estate market were to improve and a property owner wanted to sell. He also noted that the General Assembly passed a new tax relief program this year allowing builders to apply for a tax deferral for unsold houses.

In response to Council Member Clark's question, Mrs. Jones stated that sales tax for the fourth quarter will be received in April.

In response to Council Member Clark's question regarding budgeting for 12 months of sales tax revenue, Mrs. Jones stated that staff reviews sales tax revenue received to date and the remainder is projected based on growth percentage.

Mr. Garrity noted that the 12 months of sales tax revenue are budgeted, but are not accrued until June of each year.

Mayor Joines requested to know any projections for the General Fund balance, and if staff anticipated any appropriation to the Parking Fund.

Mrs. Jones stated that there is a reserve in the Parking Fund from the sale of the Liberty Street parking deck, offsetting some costs from the General Fund, but there are a lot of capital needs involving parking decks. She further stated that in FY 10-11, even though grant funds have not yet been received for the Police and Fire personnel increase, staff included the additional costs to see what would happen when the grant funds run out and what options there may be.

Council Member Burke out at 5:13 p.m.

Mr. Garrity noted that the gap could increase if the General Fund funds the City's recycling program, assuming that the State restores beer and wine taxes and does not take any further revenue from the City.

In response to Chair Merschel's question, Mrs. Jones stated that in a worst case scenario, the gap could increase to between \$10 million and \$13 million.

In response to Council Member Leight's question, Mrs. Jones stated that the "hold harmless" payment is received at the beginning of the year but beer and wine tax is not known until after the budget is projected.

Mr. Garrity noted that "hold harmless" payments are based on the assumption that sales tax continues to grow, and after a certain period of time, they will be discontinued. He also noted that staff will bring a separate workshop item to the February Finance Committee meeting regarding landfills. He further noted that there is a possibility of health care premium increases for employees and staff will bring that information to the City Council during the budget review.

Chair Merschel noted that given the time, Item G-3 would be continued to the February 8 Finance

Committee meeting, so it can be given the attention it needs. She also noted that one of the auditors recently commented that stimulus dollars are high risk funding sources, and pointed to personnel expenses funded by federal grants as an example.

In response to Council Member Clark's question, Mr. Garrity stated that the City is self-insured so it has a little more control over what health care costs are passed on to employees, but as health care costs have begun to increase, staff is figuring out how to better manage these costs and hopes that new wellness initiatives will help.

Mrs. Denise Bell, Chief Financial Officer, noted that retiree health care costs have dropped in the last several years and staff can apply some of those fund savings to overall employee health care costs.

Mr. Garrity noted that the Solid Waste Fund will be discussed further with the Committee during Budget workshops and staff will provide an update on the Mass Transit Tax Fund at a later date.

In response to Chair Merschel's question, Mr. Garrity stated that if a reduction in force (RIF) were to take place, employees must be given 60 days notice, and since the budget is not adopted until June, the effective date would not be until August.

In response to Chair Merschel's inquiry, Mrs. Angela I. Carmon, City Attorney, stated that the City has taken the stance that federal law applies to municipalities and abides by the 60 day notice requirement for RIF.

Chair Merschel noted that some banks are liquidating assets as a revenue source and requested that the City review the same option.

Mr. Garrity noted that staff will bring a menu of structural changes to Council on revenue and expenditures to try to find a long-term solution. He also noted that the first budget meetings will be to discuss the current year's situation as the City simply cannot have another year with a decreased General Fund balance. He will be working with each department on a revised expenditure budget and each department head will sign a performance agreement for accountability.

Council Member Clark noted that the Mass Transit Tax Fund shift could be significant as could the Solid Waste Fund shift. He also noted that the City cannot afford to pull from the General Fund balance again this year and some difficult decisions will have to be made.

Chair Merschel stated that she hopes this is a worst case scenario and hopes that the future will only be better. She also stated that the City is better off than some municipalities because there have been no furloughs, no reduction in services and it still has a good bond rating, but these characteristics are fragile and will be difficult to keep. She expressed her thanks to staff for their efforts and requested that in any case with the budget, that Council be informed so there are no surprises.

Council Member Clark out at 5:51 p.m.

G-3. UPDATE ON NATIONAL HEALTH CARE REFORM.

This item will be continued to the February 8 Finance Committee meeting.

ADDITIONAL ITEM- CONSIDERATION OF REQUEST FROM WASHINGTON PARK NEIGHBORHOOD ASSOCIATION FOR MATCHING FUNDS FOR PURCHASE OF PROPERTY

Council Member Leight noted that some citizens were in attendance that had a concern for property that adjoins Washington Park, West Salem and Happy Hill, and were seeking guidance for purchase options and uses of the property.

Ms. Cornelia Barr, 355 Park Boulevard, noted that approximately one and a half years ago, residents from Washington Park, West Salem and Happy Hill became concerned with the environmental impact of proposed development for some surrounding property and decided that green space would be the best option to preserve the property. Residents would like for the site to be preserved and added to the City's park system because it supports various wildlife, is a section of the Salem Greenway, and is not suitable for development due to its environmental fragility. The site could serve as an environmental education center and it should be in City's interest to acquire the property as the land retains and filters stormwater and contains a large tree canopy that reduces ozone. She also noted that the southern side of the city has lost parkland over the last decade and this area serves as part of Old Salem, so there could be a potential funding collaboration on the State and Federal level. Residents are interested in working with the City but need the City to take the initiative to acquire the land.

Council Member Leight noted that the neighborhood could obtain some grant funding but would need a relationship with the City to do so. She suggested that residents seek other funding sources such as private fundraising, private grants, parks grants and possibly funding from the Trust for Public Land (TPL) or Preserve America.

Mr. Tim Grant, Recreation and Parks Director, stated that staff has investigated the residents' interest in the area and there is an opportunity for a Parks and Recreation Trust Fund (PARTF) grant, and a matching grant opportunity where the City would have to provide a match for a portion of the funding being requested. He also stated that it is a good project for the conservation of parkland and if the City were to acquire the land, it could construct a new entrance into Washington Park. He further stated that it would be best for the City to apply to acquire to parkland in January 2011. Mr. Grant noted that staff met with developers, and they are requesting \$750,000 to purchase the land. It is broken into two parcels, 19.09 acres off of Broad Street and 7.42 acres off of Hutton Street near the West Salem neighborhood, for a total of 26.15 acres. In response to Chair Merschel's question, Mr. Grant stated that all the property was not contiguous as some pieces were separated by streets or creeks.

Mr. Garrity noted that it is a worthwhile project but the challenge is that no funds have been appropriated, so direction is needed from Council if they would like to proceed.

Mr. Paige noted that the PARTF grant requires a 100% funding match, and while the TPL would make a loan for the match amount, that loan would still have to be repaid, thus increasing the City's debt.

Council Member Leight noted that the TPL is willing to work with the City but not a small neighborhood group. She requested that staff review other grant sources or the possibility of a matching source.

Chair Merschel noted that this is an opportunity for a fundamental change in the way the City does business, whereby it could serve as a grant facilitator or a last resort loan. She also noted the local universities, such as North Carolina School of the Arts and Salem College that are in close proximity to the parkland and could benefit from its use. One of these universities could make a charitable contribution to the City and that could serve as the City's matching funds to the grant.

Mr. Grant stated that staff spoke with the developers about a portion of the land being donated as the City's match, but that staff would take time to work through the process and apply for a PARTF grant at a later date.

In response to Council Member Leight's question, Chair Merschel stated that the residents should be approaching possible partnerships for funding and if needed, the City could provide a broad statement of support from the Finance Committee.

Mayor Joines noted that this is a solid project and questioned if the City could offer a nominal payment to demonstrate good faith.

Mr. Paige stated that the developer will require some funding up front, prior to any agreement. In response to Chair Merschel's question, he stated that there are some environmental questions associated with the property but all are not known at this time.

Chair Merschel suggested that the residents provide a more defined plan, show interest from adjoining property owners, staff recommendations, and update the Council on any issues. She requested that the item come back to the Finance Committee's February 8 meeting.

ADJOURNMENT: 6:14 p.m.