

**HIGH POINT CITY COUNCIL
SPECIAL MEETING MINUTES
MAY 2, 2022 – 3:30 P.M.
COUNCIL CHAMBERS – MUNICIPAL BUILDING**

MINUTES

CALL TO ORDER and ROLL CALL

Mayor Wagner called the Special Meeting to order at 3:30 p.m.

Upon call of the roll, the following Council Members were **Present (7)**:

Mayor Jay W. Wagner; Mayor Pro Tem Monica Peters, Ward 3 [arrived at 3:38 p.m.]; Council Member Christopher Williams, Ward 2; Council Member Britt W. Moore, At Large; Council Member Cyril A. Jefferson, Ward 1; Council Member S. Wesley Hudson, Ward 4; and Council Member Victor A. Jones, Ward 5 [arrived at 3:55 p.m.]

Absent (2):

Council Member Tyrone Johnson, At Large and Council Member Michael Holmes, Ward 6

Staff Present:

Tasha Logan Ford, City Manager; Eric Olmedo, Assistant City Manager; Greg Ferguson, Deputy City Manager; Meghan Maguire, Assistant City Manager; Bobby Fitzjohn, Director of Financial Services; Heather Forest, Assistant Director of Financial Services; Stephen Hawryluk, Budget and Performance Manager; Roslyn McNeil, Budget Analyst; Linda Price, Budget Analyst; Jeremy Coble, Customer Services Director; Jeron Hollis, Managing Director; Mary Brooks, Deputy City Clerk; and Lisa Vierling, City Clerk

Others Present:

Fred Baggett, City's Lobbyist in Raleigh

PRESENTATION OF ITEMS

2022-207 Presentation-City of High Point's FY 2022-2023 Budget

Staff will be giving a presentation on the City of High Point's FY 2022-2023 Budget.

City Manager Tasha Logan Ford advised that she and staff would be presenting the proposed FY 2022-2023 budget to Council for the first time. She explained the budget was crafted taking into consideration the priorities that were established by Council as part of the Strategic Plan discussions that have centered around new projects and grant opportunities that would be coming online in the next year and the recruitment and retention of staff moving forward. She noted there was a significant increase to the tax base due to it being a

Reval year, so this was also taken into consideration realizing that there is still some uncertainty in terms of challenges facing the citizens and the city.

She recognized Stephen Hawryluk, Budget and Performance Manager, and asked him to come forward to present the Proposed FY 2022-2023 Budget to City Council.

In terms of context and the challenges faced when the year started, the Reval was at the top of the list in budget evaluation and determining the next steps in coming out of the pandemic and spoke to other challenges in preparing and balancing the proposed budget.

- *Effects of the COVID-19 variants*
- *Supply Chain Issues*
- *Inflation*
- *Fuel Prices*
- *Retention and Recruitment of employees*
- *Countywide Revaluation*
- *Continued restoration of budgets to pre-pandemic levels*

He advised the proposed FY 2022-2023 Budget is \$464.3 million and noted that the Electric and General Fund comprise about 60% of the budget; adding in the water/sewer it is almost 75% of the budget; and within the Electric, about \$96 million is the purchase of wholesale power which is the largest expense in the budget.

He then shared a chart identifying the categories for the revenues and noted the \$252 million proposed for the charges for service category, which is made up primarily of electric charges, water/sewer rates, solid waste revenues and pointed out the Enterprise funds are driving this high number.

In comparison to the FY 2021-2022 adopted budget, the proposed FY 2022-2023 budget has an increase of almost \$48 million or 11.5%.

On the Revenue side, the proposed budget

- *Reduces the tax rate by 3 cents to 61.75 cents per \$100 of valuation*
- *Proposes a 4% increase in water/sewer rates*
- *Fee schedule changes [Parks and Recreation user fees; Fire inspection, permit, and violations; and other fee changes affecting the City Clerk's Office (addition of fee for USB drives for public records requests), the Library and Public Services (cemetery fees)]*
- *No increases to the electric rates, stormwater fees, or garbage collection fees*

Mr. Hawryluk advised an additional one cent on the tax rate for this proposed budget would bring in about \$1.275 million in revenue; the proposed three cent reduction in the property tax rate in the General Fund (from 61.35 to 58.35 cents); and further explained the requirements to publish a Revenue Neutral tax rate due to it being a Reval year, which would produce the same revenue as if no revaluation had occurred; the Revenue Neutral tax rate equates to 52.97 cents; real property in Guilford County is proposed to increase 30.9%; the last Guilford County Reval in 2017 reflected a 4.4% valuation growth; the overall tax base

for all of our counties (Davidson, Guilford, Randolph, and Forsyth) is proposed to increase 24.5%.

He shared a table showing what the tax impact of the new rate, factoring in some growth, for homes with a value of \$150,000, \$200,000, and \$250,000; assuming a 25% across-the-board increase in property value and with the three-cent reduction in the tax rate, the monthly change is estimated to range for these values of these levels of homes from \$15 a month up to \$25 a month.

Regarding other revenues, Mr. Hawryluk reported that the sales and use taxes are doing extremely well for the current year; the current projections have us at 11.1% over how we ended with FY 2021; the current projections are at about 4% above the projected year-end.

On the Intergovernmental side, which is up \$1.6 million, transit, operating, and capital reimbursements are large drivers.

Looking at the expenditure side, personnel services is about 33% of the total budget which is an increase of almost \$12.9 million or about 9%; capital outlay is up almost 39% or \$11.8 million.

Mr. Hawryluk explained the increase of \$12.9 million in personnel services was due mainly as a result of two prior actions of City Council in February: approval of a 2.5% COLA and an increase to the minimum rate of pay to \$15 an hour. Additionally, the following salary changes are proposed:

- *Average 3% mid-year merit pay adjustment (\$1.86 million)*
- *Increased city match for 401K/457 contributions from 1% to 3% (effective January 1, 2023) (\$786,000)*
- *Increased employer contribution to the Local Government Employees' Retirement System (LGERS) (\$2.03 million)*
- *Increased employer costs to city health plan (no increase to employee contribution) (\$1.64 million)*

Several benefit changes were researched taking into consideration the benefit to employees, the fiscal impact, and how the city compares with other municipalities. The three specific benefits changes that were researched were: the city's match to 401K/457 contributions, paid parental leave, and an employee health clinic. As a result of the research, staff is proposing the city's match to 401K/457 contributions increase from 1% to 3% (employees would be required to contribute at least 1%); neither the paid parental leave nor the employee health clinic were recommended in the proposed budget.

The following new positions are proposed: 11 full-time and 3 part-time employees (two (2) assistant city attorneys, a paralegal, two (2) battalion chiefs, power line technician, water plant supervisor, grounds maintenance supervisor, three (3) part-time groundskeepers, solid waste manager, assistant superintendent, and stormwater superintendent at a total cost of \$1,203,707 across all funds. Mr. Hawryluk pointed out the grounds maintenance supervisor and the three part-time groundskeepers are needed to deal with the growing downtown area, and the solid waste manager, assistant superintendent for solid waste, and the stormwater

superintendent include vehicles for those work duties, so in Year two, that portion of the cost would go away as those vehicles would have been purchased.

In addition to the preceding new positions, the budget also proposes to add the following nine (9) full-time and two (2) part-time titles with the General Fund:

- *Financial Services- MWBE Coordinator*
- *Engineering Services- Engineering Project Manager*
- *Police- Building Maintenance Technician*
- *Parks and Recreation- Groundskeeper*
- *Parks and Recreation- Park Attendant (2 positions)*
- *Library- Groundskeeper*
- *Library- Librarian*
- *Planning and Development- Senior Planner*

Mr. Hawryluk advised that vacant positions would be identified and repurposed and explained this would lessen the fiscal impact and would not further add to the city's full-time employee count.

On the operating side, he reiterated that fuel is a large driver of the operating increase within the proposed budget. Last Spring, the city paid \$1.61 a gallon and the fuel cost drastically increased to a cost of \$3.16 a gallon as of March 2022. Staff felt it was prudent to increase the fuel budget 75% and Mr. Hawryluk noted that staff would certainly continue to monitor it and develop a plan to ensure that there is enough fuel for the services that the city needs.

Fleet charges are up \$1.1 million due to some increases in Fleet's budget in an attempt to increase the number of vehicles and rolling stock for replacement.

The departmental utility budgets reflect an increase due to increases in needed services such as phone, water, natural gas, electric, etc....and inflationary increases associated with supplies, chemicals, etc....

On the Capital Outlay side, it reflects an \$11.7 million increase. This restores the fire apparatus replacement program and provides for the purchase of a dive truck and an engine, and an additional fleet vehicle/rolling stock replacement at \$1,000,000. It provides for the restoration of general capital at \$2.55 million (\$1,422,000 funded by General Fund; \$2.84 million in the Electric Fund; \$1.74 million in the Water/Sewer Fund; and \$2.33 in the Other funds such as Transit, Solid Waste, Stormwater, etc....).

in the General Fund, Mr. Hawryluk reiterated the proposed three cent reduction in the property tax, the fee schedule changes; and the increase of the sales and use taxes at \$3.1 million. He expounded on the property tax revenue and sales tax portion and pointed out that if the city lowers its tax rate three cents and every other jurisdiction in the county keeps their rate the same, the city's distribution of sales tax in the 2023-2024 budget could decrease.

Council Member Jefferson asked for clarification regarding the possible reduction in the distribution of the sales and use tax. Mr. Hawryluk confirmed this to be correct and explained that it is a proportion of how much the property tax revenue is in any given year;

noted that it depends on how the county chooses to receive sales tax allocations; the county is authorized to choose either the ad valorem tax method (property tax values), or the per capita method (based on population).

Council Member Williams asked if staff could provide an estimate on what the possible loss would look like. Mr. Hawryluk noted that he did run a very high-level estimate taking into consideration the city's current tax rate being reduced three cents and everyone else's rates remaining the same and came up with a ballpark estimate of about \$750,000. He further explained that staff would not know until early June what that number would actually look like once everyone adopts their budget.

Council Member Jefferson asked for further clarification that the sales tax distribution received is not based on the sales tax from sales within the city and that the county collects the sales taxes within the jurisdictions and distributes based on the property tax revenue. Mr. Hawryluk confirmed this to be correct; noted that sales taxes are pretty much a countywide revenue of which each municipality within the county gets a share of the distribution based on the ad valorem distribution method.

Council Member Jones asked if this was based on a formula or something that the county commissioners set. Mr. Hawryluk explained that the Guilford County Commissioners have the option to choose either the per capital method for the ad valorem share for distribution and noted that most counties choose the method that would result in the larger amount of sales tax revenue. Council Member Jones felt the \$750,000 was an acceptable number if it means giving the citizens a little bit of a break.

Also reflected in the proposed budget is a \$271,000 increase in revenues for licenses and permits due to increased building permit activity and an increase of \$325,000 mainly due to increased program revenue for Parks and Recreation including golf courses and campground.

On the personnel side, Mr. Hawryluk, staff tied some of the major increases to a tax rate equivalent reflected in the 2.5% COLA that was approved in FY 2021-2022; increase to \$15 hour that was approved in FY 2021-2022; average 3% mid-year merit adjustment; increased LGERS contribution by the city; increased 401K/457 contribution to 3% by the city; increased health care costs by the city; and the five (5) new positions (2 assistant attorneys, a paralegal, and 2 battalion chiefs); the tax rate equivalent was calculated to be 4.56 cents.

The tax rate equivalent on the operating and capital outlay side was calculated at 2.65 cents; the tax rate equivalent on the interfund transfers was calculated at 2.71 cents. Mr. Hawryluk noted that the debt service is driven by the tax increment finance transfer for the catalyst area as the growth in the catalyst area has brought in much more property tax revenue, so some of that is being paid to the debt service because of the way it was set up.

Regarding the Enterprise Funds:

Water/Sewer Fund

- *A proposed water/sewer rate increase of 4%*
- *No appropriation of water/sewer reserves*
- *Addition of one water plan supervisor position*

- *Pay-go capital projects totaling \$10,343,350*

Electric Fund

- *No proposed changes to the electric rates (the city's rate consultant is currently finalizing a rate study looking at a potential restructuring of commercial and industrial rates).*
- *Addition of one power line technician*
- *Wholesale power costs of \$96.15 million*
- *Pay-go Capital projects totaling \$11,340,000*

Solid Waste Fund

- *No proposed changes to landfill or garbage collection fees*
- *Addition of three full-time and three part-time positions*
- *Operating increases driven by vehicle replacement costs, vehicle repairs, and higher fuel prices*
- *Pay-go capital projects totaling \$5,929,000*

Regarding the Capital Improvement Plan (CIP), the Capital Projects included in the proposed FY 2022-2023 budget total \$33,006,225. Mr. Hawryluk noted there is an appendage included in the budget that contains a full list of all the projects; that \$1.4 million of the \$2.5 million for the General Capital was funded out of the General Fund; the other is funded by the kind of a project that encompasses all of the different funds, so other funds are helping contribute to the cost of that.

In terms of the next steps, Mr. Hawryluk shared the following proposed budget work session calendar:

- ✓ *Wednesday, May 11, 2022, 3:00 - 5:00 p.m. - Budget Work Session*
- ✓ *Thursday, May 12, 2022, 3:00 - 4:00 p.m.- Budget Work Session (if necessary)*
- ✓ *Monday, May 16, 2022, 5:30 p.m. - Public Hearing*
- ✓ *Thursday, May 19, 2022, 3:00 - 5:00 p.m. - Budget Work Session (if necessary)*
- ✓ *Monday, May 23, 2022, 3:00 - 5:00 p.m. - Budget Work Session (if necessary)*

Prior to entertaining questions, Mr. Hawryluk recognized and thanked the two budget analysts on his staff, Linda Price and Roslyn McNeill, and spoke to the vital role they play in the budget process.

Council Member Jefferson mentioned the increase in the city's property tax revenue, much of which was due to the downtown development around the Catalyst Project, and asked if it might be possible to measure how High Point did in comparison to property value increases in other places. Mr. Hawryluk offered to reach out to Guilford County to see if they could provide such a comparison and staff would report that information back to Council.

Council Member Jefferson inquired about how the sales tax distribution was impacted by revaluation and what it could mean if the city does not do a sales tax reduction. City Manager Logan Ford explained part of that would be a function of what other entities do with their tax rate, so it would require some waiting time to see what those recommendations look like compared to what the city is recommending.

Mayor Wagner asked about the street resurfacing numbers and noted this is an area that the city has been trying to catch up on because it has been under-funded for a while. Mr. Hawryluk stated he would get the exact number and report back to Council at next week's work session.

2022-208 Update-Legislative Issues

Fred Baggett, the City's Lobbyist, will provide a legislative update regarding legislation in the N.C. General Assembly.

Fred Baggett, the city's long-time former city attorney, explained his role for the city now is to help with legislative issues concerning the North Carolina General Assembly; that he stays abreast of issues that affect municipalities; works with the North Carolina League of Municipalities on those issues; and keeps the City Council informed on what happens or what may happen. He explained this is the year of the Short Session in the General Assembly and that short sessions are generally limited to State budget items that may require adjustment and bills that have passed one house but not the other.

He advised that, at the City Council's request, he drafted a local bill for High Point that would give the City Council the discretionary authority to delegate final zoning authority to the Planning & Zoning Commission. He explained the bill does allow for an appeal process for petitioners to appeal the decision of the Planning & Zoning Commission back to the Council; however, the parameters, details, and procedure for this would be left entirely up to the City Council. He noted that the State Statutes state that the City Council approves all rezonings, so this bill would allow the Council to delegate to the Planning & Zoning Commission to have the final say on zoning matters under whatever criteria the City Council deems appropriate.

Mr. Baggett shared that Representative John Faircloth introduced the bill last year; it flew through the House of Representatives; has been stuck in the Senate Rules Committee ever since for unknown reasons; Rep. Faircloth has been diligent in trying to get it sprung from the Senate Rules committee; the bill is a priority for him to get it approved and enacted into law; if there are any issues that surface regarding the bill, Rep. Faircloth and Mr. Baggett plan to put it into another unrelated bill, which is done often to get stalled bills passed.

Council Member Hudson asked if the request for council to hear a zoning matter could come from the applicant as well as from a citizen. Mr. Baggett explained the request would have to come from the petitioner, the one requesting the rezoning. Council Member Jones recalled a discussion about the citizen being able to appeal it and ask a council member to request it to be appealed. Mr. Baggett noted that he could make sure that piece is in the bill. Council Member Jones suggested if a citizen is allowed to appeal a decision, that a council member, on behalf of a constituent, should be able to appeal it because he felt the elected officials should have more authority when it comes to situations such as that. Mayor Wagner advised that once the bill is passed, it would give Council the discretion to create and outline the appeal process, so there would be a fair amount of control over the exact wording and what the process would be.

In response to a question posed by the Mayor to Mr. Baggett regarding a 1990 local act that was passed for High Point, Mr. Baggett noted that bill authorized Council to require a 2/3

vote of Council if the Planning & Zoning Commission recommended denial of a rezoning request and advised that the minutes reflect that Council's desire was to repeal that local act. He advised that Council could repeal that rule anytime without going back to the Legislature.

Mr. Baggett shared the following additional items that may come up during the Short Session.

- ✓ *Requirement that building permits for multi-family and commercial be reviewed and issued within 21 days (the League is in opposition)*
- ✓ *Rumor that the requirement for cities to extend water/sewer service without annexation to areas outlying the city, particularly in the Extra-territorial Jurisdiction. Mr. Baggett noted this may or may not come up in the Short Session.*
- ✓ *There will be some tweaks to the Social District law that was enacted last year which allows cities or counties to designate social districts where people can walk around with an open container of an alcoholic beverage outside the premise it was purchased from within a designated, limited area. He believed the law to be working well and asked if the city has encountered any issues. Mayor Wagner noted the city is experiencing some very typical bureaucratic nonsense from the State ABC Commission. Mr. Baggett noted that Andy Ellen, the Executive Director of the NC Retail Merchant's Association, told him the only problems he was aware of was weird interpretations by the ABC Commission.*
- ✓ *Short term rentals. Mr. Baggett advised these could be regulated through zoning and noted a city cannot require a permit.*

In conclusion, Mr. Baggett announced that the NC League of Municipalities would have a dinner for all city officials and legislators sometime in June in Raleigh, but a date has not yet been set. He encouraged council members to feel free to call him at any time regarding any issues or concerns.

2022-209

Closed Session-Attorney-Client Privilege

Council is requested to go into Closed Session pursuant to N.C.G.S. §143-318.11(a)(3) for Attorney-Client privilege.

At 4:25 p.m., Council Member Moore moved to enter Closed Session pursuant to N.C. General Statute 143-318.11(a)(3) for Attorney-Client privilege. Council Member Williams made a second to the motion which carried by the following 9-0 unanimous vote:

ADJOURNMENT

Upon reconvening into Open Session at 5:20 p.m., Mayor Wagner announced there would be no action taken as a result of the Closed Session.

Upon motion duly made by Council Member Moore, seconded by Council Member Jefferson the Special Meeting adjourned at 5:20 p.m.

Respectfully Submitted,

Jay W. Wagner

Attest:

Lisa B. Vierling, MMC
City Clerk