

Mayor and Council Budget Workshop

6 p.m. May 28, 2024

Holly Springs Law Enforcement Center and livestream



MINUTES

The Holly Springs Town Council held a budget workshop meeting on Tuesday, May 28, 2024 at the Law Enforcement Center and via livestream. Mayor Mayefskie presided, calling the meeting to order at 6:00 p.m. A quorum was established as the Mayor and five Council members were present as the meeting opened.

Council Members Present in the room: Mayor Sean Mayefskie, Mayor Pro Tem Dan Berry, Council members Tim Forrest, Danielle Hewetson, Chris Deshazor and Annie Drees.

Council Members absent: none.

Staff Members Present in the room: Randy Harrington, Town Manager; Linda McKinney, Town Clerk (recording the minutes); Daniel Weeks, Assistant Town Manager; Scott Chase, Assistant Town Manager; Tina Stroupe, Finance Director; Corey Petersohn, and MaryBeth Spoehr, Budget, Innovation & Strategy; Jeff Wilson, IT director; Mathew Muter, IT; John Schifano, Town Attorney; LeeAnn Plumer, Parks and Recreation Director; LeRoy Smith, Fire Chief; Kendra Parrish, Executive Director of Utilities and Infrastructure; Seann Byrd, Utilities and Infrastructure; Sabrina McDonald, Director of Human Resources; Irena Krstanovic, Director of Economic Development; Paul Liquorie, Police Chief; Cassie Hack, Director of Communications and Marketing; Paige Scott, Director of Public Works; Chris Hills, Director of Development Services; Patty Dressen, Office of Customer Care.

Mayor Mayefskie said the intent of tonight's meeting was to review the recommended budget, give feedback and get answers to questions.

1. Overview: Randy Harrington, Town Manager, gave an overview of the budget process. He said that staff started working on the budget last fall; he made his presentation on the budget to the Council two weeks ago; last week was the public hearing; and now it was time for them to make sure that the budget meets their expectations and advances their priorities. He reminded them that any additions, deletions, or amendments to the recommended budget required support from at least three Council members, and that state law requires a balanced budget, so any additions require an offsetting expenditure reduction or identification of new funding. He said that he would highlight a few components that were not shared at the presentation: Wake County local government tax rate comparison, proposed future use of fund balance, and yard waste collection update.

2. Other Budget Highlights and Yard Waste Program Update:

a) Comparison of Wake County Local Governments' Recommended Property Tax Rates

Mr. Harrington said the recommended property tax rate for 2024-25 is 34.35 cents per \$100 valuation. He reminded Council and the public that the revenue neutral rate was 29.5 cents, but this was still a reduction from the previous year's 42.16 cents. This includes 3 cents for the voter-approved Park Bond, 1.35 cents for Public Safety recruitment/retention and two new police positions, and ½ cent of new debt affordability for Fire Station #4 and transportation improvements over the next couple of years.

Corey Petersohn, Budget, Innovation and Strategy, showed the recommended tax rates for each municipality in the County as well as Wake County's tax. Holly Springs' proposed tax rate is 6.35 cents below the County municipal average, and the third lowest proposal in the county. He also showed how it compared to the others in terms of cents above the revenue neutral rate, accounting for Bonds, and without Bonds included, in which case Holly Springs' proposal is the lowest increase.

b) Proposed Use of Fund Balance for Some Pay-As-You-Go Capital/One-Time Expenditures

Mr. Harrington said he had proposals for anticipated use of Fund Balance funds of \$1.93 million. These are one-time expenditures that could come back to Council after the expenses for design of Eagles Landing Park are reimbursed to the Town. These ranged from land acquisition for Fire Station 4, updating the Comprehensive Plan, Ting Park Parking lot repairs, offices and restroom replacement, Police records management software replacement, implementation of the Downtown Area Plan and enhancements, Ting Stadium safety net extension, Holiday and Town Celebration decorations and enhancements, gateway signage, and Fire Station 2 kitchen renovation and repairs. Council discussed the details of the reimbursement.

c) Yard Waste Program Update

Paige Scott, Director of Public Works, said this item was to review yard waste collection service data and assess if any service adjustments are warranted at this time, and to decide on any funding changes to the FY2024-25 budget to accommodate those changes. She reminded the public that the yard waste service model changed to bring the town into compliance with our Federal Stormwater Permit, reduce flooding on private property from clogged storm drains, provide safer, cleaner neighborhood streets, reduce equipment failures, and provide a safer work environment for employees. The new service model is also scalable as the Town continues to grow.

Ms. Scott showed data from March through May showing that the average set out rate is increasing, and non-compliance is decreasing. The use of scheduled excessive load pick-ups is increasing, showing that previously excessive loads were not being paid for. She said the 196 tons of "Spring Cleaning" debris collected indicate that proper enforcement and compliance are happening. The use of the free convenience center has been effective. Since opening in February, it has collected 86.98 tons of yard waste. She said that 22% of households have put their yard waste cart out for every pick-up; 78% of households are not using the maximum service offered, and 10% of households have used their cart only once or not at all. She said that 311 calls for yard waste service are decreasing as education and outreach efforts continue. She showed Council which neighborhoods had the highest set-out rates as well as the rates for the larger neighborhoods.

Ms. Scott said that streets and storm drains are cleaner and clear of debris. The convenience center is being utilized and the bi-weekly routes are being completed as scheduled. She said that some households fill a cart after mowing once and some find the cart heavy when filled, but there is also some reluctance among heavy users to obtaining multiple yard waste carts. She compared the number of households with multiple garbage or recycling carts to those with more than one yard waste cart.

Ms. Scott said staff's recommendation would be to stay the course, continuing the bi-weekly collection, using data to identify areas for improvement, provide additional outreach and education to reduce non-compliance and encourage heavy users to obtain additional carts. She said the program is working for the vast majority of households, and average set out rates have not exceeded industry standards. She said that calls to 311 are decreasing and non-compliance issues will decrease as the model normalizes.

Ms. Scott said some additional options for consideration would be to push for "heavy users" to obtain additional carts by providing an additional cart at a reduced rate or free, with

users paying an additional monthly collection fee. This would not require any additional staff or heavy equipment but would require additional outreach and would have some impact on the Town's disposal fees and operational costs. The estimated operational cost impact would be less than \$100,000.

Ms. Scott said another option would be the same program but with an increased weekly pick-up. This would require significant equipment and staff investments (about \$788,500) because it would require two public works technicians, two seasonal part-time positions and one additional Fleet Maintenance Technician; a yard-waste rear loader vehicle and EZ-dump vehicle, and increased operating costs. This option would require increasing the yard waste fee by \$2.33 per month or increasing the property tax rate by 0.36 cents.

Council discussed the number and location of excessive loads, and the enforcement currently being done. They discussed the change management of moving to this model, the fact that leaf pickup will stay the same as last year, and the possibility of "sweeps" in the future. Consensus was to stay the course with this program.

3. Mayor & Council Discussion on the Recommended FY 2024-25 Budget

Randy Harrington reminded Council that any additions, deletions, or amendments require support from at least three council members, and as state law requires a balanced budget, any additions require an offsetting expenditure reduction, or identification of new funding. He said that next steps would be the adoption of a budget at the June 4th meeting next week.

Council member Deshazor asked for more descriptive language regarding the Parks Bond on page 34.

Council members Hewetson and Drees asked about the half cent dedicated to Fire Station 4 and transportation and what that would actually fund. Mr. Harrington said it would leverage debt to allow Council flexibility and offered several possible projects that Council could choose to fund.

Council member Forrest said that with inflation he does not believe the half cent will bring in enough to fix the transportation issues. He said we have the lowest tax rate in the County if you do not count the Parks and Recreation Bond and he suggested raising the tax rate to 35.85, which would put Holly Springs between Raleigh and Fuquay Varina. Council member Hewetson said she agreed that we needed to put more toward transportation. Mayor Mayefskie asked when the benefit from recent economic development projects would enter the equation. Mr. Harrington said we are seeing some benefit now because we have one of the lowest tax rates in the county, but we will see more in the fiscal year 2028 time frame, because there is a 12-to-18-month lag between when they come online and when the Town sees the revenue.

Council discussed the impact of NC 540 opening, and the cost of construction now versus five years from now. The question was asked, if taxes were raised now, how often could they be lowered. Mr. Harrington said Council sets the tax rate each year, so they could adjust it any year they wanted to. Council discussed the community survey finding that traffic was the number one concern and said that if taxes were raised to address traffic they could be lowered again once the benefit of the large economic development projects comes online. Council discussed what transportation projects could be accomplished with a .5 cent increase.

MPT Berry said he didn't support moving taxes above revenue neutral plus the parks and recreation bond amount. He asked what had been done to lower operating costs. Mr. Harrington reminded him that last year all budgets were reduced by .5 cent worth of revenue and that those cuts were felt, particularly in Parks and Recreation. He said that inflation of 23%

is affecting the Town and that, unlike the private sector, there is no slack in demand, even in a recession.

Council discussed the proposed added positions and the effects of the current labor market on recruitment and retention. MPT Berry asked specifically about two higher end positions in the Police Department and why a Deputy Chief was needed. Police Chief Paul Liquorie explained that as the Town grows there is the need for a Deputy Chief, allowing the Chief to look outward and strategically, while the Deputy looks to processes and coordination inwardly. He discussed the changes to the department in terms of coordination with neighboring departments and the increase in responsibilities and workloads across the organization.

Mr. Harrington said that six years ago when he came to Holly Springs, Council had a long conversation about their top 5 priorities. They said that we need to evolve the organization to meet the huge growth we are seeing. We have organized, adjusted policies, and evolved service to better position ourselves. We have to evolve our leadership structure so that department directors can be strategic leaders and out of the day-to-day minutia. You have to adjust that structure to get the right span of control to get leaders doing leadership work. We're going to need that in Fire and HR over the next two or three years also. We need to evolve to where we have clear #2's so departments can function when #1 is out. This is a high-level adjustment. We've been so focused on the work, but we also need to invest in leadership.

Council member Deshazor said he was pleased with public safety but wanted more on traffic. He wants to trim things out of the recommended budget to add more to transportation to get the best of both worlds. What can wait so that we put money towards traffic without raising taxes?

Mayor Mayefskie polled Council for agreement. MPT Berry said he was against raising the rate more than 3 cents above the revenue neutral rate. Council members Deshazor and Drees wanted to keep the manager's recommended rate, but cut something in order to move more funds to transportation. Council members Forrest and Hewetson would consider increasing the rate in order to increase funding for transportation projects.

Council discussed how much would be gained from a 1 cent increase and what could be done with it. Mr. Harrington said if they want to remain within the recommended rate, he needs guidance of what \$650,000 they would like to cut. Council discussed various options but came to no consensus.

Mayor Mayefskie asked Council if a quarter cent increase, splitting the difference between the two who want to keep it the same and the two who want to increase by a half cent, would be acceptable.

Mr. Harrington said he needed more direction because there are a lot of "keep the lights on" expenses in the recommended budget. If Council is going to identify \$625,000 in cuts, he cannot balance the budget without having impact on all of those areas.

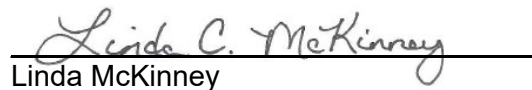
Council discussed what could be accomplished with the recommended budget and with the increase. Council member Forrest recommended going to 5 cents above revenue neutral, with Mr. Harrington instructed to find .1 cent to cut from somewhere else to make up the difference and balance the budget. Council consensus was to increase the tax rate to 5 cents

above revaluation, with debt affordability to .75 by cutting .1 cent from the general fund to balance the budget.

Mr. Harrington said Council member Forrest had asked about cutting the July workshop. He said that would work if Council can go to 9 or 9:30 at the June workshop to tackle some topics that would have come up in July. He listed the topics and asked Council if that was agreeable. Consensus was to cut the July meeting.

4. Adjournment: There being no further business for the evening, motion to adjourn was made by MPT Berry second by Council member Forrest and passed with a unanimous vote. The May 28, 2024 meeting of the Holly Springs Town Council was adjourned at 9:00 pm.

Respectfully Submitted on Tuesday, June 18, 2024.


Linda McKinney
Town Clerk