

**FAYETTEVILLE CITY COUNCIL
BUDGET WORKSHOP MINUTES
LAFAYETTE ROOM
MAY 30, 2012
4:00 P.M.**

Present: Mayor Anthony G. Chavonne
Council Members Keith Bates, Sr. (District 1); Kady-Ann Davy (District 2); Robert A. Massey, Jr. (District 3); Bobby Hurst (District 5); William J. L. Crisp (District 6); Valencia A. Applewhite (District 7); Wade Fowler (District 8); James W. Arp, Jr. (District 9)
Absent: Council Member Darrell J. Haire (District 4)
Others Present:

Kristoff Bauer, Interim City Manager
Bradley Whited, Interim Assistant City Manager
Karen M. McDonald, City Attorney
Lisa Smith, Chief Financial Officer
Tracey Broyles, Budget and Evaluation Manager
Tom Bergamine, Police Chief
Ben Major, Fire Chief
John Kuhls, Human Resource Development Director
Michael Gibson, Parks and Recreation Director
Randy Hume, Transit Director
Rusty Thompson, Engineering and Infrastructure
Director
Scott Shuford, Development Services Director
Victor Sharpe, Community Development
Ron McElrath, Human Relations Director
Jerry Dietzen, Environmental Services Director
Steven K. Blanchard, PWC CEO/General Manager
Pamela Megill, City Clerk
Members of the Press

1. Open Meeting

Mayor Chavonne opened the meeting and called it to order. He stated the group three questions that had been submitted would be answered this evening; first by PWC and then the City.

2. PWC – City Council Questions on FY 2013 Budget

City / PWC Transfers

50. Q. Why is the City planning to make a \$263,769 transfer to PWC from the proceeds of the utility franchise tax on electric gross receipts?

A. The gross receipts tax (GRT) issue came about when PWC was negotiating a new power supply agreement. Choices under evaluation by PWC included: (1) buying “partial requirements” as we have in the past and to use the Butler-Warner Generation Plant to provide the additional power needs during the peak usage times or (2) buying “full requirements” for our power supply needs and lease out the Butler-Warner Generation Plant. The financial evaluation included the increase in GRT (millions) that PWC would pay under the full requirements proposal over the life of the agreement. To help mitigate these costs, PWC had discussions with the City to use these increased GRT to support the installation of utilities associated with Phase V annexation in order to help justify selecting the full requirements power supply option. The final results of the discussion between PWC and the City was that PWC would receive a portion of the GRT increase to be used to offset some of the cost for installing utilities in the Phase V annexation area. However, the City preferred not to designate its portion of the increase in GRT to installing utilities in the Phase V annexation area. They preferred to allow the money to go into the City’s General Fund for general purpose uses.

All of this took place in 2009 with a formal agreement executed by the PWC Commission and the Fayetteville City Council. The new power supply agreement takes effect July 1, 2012 (3 years later). FY2013 will be the first year to reflect the GRT increase that PWC will pay and will then be remitted to the City. The agreement specifies how the increase in GRT paid by PWC will be split. PWC 's share will be used to offset PWC's increasing cost of utility installation in the Phase V annexation area and the City's share is included in the City's general fund revenue for use by the City in any way they wish.

After an initial period, the City's reimbursement of the GRT to PWC will be set at a pre-determined fixed value for future years as defined in the agreement. For future years, the City will receive 100% of the benefits of increasing GRT due to growth in sales and increases in Progress Energy wholesale rates.

3. Capital Improvement Plan and Information Technology Plan Changes

Mr. Kristoff Bauer, Interim City Manager, stated the Parks and Recreation Bond Proposal excluded \$10 million for County projects and County participation in funding. He stated the revised project costs were \$55,645,265.00, including project expenditures through FY 2020. He stated the funding plan would require a 2.25 cent ad valorem tax rate increase beginning in FY 2014. He stated the Phase V Annexation Project Contributions were the total funding commitment remaining at \$90,553,140.00. He stated the timing adjustments had been made to fund police staffing enhancements and the net funding impact from FY 2013 to FY 2017 from deferrals and updated funding assumptions was a reduction of \$3.212 million. He concluded by stating the recommended budget for FY 2013 would be adjusted by reducing the transfer to PWC Phase V projects by \$526,000.00, adding a \$125,000.00 transfer to the Transportation Fund for the Legend Avenue project, and adding \$100,000.00 to fund estimated bond referendum costs.

4. Miscellaneous Budget Items

Council Member Hurst requested funding for the Energy, Efficiency and Sustainability position for an additional 9 months to June 30, 2013, as proposed by Environmental Services which would be a cost of \$39,451.00.

Council Member Fowler inquired if it was appropriate to provide funding to nonprofit organizations using taxpayers' money.

A brief discussion followed.

Council Member Crisp stated providing funds to certain nonprofit organizations was an imperfect system, but it was an investment in the lives of their citizens.

Mayor Pro Tem Arp stated providing tax dollars to United Way for the 211 service was a waste of money.

5. Adjournment

There being no further business, the meeting adjourned at 5:00 p.m.