

TOWN OF GARNER



TOWN COUNCIL WORK SESSION

February 27, 2018
6:00 P.M.

Garner Town Hall
900 7th Avenue
Garner, NC 27529

**Town of Garner
Work Session Agenda
February 27, 2018**

Dinner will be served for town officials in the Conference Room at 5:15 p.m.

The Council will meet in a Work Session at 6:00 p.m. in the Council Chambers located at 900 7th Avenue.

A. CALL MEETING TO ORDER/ROLL CALL

B. ADOPTION OF AGENDA

C. REPORTS/DISCUSSION

1. Affordable Housing Page 3
Presenter: Jessica Holmes, Wake County Commission Chair and Alicia Arnold, Wake County Staff Member

Commission Chair Holmes and Wake County staff will provide an overview of their study and efforts to increase the supply of affordable and workforce housing in Wake County. Some initiatives will require input and implementation by municipalities.

2. Use of Fund Balance to Balance the Budget Page 4
Presenter: Matt Roylance, Assistant Town Manager – Operations

In preparation for the FY 2018-19 budget process, staff has prepared information on the use of fund balance to balance the annual operating budget in recent years. In addition, staff has identified alternatives if Council prefers to minimize the use of fund balance as a budget balancing technique.

3. VERT Funding Update Page 24
Presenter: Mike Franks, Budget and Special Projects Manager

In preparation for the FY 2018-19 budget process, staff has prepared an update on VERT funding requirements in future years. In addition, staff has identified funding options to address these requirements.

4. Meadowbrook Update Page 39
Presenter: Rodney Dickerson, Town Manager

Last year, St. Augustine's University notified the Town that it was terminating the lease for the Meadowbrook property effective October 31, 2017. The Town subsequently approved a lease with Hinton Enterprises, LLC to continue golf course operations at the site on an interim basis. After taking possession of the property from St. Augustine's

University, Town staff identified some maintenance and repair needs it was not previously aware of. Although the intention of the new lease agreement was for Mr. Hinton to cover operations and maintenance expenses for the property, the scale of these repairs may be beyond what his business model is designed to handle.

D. COUNCIL REPORTS

E. MANAGER REPORTS

F. ADJOURNMENT

Town of Garner
Town Council Meeting
Agenda Form

Meeting Date: February 27, 2018		
Subject: Affordable Housing		
Location on Agenda: Discussion		
Department: Administration		
Contact: Rodney Dickerson		
Presenter: Wake County Commission Chair Jessica Holmes and Alicia Arnold		
Brief Summary: Commission Chair Holmes and Wake County staff will provide an overview of their study and efforts to increase the supply of affordable and workforce housing in Wake County. Some initiatives will require input and implementation by municipalities.		
Recommended Motion and/or Requested Action: Information and dialogue only		
Detailed Notes:		
Funding Source: n/a		
Cost:	One Time: <input type="radio"/>	Annual: <input type="radio"/> No Cost: <input checked="" type="radio"/>
Manager's Comments and Recommendations: The subject of affordable housing has been a primary topic for years. This discussion will give us some insight on Wake County initiatives and continue the discussion that we had at the Council Retreat.		
Attachments Yes: <input checked="" type="radio"/> No: <input type="radio"/>		
Agenda Form Reviewed by:	Initials:	Comments:
Department Head:		
Finance Director:		
Town Attorney:		
Town Manager:	RD	
Town Clerk:		

Town of Garner
Town Council Meeting
Agenda Form

Meeting Date: February 27, 2018		
Subject: Use of Fund Balance to Balance the Budget		
Location on Agenda: Discussion		
Department: Town Manager's Office		
Contact: Matt Roylance, Assistant Town Manager - Operations		
Presenter: Matt Roylance, Assistant Town Manager - Operations		
<p>Brief Summary:</p> <p>In preparation for the FY 2018-19 budget process, staff has prepared information on the use of fund balance to balance the annual operating budget in recent years. In addition, staff has identified alternatives if Council prefers to minimize the use of fund balance as a budget balancing technique.</p>		
<p>Recommended Motion and/or Requested Action:</p> <p>Provide feedback to staff</p>		
Detailed Notes:		
Funding Source:		
Cost:	One Time: <input type="radio"/>	Annual: <input type="radio"/> No Cost: <input checked="" type="radio"/>
<p>Manager's Comments and Recommendations:</p> <p>N/A</p>		
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FUND BALANCE & THE BUDGET

February 27, 2018

Agenda

- Background info on fund balance
- Recent history of fund balance use in annual budget
- Analysis of options
- Discussion

What is Fund Balance?

- Difference between assets and liabilities in a fund; or
- Cumulative difference between all revenues and all expenditures since the government's creation; or
- How much extra money we've got – sort of like a savings account
- Can have fund balance in any fund
- Restricted/assigned vs. unassigned
- Today we are focusing on unassigned fund balance in the general fund

Why Have Fund Balance?

- Required by state law
- Helps in emergencies (ex: natural disaster)
- Buffer from economic changes (ex: recession)
- Ratings agencies expect it



Fund Balance Requirements

- Local Government Commission staff – 8% minimum
- Garner policy – 30% minimum
- Town's current fund balance?
\$18.1M or 54%
 - *unassigned fund balance in general fund*



How Do You Add To Fund Balance?

- Revenues > expenditures at end of fiscal year
 - *Forecast revenues conservatively and collect more than you budgeted for*
 - *Receive unexpected “windfall” – revenue you didn’t budget for*
 - *Spend less than you budgeted to spend*

- “Extra” funds go to fund balance unless Council approves another use

How Do You Use Fund Balance?

- Expenditures > revenues at end of fiscal year
 - *Overly optimistic revenue forecasting*
 - *Even with realistic forecast, revenue collections lower than expected*
 - *No history of this happening with Town budgeting practices*

- More commonly:
 - *Unplanned expenditures during the fiscal year, Council approves expenditure and use of fund balance to pay for it*
 - *Plan to use fund balance as part of the adopted budget – counts as another revenue source in this scenario*

Accounting Principles



- Budgeted use of fund balance is considered a revenue source
- But it's a one-time source, not recurring like property taxes, etc.
- Shouldn't use one-time revenues to pay for recurring expenditures
- Therefore, fund balance only used to pay for one-time expenditures
 - *Allowed: buying a piece of equipment*
 - *Not allowed: paying staff salaries*

History of Budgeted Fund Balance Use

- FY 2011-12: \$0
- FY 2012-13: \$191,000 for computer virtualization
- FY 2013-14: \$51,000 for Public Works equipment
- FY 2014-15: \$680,705 for debt service, certified site project, storm drain maintenance

History of Budgeted Fund Balance Use

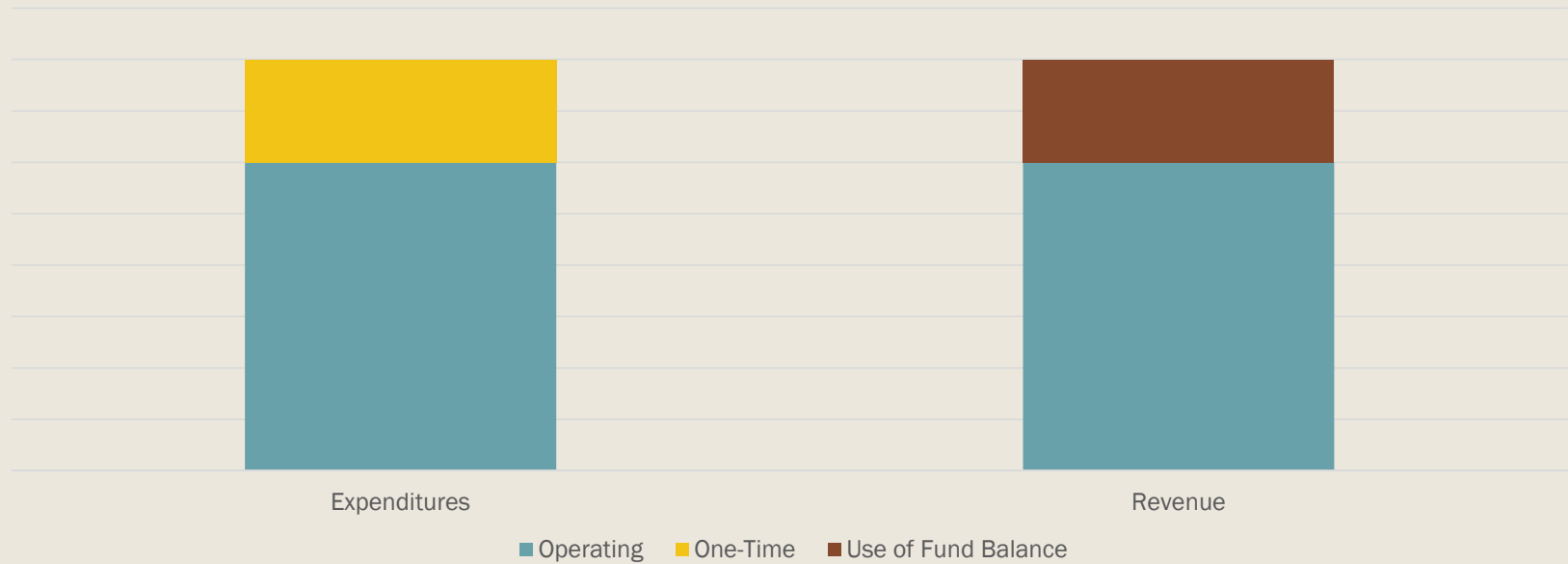
- **FY 2015-16:** \$271,044 for facility improvements, comprehensive plan, IT equipment, Police K-9s, mower, plotter
- **FY 2016-17:** \$353,337 for Police radios, mowers, trailer, utility bill assistance program, lobbying contract
- **FY 2017-18:** \$549,505 for Police/Fire radios, UDO update, PRCR comprehensive plan, Public Works equipment, roof repair at Public Works, vehicle for Garner Fire, YMCA capital pledge, Police K9 and bite suit, computer replacements

Did We Actually Use Fund Balance?

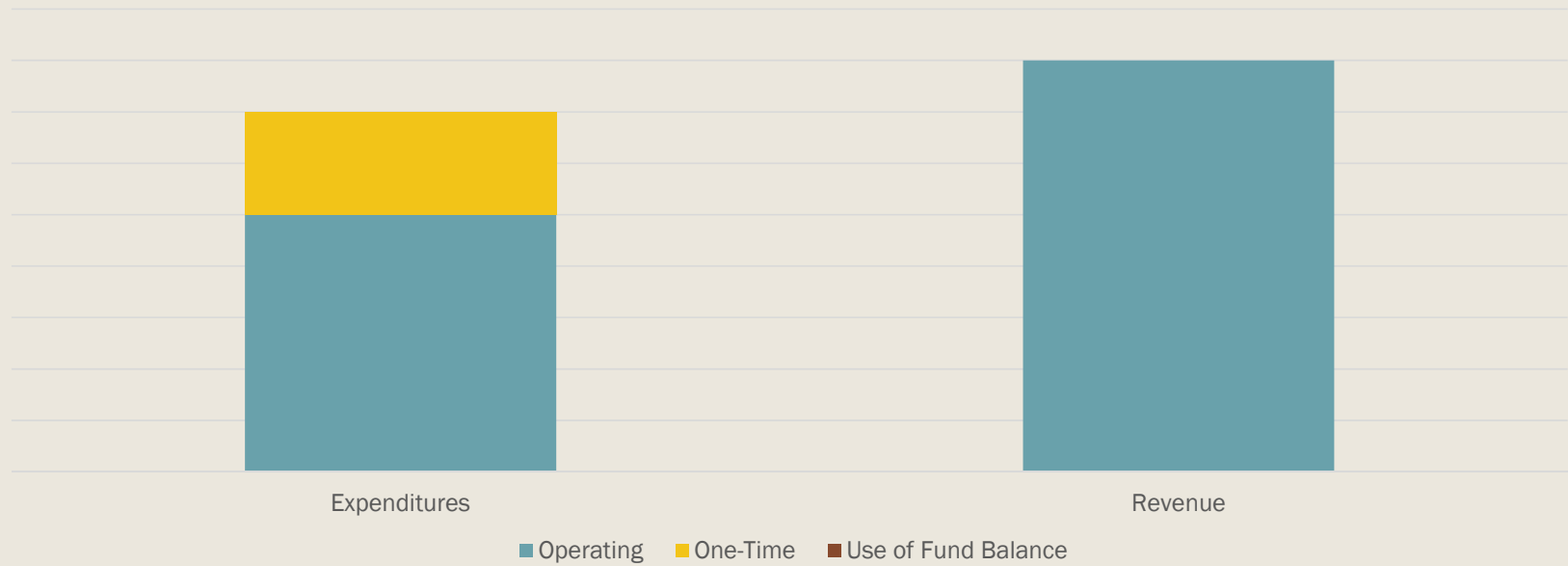
- Technically, no
- But we did make those one-time purchases on the previous slide
- Despite making purchases, expenditures were still lower than budgeted and revenues higher than budgeted
- Never actually pulled money out of the “savings account”



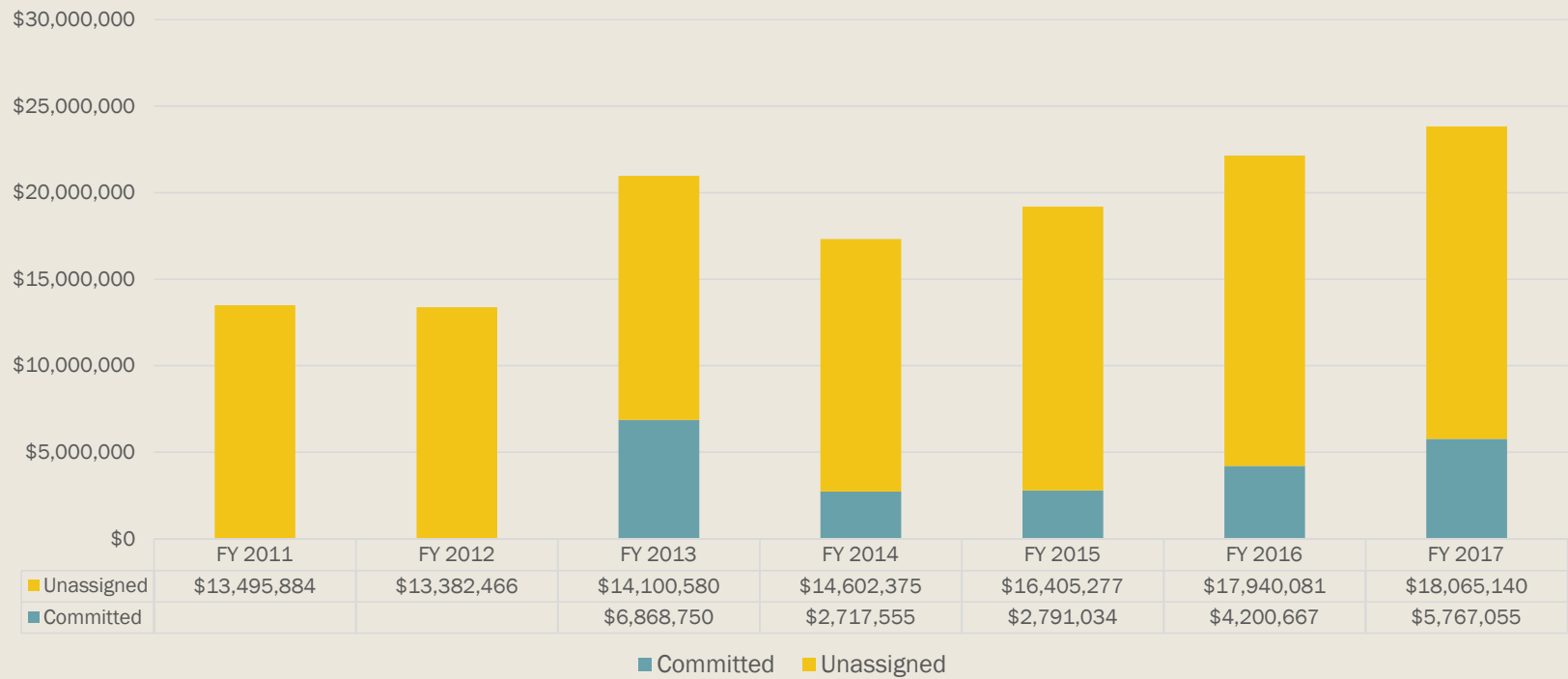
Hypothetical Example – Budget



Hypothetical Example – Actual



Change in Fund Balance



Impact on Revenue Savings Plan

- Does budgeting the use of fund balance change the contribution to the Revenue Savings Plan? No.
- Revenue Savings Plan calculation based on:
 - *property tax*
 - *ABC revenue*
 - *sales tax*
 - *heavy equipment rental*
 - *beer and wine tax*
 - *utility franchise fees*
 - *video programming fees*
- Fund balance use and expenditures aren't part of the calculation
- Revenue Savings Plan contribution is same regardless of:
 - whether we budget for use of fund balance use or not
 - whether we make one-time expenditures or not

Arguments For Budgeting Use of FB

- Why accumulate fund balance if you aren't willing to use it
- Helps avoid tax increases
- Allows conservative revenue forecasting, which is a good budgeting practice
- Investments now to prepare for growth
 - *growth-related revenue often lags behind demand for services*
- Helps bridge gap while we establish budget for multi-year expenditures (discussion from Council retreat)
- Catch up on deferred expenditures



Arguments Against Budgeting Use of FB

- Using significant amount of fund balance every year = structural deficit?
- There won't be enough left for unexpected needs/opportunities
- Increasing traditional revenue sources gives a clearer picture of what it takes to operate the Town



Options

- Continue current practice (when budget needs dictate)
- Increased use of multi-year funding strategies (smooth out the spikes)
- Don't make the one-time purchases (or cut an equivalent amount elsewhere in the budget to make room for those purchases)
- Budget revenues more aggressively
- Raise revenues through higher fees
- Raise revenue through higher property taxes

Next Steps

- Council discussion
- Provide guidance for staff
- Staff will incorporate guidance in FY 2018-19 budget development



Town of Garner
Town Council Meeting
Agenda Form

Meeting Date: February 27, 2018		
Subject: VERT Funding Update		
Location on Agenda: Discussion		
Department: Town Manager's Office		
Contact: Mike Franks, Budget and Special Projects Manager		
Presenter: Mike Franks, Budget and Special Projects Manager		
<p>Brief Summary:</p> <p>In preparation for the FY 2018-19 budget process, staff has prepared an update on VERT funding requirements in future years. In addition, staff has identified funding options to address these requirements.</p>		
<p>Recommended Motion and/or Requested Action:</p> <p>Provide feedback to staff</p>		
<p>Detailed Notes:</p> 		
<p>Funding Source:</p>		
Cost:	One Time: <input type="radio"/>	Annual: <input type="radio"/> No Cost: <input checked="" type="radio"/>
<p>Manager's Comments and Recommendations:</p> <p>N/A</p>		
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Vehicle & Equipment
Replacement Team
Update





Overview

- Summary of VERT Purpose and Process
- Review Upcoming Vehicle Replacement Schedule
- Summarize Funding Options
 - Debt Financing
 - Pay Exact Amount
 - Fixed Annual Contribution
- Recommendation



VERT History and Purpose

- Cross-departmental team
- Established in 2014 to provide better information to management & Council regarding the Town's vehicle & large equipment fleet
- Create more accountability and communication
- Evaluate Town's current fleet and make recommendations to Town Manager's office
 - Better understanding of future needs
 - Analyze future funding/CIP for sustainable strategy to vehicles & equipment

VERT Replacement Criteria

Vehicles		
Usage Type	Age	Mileage
General Administrative Vehicle	7 years	80,000 miles
Police Patrol - Severe	6 years	75,000 miles
Police Admin/Unmarked	7 years	80,000 miles
Light Duty Truck/SUV	8 years	80,000 miles
Medium/Heavy Duty Truck	10 years	100,000 miles
Street Sweeper	8 years	80,000 miles
Equipment		
Usage Type	Age	Hours
Off Road Construction	9 years	1,000 hours
Utility Carts	9 years	N/A
Mowers/Small Engine	4 years	1,500 hours
Trailed Equipment	15 years	N/A

VERT Scoring System

Type	Points	Description
Age	1	Each Year of Chronological Age
Mileage/Hours	1	Each 10,000 Miles or 250 Hours
Type of Service	1	Standard Sedans, SUVs, Light Trucks
	2	Standard Vehicles with Occasional Off-Road Use
	3	Vehicle/Equipment that Pulls Trailers, Hauls Heavy Loads, or has Continued Off-Road Usage
	4	Police Sedans - Severe Use
Average Yearly Maintenance and Repair Costs	1	Low: Maintenance Costs are Less than or Equal to 30% of Replacement Costs
	2	Medium: Maintenance Costs are 31-50% of Replacement Costs
	3	High: Maintenance Costs are 51-70% of Replacement Costs
	4	Extreme: Maintenance Costs are Greater than or Equal to 71% of Replacement Costs
Condition	1	Good Condition: No Visual Damage or Rust, Good Drive Train
	2	Fair Condition: Minor Imperfections in Body and Paint, Interior Fair (no Rips, Tears, Burns), Good Drive Train
	3	Poor Condition: Noticeable Imperfections in Body and Pain Surface, Minor Rust, Minor Damage for add-on Equipment, Worn Interior(One or More Rips, Tears, Burns) and Weak/Noisy Drive Train
	4	Damaged/Lemon Condition: Previous/Current Accident Damage, Poor Paint and Body Condition, Rust (Holes), Bad Interior (Rips, Tears, Cracked Dash), Major Damage for add-on Equipment, Drive Train Components Damaged or Inoperable



VERT Scoring System Cont.

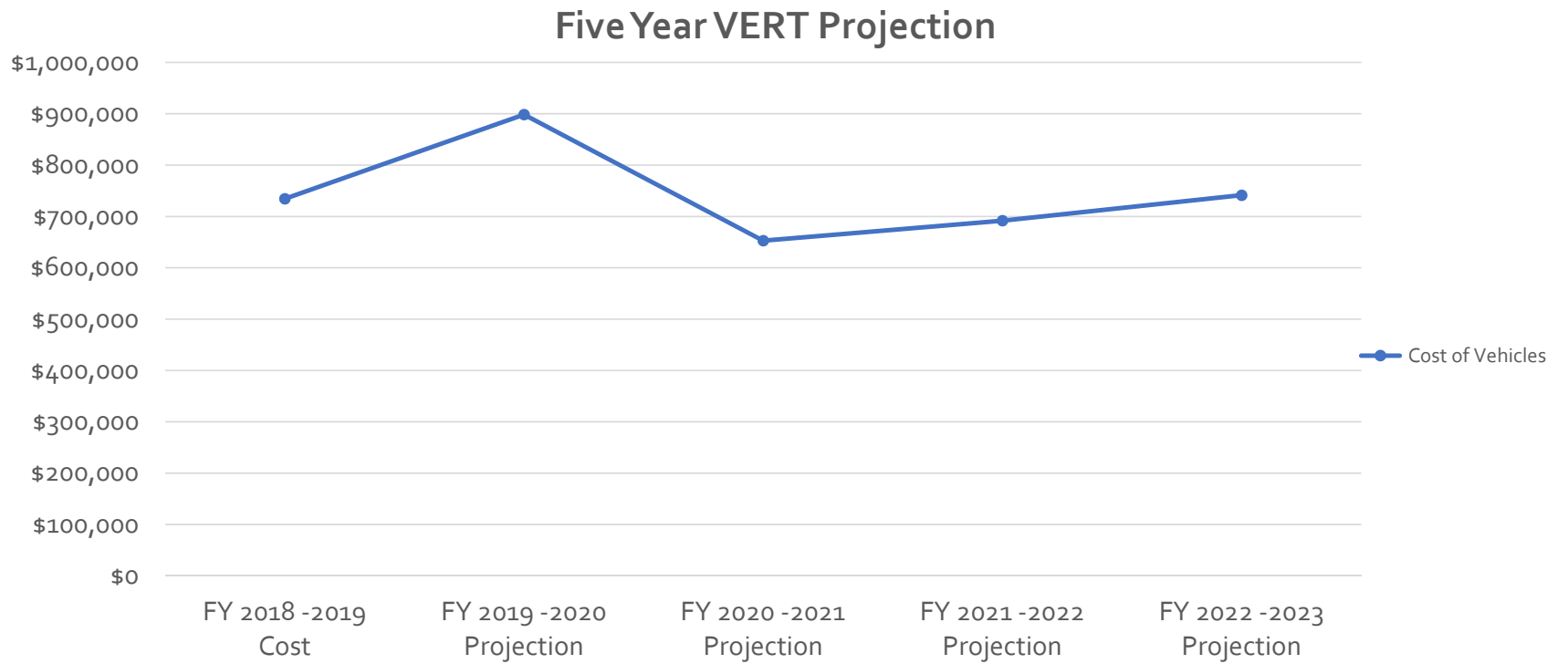
Point Ranges	Rating	Description
0 - 20	Good	Do Not Replace
21 - 26	Fair	Qualifies for Replacement if Maintenance and Repair is High/Extreme
27 - 32	Poor	Qualifies for Replacement
33+	Priority	Needs Priority Replacement



FY 2018-2019 Process

- VERT Members Meet to Discuss Upcoming Requirements
- Staff Developed a Five Year Projection
 - Review of Future Fleet Requirements – mileage, vehicle age, repair costs etc..
 - Considered Various Funding Options

Five Year Vehicle Requirements



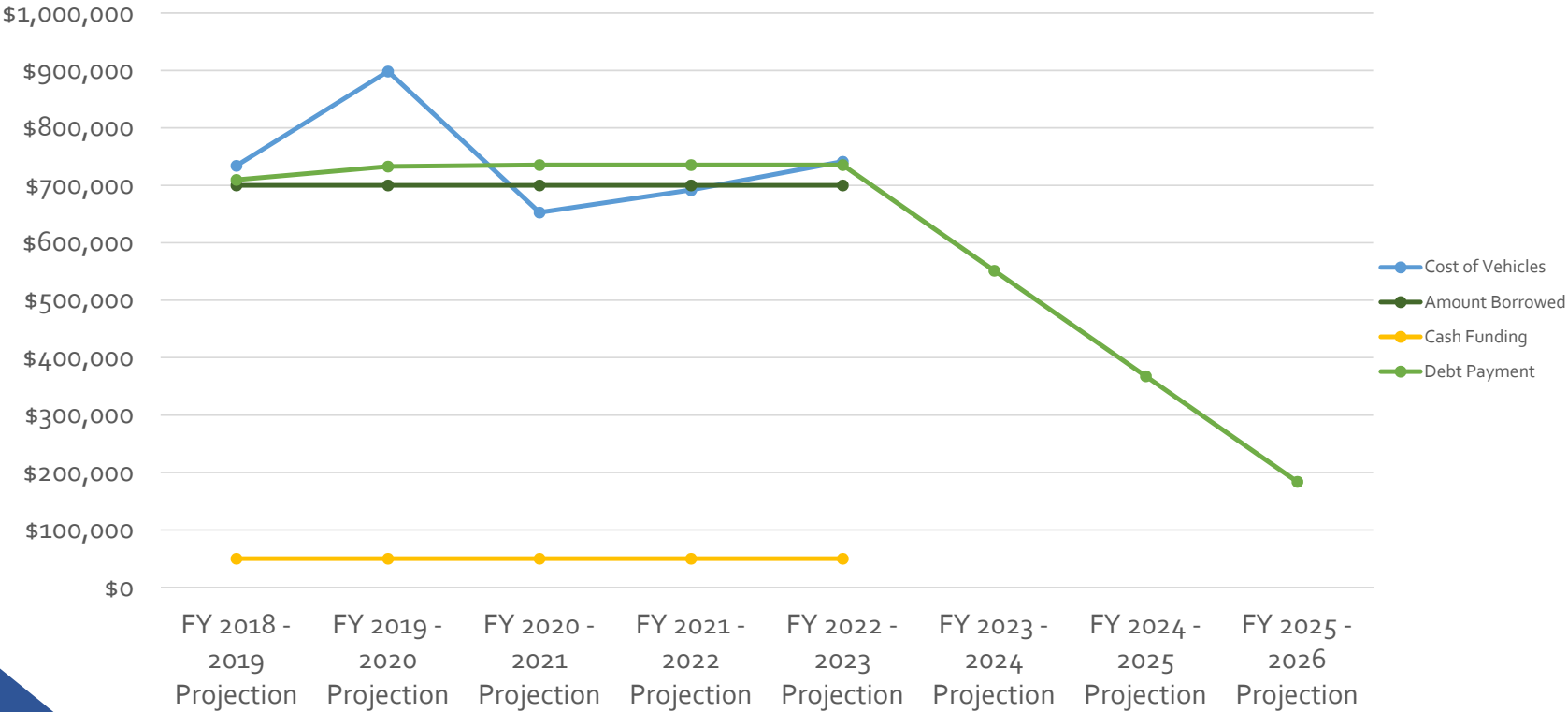


Summary of Funding Options

- Debt Financing
 - No short term financial impact but ongoing interest payments
- Pay Exact Cost
 - Simplest plan to administer but peak replacement years will present a challenge
- Level Funding
 - Some administrative impact but consistent funding level mitigates the impact of peak replacement years
 - Allows for replacements to be funded at the current level

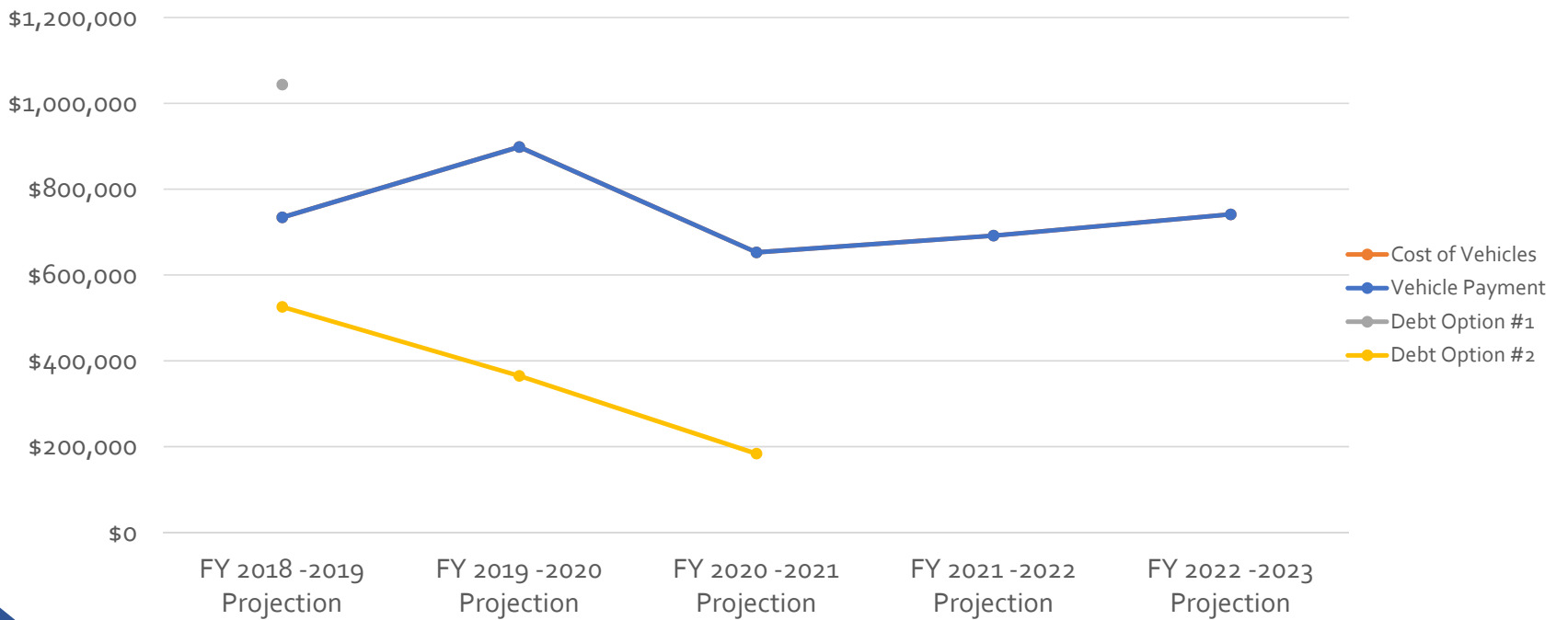
Debt Financing

VERT Funding Option 3 - Vehicle Financing



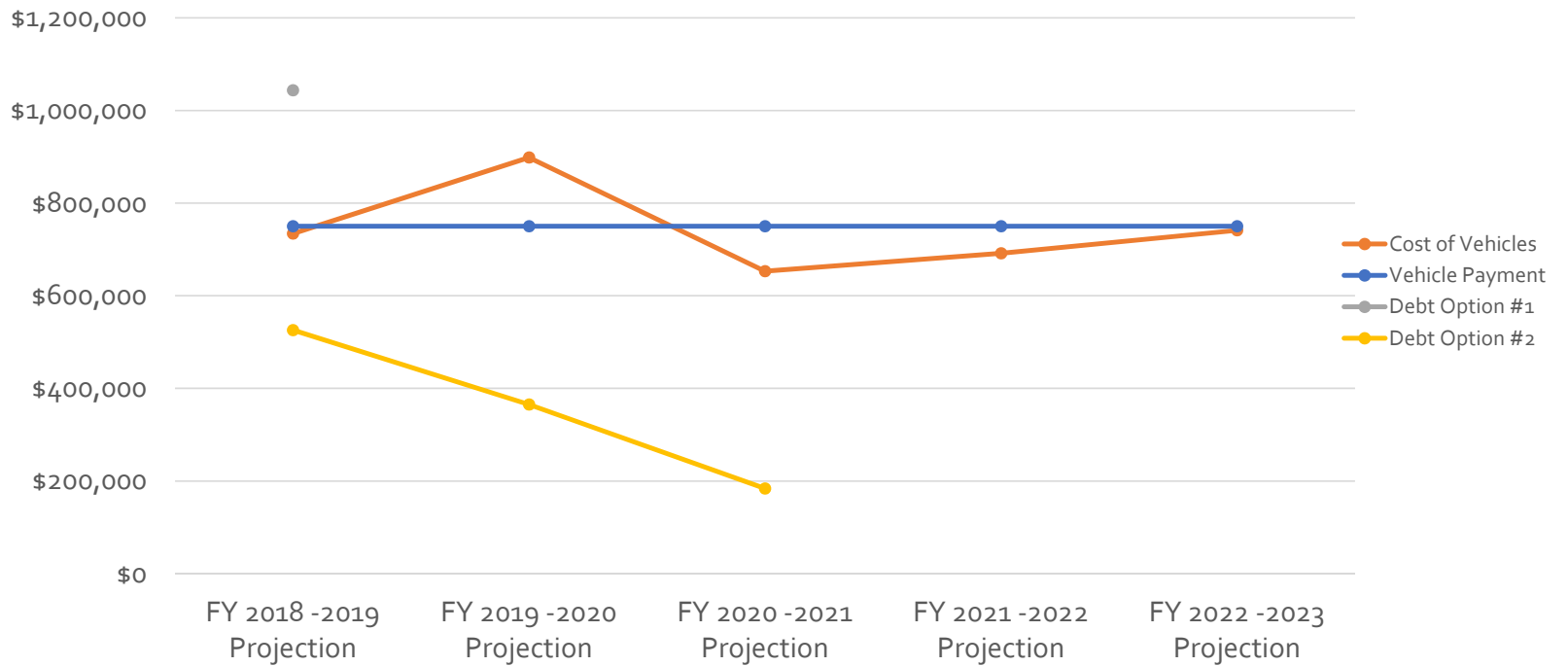
Pay Exact Cost

VERT Funding Option 2 - Pay Exact Cost



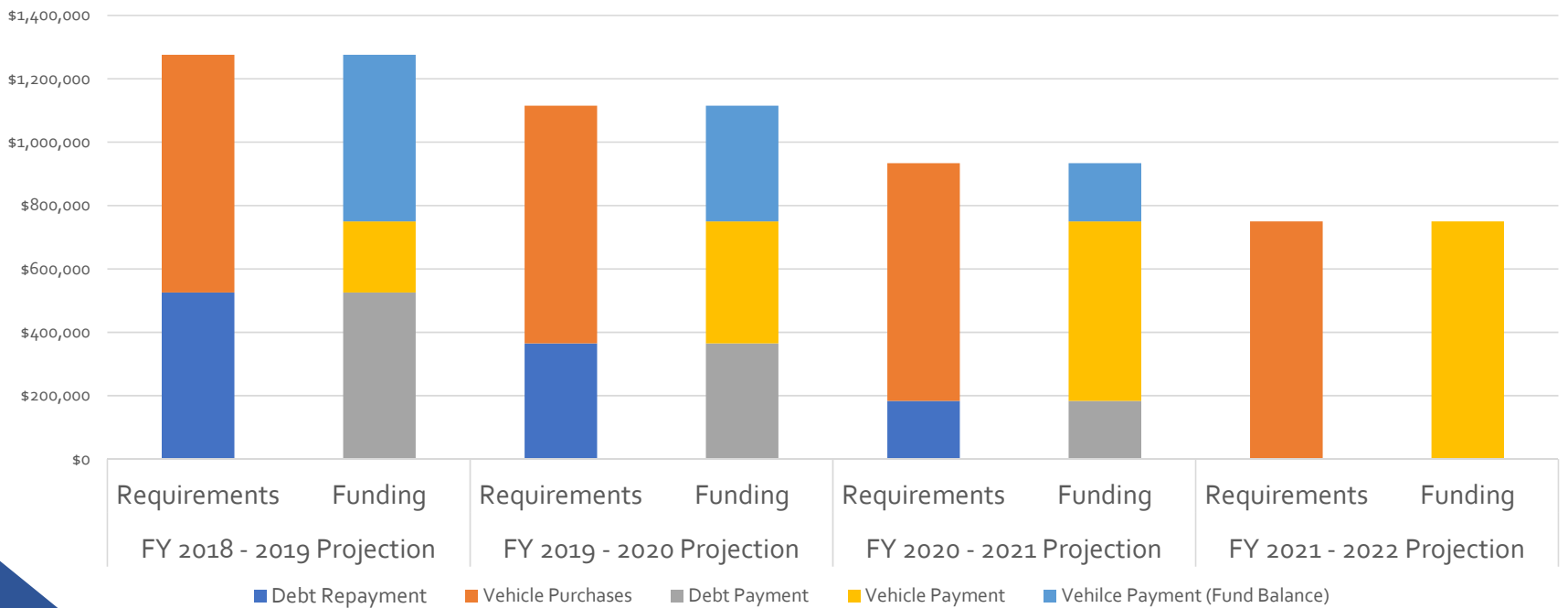
Level Funding

VERT Funding Option 3 - Level Funding



Recommendation – Level Funding with Three Year Debt Payoff

Funding Plan





Questions?

Town of Garner
Town Council Meeting
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Meeting Date: February 27, 2018		
Subject: Meadowbrook Update		
Location on Agenda: Discussion		
Department: Town Manager's Office		
Contact: Rodney Dickerson, Town Manager		
Presenter: Rodney Dickerson, Town Manager		
<p>Brief Summary:</p> <p>Last year, St. Augustine's University notified the Town that it was terminating the lease for the Meadowbrook property effective October 31, 2017. The Town subsequently approved a lease with Hinton Enterprises, LLC to continue golf course operations at the site on an interim basis. After taking possession of the property from St. Augustine's University, Town staff identified some maintenance and repair needs it was not previously aware of. Although the intention of the new lease agreement was for Mr. Hinton to cover operations and maintenance expenses for the property, the scale of these repairs may be beyond what his business model is designed to handle.</p>		
<p>Recommended Motion and/or Requested Action:</p> <p>Provide guidance to staff on whether the Town should make maintenance and repairs at Meadowbrook.</p>		
<p>Detailed Notes:</p> 		
<p>Funding Source:</p>		
Cost: \$29,000	One Time: <input checked="" type="radio"/>	Annual: <input type="radio"/> No Cost: <input checked="" type="radio"/>
<p>Manager's Comments and Recommendations:</p> 		
<p>Attachments Yes: <input checked="" type="radio"/> No: <input type="radio"/></p>		
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Town Manager:	RD	
Town Clerk:		

Summary of Meadowbrook Repair Needs

Item	Estimated Cost
One HVAC unit has failed and needs to be replaced	\$8,000
The second HVAC unit is likely to fail soon based on age and condition	\$8,000
Repair of failed septic system using Town labor and equipment	\$6,000
Dilapidated shelter needs to be demolished for safety reasons	\$3,000
State mandated well testing and construction of well house	\$3,000
General repairs for safety concerns based on staff inspection	\$1,000
Total	\$29,000