

**FAYETTEVILLE CITY COUNCIL
BUDGET WORK SESSION MINUTES
COUNCIL CHAMBER, CITY HALL
MAY 14, 2026
10:00 A.M.**

Present: Mayor Mitch Colvin (departed at 11:49 a.m.);

Council Members Stephon Ferguson (District 1) (arrived at 10:04 a.m.); Malik Davis (District 2); Antonio Jones (District 3) (arrived at 10:04 a.m.); D. J. Haire (District 4); Lynne Greene (District 5) (arrived at 10:05 a.m.); Derrick Thompson (District 6); Brenda McNair (District 7); Deno Hondros (District 9)

Absent: Council Member Shaun McMillan (District 8)

Others Present: Douglas Hewett, City Manager
Lachelle Pulliam, City Attorney
Jeffrey Yates, Assistant City Manager
Jodi Phelps, Assistant City Manager
Michael Gibson, Interim Assistant City Manager (arrived at 10:26 a.m.)
Roberto Bryan, Police Chief
Willie Henry, Chief Information Officer
Tiffany Murray, Chief Financial Officer
Tyffany Neal, Transit Director
Rose Rasmussen, Internal Audit Director
Andrew LaGala, Airport Director
Christopher Cauley, Economic and Community Development Director
John Jones, Office of Community Safety Director
Yamile Nazar, Human Relations Director
Byron Reeves, Deputy Public Services Director
Brian McGill, Assistant Public Services Director
Michele Brooks, Interim Budget Director
David Scott, Communications Manager
Andrew Mansell, Senior Assistant to the City Manager
Christopher Williams, Management Analyst
Kimberly Toon, Assistant Finance Officer
Amanda Mott, Assistant Finance Officer
Jennifer Ayre, City Clerk
Members of the Press

1.0 CALL TO ORDER

Mayor Colvin called the meeting to order at 10:00 a.m.

2.0 INVOCATION

The invocation was offered by Council Member Haire.

3.0 PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by the Mayor and City Council.

4.0 APPROVAL OF THE AGENDA

MOTION: Council Member Hondros moved to approve the agenda

SECOND: Council Member Thompson

VOTE: UNANIMOUS (6-0)

5.0 ITEMS OF BUSINESS

5.1 Introduction to Budget

Dr. Douglas Hewett, City Manager, stated staff was excited to present the recommended budget, noting that after today it becomes the Council's budget. The next few meetings will allow Council to provide policy direction, offer feedback on what does and does not work in the budget, and gain an understanding of what is and is not included in the recommended budget.

Dr. Hewett read the transmittal letter included in the budget and stated staff recommend a property tax rate of \$0.4595. This includes a small increase of one cent to the operating budget to help keep services strong and reliable and a two-cent increase to the Capital Investment Projects. This will fund \$120 million in public safety investment, the addition of two mental health response units for the Office of Community Safety, fund salary step increases for public safety staff, a 4 percent (%) pay raise for non-public safety employees, as well as an increase in the City's 401(k) contribution by 1%. Additionally, a \$10.00 yearly increase to the Solid Waste Fee is recommended to address the higher fuel costs. The revised budget for Fiscal Year (FY) 2026 is \$324 million, and the recommended budget for FY27 is \$322 million, which represents a .62% decrease.

5.2 Cost of Government

Mr. Jeffery Yates, Assistant City Manager, presented this item with the aid of a PowerPoint presentation and stated to achieve the City Council's goals by maintaining current services and staffing, the recommended budget includes a \$0.01 ad valorem tax rate increase for operations. The only new service included in the budget is two mental health response units, and a \$0.02 ad valorem increase for Capital Investment Projects (CIP), for a total of \$0.03 increase. A \$10.00 increase to the Solid Waste fee is recommended due to increased cost of fuel and there is no recommended stormwater increase.

To continue meeting current service standards, it will cost \$227,412,364.00 in Fiscal Year (FY) 27, compared to the FY26 \$213,091,909.00. For expanded services, the FY27 budget would need to be \$240,331,437.00. Discussion ensued regarding levels of services and staffing. Dr. Douglas Hewett, City Manager, stated the tax rate is what is needed to provide what the residents desire. Mr. Yates stated staff reviewed multiple options to close the funding gap between the \$227,412,364.00 to the \$213,031,909.00 before discussing reducing services or raising taxes. This included the \$9 million in vacancy savings, \$1.2 million in one-time funding that is appropriate for fund balance use, and \$1.2 million in early debt payoff and requesting the one cent tax increase.

Mr. Yates stated the fundamental challenge as an organization is that the City is heavily reliant on ad valorem and sales taxes. From 2025 – 2026, there was a reduction in revenue between sales tax and ad valorem taxes, but in 2026-2027, there is the potential for a 5 percent (%) increase for an estimated \$5 million in growth in the two largest revenues. Dedicated rates such as General Obligation bonds and interest rates are separated from the General Fund. Discussion ensued regarding the General Fund balance. The Local Government Commission (LGC) does not have a minimum requirement of fund balance, but Council policy is to keep at least 12% fund balance, however, general statute states no more than 5% of the General Fund can be used for operations. Staff estimate the general fund at the end of FY26 to be at 12.66%. Ad valorem is a steady and stable growth revenue and provides an estimated 1% increase per fiscal year driven by business and personal property, motor vehicle, and public service infrastructure. Sales tax is a volatile revenue that is sensitive to economic changes.

Mr. Yates stated Council goals supported by the recommended additional penny include 52% to safe and secure community, 22% to diverse and strong economy, 18% to desirable place to live work and play, 5% to financially strong City with high-quality services, and 1% to community and business engagement.

Currently, based on estimates of the new parking contract and estimated revenue, the parking fund is not sustainable with just revenue. This is only for the operational side and does not include the debt service. An estimated \$300,000.00 is required for maintenance and security and \$800,000.00 for the contractor. Further discussion on parking will take place at a future budget work session and how much the Council wants the parking fund to be self-sufficient. There is a \$554,000.00 gap between revenue and operating costs. Discussion ensued regarding the parking operation, history, and contract.

General fund sources, uses, and investments were presented. Discussion ensued regarding the Parks and Recreation investment from the General Fund, the agreement with the County for the Parks and Recreation district, requested but not funded items, and the Office of Community Safety (OCS) budget. To fully implement OCS, it would require an additional \$1.8 million.

The investments in Transit will be brought back as its own budget work session topic. The City is the largest funder of the Transit system and is subsidized by the Federal Transit Authority (FTA) and farebox recovery. Mr. Yates stated the current model is not sustainable and requires policy guidance.

MOTION: Council Member Thompson moved to excuse Mayor Colvin
SECOND: Council Member Jones
VOTE: PASSED by a vote of 7 in favor to 2 in opposition (Opposed Council Members Haire and McNair)

Sidewalks are an essential infrastructure and continues to be a priority for the Capital Improvement Plan (CIP). For FY27-32 the City's annual investment in sidewalks is anticipated to average \$2.5 million. Discussion ensued.

Twenty Capital Projects are ready to be closed, totaling \$1,750,901.00 and will be reinvested into the recommended CIPs or used to offset any necessary rate increases for capital. Discussion ensued regarding CIP projects.

Upcoming key dates for the budget is a work session on May 21, 2026, budget public hearing on May 26, 2026, and a final work session on May 28, 2026. Dr. Hewett stated the goal today was to present the budget in its entirety and the recommendation on one-cent increase for operations and two-cent increase for the CIP.

Council Member Thompson recessed at 12:10 p.m. The meeting reconvened at 12:25 p.m.

5.3 Affordable Housing Strategies

Mr. Christopher Cauley, Economic and Community Development Director, presented this item with the aid of a PowerPoint presentation and stated today's discussion is how to turn the Housing Opportunity Bond into clear outcomes and to request Council's input on how the remaining funds should be organized to address immediate project needs, add down payment assistance capacity, while preserving flexibility for larger, more impactful projects.

In December of 2022, the framework included \$9 million in rental development, \$1 million for single-family development, \$1 million for repair/ rehabilitation, and \$1 million in down payment assistance. In March 2023, \$100,000.00 for a land banking opportunity plan was added to the framework by decreasing the rental development to \$8.9 million. Current conditions show elevated development and infrastructure costs, challenging homebuyer affordability due to rates, prices, and available inventory. The down payment assistance demand is strong, requiring additional capacity, and major rental development opportunities are requiring timing, underwriting, and developer readiness. Out of the total \$12 million housing opportunity bond, \$4.38 million has been committed, with \$1.88 million for Central Park Villas, \$2.5 million for Murchison Choice rental, rehab, and infill home ownership, and \$7.62 million is unallocated. Discussion ensued regarding current commitments and capacity.

Current near-term needs include a project for fifteen homes with the local non-profit called Kingdom Community Development Corporation (CDC) that the City invested \$750,000.00 of American Rescue Plan Act (ARPA) funding for infrastructure on a 3.5-acre site. Nine homes will be sold to families at or below 80% Area Median Income (AMI) and six homes will be sold to families up to 120% AMI. An infrastructure funding gap of \$422,125.00 was identified after final construction bids and PWC's review was completed. If the gap is funded by the housing bond, the total support would increase from \$750,000.00 to \$1.2 million and would apply the City's debt to the homebuyers for down payment assistance. Once the project is closed out, the City would be reimbursed through the receipt of certified costs from the developer. Discussion ensued.

Additional funding is needed for the public down payment assistance program. The demand has been strong, and staff is reviewing funds committed, households served, average assistance, and pace of use, while benchmarking peer programs to ensure Fayetteville's program is appropriately sized and targeted. The goal is to support eligible buyers while preserving program longevity. The City will receive new grant funds in July for residents at 80% AMI and below from the home investment partnership, but staff recommends bond funding to assist residents that are between 81% and 120% AMI. Mr. Cauley stated the housing bond proceeds must remain tied to eligible housing-related public benefits and low-to-moderate-income housing objectives. The City employee down payment assistance program is structured as an employee benefit and staff does not recommend funding it with any housing bond proceeds.

Mr. Cauley recommended reserving \$4.25 million of the housing bond proceeds for major affordable rental developments, however, if no viable project is identified within 18 to 24 months, the recommendation would be to reallocate the funds. These projects are typically

privately owned, financed, professional managed, and affordability restricted. The City's role is to assist in financing gaps when a project could not otherwise move forward.

Mr. Cauley explained how each program is structured through forgivable and repayable loans. Staff recommends restructuring the bond framework to include \$4.25 million in major affordable rental development reserves, \$2 million in homeownership production and assistance, which includes development capacity and the Kingdom CDC project, and \$1.37 million for owner-occupied rehabilitation and housing preservation.

Discussion ensued.

Mr. Cauley requested Council direction to confirm the updated housing opportunity bond allocation framework, allocate \$422,125.00 to close the Kingdom CDC/Rosehill infrastructure funding gap, add capacity for the public down payment assistance program, maintain a major affordable rental development reserve, and allow staff to return with required budget amendments, project ordinances, agreements, and project-specific approvals.

MOTION: Council Member Hondros moved to allocate \$422,125.00 to close the Kingdom CDC infrastructure funding gap and table the other items
SECOND: Council Member Greene
VOTE: UNANIMOUS (8-0)

Parking lot items included \$350,000.00 for Langdon Street improvements.

6.0 ADJOURNMENT

There being no further business, the meeting adjourned at 1:14 p.m.

Respectfully submitted,

JENNIFER L. AYRE
City Clerk
051426

MITCH COLVIN
Mayor