



AGENDA

Henderson City Council Budget Work Session #1

Thursday, 23 May 2013, 6:00 p.m.

R. G. (Chick) Young, Jr. Council Chambers, Municipal Building

134 Rose Avenue

Henderson, North Carolina

Mayor and City Council Members

Mayor James D. O'Geary, Presiding

Councilmember James C. Kearney, Sr.

Councilmember Sara M. Coffey

Councilmember Michael C. Inscoe

Councilmember D. Michael Rainey

Councilmember Brenda G. Peace-Jenkins

Councilmember Garry D. Daeke

Councilmember Vernon L. Brown

Councilmember George M. Daye

City Officials

A. Ray Griffin, Jr., City Manager

John H. Zollicoffer, Jr., City Attorney

Esther J. McCrackin, City Clerk

I. CALL TO ORDER

II. ROLL CALL

III. OPENING REMARKS

In order to provide for the highest standards of ethical behavior and Transparency in Governance as well as provide for good and open government, the City Council has approved Core Values regarding Ethical Behavior¹ and Transparency in Governance². The Mayor now inquires as to whether any Council Member knows of any conflict of interest, or appearance of conflict, with respect to matters before the City Council. If any Council Members knows of a conflict of interest, or appearance of conflict, please state so at this time.

¹ **Core Value 4: Ethical Behavior:** We value the public trust and will perform our duties and responsibilities with the highest levels of integrity, honesty, trustworthiness and professionalism.

² **Core Value 10: Transparency in Governance:** We value transparency in the governance and operations of the City.

IV. REVIEW AND DISCUSSION OF:

a) Car Park Items

b) Regional Water and Related Funds: 64, 78, 79 and 46

c) Water and Related Funds: 30, 70 and 43

V. GUIDANCE FOR STAFF

VI. ADJOURNMENT

City Council Minutes

Special Called Meeting

20 May 2013

PRESENT

Mayor James D. O'Geary, Presiding; and Council Members James C. Kearney, Sr., Sara M. Coffey, Michael C. Inscoe, D. Michael Rainey, Brenda Peace-Jenkins, Garry D. Daeke, Vernon L. Brown, and George M. Daye.

ABSENT

None.

STAFF PRESENT

City Manager Ray Griffin, City Attorney John H. Zollicoffer, Jr., City Clerk Esther J. McCrackin, Assistant City Manager Frank Frazier, Finance Director Katherine C. Brafford, Engineering Director, Peter Sokalski, Planning and Community Development Director Erris Dunston, Fire Chief Danny Wilkerson, and Code Compliance Director Corey Williams.

CALL TO ORDER

The 20 May 2013 Regular Meeting of the Henderson City Council was called to order by Mayor James D. O'Geary at 6:00 p.m. in the R. G. "Chick" Young, Jr. Council Chambers, Municipal Building, 134 Rose Avenue, Henderson, NC.

ROLL CALL

The City Clerk called the roll and advised Mayor O'Geary a quorum was present.

NEW BUSINESS

Awarding of Departmental Handgun and Badge to Retiring Police Chief Keith Sidwell
(Reference: CAF 13-61; Resolution 13-43)

City Manager Griffin said in keeping with tradition, the City would like to award Retiring Police Chief his badge and weapon.

There were no questions. Mayor O'Geary then asked for the pleasure of Council.

Council Member Kearney moved the approval of Resolution 13-43, *Awarding of Departmental Handgun and Badge to Retiring Police Chief Keith Sidwell*. Motion seconded by Council Member Inscoe and APPROVED by the following vote: YES: Kearney, Coffey, Inscoe,

Rainey, and Brown. NO: None. ABSTAIN: None. ABSENT: Peace-Jenkins, Daeke and Daye. *(See Resolution Book 3, pp. 187)*

Presentation of Proposed FY 2013-2014 Budget

Mayor O'Geary recognized the City Manager at this time. Mr. Griffin thanked Council for its patience in allowing a little extra time to compile the budget and for attending this special meeting. Mr. Griffin reminded everyone that a budget must be provided to the governing body by June 1 and approved by June 30 of each year. He said just before this meeting he received notice from the League of Municipalities a summary of the Senate State Budget and plans to share a portion of their decisions later in the presentation as they affect the City's budget negatively.

(Clerk's Note: Council Member Daeke arrived at 6:04; Council Member Peace-Jenkins arrived at 6:06 and Council Member Daye arrived at 6:08 p.m.)

He then provided a summary of the budget through a brief PowerPoint presentation. He reminded Council that the budget must be balanced and said in difficult times such as these, as the City tightens the budget, both citizens and staff are affected. Mr. Griffin said the revenue stream is monitored and prioritized. He said the proposed budget, at \$35,751,900, is seriously constrained and adjusted for the inter-fund transfer. The budget is balanced without using dollars from the Fund Balance and with a \$00.083 cent property tax increase, \$00.50 sanitation fee increase, a Regional Water rate increase of 5%, a Water Rate increase of 8% and a Sewer Rate increase of 2.5%.

On the personnel side, there is no cost of living increase; however career development is funded, and one firefighter position is unfrozen. Medical insurance decreased 5% which is a bright spot because of the work of employees and retirees participating in the wellness program. Mr. Griffin suggested a portion of that savings be used as a wellness incentive to continue this trend.

Mr. Griffin reminded everyone that the General Fund is comprised of property tax dollar (39%), sales tax (15%) and sanitation fees (11%). The remainder of this Fund comes from miscellaneous sources. Property taxes and sanitation fees are controlled by Council.

Mr. Griffin shared that Council made a good choice in asking that the Fund Balance not be used because of unexpected issues in the General Fund. He said property taxes are not coming in as planned. There has been a delayed billing to the Hospital for real estate position (\$330,000 approx.) and if they are not paid before June 30, the Fund Balance will have to be utilized to balance the FY 12-13 budget. Mr. Griffin added the Hospital is appealing the personal property taxes.

Council Member Rainey asked what the Hospital is appealing and when the process will conclude. Mr. Griffin responded they are appealing the appraised value of the personal property. He said the County Tax Collector set the value and he expressed concern that the Hospital will also appeal the real estate portion. Mr. Griffin said he did not have a timeframe for the appeal. Mr. Rainey asked if the FY 13-14 budget included the \$330,000 and Mr. Griffin responded yes, it is included.

Mr. Rainey then asked if the budget reflects the loss of privilege license fees. Mr. Griffin said he reduced the privilege license fees by approximately \$78,000; however, since balancing the FY 13-14 budget, two (2) internet cafes are now out of business which reduces the privilege license fees for FY12-13 by about \$129,000 which means additional changes to the FY13-14 budget.

Council Member Coffey asked if the City will receive the real estate tax dollars once the appeal is processed. Mr. Griffin said since the Hospital paid the County real estate tax that he felt the City will receive its portion. He said the Hospital was not billed the City real estate tax due to an error which listed the Hospital as non-profit in 1998.

Council Member Kearney said he understood the impact could be significant once the Hospital situation is determined. Mr. Griffin agreed.

Council Daeke asked if any monies were received in FY 12-13 from the Hospital. Mr. Griffin said FY 13-14 is the first year since the Hospital went public.

Mr. Griffin went on to say he anticipates the Powell Bill dollars will be approximately \$20,000 less than the current year year and cost of operation and the State's new unemployment tax on positions will increase. He said sales taxes are holding steady; however, receipts lag two months so the final figures will not be known until mid-September.

Council Member Rainey asked what the status of uncollected taxes is for past years and asked what can be done to assist in collecting taxes. Mr. Griffin asked Finance Director Brafford to provide the levy information and said he has asked the Tax Collector to start with the oldest first, and discontinue the policy of going alphabetically.

Mayor O'Geary asked if the policy has been changed. Mr. Griffin responded he has requested the Collector start in the oldest years and work forward but to his knowledge this has not been implemented. The practice has been to go down the arrears list alphabetically vs. oldest years first.

Mr. Griffin then directed attention to the Undesignated Fund Balance which the LGC maintains should be no less than 8%. The City is currently at about 13% which is not close to the local goal of 35% and stressed the importance of protecting this account.

Council Member Inscoe asked if the Powell Bill is included in Undesignated Fund Balance. Mr. Griffin responded no.

Mr. Griffin then moved to the General Fund saying the proposed budget is \$15.7M which compares to the Fiscal Year 2009 budget. He said personnel is the largest portion of General Fund, followed by Operations, Debt Service, and then equipment and capital, and contingency. He said needs are not being met for equipment and capital which are services citizens expect to see. Public safety costs are not covered by property taxes.

Mr. Griffin said the increase in the General Fund comes from Joint Programs which increased \$40,300, a pay study, employee incentive for the wellness program and a contracted service for

the administrator that negotiates health insurance. Garage repair increases comes mainly from an aging fleet/vehicles. Asset Forfeiture will be relied on for police vehicle purchase.

Mr. Griffin said the 5% increase in Regional Water is for operations, chemicals costs and capital improvements on the Clearwell and chemical pit. He said the Clearwell roof is falling and in need of repair.

Council Member Inscoe asked about the Water Fund Balance and Mr. Griffin referred Council to Page WF2 under the Water Fund Tab. Mr. Inscoe then asked if the \$2M plus includes the current expenditures for water projects. Mr. Griffin said no.

With the Sewer Fund, Mr. Griffin proposed a 2.5% rate increase which is actually good news because last year it was thought the rate would be in the 9% range. The rate stabilization plan provides for less of an increase than considered during discussions in previous budget years. Mr. Griffin also said the Elmwood interceptor costs are included in the FY13-14 estimates although it is hopeful the City will receive funding for this project. Mr. Griffin also said he expects savings to customers once the new plant is up and running as there should be a reduction in labor, chemicals and utilities.

Council Member Kearney said he did not realize Franklin and Warren Counties are in the sewer business. Assistant City Manager Frazier said both counties own their own sewer plants.

Mr. Griffin then reviewed the major initiatives that are underway.

Mr. Griffin spoke next about health insurance. He said the new lower rates will be reflected starting in July and employees with dependent coverage will see a slight increase in their premiums.

Council Member Daeke asked what the 5.2% decrease provides dollar wise to the City. Mr. Griffin asked Ms. Brafford to follow up with the Human Resources Director for this calculation

He concluded by saying he and the staff look forward to working with Council during this process. He said everyone understands this is not a *pretty* budget and reminded Council that the first Budget Work Session is this Thursday night beginning with Regional Water and Water, along with the related funds.

Mr. Griffin then reviewed the Senate budget as provided by the League of Municipalities. Much of the information is beyond the control of local governments which is not encouraging for coming years.

Mayor O'Geary asked if there were any further questions. There were none. Mayor O'Geary reminded everyone no meals would be provided prior to the Budget Work Sessions.

ADJOURNMENT

Council Member Daeke moved for adjournment. Motion seconded by Council Member Brown, and was unanimously approved. The meeting adjourned 7:00 p.m.

James D. O'Geary
Mayor

ATTEST:

Esther J. McCrackin
City Clerk