



**City Council Minutes**  
**Henderson City Council Budget Work Session #1**  
**12 May 2011**

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**PRESENT**

Mayor James D. O'Geary, Presiding; and Council Members Sara M. Coffey, Michael C. Inscoe, D. Michael Rainey, Brenda G. Peace—Jenkins, Garry D. Daeke, Lonnie Davis, Jr., and George M. Daye.

**ABSENT**

Council Member James C. Kearney, Sr.

**STAFF PRESENT**

City Manager Ray Griffin, Assistant City Manager, Frank Frazier, City Clerk Esther J. McCrackin, Finance Director Sandra Wilkerson, and Accounting Supervisor Judi Woods.

**CALL TO ORDER**

The 12 May 2011 Henderson City Council Budget Work Session #1 was called to order by Mayor James D. O'Geary at 6:03 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.

**OPENING REMARKS**

Mayor O'Geary welcomed everyone and asked City Manager Griffin to direct the process for this meeting.

City Manager Griffin suggested Council direct its thoughts to the broader issue of providing City services ---how these services should be paid for and the stresses in the community they might create. He hoped for a philosophical discussion that would help direct staff and Council in moving forward with the budget review

Mr. Griffin advised Council that next Monday's budget session would center on the police reorganization with Police Chief Sidwell in attendance. Also, Human Resources Director Brown will be in attendance to discuss staffing and other related issues.

City Manager Griffin then directed focus to four main funds: Regional Water, Water, Sewer and General funds. Mr. Griffin pointed out that due to the necessary infrastructure upgrades being developed, increases in Sewer and Water rates were placed in the budget this year so citizens would not receive a major rate spike as the upgrades become reality. However, the suggested rate increase for FY11-12 could be lowered or eliminated, with a corresponding reduction in the Capital Reserves and purchase for resale. He also reviewed the water increase and discussion ensued regarding the suggested increase.

Lastly, Mr. Griffin spoke to the need for a Public Services Director. This position has been vacant for 5-6 years and it is felt that a Director is necessary for such a large department.

He then turned the meeting over to Finance Director Sandra Wilkerson.

Ms. Wilkerson greeted Council members and provided a broad overview of the General Fund revenues. For reference Ms. Wilkerson referred Council to page 26 of the Budget Workbook and began with Property Taxes stating that a \$.01 increase would provide \$85,360 in additional taxes. She stated that the new County Tax Collector has been aggressive in collecting taxes and the current collection rate is approximately 92.79%. Ms. Wilkerson told Council that the only way to increase dollars in the General Fund is through tax base expansion and/or to increase taxes.

Finance Director Wilkerson then addressed the Local Option Sales Tax, stating that this line item has continued to decrease due to the economy. The projected revenue for local sales tax in FY11-12 is \$2,110,000. To increase this portion of the General Fund, retail sales need to increase which would occur with new business, annexation and better economy overall. She then moved on to the Utilities Franchise Tax.

The City shares the Utilities Franchise Tax on various utilities as levied by the State. Due to weather extremes this is difficult to project. City Manager Griffin stated that redevelopment helps and neighborhood projects such as the NSP program would clear space allowing for redevelopment.

Ms. Wilkerson then addressed the Beer/Wine Tax which is income from the State based on the population of individual cities. Revenues are expected to be \$75,000 for FY11-12.

The next major component of the General Fund discussed was Refuse (garbage) collection (page 28 of the Major Revenue Sources in the Workbook). A \$1 increase per month would add an additional \$60,000 to the budget and the City Manager is suggesting a \$2 per month increase. Ms. Wilkerson stated that the current policy of providing a discount for Senior Citizens is illegal. Council Member Coffey asked for verification and Ms. Wilkerson reiterated the fees and increase amounts. Council Members agreed this increase would be a hardship on seniors.

Recreation/Aquatic Center Revenues fall under the General Fund and the City Manager suggests a \$20,000 revenue gain for FY 11-12. It is felt this gain can be achieved through increasing game fees.

Before continuing on, City Manager Griffin asked Ms. Wilkerson to address the Privilege License issue. Mr. Mangum, an internet café owner who addressed Council last month, contacted Mr. Griffin this week for an update on Council's decision. Mr. Griffin advised Mr. Mangum of Council's wish to address this issue during budget sessions.

Finance Director Wilkerson referred Council to page 37 of the Workbook which showed a significant increase from the FY 08-09 budget to the FY10-11. Council Member Coffey asked if this was with one Café closing. Ms. Wilkerson indicated that even with one Internet Café closing, the privilege licenses provide significant income. Council Member Daeke stated the numbers budgeted are current. Mr. Griffin shared the levy is tax based and dictated by State Statutes. Ms. Coffey asked if Bingo falls under the Privilege License. Ms. Wilkerson stated she was unsure and would look into it. She went on to state that due to understaffing, the Fire Department serves as Finance's "eyes and ears" while they are doing their yearly inspections. Council Member Rainey asked if there are licenses past due. Ms. Wilkerson stated she would have to check. Council Member Davis asked what the consequences are for non-payment. Ms. Wilkerson stated she would have to check with City Attorney Zollicoffer as the current Ordinance does not mention consequences.

Council Member Rainey asked to go back to the topic of Refuse and raised a concern regarding the Senior Citizen discount. City Manager Griffin stated it was necessary to discontinue the discount as it is discriminatory --- based on age. Mr. Rainey then asked how many customers would be affected. Ms. Wilkerson stated that would need to be reviewed but she believed approximately 900. Comments were made regarding how unhappy the seniors would be although it was understood this is the law. Council Member Daeke asked about lawsuits and Mr. Griffin stated that would be a City Attorney question. Following discussion Council asked staff to determine how many seniors currently receive a discount and to calculate the revenue with the elimination of the discount and how much it would reduce the \$2 monthly increase. Ms. Wilkerson understood their request and will bring information to the next meeting.

Discussion then returned to minor General Fund Revenues and rather than discuss each line item, Ms. Wilkerson opened the floor for Council to ask questions. Council Member Coffey asked about ABC revenue and was advised this is controlled by the State.

Council Member Rainey asked about tax collections. Ms. Wilkerson attributed the better collection rate to the new tax collector, Portia Brooks at the County office, who is aggressive and has recently obtained new software which will show unpaid personal property on-line which may help increase collection rates.

Council Member Inscoc stated that this year the Council is in a "Catch 22" situation. Next year looks promising with possibilities of additional business revenue, however he stated there is a need to figure out ways to grow the tax base. City Manager Griffin agreed this is a critical issue as it has been constricted over the past decade. New business and investments are a definite need: the hospital, if things progress as expected, will be a blessing to both the County and City, and the new Sheetz will help along with Vescom in expanding the tax base. However the City may not see benefits from these in the FY 11-12. Both Mr. Inscoc and Mr. Griffin are actively involved in the search for an EDC director which hopefully will also help grow the tax base. Ms. Wilkerson stated the tax base has been flat without growth for several years.

Council Member Inscoc then referenced page 69 in the Workbook regarding the Garage and inquire regarding the increase in the Operating line item. Mr. Griffin stated the majority of the difference was guesstimating the fuel costs. Mr. Inscoc requested a copy of each line item under the Garage account and the staff will provide that information.

Mr. Inscoc asked about the Recreation Department (page 77 of the Workbook). Ms. Wilkerson stated that the "Requested" column is everything the Department Head felt is needed/necessary (basically their wish list). Mr. Griffin stated that Department Heads were asked to target their budgets as close as possible to the FY 10-11 budget, but that he had also asked the Department Heads to detail their wants for the benefit of Council and City Management. Mr. Griffin requested Parks and Recreation Director Gill to reduce his "Requested" column which he did in a variety of ways --- reduction of staff, overtime, programs, etc.

*(Clerk's Note: Council Member Rainey left the room at 6:52 p.m. and returned at 6:59 p.m.)*

In response to Council Member Inscoc's question regarding recreation fees listed on page xlii of the Workbook, Finance Director Wilkerson shared it was not felt necessary to break out recreation fees. She stated Parks and Recreation Director, Alan Gill had increased some fees during FY 10-11, and thus this year, plans to increase fees such as use of the ball fields.

Council Member Inscoc then addressed City Parks -- specifically Owen/Chestnut/Montgomery and King. He asked if park costs are a separate line item. Ms. Wilkerson stated repair costs are not broken out into separate parks. He then wondered if having various community groups such as churches help maintain local parks would help reduce the budget. Council Member Coffey also mentioned Crime Stoppers as a possible contributor to such a project. Mr. Inscoc thought

groups might like to commit for a year to cutting grass, swing repair and general clean up. Mayor O'Geary agreed this was a good idea. Council Member Peace-Jenkins will bring this idea to the Ministerial group for consideration. Ms. Coffey stated that currently there is a group from Industry Drive who are cleaning up a cemetery.

*(Clerk's Note: Council Member Daeke left the meeting at 7:00 p.m.)*

Council Member Inscoe asked for input from other Council Members on their feelings regarding the current proposed budget. Following some general discussion, it was determined that if there were no options, out of necessity, Council Members Davis and Peace-Jenkins would be agreeable to the overall budget as it stands. However, Council Members Rainey, Coffey and Inscoe did not feel they could agree.

It was then decided to look at a \$.01 tax increase per \$100 assessed value. Again, Council Members Davis and Peace-Jenkins felt it there was no other choice they could agree. Council Member Rainey felt health insurance needed to be addressed. He recognized the fact that the City is unable to pay the salaries it would like and felt asking staff to contribute to health care was inappropriate. He also felt a wellness program needed to be established. Mr. Rainey stated tax collections needed to be addressed and requested a formula be worked up to find ways to reduce the \$4 increase senior citizens would be absorbing if the \$2.00 increase is passed. Mr. Griffin stated the wellness program is being considered and Human Resources Director Brown would have more information on both the program and the insurance rates on Monday evening.

Council Member Rainey made it known that when the current Council took office they wished to create an atmosphere of appreciation for the employees and feels bad that employees are leaving due to salary issues among other reasons. Mr. Griffin responded that he felt employees understood the constraints yet found it hard to understand how the County could pay one-time yearly bonuses much larger than the City.

Council Member Davis stated he favored keeping the tax rate flat but understood the dilemma. Council Member Daye agreed.

City Manager Griffin thanked Council for their input as it helps frame how the process should proceed.

Council Member Inscoe gave an example saying the penny increase does not sound like much but for businesses such as strip store owners who have no renters, the penny tax could have a huge consequence. He hopes next year will be much better but Council needs to get from "here to there."

*(Clerk's Note: Council Member Daye left the meeting at 7:35 p.m. and returned at 7:37 p.m.)*

Council Member Inscoe stated creative ideas are needed such as the community assistance with parks. City Manager stated the savings might not be as significant as desired as \$.55 on every dollar goes to the County.

Council Member Coffey stated her feelings that the public safety sector (i.e., police, fire and 911) cannot and must not be compromised.

Council Member Rainey asked for a projected guess as to what the City would receive from the State regarding sales tax. Ms. Wilkerson stated around \$2.1M for sales tax. City Manager Griffin stated with growth loss and net value, the City stands at 14% where it was at 17.1% three (3) years ago --- showing that retail development is as important as industrial development. Council Member Coffey stated no jobs create empty storefronts.

Overall, Council Members Coffey, Inscoe and Rainey were opposed to the proposed \$.01 property tax increase; Council Member Davis abstained and Council Members Daye and Peace-Jenkins were agreeable, again if there was no other option(s).

The next issue was the 5% Regional Water Rate increase. Council Member Inscoe stated water is a necessary commodity and shared that 1.1% of the increase is operational which he felt was something that was necessary to keep the plant running to provide water to Henderson, Oxford and Warren County. The other 3.9% would go towards the reserve fund for expansion. Mr. Griffin explained that for each 1% decrease, \$38,000 comes out of reserves. Council Member Coffey felt 1% reduction would be a good idea. Staff was requested to run a revised rate schedule for presentation on Monday evening. This was the consensus of all Council Members present (Coffey, Inscoe, Rainey, Peace-Jenkins, Davis and Daye).

A short discussion was held on the City of Henderson's Water Rate increase of 3% and the general consensus of Council was to ask staff to bring back information showing changes after calculating the 1% reduction in the Regional Water increase.

It was also the consensus of Council Members to have staff present a revised rate schedule for a 1% reduction in the City Sewer Rate. Discussion to reach this decision included whether to begin building a cash flow reserve now or wait until there would be less of a burden on citizens. Assistant City Manager reminded Council that the City is facing necessary rehabilitation projects along with the plant upgrades.

*(Clerk's Note: Council Member Peace-Jenkins left the meeting at 8:00 p.m.)*

At this point there seemed to be no further questions so City Manager Griffin thanked Council for their helpful guidance. He asked that they continue to study the proposed budget and stated they should feel free to call with any questions.

The next meeting will be Monday, May 16 with dinner at 5:30 p.m. in the Large Conference Room with the meeting promptly at 6:00 p.m. in Council Chambers. Police Chief Sidwell and Human Resources Director Brown will be present.

With no other comments, Mayor O'Geary asked for the pleasure of Council.

### **ADJOURNMENT**

Council Member Rainey moved for adjournment. Motion seconded by Council Member Davis and unanimously approved. The meeting adjourned at 8:05 p.m.

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James D. O'Geary  
Mayor

***ATTEST:***

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Esther J. McCrackin  
City Clerk