



City Council Minutes
Henderson City Council Budget Work Session #2
16 May 2011

PRESENT

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

ABSENT

None.

STAFF PRESENT

City Manager Ray Griffin, Assistant City Manager, Frank Frazier, City Clerk Esther J. McCrackin, Finance Director Sandra Wilkerson, Accounting Supervisor Judi Woods, Police Chief Keith Sidwell, Captain Perry L. Twisdale, Captain Marcus W. Barrow and Lieutenant David A. Diogo, Lieutenant Christopher Ball, and Human Resources Director Cathy Brown.

CALL TO ORDER

The 16 May 2011 Henderson City Council Budget Work Session #2 was called to order by Mayor James D. O'Geary at 6:09 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. Then he asked City Manager Griffin to begin the meeting.

City Manager Ray Griffin informed Council that the minutes of the 12 May Budget Session had been distributed for its consideration. Approval of the minutes will occur during the Short Regular Session on 23 May 2011. Also Council found the following update on the Car Park Items from the 12 May Budget Session.

**Budget Work Session 1
Notes and Car Park Items
Thursday, 12 May 2011**

1. Do bingo parlors need a privilege license? Why or why not? Why haven't we collected on all privilege licenses? What is status of same?
 - a. Privilege license – Bingo Parlors do have privilege license. They operate under a miscellaneous business license of \$50.00 annually.
 - b. There is currently \$19,000 outstanding for the past 3 years of license. We send out notices each year and a second notice if not paid. We also have the Fire Department to check for current licenses when they do a fire inspection. We also attempt to make phone calls to businesses.

Some of the outstanding \$19,000 is on the books for businesses that have gone out of business and have not notified our office. In July or August, I plan to submit lists to the water office to verify if they still have water. Some of these businesses do not have an office in the City of Henderson, so if they have a job in Henderson one year but don't have another job for 2 years they don't buy the license.

I have sent an email to John Zollicoffer asking his advice on the City Code regarding injunctions as it pertains to license. I will let you know his response.

2. What is status of \$2 senior discount on the sanitation fee? How much will the City gain in revenue by eliminating the discount and how much would it reduce the \$2 monthly increase?
 - a. Adjusted fee based on incorporating the increase income resultant from elimination of discount is provided in following chart.

1. Sanitation Fee Changes	
\$ 765	active accounts receiving senior discount
\$ 2	x \$2 per month
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\$ 1,530	Monthly Impact
\$ 18,360	Annual Impact
\$ 120,000	Amount \$2 increase yields in one year
\$ (18,360)	less revenues generated by eliminating the senior discount
<hr/>	
\$ 101,640	
\$ 101,640	
\$ 1.694	divided by \$60,000 (amount generated by \$1 increase)
\$ 1.70	rounded
By eliminating the sanitation fee discount for senior citizens, the \$2 per month fee increase could be reduced to \$1.70 per month.	
13 May 11	

3. Mr. Incoe would like to have a copy of the garage line item budget.
 - a. Copy emailed on Friday, 13 May.

4. What is the status of the Recreation Commission authorizing sale of ads on ball field fencing?
 - a. See Attachment A.

5. **Regional Water Rate:** What would a 1% reduction save and what would be corresponding expenditure reduction?

2. Regional Water Rate Reduction	
\$ 38,000	value of 1% rate increase
\$ 190,000	Revenue value of a 5% increase
\$ (38,000)	Reduce rate increase from 5% to 4% (net reduction in revenue)
<u>\$ 152,000</u>	Revenue value by reduction of rate increase to 4%
\$ 190,000	Amount requested from 5% rate increase
\$ 41,800	1.1% rate increase for operatoins
\$ 148,200	3.9% rate increase for capital reserve 20 MGD
\$ (38,000)	less 1% for rate reduction
<u>\$ 110,200</u>	2.9% rate increase for capital reserve
\$ 41,800	1.1% rate increase for operatoins
\$ 110,200	2.9% rate increase for capital reserve
<u>\$ 152,000</u>	Revenue value of a 4% rate increase
\$ 539,480	Recommended Amount for Capital Reserve 20 MGD
\$ (38,000)	Reduction due to 1% rate decrease
<u>\$ 501,480</u>	Adjusted budget amount for capital reserve 20 MGD
13 May 11	

6. **City Water Rate:** What would the 1% reduction in Regional Water Rate save the City in the cost of purchase for resale and how much would this reduce the proposed water rate increase? What is the impact on the consumer using 800cf water?

2. City Water Rate Reduction	
\$ 25,200	value of 1% rate increase
\$ 75,600	Revenue value of a 3% increase
\$ (25,200)	Reduce rate increase from 3% to 2% (net reduction in revenue)
<u>\$ 50,400</u>	Revenue value by reduction of rate increase to 2%
\$ 75,600	Amount requested from 3% rate increase
\$ 73,800	for purchase for resale
\$ 1,800	for capital reserve
<u>\$ 75,600</u>	
\$ 2,580,000	Recommended Amount for Purchase for Resale
\$ (25,200)	Reduction due to 1% rate decrease
<u>\$ 2,554,800</u>	Adjusted budget amount for Purchase for Resale
13 May 11	

Water Rate Increase Impacts on Customers						
Customer	Volume	Current Bill per Month	New Bill per Month	Annual Increase based on 3% Rate	Annual Increase based on 2% Rate	Annual Amount of Decreased Cost Based Reducing Increase from 3% to 2%
Small Residential—Inside	300 cf	\$9.49	\$9.77	\$3.36	\$2.28	\$ (1.08)
Large Residential—Inside	800 cf	\$17.20	\$17.72	\$6.24	\$4.08	\$ (2.16)
Small Commercial—Inside	5,300 cf	\$107.06	\$110.27	\$38.54	\$25.70	\$ (12.84)
Large Commercial—Inside	286,000 cf	\$3,024.20	\$3,130.00	\$1,151.16	\$567.96	\$ (583.20)
Small Residential—Outside	300 cf	\$23.74	\$24.45	\$8.52	\$5.64	\$ (2.88)
Large Residential—Outside	800 cf	\$42.96	\$44.25	\$15.48	\$10.32	\$ (5.16)
Small Commercial—Outside	1,700 cf	\$91.29	\$94.03	\$32.88	\$21.96	\$ (10.92)
Large Commercial—Outside	69,800 cf	\$2,876.59	\$2,961.86	\$1,023.24	\$684.12	\$ (339.12)

Source: Assistant City Manager, 5 May 2011

7. **City Sewer Rate:** What would a 1% reduction save and what would be the corresponding expenditure reduction? What is the impact on the consumer using 800cf water used to calculate sewer bill?

3. City Sewer Rate Reduction	
\$ 37,600	value of 1% rate increase
\$ 188,000	Revenue value of a 5% increase
\$ (37,600)	Reduce rate increase from 5% to 4% (net reduction in revenue)
\$ 150,400	Revenue value by reduction of rate increase to 4%
\$ 188,000	Amount requested from 5% rate increase
\$ 1,758	Capital Outlay--Small Equipment
\$ 186,242	For Capital Reserve--Major Plant Modification Project
\$ 188,000	Total
\$ 186,242	For Capital Reserve--Major Plant Modification Project
\$ (37,600)	Reduction due to 1% rate decrease
\$ 148,642	Adjusted budget amount for Capital Reserve-Major Plant Project
13 May 11	

Sewer Rate Increase Impacts on Customers						
Customer	Volume	Current Bill per Month	New Bill per Month	Annual Increase based on 5% Rate	Annual Increase Based on 4% Rate	Annual Amount of Decreased Cost from 5% to 4%
Small Residential—Inside	300 cf	\$24.57	\$25.80	\$14.76	\$11.76	\$ (3.00)
Large Residential—Inside	800 cf	\$45.72	\$47.99	\$27.24	\$21.96	\$ (5.28)
Small Commercial—Inside	5,300 cf	\$236.07	\$247.79	\$140.64	\$112.78	\$ (27.86)
Large Commercial—Inside	286,000 cf	\$8,797.68	\$9,233.27	\$5,227.08	\$4,184.16	\$ (1,042.92)
Small Residential—Outside	300 cf	\$61.43	\$64.50	\$36.60	\$29.28	\$ (7.32)
Large Residential—Outside	800 cf	\$114.33	\$120.05	\$68.64	\$54.84	\$ (13.80)
Small Commercial—Outside	1,700 cf	\$209.55	\$220.04	\$125.88	\$100.56	\$ (25.32)
Large Commercial—Outside	69,800 cf	\$5,638.47	\$5,920.19	\$3,380.64	\$2,671.08	\$ (709.56)

Source: Assistant City Manager, 16 May 2011



*Henderson - Vance County
Recreation & Parks Department*

P.O. Box 1556

307 Carey Chapel Rd.

Henderson, NC 27536

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Alan Gill, Recreation & Parks Director



To: Ray Griffin, City Manager

From: Alan Gill, Recreation/Parks Director

Date: May 16, 2011

Subject: Recreation Commission's Status on Ballfield Fence Advertising Signage

The Recreation/Parks Commission has reviewed on several occasions the idea of selling advertising signage on the outfield fences on the ballfields at Aycock Recreation Complex. Their stated concerns and objections to selling advertising signage on the fence is as follows:

1. They have surveyed other Recreation/Parks Departments and only found a couple of departments that sell advertising signs on their ballfield fences. Of these, some are directly handled by the Recreation Commission. Most indicated the funds generated are being designated for specific projects or improvement of facilities.
2. How to overcome the fact that the original private donors to the complex donated as much as \$30,000 and they have their name on the sponsor's plaque in 1" to 1.5" letters at the corner of the parking lot, while a sign sponsor will pay much less and will get a more prominent and much more visible location for their sign (most likely either a 4' circle, a 4' x 4' square, or a 4' x 8' sign).
3. They think that with the local economy as it is, that the signs will not sell for the previously discussed amounts of \$500 up to \$1,000 per year, perhaps selling for only \$200 per year. With the Department's new program proposal to run a Fall

Baseball/Softball league at the Complex not funded again, they do not think that the signs will not sell for more \$200-\$300 due to our current baseball/softball program only running from late March to early July.

4. They are concerned that the Department will have to take out of the current operating budget the cost of having the signs made and installed while the revenue from the signs will be put back into the general fund. They would prefer that any funds generated be put back in the Complex to fund improvements.
5. There are questions of policy that would need to be addressed first (what size and type of sign, what would be acceptable advertising, how to disallow inappropriate proposed signage, who will install and maintain the signs, who will take them down at the end of the season and where will they be stored during the off season, etc.)
6. They are concerned that with the current difficulty in obtaining team sponsors that if signs are priced below the team sponsorship level that we will lose team sponsors to become sign sponsors.
7. They are concerned that the staff, already stretched to provide the number of youth athletic teams and programs that the department offers, will not be able to provide sufficient time to solicit and sell sign advertising to make that worthwhile.
8. They are concerned that every year there will be increasing pressure on the Department and staff to sell more advertising signs and at higher costs than what is possible.
9. They are concerned about over commercialization of the complex, given the fact that it is a public use facility funded in part by grant and public funds, and that this type of signage is not widely used by other Recreation/Parks Departments across the state.
10. The Recreation Commission feels like they should also get the input/possible approval from the Vance County School System for this since the property for the Complex is used under a lease agreement between the School System and the Recreation/Parks Commission.

I think this covers the concerns addressed previously by the Recreation/Parks Commission. I will forward a copy of this to the Commissioners and will forward any additional concerns that may be expressed.

Mr. Griffin then asked Finance Director Sandra Wilkerson and Assistant City Manager Frank Frazier to briefly review these items.

**Car Park Item Summaries:**

Finance Director Wilkerson stated Bingo parlors do need privilege licenses and their cost is \$50 annually. There is a set procedure followed yearly and Ms. Wilkerson stated that approximately \$19,000 is outstanding. However, most of those dollars are uncollectable. City Attorney Zollicoffer stated that injunctions can be served but explained to Ms. Wilkerson that the reason this is not feasible is because of the high attorney costs.

Council Member Kearney asked when the notices are sent. Ms. Wilkerson stated May with 30 days to pay. Council Member Coffey stated that these licenses need to be paid. Finance Director Wilkerson stated there is a debt set off program which was recently expanded to include privilege licenses which will allow for some collection.

Finance Director Wilkerson then turned the discussion to the senior discount on sanitation fees. Although she had yet to hear from City Attorney Zollicoffer regarding citations and financial implications, she did compile a chart showing that eliminating the sanitation fee discount for senior citizens, the \$2 per month fee increase could be reduced to \$1.70 per month.

City Manager Griffin summarized the memo from Parks and Recreation Director Alan Gill regarding sale of ads on ball field fencing. Mr. Griffin stated the Recreation/Parks Commission have many concerns regarding advertisement on fencing and Mr. Gill would be happy to answer any questions Council might have at a future meeting. No requests were made.

Assistant City Manager Frank Frazier reviewed the Regional Water Rate and the City Water Rate. Mr. Frazier explained the chart stating that each 1% rate increase represented \$38,000 and a reduction of 1% from the recommended \$539,480 for Capital Reserve 20 MGD would result in \$501,480 for the Capital Reserve 20MGD.

With no questions regarding the Regional Water, Mr. Frazier explained the 1% decrease in City Water would result in an adjusted amount for Purchase for Resale of \$2,554,800. That amount is \$25,200 less than recommended.

Council Member Kearney asked if decisions would be made during this meeting or addressed later. Council Members shared decisions would be addressed later.

City Manager Griffin shared that both the Water Rate Increase Impact chart and the Sewer Rate Increase Chart list *Large Commercial Customers*. As of this date, this category has zero customers.

Lastly Assistant Manager Frazier addressed the City Sewer rate reduction. Mr. Frazier stated a 1% reduction from the recommended \$186,242 for Capital Reserve – Major Plant Modification Program would result in an adjusted budget amount of \$148,642.

Council Member Kearney asked about customers not connected to the system and not paying the minimum rate. City Manager Griffin stated this would be reviewed during a work session in June or July.

Before moving on to new items, City Manager Griffin reminded Council to feel free to call with any questions they may have during the budget process.

City Manager Griffin then moved the discussion to the Police Department. He stated Council Members had received calls – both pro and con - regarding the proposed changes in the police force. He then introduced Police Chief Keith Sidwell who showed a PowerPoint presentation regarding his proposed departmental changes. Chief Sidwell has been unable to fill the 3 COPS Hiring positions, 2 Asset Forfeiture positions and 5 budgeted regular positions and over the past three (3) years has lost 22 officers to other agencies. The 5 grant positions would need to be funded in the future by the City as agreements require, leaving the City with 10 funded unfilled positions.

Chief Sidwell stated in an effort to stem the tide of good officers leaving the force, he and his team have put together a proposal to increase salaries and hopefully retain the officer he currently has on the force. To summarize, this proposal freezes the 10 unfilled positions for the time being and allowing those unused funds to bring the police pay scale in line with other neighboring communities.

Both Council Member Daye and Daeke asked how Chief Sidwell felt when a well-trained officer resigned. Chief Sidwell responded it hurt. Council Member Kearney asked if the comparisons with other cities were on the same level. Chief Sidwell responded as much as possible. Chief Sidwell also stated he would prefer to hire locally. However, he has had to hire officers from throughout the State. The Chief said he would feel “good” when he could tell other jurisdictions they would no longer be pulling from his well-trained officers.

Council Member Coffey applauded the force stating citizens do not always see the work being done. Council Member Daeke stated he appreciated the work of the entire force. Council Member Inscoe asked for a vote as to whether Council supported this plan.

Mayor O’Geary called for a vote on whether Council supported this plan and it was the overall consensus of Council to support this plan. Council Member Peace-Jenkins felt the force had developed a brilliant plan. Council Member Davis appreciated how quickly the force arrived for a particular incident in his neighborhood.

There was no discussion and Officer Barrow distributed copies of the PowerPoint presentation to Council Members.

City Manager Griffin thanked Chief Sidwell and all the officers for such a well thought out plan. He then asked Human Resources Director Cathy Brown to address Council on Turnover, Compensation and Health Insurance.

Human Resources Director Brown shared information on these three points via PowerPoint via a handout. Ms. Brown began by defining Turnover and shared that so far in FY 10-11, the City of Henderson has lost 42 staff. Ms. Brown stated the four largest departments with turnover are Police, Public Utilities Henderson Water Reclamation Facility and Kerr Lake Regional Water.

*(Clerk's Note: Council Member Peace-Jenkins left the meeting at 7:03 p.m. and returned at 7:05 p.m.)*

Council Member Kearney asked if the chart showing Turnover thru 5/12/2011 was actual staff. Ms. Responded yes.

Director Brown shared significant turnover leads to decreased productivity, fewer tenured employees, morale and significant costs with advertising the position, interviews, background checks, etc. She went on to share that recently a 20 year employee left the City for a position offering more dollars. With frozen positions, loss of staff often means limited resources and many departments are at a critical point. Ms. Brown listed all the unfunded positions for FY10-11 and then shared an actual situation with a position at the Henderson Reclamation Facility where a three mechanics have been hired for the same position within 2 years --- all leaving for higher pay.

*(Clerk's Note: Council Member Rainey left the meeting at 7:08 p.m. and returned at 7:11 p.m.)*

Council Member Rainey if Ms. Brown knew how much higher pay. Ms. Brown responded that it is often difficult to determine as confirmation information is often unavailable. City Manager Griffin stated a League study shows other cities paying \$4,000 more than the City of Henderson and Ms. Brown stated a particular position that Henderson pays \$24,418 entry level as compared to Oxford paying \$29,266 and Roxboro paying \$31,550 --- both of which are smaller towns than Henderson.

*(Clerk's Note: Council Member Daeke left the meeting at 7:26 p.m. and returned at 7:29 p.m.)*

Council Member Rainey asked if these entry level positions were comparable. Ms. Brown responded yes. City Manager Griffin stated this imbalance often results from the lack of pay plan management. He said a pay study had not been completed for the City of Henderson since 1993 He went on to give an example of how important the study is to keep up with positions such as key punch operators who morphed into data processing technicians and now are called information technology staff as their skill-set has developed and contributed to the workplace.

Human Resource Director Brown stated many positions require high skilled staff due to State and Federal regulations (i.e., the Reclamation and Regional Water Plant).

At this point City Manager Griffin clarified that Council is not allocating extra dollars for the Police Force Pay Plan and that this issue needs a developed plan which could be phased in over years. Council Member Kearney asked if dollars not spent by departments could contribute to the salary issue in other areas of the City. Mr. Griffin responded any dollars available at the end of the fiscal year are returned to the General Fund.

Council Member Kearney then asked who does the exit interviews and if there is follow-up. Ms. Brown stated Human Resources and that normally department heads are not included and that if other issues are involved other than higher pay, follow up does occur. Council Member Coffey asked how many individuals have just quit. Ms. Brown recalled one instance in the past year.

Ms. Brown summarized this portion of the presentation by stating she understood the constraints Council is working under and asked Council to do anything they could to recognize the staff as they are hard-working, caring individuals. She went on to share some statistics from the Bureau of Labor which showed an individual would need to earn \$20,892.05 a year to have the same buying power as they had in 2008. She also showed Council a Health and Human Services Poverty Guideline chart which indicates three pay grades within the City are paying below poverty level.

Council Member Kearney asked staff to provide pay grade classifications for the Sanitation workers.

Lastly, Ms. Brown stated that she is still working with our representative for health insurance to reduce the proposed increase. Some of the options are a buy-up plan, co-share costs and a wellness program. The representative for the City has looked into other health care providers and has not received a decrease in plan costs. However, he is still researching and Ms. Brown is hopeful to receive an update within the next few days and will bring it before Council as soon as possible.

Council Member Rainey asked about guidelines for the wellness program. Ms. Brown stated although still being reviewed there would probably be different levels of participation which would provide for long term benefits to the City and she stated an increase in the deductible is being considered. Mr. Rainey asked how employees would be able to participate in the buy-up when they are being paid below poverty level. Mr. Rainey commented that it was good that employees are not leaving due to problems with co-workers, staff and that overall there seemed to be a positive attitude with staff. Ms. Brown said that most turnovers are due to pay.

Ms. Brown summarized her presentation by stating turnover is at a critical level, frozen positions negatively impact the City's ability to perform at a high standard, salaries need to be brought in line and health care has skyrocketed.

With no further questions, Mr. Griffin thanked Council for their attention. A brief discussion followed and it was the consensus of Council to meet on Tuesday 17 May to continue discussions on water, sewer and sanitation rate increases.

Council Member Inscoe asked whether the funds anticipated with the refinancing of current bonds would affect this fiscal year or next. Finance Director Wilkerson stated the anticipated completion would be after July. Council Member Daeke asked for an estimated on the anticipated rate.

Car Park Items:

1. Council Member Daeke asked for rate information on the refinancing of the bonds.
2. Council Member Kearney asked for grade classifications for the Sanitation workers.

### **ADJOURNMENT**

Council Member Daye moved for adjournment. Motion seconded by Council Member Davis and unanimously approved. The meeting adjourned at 7:55 p.m.

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James D. O'Geary  
Mayor

*ATTEST:*

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Esther J. McCrackin  
City Clerk