



**City Council Minutes**  
**Henderson City Council Budget Work Session #3**  
**17 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**

James C. Kearney, Sr.

**STAFF PRESENT**

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

**CALL TO ORDER**

The 17 May 2011 Henderson City Council Budget Work Session #3 was called to order by Mayor James D. O'Geary at 6:08 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 the Council Members to the 3<sup>rd</sup> Budget Work Session and asked City Manager Ray Griffin to begin the discussion.

City Manager Griffin stated a draft copy of the minutes from the 16 May Budget Work Session was at their place, along with responses to the Car Park Items from the 16 May meeting (see below). (*Clerk's Note: Council Members Daeke and Davis arrived at 6:10 p.m.*)

**Budget Work Session 3**  
**Notes and Car Park Items from Budget Work Session 3**  
**Tuesday 17 May 2011**

1. **Senior Citizen Sanitation Discount:** While most of what Council asked for was provided at the BWS 2, additional information was being researched. I have now spoken with the City Attorney and he advises that localities are prohibited by Statute from providing a discount for services provided such as sanitation, water, etc. Council may construct a rate plan based on service provided. Since all households receive the same type of service, there is no basis for discount.

With that said, NCGS 160A-497 does allow a locality to create an program, via an Ordinance, that would provide for a discount for senior citizens aged 60 or older. Everyone would pay the basic monthly fee. Council could use other general funds (non-sanitation) to reimburse for granting the discount. In other words, an individual qualifying for this discount would receive a bill something similar to the following:

|                |                         |
|----------------|-------------------------|
| \$25.00        | Sanitation Fee          |
| <u>\$ 2.00</u> | Senior Citizen Discount |
| \$23.00        | Net Payment             |

The downside to this is Council would have to find other general fund money to "reimburse" for the sanitation discount. Thus, there appears to be a negative impact on the General Fund.

2. **Bond Interest:** Councilman Daeke asked Finance Director Wilkerson for her best guess and timeline for savings from the proposed refunding of the 2001 bonds. Mrs. Wilkerson will provide a verbal response during the meeting.
3. **Gasoline Increase:** Subsequent to the BWS, and as Councilmember Inscoe and I were walking down the corridor, he inquired as to how much money could be saved if the budgeted price for gasoline is reduced by 20 cents. We have reviewed this matter and the responses, by fund, are provided in *Attachment A*.
4. **Police Information:** Councilmember Kearney has asked Human Resources Director Brown for police demographic information. A copy of her report is provided to you in *Attachment B*.

| Price of Gasoline<br>FY12 Budget Estimates by Type by Fund                   |                   |                                  |                      |                      |                      |                      |                      |
|--|-------------------|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  |                   | Reduction in Budget Estimate by: |                      |                      |                      |                      |                      |
| Budgeted: UL<br>= \$4.60 / gal<br>& D = \$4.50 /<br>gal                      |                   | 1 ¢                              | 10 ¢                 | 20 ¢                 | 30 ¢                 | 50 ¢                 |                      |
| Finance Dept: 17 May 11  |                   | unleaded<br>diesesl              | @ \$4.59<br>@ \$4.49 | @ \$4.50<br>@ \$4.40 | @ \$4.40<br>@ \$4.30 | @ \$4.30<br>@ \$4.20 | @ \$4.09<br>@ \$4.00 |
| <b>Unleaded</b>  |                   |                                  |                      |                      |                      |                      |                      |
| General  | \$ 346,329        | \$ 752                           | \$ 7,520             | \$ 15,040            | \$ 22,560            | \$ 37,600            |                      |
| General--Sanitation  | \$ 8,050          | \$ 17                            | \$ 170               | \$ 340               | \$ 510               | \$ 850               |                      |
| Regional   | \$ 13,800         | \$ 30                            | \$ 300               | \$ 600               | \$ 900               | \$ 1,500             |                      |
| Water  | \$ 53,130         | \$ 115                           | \$ 1,150             | \$ 2,300             | \$ 3,450             | \$ 5,750             |                      |
| Sewer  | \$ 51,060         | \$ 111                           | \$ 1,110             | \$ 2,220             | \$ 3,330             | \$ 5,550             |                      |
| <b>Diesel</b>  |                   |                                  |                      |                      |                      |                      |                      |
| General  | \$ 54,900         | \$ 122                           | \$ 1,220             | \$ 2,440             | \$ 3,660             | \$ 6,100             |                      |
| General--Sanitation  | \$ 53,100         | \$ 118                           | \$ 1,180             | \$ 2,360             | \$ 3,540             | \$ 5,900             |                      |
| Regional   | \$ -              | \$ -                             | \$ -                 | \$ -                 | \$ -                 | \$ -                 |                      |
| Water  | \$ 14,490         | \$ 32                            | \$ 320               | \$ 640               | \$ 960               | \$ 1,600             |                      |
| Sewer  | \$ 15,525         | \$ 34                            | \$ 340               | \$ 680               | \$ 1,020             | \$ 1,700             |                      |
| <b>Totals</b>  |                   |                                  |                      |                      |                      |                      |                      |
| General  | \$ 401,229        | \$ 874                           | \$ 8,740             | \$ 17,480            | \$ 26,220            | \$ 43,700            |                      |
| General--Sanitation  | \$ 61,150         | \$ 135                           | \$ 1,350             | \$ 2,700             | \$ 4,050             | \$ 6,750             |                      |
| Regional   | \$ 13,800         | \$ 30                            | \$ 300               | \$ 600               | \$ 900               | \$ 1,500             |                      |
| Water  | \$ 67,620         | \$ 147                           | \$ 1,470             | \$ 2,940             | \$ 4,410             | \$ 7,350             |                      |
| Sewer  | \$ 66,585         | \$ 145                           | \$ 1,450             | \$ 2,900             | \$ 4,350             | \$ 7,250             |                      |
| <b>Total</b>   | <b>\$ 610,384</b> | <b>\$ 1,331</b>                  | <b>\$ 13,310</b>     | <b>\$ 26,620</b>     | <b>\$ 39,930</b>     | <b>\$ 66,550</b>     |                      |
| <b>Application of Potential Savings by Reducing Gasoline/Diesel Estimate</b> |                   |                                  |                      |                      |                      |                      |                      |
| <b>Percent One Penny Tax Reduction</b>                                       |                   | 1.0                              | 10.2                 | 20.5                 | 30.7                 | 51.2                 |                      |
| Amount of Savings  | \$ 874            | \$ 8,740                         | \$ 17,480            | \$ 26,220            | \$ 43,700            |                      |                      |
| <b>Percent \$1 Sanitation Fee Decrease</b>                                   |                   | 0.2                              | 2.3                  | 4.5                  | 6.8                  | 11.3                 |                      |
| Amount of Savings  | \$ 135            | \$ 1,350                         | \$ 2,700             | \$ 4,050             | \$ 6,750             |                      |                      |
| <b>Percent 1% Regional Rate Decrease</b>                                     |                   | 0.1                              | 0.8                  | 1.6                  | 2.4                  | 3.9                  |                      |
| Amount of Savings  | \$ 30             | \$ 300                           | \$ 600               | \$ 900               | \$ 1,500             |                      |                      |
| <b>Percent 1% Water Rate Decrease</b>  |                   | 0.6                              | 5.8                  | 11.7                 | 17.5                 | 29.2                 |                      |
| Amount of Savings  | \$ 147            | \$ 1,470                         | \$ 2,940             | \$ 4,410             | \$ 7,350             |                      |                      |
| <b>Percent 1% Sewer Rate Decrease</b>  |                   | 0.4                              | 3.9                  | 7.7                  | 11.6                 | 19.3                 |                      |
| Amount of Savings  | \$ 145            | \$ 1,450                         | \$ 2,900             | \$ 4,350             | \$ 7,250             |                      |                      |

| FY11 Gas Trend | Price per Gallon |        |
|----------------|------------------|--------|
|                | Unleaded         | Diesel |
| Jul 09         | \$1.64           | \$1.65 |
| July 10        | \$2.03           | \$2.26 |
| Sep 10         | \$2.05           | \$2.38 |
| Nov 10         | \$2.20           | \$2.39 |
| Jan 11         | \$2.32           | \$2.56 |
| Mar 11         | \$2.78           | \$3.04 |
| Apr 11         | \$3.16           | \$3.33 |
| May 11         | \$3.27           | \$3.46 |

Public Services Dept: 17 May 11

| Gender | Ethnicity | Job Title         | Department  | Date of Hire |
|--------|-----------|-------------------|-------------|--------------|
| M      | W         | P O Captain       | Police Dept | 8/2/1990     |
| M      | W         | P O Captain       | Police Dept | 8/17/1998    |
| M      | W         | Police Chief      | Police Dept | 1/10/2007    |
| F      | W         | Police Lieutenant | Police Dept | 7/21/1995    |
| M      | B         | Police Lieutenant | Police Dept | 3/23/1992    |
| M      | H         | Police Lieutenant | Police Dept | 1/26/2007    |
| M      | W         | Police Lieutenant | Police Dept | 2/8/1979     |
| M      | W         | Police Lieutenant | Police Dept | 3/3/1986     |
| M      | W         | Police Lieutenant | Police Dept | 1/23/1989    |
| M      | W         | Police Lieutenant | Police Dept | 5/15/1995    |
| M      | W         | Police Lieutenant | Police Dept | 1/13/2005    |
| M      | B         | Police Officer I  | Police Dept | 1/8/2009     |
| M      | B         | Police Officer I  | Police Dept | 1/20/2009    |
| M      | B         | Police Officer I  | Police Dept | 1/5/2010     |
| M      | B         | Police Officer I  | Police Dept | 7/22/2010    |
| F      | W         | Police Officer I  | Police Dept | 6/24/2010    |
| F      | W         | Police Officer I  | Police Dept | 8/12/2010    |
| F      | W         | Police Officer I  | Police Dept | 9/23/2010    |
| M      | W         | Police Officer I  | Police Dept | 11/15/2007   |
| M      | W         | Police Officer I  | Police Dept | 12/15/2008   |
| M      | W         | Police Officer I  | Police Dept | 6/15/2009    |
| M      | W         | Police Officer I  | Police Dept | 8/13/2009    |
| M      | W         | Police Officer I  | Police Dept | 12/28/2009   |
| M      | W         | Police Officer I  | Police Dept | 1/5/2010     |
| M      | W         | Police Officer I  | Police Dept | 3/18/2010    |
| M      | W         | Police Officer I  | Police Dept | 6/24/2010    |
| M      | W         | Police Officer I  | Police Dept | 10/25/2010   |
| M      | W         | Police Officer I  | Police Dept | 2/10/2011    |
| M      | W         | Police Officer I  | Police Dept | 2/10/2011    |
| F      | W         | Police Officer II | Police Dept | 8/16/2004    |
| M      | W         | Police Officer II | Police Dept | 8/14/2006    |
| M      | W         | Police Officer II | Police Dept | 11/29/2007   |
| M      | W         | Police Officer II | Police Dept | 4/14/2008    |
| M      | W         | Police Officer II | Police Dept | 5/28/2008    |
| M      | W         | Police Officer II | Police Dept | 7/28/2008    |
| M      | W         | Police Officer II | Police Dept | 8/1/2008     |
| M      | W         | Police Officer II | Police Dept | 5/5/2009     |
| M      | B         | Police Sergeant   | Police Dept | 3/23/1992    |
| M      | B         | Police Sergeant   | Police Dept | 1/6/1997     |
| M      | B         | Police Sergeant   | Police Dept | 12/18/2003   |
| M      | W         | Police Sergeant   | Police Dept | 1/23/1989    |
| M      | W         | Police Sergeant   | Police Dept | 1/23/1989    |
| M      | W         | Police Sergeant   | Police Dept | 1/3/2002     |
| M      | W         | Police Sergeant   | Police Dept | 1/23/2006    |
| M      | W         | Police Sergeant   | Police Dept | 8/2/2007     |
| M      | W         | Police Sergeant   | Police Dept | 1/10/2009    |
| F      | W         | Sr Police Officer | Police Dept | 10/31/1994   |
| M      | B         | Sr Police Officer | Police Dept | 5/4/2006     |
| M      | B         | Sr Police Officer | Police Dept | 6/1/2006     |
| M      | B         | Sr Police Officer | Police Dept | 11/29/1999   |
| M      | W         | Sr Police Officer | Police Dept | 8/1/1994     |

| Gender | Ethnicity | Job Title             | Term Date  |
|--------|-----------|-----------------------|------------|
| M      | W         | Police Officer        | 8/18/2010  |
| F      | B         | Police Officer        | 8/30/2010  |
| M      | W         | Police Officer I      | 9/25/2010  |
| M      | W         | Police Officer        | 9/21/2010  |
| M      | B         | Sr. Police Officer    | 10/1/2010  |
| M      | B         | Police Sgt.           | 10/14/2010 |
| M      | W         | Police Sgt.           | 10/14/2010 |
| M      | W         | Senior Police Officer | 12/3/2010  |
| M      | B         | Police Sergeant       | 12/31/2010 |
| M      | W         | Police Sergeant       | 2/14/2011  |
| M      | B         | Police Officer III    | 3/11/2011  |
| F      | B         | Police Officer I      | 3/3/2011   |
| F      | W         | Sr Police Officer     | 4/21/2011  |

Below is the discussion which followed each Car Park item:

1. Regarding the Senior Citizen Sanitation discount, City Manager Griffin stated he spoke with City Attorney John Zollicoffer and Council has two choices. By State Statute, cities are prohibited from providing a discount for services such as sanitation, water, etc. Council can choose to eliminate the discount, or Council could create an ordinance allowing the continuation of the Senior discount. If the latter is selected, dollars would need to be transferred from the General Fund to subsidize the Sanitation Fund. In other words, if you have 10 customers paying a \$25 basic monthly fee, the Sanitation Fund would receive \$250 monthly. If 5 of those customers are Seniors receiving a \$2. discount ( $5 \times \$23 = \$115$ ) and the other 5 customers pay the basic monthly fee ( $5 \times \$25 = 125$ ), the Sanitation Fund would receive \$240. By law the Sanitation Fund must receive \$250 so Council would need to authorize the Finance Department to transfer funds from another account to equal the \$250 monthly. Finance Director Wilkerson added that according to her conversation with City Attorney Zollicoffer, Council members would be held personally liable if the existing inequitable policy continues

*(Clerk's Note: Council Member Rainey left the meeting at 6:15 p.m. and returned at 6:17 p.m.)*

*Minute Book 42*

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Council Member Daeke asked how long the discount has been offered. Finance Director Wilkerson stated years. Council Member Inscoe restated the issue by saying either the City continues the policy knowing it is illegal or the City changes the policy to make it equitable for all. Mr. Inscoe then asked about the Sanitation Fund reserve. Ms. Wilkerson stated there is no Sanitation Fund reserve but the General Fund has an estimated \$2.3M in unrestricted funds. A short discussion followed.

Council Member Rainey asked how privatization could be explained the citizens since it was authorized to reduce costs and now the City is asking for a fee increase. City Manager Griffin stated the major reason involved costs for replacing the fleet was inhibitive (approx. \$500,000). The current contract includes a fee increase for FY 11-12.

Council Member Peace-Jenkins stated if the Senior discount is illegal it needs to be corrected. Council Members Coffey and Rainey agreed. They were all concerned how to notify the seniors. Council Member Daeke felt the discount is important to Seniors and would like to find a way to continue the policy.

*(Clerk's Note: Council Member Peace-Jenkins left the meeting at 6:25 p.m. and returned at 6:26 p.m.)*

Finance Director quoted the law saying there can be no difference in rates for being old or poor. She also shared with Council that although they would find explaining this change to Seniors difficult, her Customer Service staff, Grade 2-3-4, would be on the receiving end of disgruntled Seniors.

City Manager Griffin summarized saying either Council stops the policy and deals with the backlash or they continue the policy and find the dollars to subsidize the fund but it needs to be done legally. Council Member Peace-Jenkins asked if there could be any grandfather clause and Mr. Griffin responded no. Ms. Peace-Jenkins stated if the policy continued as is, it would grow as more individuals become seniors, placing a greater drain on the General Fund. Mr. Griffin agreed.

Council asked City Manager Griffin to ask the City Attorney for more specifics before meeting again on Thursday, 19 May. Mayor O'Geary stated not all seniors know of the policy and must apply to be eligible --- something many Council Members were unaware of.

2. Finance Director Wilkerson told Council that City Attorney John Zollicoffer had made some changes to the agreement and depending on whether the process goes private placement or revenue bond issuance, timeline, etc. her best estimate would be a savings of \$85,000 to \$135,000.

There was a brief discussion and Council Member Inscoe summarized by saying the citizens cannot afford all the increases proposed and hopefully Council can find ways to minimize the increases. He stated he was not in favor of the 3% and 5% increases but was in favor of some

increase with the hopes that next year would be a better year. Mr. Inscoe felt the 1.1% increase for Regional Water operations costs was agreeable. Council Member Daeke felt there was a need to reduce the proposed rate increase to something more “middle of the road.”

Assistant City Manager Frank Frazier reminded Council that at the regular meeting on Monday, 23 May, CIP projects would be discussed and emphasized there were some very needed/necessary projects on the list.

Council Member Inscoe stated he understood the dire financial programs and was willing to increase water and sewer but was not comfortable with the penny property tax increase and the \$2 sanitation increase. He then asked City Manager Griffin to elaborate on the gasoline costs.

3. After confirming that Council was ready to move on, Mr. Griffin referred to Attachment A of the Car Park Items which showed various reductions. Council Member Rainey asked if the seven (7) vehicles being disposed of by the Police Department were included in the calculations. Mr. Griffin stated they had already been “taken off the top.”

After a short discussion it was the consensus of all present to gamble with a \$.20 reduction in budgeted gasoline pricing. City Manager Griffin stated this could be done with the understanding that if prices do not fall, Council would be faced with making budget adjustments at a later time.

Lastly, Council Member Kearney had called the City Manager requesting a demographical breakdown of the Police Department and that information is attached to the Notes and Car Park items.

Mayor O’Geary asked if there were any questions on any of Car Park items.

With no further discussion, City Manager Griffin moved Council’s discussion to the Regional Water Fund increase. Council Member Inscoe stated he was comfortable with a 4% increase and Council Member Rainey agreed. Council Member Daeke asked for a breakdown and City Manager Griffin stated 1.1% is operating costs and 2.9% would go to the Capital Fund.

Mayor O’Geary asked for Council’s consensus and everyone present agreed.

The next items to be discussed were the Water and Sewer Funds. City Manager Griffin stated a 1% reduction would still provide some extra cash for the purchase of resale account. If Council agreed to this reduction it would automatically affect the Sewer Fund. It was Council’s consensus to reduce the Water Fund percent to 2% and the Sewer Fund to 2%.

City Manager Griffin summarized Council’s wishes as 4% increase for Regional Water; 2% for Water Fund and 2% for Sewer. Council agreed. Mr. Griffin stated that citizens need to understand that increases are necessary to continue to maintain the integrity of these services and to build for the future.

The General Fund came next. Council Member Inscoe asked if anyone had heard the news regarding Wake County eliminating retirement for new hires after 6/30/11. Council asked Mr. Griffin to investigate and report back.

Council Member Inscoe asked the Finance Director for the operating costs of all departments without salary and benefits. Finance Director Wilkerson responded approximately \$4M.

*(Council Member Inscoe left the meeting at 7:05 p.m. and returned at 7:07 p.m.)*

A 1% decrease was proposed by Council Member Inscoe (not to include debt service).

The Sanitation fee increase was the next item to be discussed. After a fairly lengthy discussion it was the consensus of Council that they needed to

Staffing was briefly discussed. City Manager Griffin emphasized the need for an additional staff member in the Finance Department. Currently they have 4 unfilled positions. He also mentioned freezing one position - Administrative Assistant in Administration and eliminating a position in Compliance.

As *food for thought*, Council Member Rainey mentioned Council Member could give up their salary (retain insurance) to release funds toward retaining employees. Council Member Daeke felt the compliance position should be looked at more carefully, along with the entire personnel base to evaluate positions, look for duplication, etc. Salary reductions were suggested for employees and Mr. Griffin shared reduction in salaries when employees are already underpaid would be devastating to staff. Council Member Coffey suggested the Recreation department be considered for cuts if needed as they incorporate a large portion of the overall budget.

Health Insurance: City Manager Griffin stated that the health insurance agent is still compiling numbers and hopefully information will be available for discussion Thursday evening. Mr. Griffin advised Council that at this time, \$70,000 would be needed to avoid employees having to pay a \$35 monthly fee toward health care as benefits are currently provided. The issue of a wellness program was raised and Mr. Griffin stated that there would be minimal impact on the FY12 budget; however it should reduce costs in coming years if employees are compliant. A complete explanation of the program will be provided in coming meetings.

Council Member Rainey asked if the Rec Center could be offered to employee for use in conjunction with the wellness program. Council Member Coffey thought this was a good suggestion. Council Member Davis agreed. Mr. Davis also commented on the hard work that has been done cleaning up the City and felt the Compliance Department should not become a one-person department.

Council Member Daeke asked what the total premium cost was from this year to next year. City Manager Griffin responded approximately \$300,000 based on \$500 deductible. Council Member



Rainey asked if a \$1,000 deductible or even \$1,500 was being considered and stated changing providers often leads to an initial better rate but not always better in coming years. Mr. Griffin agreed.

Before adjournment, City Manager Griffin mentioned the Press Release Chief Sidwell composed regarding multiple arrests in the City. Council Member Coffey addressed the bonds for some of the felons. Council Member Inscoe mentioned the pending Vance County Water Association contract, asking if any revenue would be expected for this new budget year. Mr. Griffin stated no startup date had been established.

With no further comments, Mayor O'Geary asked if Council was prepared to adjourn.

### **ADJOURNMENT**

Council Member Davis moved for adjournment. Motion seconded by Council Member Coffey and unanimously approved. The meeting adjourned at 7:43 p.m.

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James D. O'Geary  
Mayor

***ATTEST:***

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Esther J. McCrackin  
City Clerk