



City Council Minutes
Henderson City Council Budget Work Session #4
19 May 2011

PRESENT

Mayor James D. O'Geary, Presiding; and Council Members James C. Kearney, Sr., Sara M. Coffey, Michael C. Inscoe, 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, and Human Resources Director Cathy Brown.

CALL TO ORDER

The 17 May 2011 Henderson City Council Budget Work Session #4 was called to order by Mayor James D. O'Geary at 6:04 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 greeted everyone saying it was good to have the media present. He then asked City Manager Ray Griffin to begin the meeting.

City Manager Griffin reviewed the following memo before moving forward with new discussion.



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18 May 2011

TO: Mayor O'Geary and Members of City Council

FR: Ray Griffin, City Manager

RE: Budgetary Adjustments
Insurance Fund
Sanitation Fund

Ladies and Gentlemen:

Recap of Adjustments Affirmed at Tuesday, 17 May 11 BWS #3.

- 1. Reduction of Penny Tax Rate Increase:** The consensus (6 yes, 1 no) was to eliminate the one penny tax increase. After much discussion, it was agreed the reduction would come from the projected increase in the motor fuels budget. A total of \$85,215 has been reduced from the General Fund motor fuels accounts. This represents a reduction of the budgeted price per gallon of \$4.60 for unleaded to \$3.63. The City's price per gallon for unleaded on 11 May 2011 was \$3.27. (*See Attachment No. 1*) Should motor fuels continue to increase, the City will find itself having to transfer funds from Fund Balance or other accounts to provide for gasoline.
- 2. Reduction of Regional Water Rate Increase:** The unanimous consensus of Council was to reduce the Regional Water Rate Increase from 5% to 4%. 1.1% goes to operations while 2.9% goes to capital reserve 20MGD. The budgeted amount for the capital reserve is reduced by \$38,000, from \$539,480 to \$501,480.
- 3. Reduction of Water Rate Increase:** The unanimous consensus of Council was to reduce the Water Rate Increase from 3% to 2%. The decrease is allowed by the reduction of the Regional Water Rate increase. The budgeted amount for the purchase of water for resale will be reduced by \$25,200, from \$2,580,000 to \$2,554,800.
- 4. Reduction in Sewer Rate Increase:** The unanimous consensus of Council was to reduce the Sewer Rate Increase from 5% to 2%. The budgeted amount for the capital reserve for plant modification will be reduced by \$73,442, from \$186,242 to \$112,800.

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5. **Reduction in Sanitation Fee Increase:** The unanimous consensus of Council was to fold in the increased revenues resulting from the elimination of the senior citizens discount. The \$18,360 would reduce the revenue need from \$120,000 to \$101,640 and reduce the fee increase from \$2 per month to \$1.70 per month.

Sanitation Fee Issues Remaining

1. **Senior Citizens Discount:** The cost to re-establish this program is approximately \$18,360. It is expected this costs would continue to grow each year given the aging population in town.

I have reviewed the Statute and believe a work-around exists that would allow Council to keep the discount. By eliminating the discount directly from the Sanitation Fee and charging every customer the same fee is essential. However, utilizing the provisions of the Statute that City Attorney Zollicoffer has offered would allow for Council to establish a senior citizens program out of general funds. By virtue of increased revenues from the sanitation fee, other general funds would be “freed up” to contribute to the senior discount. If Council chooses to do this, the 30 cents reduction in the proposed \$2 fee increase will be eliminated.

While this matter winds up being “a wash” in this year’s budget, future year’s general fund budget would see increased pressure to fund the discount since this one time opportunity to implement with a zero impact on the budget is not repeatable.

2. **Sanitation Fee:** Council has not yet reached consensus on the \$1.70 per month sanitation fee increase. To eliminate this fee, Council would need to find \$101,640 in new revenues or expenditure reductions.

If the option to keep the senior citizens program for discount on the sanitation fee is allowed, the use of its funds to provide for a 30 cents reduction in the proposed \$2.00 sanitation fee increase is eliminated.

Health Insurance Program

Plan Summary

The back of the envelope figures given to the City by the Plan Administrator look good and much of the gap has disappeared by virtue of the restructuring of the Plan. Ms. Brown and Mr. Burnett will provide a more detailed presentation on this matter during the budget work session.

Essentially, the City would offer two plans for employees and its retirees.

- Basic Plan:
 - \$1,500 deductible, minor adjustments in drug card, initiate wellness plan
 - No employee co-pay unless

- Employee declines to participate in the wellness survey. Should this occur, the employee would be charged \$40 per month co-pay
- Buy-Down Plan:
 - \$750 deductible, minor adjustments in drug card, initiate wellness plan
 - Employee co-pay of between \$30 and \$50 per month
 - Employee declines to participate in the wellness survey. Should this occur, the employee would be charged an additional \$40 per month co-pay

The current deductible is \$500 and employees to not provide a co-pay and there is no wellness program.

Budget Implications

The new basic plan will have the effect of further reducing the increase and the significant stress placed on the General Fund.

- \$1,095,169 FY11 Plan
- \$1,370,000 FY12 Plan—Initial Estimate—No change in plan
- \$1,345,000 FY12 Plan—2nd Estimate with \$750 deductible and drug card changes
- \$1,295,000 FY12 Plan—3rd Estimate with \$1,500 deductible and drug card changes

The third estimate, \$1,295,000, is being recommended by City Administration to as the new basic plan offered to active employees and retirees under age 65. Employees and retirees wishing to purchase the lower deductible may purchase the plan for a monthly co-pay.

Rate increases for dependent coverage are still being calculated by BCBS and the plan administrator.

A further review of the budget vis-à-vis the new basic plan and several small operating budget adjustments will allow the City to forgo charging employees the monthly co-pay of \$35. The health plan is now balanced in the General Fund. Operating budget reductions will be:

- \$10,000 Eliminate unemployment Insurance
- \$ 5,000 Eliminate incumbent liability—accrued leave
- \$ 6,000 Eliminate door repair and women’s restroom repairs
- \$ 8,958 Reduce Medicare Allocation

END OF MEMO

(Clerk’s Note: Council Member Daye arrived at 6:08 p.m.)

In summary, City Manager Griffin stated that the consensus of all Council members present, other than Council Member Daeke, was to eliminate the proposed tax increase. It was also the unanimous consensus of Council to reduce the proposed Regional Water Rate increase by 1% with 1.1% going to operations and 2.9% going into Capital Reserve 20MGD. Council also unanimously agreed to reduce the proposed Water Rate increase from 3% to 2% and to reduce the proposed Sewer Rate increase from 5% to 2%.

During Budget Session #3, Council requested more details on the elimination of retirement benefits that they understood was part of Wake County's budget process. City Manager Griffin stated after speaking with Wake County, they had *not* eliminated retirement benefits. Wake County did eliminate post-retirement health benefits for new hires.

Lastly, City Manager Griffin suggested a way to resolve the Senior Citizens Sanitation Discount dilemma

City Manager Griffin then asked Human Resources Director Cathy Brown to introduce Mr. Burnett, the insurance broker for the City. Mr. Burnett has served in the industry for over 20 years and the City of Henderson for more than five (5) years.

Mr. Burnett stated that if employees are compliant, the new plan would not require any employee contribution toward their premiums. Compliance requires completing a health assessment for FY 11-12. The plan provides for a \$1,500 deductible. Employees will be able to "buy-up" for a \$750 deductible by contributing to the premium costs. Mr. Burnett stated that co-pays will change --- mainly there will be no co-pay for annual physicals however, other co-pays will remain at \$20.

Council Member Rainey asked how employees would buy-up and if this pertained to both active employees and retirees under 65. Mr. Burnett stated the cost would be between \$30-\$50 per month (would know better in June) and that yes, employees and retirees under 65 would be covered. Council Member Inscoe summarized the buy-up program as a good deal. Council Member Kearney asked about underwriting/underwriters. Mr. Burnett stated they look at all claims to determine costs and the City has been well over the average threshold of 85% ---active employees came in at 122% and retirees under 65 at 145% Council Member Daeke asked what the next step would be after completing the survey. Mr. Burnett stated there would be a summation of goals and a report card as such provided to the Human Resources Director periodically throughout the year. He also stated employees would receive mailings, calls, etc. as follow up to their particular needs and that an RN is available 24 hours a day.

City Manager Griffin summarized by stating this program sets the basis for improving the workforce which should improve rates in the future. He also stated the cost of this health care program falls within the budgeted range. Council Member Rainey asked if the final figures would be available for the Monday 23 May budget meeting and Mr. Burnett said is looked hopeful.

Council Member Rainey and others thanked Mr. Burnett for his time. Cathy Brown thanked the staff for their assistance and Council for their patience and Mr. Burnett said the knowledge of City staff has made his job easy.

Council Member Daeke asked if the YMCA had been approached for a discounted member fee. Human Resources Director Brown stated City employees currently receive a discount. Council Member Kearney asked if employees are encouraged (provided incentives) to have yearly physicals. City Manager Griffin stated employees have sick time they can use and he knows of no department head who does not work with employees requesting medical time. Council Member Coffey asked if this plan pertained to Council Members. Mr. Griffin stated, yes for those participating in health care through the City.

The consensus of Council was that this was a good program option and there was no further discussion.

City Manager Griffin then raised the Sanitation Fee increase issue. As a reminder he stated there are two options. One to keep the discount and subsidize the Sanitation Fund with dollars from other areas or to have City Attorney Zollicoffer draft an Ordinance which would ultimately increase the drain on the general fund in coming years as more and more citizens reach the age of 60. Mr. Griffin stated the \$2 increase was driven by Waste Industries providing services for a full year in FY 11-12 and fuel costs.

Council Member asked for some background on this and Mr. Griffin summarized stating the sanitation fee was reduced several years ago and that each \$1 increase would produce \$60,000 in revenue. He also explained that there are only two ways to build the general fund --- those being the sanitation fund and property taxes.

Council Member Daeke stated he felt property taxes were already higher than they should be and asked that Council look at the expense side of the budget. City Manager Griffin stated approximately 75% of the general fund related to personnel. Discussion turned to possibly asking employees to take a day without pay every quarter and Council Member Kearney asked attrition questions. City Manager Griffin stated furloughs allow employees to keep their benefits but significantly changes take-home pay. Mr. Griffin stated positions are often held open longer and responded to Council Member Coffey question regarding what happens to unused salary dollars by stating those dollars revert back the general fund at the end of the year. Council Member Rainey asked what effect reducing the workforce hours to 35 or 38 hours per week would have on the budget. Mr. Griffin stated it might have some effect, but services such as public utilities to citizens would have to be reduced.

Discussion then turned to possibly phasing in the police increases thus creating more equity for the entire workforce and that budgeting the two requisitioned open positions for 8 months instead of 12 months. City Manager Griffin stated one position was only budgeted for 9 months so there would not be significant savings. He also stated that it was critical that the police department salaries be brought up to standard.

Council Member Kearney felt equity among employees was important and Council Member Davis stated he felt Council needed to find a way to avoid festering of hard feelings. Council Member Inscoe reminded everyone that the police face situations that ultimately could result in loss of life. Council Member Rainey agreed every position is important but there are levels of responsibility which should be compensated appropriately. He also stated the police department will be functioning with ten (10) less officers and wondered if there were other departments who could function in this manner. City Manager Griffin stated he knew of no other department who could function with such a reduced work force and stated several departments are down to two (2) employees. He also advised there is a budgeted amount for the traditional Christmas bonus and stated the work force is stretched to its limit it again shows the need for a pay class study.

Council Member Daeke and Kearney then turned the discussion to core values and what the priorities are for serving the citizens. Council Member Coffey stated the police/fire and ambulance services are necessities where the library/parks and recreation are niceties. Council Member Kearney mentioned water as a necessity.

City Manager Griffin stated this is all good discussion and encouraged Council to give direction to staff.

(Clerk's Note: Council Member Peace-Jenkins left the meeting at 7:45 p.m.)

Council Member Inscoe asked about local agencies and Council Member Coffey asked what fell under this segment. City Manager Griffin stated the Airport, Human Relations Committee, Appearance Commission, Crime Stoppers, the Arts Council and Roanoke River Basin.

(Clerk's Note: Council Member Rainey left the meeting at 7:48 p.m. and returned at 7:49 p.m.)

Council Member Coffey asked for a reporting on the funds contributed to the Human Relations Committee. Staff will request the information for the 23 May meeting.

After further general discussion regarding all these agencies, discussion focused on the Aycock Recreation Center. Council asked for a detailed breakdown of some of the costs associated with the Center.

Mayor O'Geary called for a five minute break at 7:55 p.m. while staff gathered the requested information and reconvened the meeting at 8:05 p.m.

Discussion continued regarding the Aycock Recreation Center and whether reducing programs would create significant value.

(Clerk's Note: Council Member Inscoe left the meeting at 8:09 p.m. and returned at 8:10 p.m.)

Council Member Davis thought there was an agreement between the schools and the City for use of the facility.

After further discussion, City Manager asked to clarify the requests of Council and it was determined Council would like staff to bring back information on pool utilization for the past year, why there are so many supervisors and to determine if there is an agreement between Vance County School System and the City for use of the Center.

Discussion then turned to Downtown Development and the associated costs. Again City Manager Griffin stated without a pay study, salaries can quickly become “out of kilter.”

Council Member Daeke would like to see the senior discount for sanitation continue for a year, stating it would be easier for seniors to understand throughout the year that this program would need to legally end in FY 12-13.

Following a short discussion City Manager Griffin asked for a target that Council wished to reach with the Sanitation Fund. Mayor O’Geary asked for Council’s consensus with the following poll:

Kearney	Coffey	Inscoe	Daeke	Peace-Jenkins	Daeke	Davis	Daye
\$2	\$1	\$1	\$1	Absent	\$1	\$1.50	\$1

Mayor O’Geary asked if Council had any other requests for staff. Council Member Rainey asked for the percent of uncollected taxes. City Manager Griffin explained that information could be obtained, however legally, the amount used for the budget has to be the amount collected last year which is the 92.79% provided in the budget package.

ADJOURNMENT

Council Member Davis moved for adjournment. Motion seconded by Council Member Daeke and unanimously approved. The meeting adjourned at 8:39: p.m.

James D. O’Geary
Mayor

ATTEST:

Esther J. McCrackin
City Clerk