



City Council Minutes

Henderson City Council Budget Work Session #1

23 May 2013

PRESENT

Mayor James D. O'Geary, Presiding; and Council Members Sara M. Coffey, Michael C. Inscoe, D. Michael Rainey, Brenda Peace-Jenkins, Garry D. Daeke, Vernon L. Brown 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 Katherine Brafford, Kerr Lake Regional Water Plant Manager Christy Lipscomb, Engineering Director Peter Sokalski and Fiscal Compliance Officer Edna Vaught.

CALL TO ORDER

The 23 May 2013 Henderson City Council Budget Work Session #1 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.

OPENING REMARKS

Mayor O'Geary welcomed everyone and asked City Manager Griffin to begin the budgetary work session.

City Manager Mr. Griffin asked Kerr Lake Regional Water Director Christy Lipscomb to share good news before beginning the work session. Ms. Lipscomb said NC Rural Water Association (NCRWA) just named water from the Kerr Lake Regional Water facility as having the best flavor in North Carolina. She said once the winner is published in the Rural Water Magazine, notice will be sent to the local paper. Council and staff gave a round of applause for this accomplishment.

Mr. Griffin then began the budget work session with the Car Park issues from the 20 May 2013 meeting.

Car Park Issues

In response to Council Member Kearney's request, Mr. Griffin distributed a property tax increase matrix showing how the proposed increase would affect various valued properties. He also said that Council Member Inscoe asked the City Clerk to search for municipal tax rates and the Clerk distributed a copy of that information to each Council Member.

In response to Council Member Daeke's request regarding medical insurance rates, Mr. Griffin said currently the cost is \$4,900 and it will be decreasing to \$4,750 per person. Overall, the estimated savings will be approximately \$53,928. He also said retiree Medicare rates will be increasing according to information provided from Human Resources Director Cathy Brown.

Council Member Inscoe asked for information regarding the earned interest from Granville County water payment. Mr. Griffin said \$4,488 so far and stated the CD will mature in August 2015. He further advised the interest cannot be taken without penalty.

The discussion then turned to Regional Water.

Kerr Lake Regional Water (KLRW) - Mr. Griffin said the recommendation of a 5% increase is due mainly to what he called *budget creep*, meaning operational costs that impact regional water operations. He said the cost of chemicals is expected to climb an estimated \$40,000; the BioSolids contract has increased \$29,500 and Duke Progress Energy rates are expected to increase approximately \$12,000. He explained there are three major capital projects that are not included in the 20MGD project --- the Clearwell repair, estimated at \$410,000; repairs to the chemical pit and replacement of the chemical storage tank are estimated at \$190,000 and replacement of a 1998 truck with 134,044 miles is estimated at \$32,000.

(Council Member Daeke arrived at 6:08 p.m.)

Mr. Griffin explained that due to the recession, water sales have remained relatively flat and went on to review the debt rate. He summarized the review by saying the capital reserve account is working as it should.

Next Mr. Griffin walked Council through the budget structure saying 97% of this funding comes from the sale of water to Oxford and Warren County. Miscellaneous funds comprise the remainder of the funding. He explained approximately \$6,000 is set aside for the State's new unemployment tax required for *each employee*. He expects retiree health insurance for Regional Water to increase by \$3,800, and \$6,600 is included in the budget for a pay classification study. No change in staffing is anticipated. Mr. Griffin then asked if Council had any questions.

(Council Member Daye arrived at 6:18 p.m.)

Council Member Rainey asked if chemicals were priced/purchased yearly. KLRW Director Lipscomb responded some chemicals are purchased yearly; however, some volatile chemicals have to be priced and purchased monthly.

Council Member Coffey asked how much has been spent on the IBT (Inter-basin Transfer). Assistant City Manager Frazier said approximately \$607,715 has been expended to date.

Council Member Inscoe prefaced his statements by saying this is the most challenging budget he has worked on as a council member. He went on to recap the aggressive and progressive projects that were accomplished during the year such as new sewer lines on William and Nicholas streets and the waste water project. Mr. Inscoe said both the City and citizens are hurting due to lack of jobs and the recession, and it is Council's responsibility to save dollars wherever possible for the citizens of Henderson. With that said, Mr. Inscoe distributed photos of the KLRW facility which he took earlier in the day and pointed out the failing concrete and deteriorating, leaking tanks. Mr. Inscoe took additional steps during the day to speak with a contractor and obtained a rough estimate of \$182,600 to sandblast, treat and repair the concrete. Mr. Inscoe summarized his statements by saying his vote would be to replace the chemical tanks, and defer the Clearwell repair by adding it to the 20MGD major expenditure.

Mr. Inscoe continued saying Council needs to make hard decisions and he emphasized the 1 to 1 ratio between Regional Water and Water.

Mr. Inscoe then said he felt employees would prefer to have a pay increase rather than spending dollars on a pay classification study. He expressed concerns about performing a pay classification study when Council would be unable to implement it this year.

Next, Mr. Inscoe expressed concern over the contingency increase of \$20,000. He asked what the contingency was last year. Mr. Griffin said it was \$30,000 last year. Mr. Griffin said that the contingency is for unforeseen issues that would keep Council from having to go into the Fund Balance.

Council Member Coffey asked if the painting expense of \$21,000 could be reduced by in-house painting. KLRW Director Lipscomb said this was not routine painting. It was for coating some of the rusted water lines. Mr. Griffin said the original request for this project was \$40,000.

Council Member Daeke expressed concern regarding the BioSolids contract increase. KLRW Director Lipscomb said the State mandates the disposal of sludge. Assistant City Manager Frazier said the company was asking for the increase due to transportation costs. After a brief discussion, Ms. Lipscomb was asked to look into other options for disposal.

Council Member Rainey asked if the Recreation and Parks van could be used for transportation to educational classes rather than purchasing a new truck. Council Member Inscoe said he contacted two dealers in town for a ballpark cost and was told a pick-up truck could be purchased for less than \$20,000. KLRW Director Lipscomb said the request is not for a pick-up but more of an SUV type vehicle so three (3) or more employees could travel to classes together. Renting a vehicle for a day or two was suggested.

Council Member Coffey then turned the conversation back to the retiree health insurance costs and that State tax on employees. She asked how many employees are in the department and the retiree health costs. City Manager Griffin said there are thirteen (13) employees and the State tax is based on employees, not position, so turnover creates additional payments to the State. He said because this is the first year of the tax, \$6,000 is a conservative amount to compensate for any turnover and how the State might actually implement the tax. The \$3,800 is due to an employee who retired with more than 30 years of service, entitling that employee to free health care.

Council Member Coffey asked about the personnel change and Mr. Griffin said the full-time Maintenance Technician position was funded for only half the year in FY13, thus an increase in personnel costs.

Council Member Rainey asked why the insurance costs show an increase even though health insurance decreased. Mr. Griffin responded BCBS premiums went down for those in the active plan. Medicare appears to be going up in certain age categories.

Council Member Inscoe then summarized his recommendation as follows: Eliminate the 5% rate increase, include the balance of the Clearwell repairs with the 20MGD project and return the balance back into Capital Reserve; do not do the \$6,600 pay classification study; remove \$20,000 from Contingency; decrease \$21,000 from contracted services for painting/coating and spend no more than \$22,000 on a new truck. Council Member Daeke agreed.

City Manager Griffin respectfully requested Council not eliminate the \$6,600 pay classification study saying although there currently are no dollars to fund the findings, it will provide data necessary to help with job descriptions and identifying problems for future consideration. Council Member Inscoe suggested this pay study be held in abeyance as the \$6,600 is only a portion of the total cost and asked the City Manager to provide the cost for a 2% salary increase.

Mayor O'Geary called for the consensus of Council. Council Members Coffey, Inscoe, Rainey, Peace-Jenkins and Daye were in agreement. Council Member Daeke again requested cost comparisons for the BioSolids contract but was in agreement. Council Member Brown asked that the cost of a vehicle be reviewed and was in agreement.

City Manager Griffin thanked Council for its guidance to staff. He then moved the discussion to the Capital Reserve Regional Water Fund and gave a brief overview of this fund. There were no questions so he moved the discussion to the CIP (Capital Improvement Projects) Funds.

Mr. Griffin explained the CIP funds exist for the life of the project and said they are audited annually along with other funds. He said the Warren Meter Vault project is underway and the High Speed Efficiency Pump project is in the beginning phase. These CIP funds are funded externally and close when the projects are complete.

Council Member Inscoe said he finds it remarkable and was disappointed the *Dispatch* reporter was not present to report on the success the City has had with debt service, especially for the 20MGD project. City Manager Griffin said this is certainly a bright spot in the budget to have the needed dollars in reserve.

Fund 30: Water Fund

The discussion then moved to the Water Fund. This fund includes the Engineering Department, Public Services Administration, the Water Distribution System, Customer Service, and Administration.

City Manager Griffin said because of the recommendation already made, adjustments will be made to this fund as 5% has already been resolved by eliminating the 5% Regional Water increase. The other 3% relates to operational costs. He referred to several metric charts in the budget work book that show the expected vs actual correlations between Regional Water and Water. He also directed Council's attention to the long-term water fund debt service which should decrease when the Revenue Bonds retire in FY19-20.

Mr. Griffin reviewed the debt service which comprises approximately 12% of the total budget for this fund and said it includes the 2" water line replacement project and the radio read water meters; the Beckford Drive engineering report along with various other projects.

Mr. Griffin said having a Public Services Director to oversee these areas is important but only two applicants have the background and knowledge necessary for the utilities part of the position. He went on to say he is doubtful the position will be filled because the authorized pay range is not competitive. Mr. Griffin said the City lacks depth of organizational knowledge and job expertise in many areas. He stated there are too many areas where the City is "only one person deep."

On the engineering side, there is no increase in staff this year. The department moved to the Operations Center to work more closely with the water/sewer departments and Mr. Griffin said along with many accomplishments, the department is in need of upgrading its AutoCAD programs to be in licensure compliance.

Mayor O'Geary asked for details regarding the upgrade. Engineering Director Peter Sokalski said it had recently come to his attention that the AutoCAD program currently in use is outdated and the City only owns one license. Because the program is so old, it cannot be upgraded so a new version needs to be purchased for each of the three staff at a cost of approximately \$6,600 and a yearly fee of approximately \$800.

Council Member Coffey inquired about the half-time meter reader and Mr. Griffin explained it was a part-time employee with a salary of approximately \$10,000.

Council Member Inscoe asked for the current balance in the Fund Balance fund. Mr. Griffin said approximately \$2.45M.

Council Member Rainey asked to be refreshed on the security deposits. Mr. Griffin said customers who have not been cut off within 12 months will have their deposit returned. He said the deposits are kept in a separate escrow account. Council Member Coffey verified this account would increase/decrease with new customers and/or bad debts.

At this time City Manager Griffin asked if Council had any direction for staff. Council Member Inscoe said he had not had time to review the Fund and asked for deferment until the next meeting. Council agreed to carry this discussion to the next meeting.

City Manager Griffin moved the discussion back to 70: Capital Reserve Utilities Fund, saying this fund has been hit hard in FY 12 and 13 due to projects such as the needed repairs on Shirley Drive, Harriett Street and Perry Avenue. He emphasized the need to rebuild this fund to be prepared for future projects.

Mr. Griffin credited Assistant City Manager Frazier and Engineering Director Sokalski for bringing in the Red Bud Water Line Project under budget.

Mr. Griffin said this concluded what was planned for discussion this evening. He said with Council's consent Tuesday's meeting would begin with McGill Associations providing an update on the CIP plan. Then there would be a discussion on the Water and Sewer Fund. It was the consensus of Council to meet a little longer to reduce the number of work sessions so Mr. Griffin will also prepare for a General Fund discussion on the Powell Bill, LEO and depending on time move to Public Safety.

Mayor O'Geary asked if there was anything else Council wished to discuss. There were no questions so Mayor O'Geary asked if Council wished to adjourn.

Guidance for Staff:

To summarize the discussion, Council’s consensus on this evening’s discussion is:

- Delaying a decision on the Pay Classification Study;
- Eliminating the 5% Regional Rate increase;
- Eliminating 5% of the 8% recommended Water Rate increase;
- Removing the \$20,000 contingency in the Regional Water Fund;
- Eliminating \$21,000 for painting/coating;
- Eliminating the Clearwell project and combining its balance with the 20MGD project thus removing the \$410,000; *and*
- Limiting the cost of a new truck to \$22,000.

Council requested the cost of a 2% salary increase.
Council requested optional costs for sludge removal.
Council requested additional estimates regarding the truck purchase.

ADJOURNMENT

Council Member Coffey moved for adjournment. Motion seconded by Council Member Rainey and unanimously approved. The meeting adjourned at 7:30 p.m.

James D. O’Geary
Mayor

ATTEST:

Esther J. McCrackin
City Clerk