



## **City Council Minutes**

### **Henderson City Council Budget Work Session #2**

### **28 May 2013**

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#### **PRESENT**

Mayor James D. O'Geary, Presiding; and Council Members Sara M. Coffey, Michael C. Inscoc, 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, Police Chief Keith Sidwell, Fire Chief Danny Wilkerson, Engineering Director Peter Sokalski, Recreation and Parks Director Alan Gill, Youth Services Director Donna Stearns, Code Compliance Director Corey Williams, Planning and Community Development Director Erris Dunston.

#### **CALL TO ORDER**

The 28 May 2013 Henderson City Council Budget Work Session #2 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 said it was good to see everyone for the second workshop session and asked City Manager Griffin to begin the work session.

## **Car Park Issues**

City Manager Mr. Griffin said a request was made at the previous work session regarding the total expense for a 2% COLA (cost of living adjustment). He said it would be \$168,540, including the fringe benefits (i.e., 401K, retirement, FICA, and Medicare).

## **CIP Plan Update**

Mr. Griffin said first he would like to talk about the update to the Utilities Capital Improvement Plan (CIP). This plan was developed by McGill and Associates several years ago and has been updated with the assistance of City staff. He then asked Assistant City Manager Frank Frazier to begin the evening with additional comments. Mr. Frazier distributed two spreadsheets which McGill Associates compiled in conjunction with their work with the City: one table showed the estimated costs for various projects within the CIP over the next ten years to the Water Fund. The other was a financial analysis summary of the Water, Regional and Sewer Funds. He then introduced Mr. Dennie Martin from McGill Associates who explained further how these spreadsheets are a roadmap to upcoming projects. Mr. Martin said once Council approves the FY14 budget, McGill Associates will be able to adjust the plan, work on funding ideas and future plans for these funds. He did say the State General Assembly is setting in motion action that requires municipal water systems to achieve positive income or the State may have the ability to take over the system. Mr. Martin said this is something that will need to be monitored as decisions are made in the future.

*(Council Member Rainey left the meeting at 6:20 p.m. and returned at 6:25 p.m. Council Member Daeke arrived at 6:26 p.m.)*

There was a general discussion regarding the suggestions on both sheets with Mr. Martin saying McGill has taken a conservative approach which will change as the plan moves forward and they receive more accurate information to work with over the coming years. Mr. Griffin said the rate stabilization process is working and he would like to begin a rate stabilization fund for the CIP once the budget is finalized.

Council Member Coffey summarized the discussion by saying the figures will change with inflation, and Council's decision on rates.

## **Water/Sewer Funds**

City Manager Griffin reviewed the discussion from Thursday night by saying Council removed the 5% increase from Regional Water which effectively removes the 5% increase from Water rate which was recommended at 8%. That leaves 3% of the recommended increase left to discuss.

Council Member Incoe inquired about the percent of dollars coming from the Water Fund for the Public Utilities Director position. Mr. Griffin responded the position is funded 50/50

between Water and Sewer. Mr. Inscoe also asked what amount is budgeted for this position. Mr. Griffin said \$77,000 is the maximum which is still not enough. He went on to say the position has been vacant since the mid-2000s and stated only two individuals have been interviewed that qualify for the position --- both were asking for a salary in the high \$80,000 to low \$90,000 range. Mr. Griffin said the position is budgeted for the full year.

Council Member Daeke asked how much was needed for a 1% decrease and Mr. Griffin responded approximately \$25,000. Council Member Inscoe asked how much of the Fund Balance has been used in FY13. Mr. Griffin responded two million plus based on the audit figures. Mr. Griffin also said the proposed budget includes income from Vance County Phase 1A and Franklin County.

When the discussion waned, Mr. Griffin asked for guidance from Council and Council Members indicated they were unhappy with the 3% increase.

Council Member Inscoe then returned the discussion to the Public Utilities Director (PUD). Mr. Griffin said Assistant City Manager Frazier has taken on the responsibility of PUD and has assisted in developing a better working relationship between the three utility departments along with his other responsibilities. Mr. Inscoe acknowledged the excellent job Mr. Frazier has done. Mr. Griffin emphasized the serious needs in this area as the City is only *one man* deep in this area. He feels it is a critical, blended position between Public Works and Public Utilities to have a better unified Public Services department. However, he said if Council is unwilling to reclassify the position with a competitive salary, it will be impossible to fill. Council Member Daeke asked if the position is not filled would the savings be 1.5% of the proposed increase. Mr. Griffin said it would create enough savings to reduce 2.2% of the 3% recommended increase.

Council Member Inscoe next asked what is included in the Contingency for the Water Fund and how much has been used in FY13. A brief discussion followed with Mr. Griffin saying cutting out Contingency is risky.

Council Member Coffey was not optimistic that this position would be filled in the near future. A discussion ensued regarding eliminating the position to reduce the recommended Water rate increase. Mr. Griffin said if the PUD position is eliminated, \$75,000 to reduce 3% and the Contingency could be reduced by \$17,350 in order to achieve a 0% Water rate increase and 0% Regional Water rate increase and lowered the Sewer Fund increase by 1.5%.

Council Member Rainey confirmed with Mr. Griffin that most candidates for the PUD position do not meet the standards. Mr. Griffin said most candidates could be the Public Works Director but the vision is to have someone who understands both water and sewer utilities and could combine those operations for a fully unified department. The candidate would need to understand water/sewer and street maintenance. A position of Public Works Director can be filled with a \$77,000 range salary; however, that means no public utilities director. Mr. Griffin reminded Council of the reorganization that has already occurred by creating a Fiscal Compliance Officer position to monitor the billing/invoicing, grants, etc. He also recognized the knowledge and

ability of Operations Division Manager (Water/Sewer/Street) Andy Perkinson who does an excellent job but again the department's leadership is only *one man* deep.

Council Member Inscoe then asked what falls under the Contracted Services and whether they are strictly engineering services. Mr. Frazier responded this includes issues such as tank cleaning which occurs every three-four years and said the cost of this is spread over the years rather than paying a lump sum at one time. He said time clocks, security and pest control are also included in Contracted Services. Mr. Inscoe asked how much has been spent this year and Mr. Frazier responded approximately \$66,000. Finance Director Kathy Brafford added the billing system for water payments is also included in this item.

Council Member Rainey asked about why there was an increase in the Bad Debt Reserve. Mr. Griffin responded the City will always have bad debts to write off.

At this time, City Manager Griffin asked for Council's goal. Council Member Inscoe said 0%. Mr. Griffin said they have 0% if they take the PUD position and \$17,350 from Contingency. There was a brief discussion about taking funds from other areas but Mr. Griffin asked Council to take the funds from Contingency if they take anything at all.

Mr. Griffin then restated what Council seemed to be saying. He said Council wishes to eliminate the PUD position; half of the budget cost yields \$57,650 for the Water fund portion which when you add \$17,350 from Contingency reduction eliminates the additional 3% Water rate increase. That leaves \$57,650 to apply to the Sewer Fund recommended increase. He said with Council suggestions, approximately \$36,600 is needed to eliminate the Sewer Fund increase.

Mayor O'Geary asked for the consensus of Council. Council Members Coffey said she was fine with a 1% increase in Sewer. Council Members Inscoe, Rainey, Peace-Jenkins, Daeke, Brown and Daye were all in agreement.

Once again Mr. Griffin summarized that the consensus was accepting the Sewer budget with a 1% increase and accepting the changes in the Water Fund with 0% increase. The Mayor and Council Members confirmed this restated consensus position.

Before moving on to the General Fund, Mr. Griffin asked Council to review the scheduled debt service with the Sewer plant project and shared these figures include the Elmwood Interceptor project. He said receiving 0% interest from the State for the project was a blessing that greatly reduced the recommended rate increase. He said great strides have been made in developing tools to deal with debt service.

## **General Fund**

Mr. Griffin started the General Fund discussion with the two largest departments; Police and Fire. He reminded Council that due to the loss of the internet café businesses, revenues have decreased. He then asked Police Chief Keith Sidwell to come forward.

## Police Department

Mr. Griffin listed some of the departmental requests that make up the budgetary increase for FY14. He mentioned capital outlay (\$33,100), maintenance and repair (\$30,000), the new State payroll tax (\$28,000) and employee benefits – including career development, FICA, LEO, worker's comp) of approximately \$61,300. Mr. Griffin also said there was an error of \$60,000 as this amount was double counted

Mr. Griffin also explained the creation of a new line item separating holiday pay from structured overtime pay which relates to those departments that provide 24/7 services.

Council Member Inscoe asked about the Discretionary Fund under Asset Forfeiture. Chief Sidwell said this is a buffer to cover over time and clarified Asset Forfeiture funds may only be used once overtime dollars in the Police Department Fund have been expensed.

*(Council Member Brown left the meeting at 7:18 p.m. and returned at 7:20 p.m.)*

Council Member Coffey asked to details regarding Contracted Services. Chief Sidwell listed contracts such as for A/C, copiers, streetscape, and the alarm system.

Council Member Daeke asked how Asset Forfeiture dollars may be used. Chief Sidwell said in 2005 he began using the dollars to replace much needed vehicles saying when he became Police Chief one unit was using PVC to hold the seat in place. He said lights for vehicles can also be used with these dollars. Council Member Inscoe asked if monies for bullet proof vests come from Asset Forfeiture. Chief Sidwell said bulletproof vest funds come mostly from grants.

Council Member Daeke then asked about auto maintenance. Chief Sidwell said it is difficult to project these costs but with the purchase of new vehicles the maintenance should be lower than in the past. Council Member Inscoe asked how many vehicles the department plans to purchase. Chief Sidwell responded four (4) plus an SUV.

Council Member Coffey asked how wrecked vehicles are replaced. Chief Sidwell responded mainly with insurance and Asset Forfeiture dollars. He commended Captain Twisdale for his efforts to keep one extra vehicle available per shift. Council Member Coffey also asked whether the new vehicles come with the same warranties as any other new vehicle. Chief Sidwell responded yes.

Council Member Rainey asked what happens to impounded vehicles. Chief Sidwell said some are used for undercover work but went on to say many have existing liens or are rented so the force is unable to keep many of the vehicles. When discussion turned to selling the vehicles being replaced, the Chief said any sales dollars for vehicles purchased with Asset Forfeiture dollars have to be returned to Asset Forfeiture.

With no further questions, Mayor O'Geary stood to commend Chief Sidwell for his tenure and thanked him for his commitment to Henderson saying he will be missed.

Council asked that \$33,100 for outfitting new vehicles with lights, radios, etc. be transferred from the line item to Asset Forfeiture. Council also removed the \$6,200 from Bulletproof Vests as it is anticipated this cost will be covered by grants. And, an adjustment is to be made for the \$60,000 duplication.

### Fire Department

City Manager Griffin then asked Fire Chief Danny Wilkerson to come forward while he summarized the reasons for the Fire Department's budget increase requests. The Fire Department is requesting a frozen fire fighter position be funded and the State payroll tax, career development and call back time all contribute to the increase. Mr. Griffin said the Fire Department also requested two new vehicles which are not included in the budget.

Council Member Coffey asked why the budget did not include any of the requested new vehicles since the Police Chief had just stated that public safety vehicles over 80,000 miles are not considered in good condition. Chief Wilkerson said he could no longer justify putting dollars into the suburban and truck but did ask that Council approve \$80,000 for new tools and safety gear.

Council Member Rainey asked about grants and if the Chief had any indication why they had been unsuccessful in being approved. Chief Wilkerson said he is hopeful the department will receive a \$190,000 grant from FEMA this year for equipment and said if approved there is a 5% match required. He said although they have applied yearly for grants, no input has been received as to why they have not been approved.

Council Member Coffey then asked about the callback costs. She asked if this figure would be reduced with the hiring of a full-time firefighter. Chief Wilkerson anticipates a reduction of about \$25,000 with a full-time firefighter. She then asked about insurance savings.

Chief Wilkerson said there is an ISO Rating which Henderson is currently rated at Class 4 with the best being Class 1. He mentioned the ratings are based on staffing, hydrants, 2" lines along with the two existing fire stations which are located too close together as part of the City's rating. He also mentioned workers compensation costs which are increasing.

Council Member Peace-Jenkins inquired about the Carbon Monoxide detector program. Chief Wilkerson said they have partnered with the Lewis family who has provided detectors for distribution.

Council Member Brown expressed his hope that the department will become successful in receiving grants in the future.

At this time, City Manager Griffin recapped for Council that these are the two most expensive departments within the City with 44.2% of the General Fund budget going to fund these departments while current year property tax only generates 39% of fund revenues.

Council Member Daeke expressed citizen concern regarding those who do not pay their taxes. Everyone agreed there is no argument with that concern. However, Mr. Griffin said the City averages a 93.5% tax collection rate, so that's all that can be budgeted. Mr. Griffin stressed those tax dollars do not cover the costs relative to these two most important departments within the City, along with E-911.

Council reduced the Call Back Time allowance by \$25,000 if the frozen firefighter position is funded.

### Planning & Community Development

City Manager Griffin said Ms. Erris Dunston directs both the Planning & Community Development department and the Downtown Development department budgets. Beginning with Planning & Community Development, he summarized this department by saying this budget is essentially flat and still has three frozen positions. He reminded Council that a grant had been approved for the Community Development Enhancement program of \$50,000. He said \$20,000 of that would go to fund a Community Development director position for the first year. He apologized to Council and said in his haste to complete the budget in the timeframe Council desired, he neglected to include the Community Development position which should have been budgeted at \$35,000 to make a full year salary of \$55,000. He said to make the grant work, the \$35,000 needs to be added into the FY14 budget.

Council Member Inscoe asked if the Community Development position could be outsourced. Mr. Griffin said Council previously wished to keep it in-house. Council Member Inscoe expressed concern that the \$20,000 from the grant will leave the FY15 budget short \$20,000. City Manager Griffin said his understanding was to have a CD position that could specifically focus on the Flint Hill area for the larger revitalization grant. Mr. Inscoe said he did not feel another full-time position was needed that would need to be funded completely in FY15. Council Member Daeke agreed saying once you add a position with benefits, you certainly did not want to lay them off a year or two later. He asked if there is some way to accomplish this goal without the adding a full-time position. Director Dunston said the position would be funded at \$40,000 with \$11,000 in benefits.

Council Member Peace-Jenkins asked if the grant was not funded in accordance with the requirements, would the grant have to be returned. Director Dunston said contrary to belief, the grant would need to remain in-house.

*(Council Member Rainey left the meeting at 8:03 p.m. and returned at 8:09 p.m.)*

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Council Member Brown asked Director Dunston to elaborate on what her understanding of the grant is to help him understand. She said when she spoke to the State, she was told the training piece of the grant needed to be administered either by a non-profit or a local government. Following a lengthy discussion, Director Dunston agreed to verify the grant restrictions with the grant provider.

There were no questions regarding the basic operating budget submitted for this department. So, the conversation moved to the Downtown Development Commission (DDC) budget.

### Downtown Development Commission

City Manager Griffin explained the City provides full-time staffing to support the DDC and the budget request was for \$104,900 with the DDC requesting \$50,152 for various types of activities such as new banners, and decorations. Mr. Griffin said the budget recommendation is for the full-time position with \$10,000 as a basic allocation. Last year there was \$50,000 set aside for one-time seed money for the REEF Project, but this cannot be considered as part of the base budget.

Council Member Coffey asked if the \$50,000 for REEF has been removed from the budget. Mr. Griffin said no; at June 30, 2013, if no agreement has been reached, the \$50,000 reverts back to the General Fund balance and said the dollars can be re-appropriated back if an agreement is reached and approved by City Council.

Council Member Daeke asked about the Main Street program grants saying with a full-time director, it does not seem like much is happening and citizens have approached him wondering why. He said he was expecting to see more energy in the downtown area. Council Members Coffey and Rainey agreed. Mr. Daeke went on to say the Main Street status is important but he is unsure what the benefits are.

Council Member Inscoe felt the DDC should be more proactive in finding grant dollars. There was a discussion that followed with no clear direction.

Director Dunston responded much of the efforts in the department have gone into the REEF project, bringing the department into compliance, building networks, transitioning the Board. She also referenced the economic times.

Council Member Brown asked for further information. Director Dunston said the DDC is designed to market and develop businesses downtown. The DDC is the board for the Main Street program and to keep the Main Street status, there has to be a full-time position. She said there has been transition with the DDC and some of the problem is getting volunteers involved in the program. He also asked what constitutes Downtown and Director Dunston responded Andrews to Dabney – along Garnett Street over to Zene and Winder to include the REEF building which is owned by the DDC.

Council Member Inscoe felt there is a direct conflict of interest between the Chamber and the DDC as both are promoting downtown Henderson.

Council Member Coffey asked for a list of new businesses. Director Dunston listed several new businesses including Greenways, Snow Cone, Zumba and a new boutique. Council Member Inscoe asked how these can be classified as the result of the DDC. Director Dunston replied they are the result of the Main Street Manager and her recruiting. Mayor O'Geary added a new bakery should be opening soon. Council Member Brown felt six (6) new businesses was a good number for the downtown area.

Mr. Griffin said last year when this first was discuss Council was asked by the DDC to create a full-time position to manage the grant as they (the DDC) did not feel they had the staffing to manage the grant. He said if Council is not happy with the program and do not want to fund, then the Main Street designation can be surrendered. He also said the City does not have the dollars to support a downtown program.

Council Member Daeke asked if Vance County contributes to the DDS. Director Dunston responded they contribute \$1,500 to the City's \$10,000. Council Member Rainey asked if downtown businesses contribute anything to this commission. Director Dunston responded there are no membership fees and businesses do not contribute.

The discussion continued with no firm decisions. Council requested Mr. Phil Hart, the incoming DDC Chairman, be invited to meet with Council to discuss the goals of the DDC and Council for downtown before the budget process is concluded.

#### Code Compliance

City Manager Griffin said this budget is also flat – meaning no change from FY13. \$50,000 is included for demolitions and Council Member Daeke asked how many structures could be demolished for that sum. Code Compliance Director Corey Williams said perhaps 10-12.

Council Member Inscoe inquired about the Capital Outlay. Mr. Griffin said it was to replace a 2001 vehicle with 163,000 miles but it was not recommended for funding in the hopes of replacing it with a retiring police vehicle.

There were no further questions and no adjustments were made to the budget..

#### IT (Information Technology)

City Manager Griffin said the Engineering Director also serves as the IT person since no IT position is funded. He said \$8,000 of the Capital Outlay is requested to replace the server at City Hall.

Council Member Rainey asked if replacing the 25 computers was for all departments. Engineering Director Peter Sokalski responded it was for all the computers except the Police Department. This item, however, is not funded in the FY14 budget.

The remainder of the request is for NCOL server support. Council Member Daeke asked if bids had been requested for this support. Mr. Sokalski responded no because NCOL knows the system and they provide excellent response time. However, he said he would be willing to take the lengthy time to request bids if Council wished him to do so. There was no direction from Council to do this.

### Public Buildings

Discussion then turned to the Operating costs.

Council Member Inscoe asked how much of the FY13 budget had been spent. Mr. Sokalski said \$68,000 and expressed concern about repairs at the SNB building and old police station. He also said Public Buildings has been expanded to include the old police station and the SNB building.

There was a brief discussion regarding the condition of the SNB building and how much money was going into the building. Mr. Sokalski said very little --- only if a window or door needed to be replaced. Mr. Sokalski said he felt \$10,000 could be cut from the budget.

Council Member Inscoe expressed concern that businesses would be discouraged with an 8 cent tax increase. He said if the City keeps hurting business it will decrease economic development. Council Member Rainey felt there should be a happy medium between no tax increase and the 8 cent proposed increase.

After further discussion, Council Member Inscoe suggested a budget reduction of \$20,000. There was a consensus of Council to take the \$20,000 reduction.

There was no further discussion regarding Public Buildings.

### Bennett Perry House

City Manager Griffin said the FY14 is \$8,700 for keeping the lights on and basic heating during the winter. Mr. Griffin went on to say there are no plans to renovate the house or dollars to do so. He said there were some donations received that were used to replace the oil furnace and electrical work but soliciting donations is not an on-going project.

There were no questions regarding the Bennett Perry House.

At this time, Council chose to adjourn and return for Budget Session #3 on Thursday, 30 May.

City Manager Griffin wrapped-up the discussion as follows:

- \$33,100 from the police department by transferring the radios and equipment for the 5 new vehicles to Asset Forfeiture
- \$60,000 error in structured overtime needed to be considered
- \$6,200 for bulletproof vests costs absorbed by grant(s)
- \$25,000 reducing the fire department call back time if frozen firefighter position funded
- Global reduction in the Public Buildings (Fund 500) budget of \$20,000

These changes result in a total reduction of \$144,300.

Council Member Inscoe said to throw out the \$25,000 for a Code Enforcement vehicle. Mr. Griffin said the \$25,000 was not funded in the budget with hopes Code Enforcement will be able to use one of the police department vehicles once replaced with a new vehicle.

Before adjourning, Mayor O'Geary asked if there was anything else Council wished to discuss. There were no questions so Mayor O'Geary asked for a motion to adjourn.

#### **Car Park**

- Verify CDBG Enhancement grant position regarding outsourcing
- Phil Hart meet with Council regarding vision for DDC and Downtown

#### **ADJOURNMENT**

Council Member Brown moved for adjournment. Motion seconded by Council Member Daeke and unanimously approved. The meeting adjourned at 9:10 p.m.

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James D. O'Geary  
Mayor

***ATTEST:***

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Esther J. McCrackin  
City Clerk