



AGENDA

Henderson City Council Special Called Meeting

Monday 19 May 2014, 6:00 p.m.

R. G. (Chick) Young, Jr. Council Chambers, Municipal Building

134 Rose Avenue

Henderson, North Carolina

Mayor and City Council Members

Mayor James D. O'Geary, Presiding

Councilmember James C. Kearney, Jr.

Councilmember Sara M. Coffey

Councilmember Michael C. Inscoc

Councilmember D. Michael Rainey

Councilmember Brenda Peace-Jenkins

Councilmember Garry D. Daeke

Councilmember Fearldine A. Simmons

Councilmember George M. Daye

City Officials

A. Ray Griffin, Jr., City Manager

John H. Zollicoffer, Jr., City Attorney

Esther J. McCrackin, City Clerk

I. CALL TO ORDER

II. ROLL CALL

III. NEW BUSINESS

a) Presentation of Proposed FY 2014-2015 Budget (Materials to be distributed during meeting)

IV. ADJOURNMENT



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PRESENT

Mayor James D. O'Geary, Presiding; and Council Members James C. Kearney, Sr., Sara M. Coffey, Michael C. Inscoc, D. Michael Rainey, Brenda Peace-Jenkins, Garry D. Daeke, Fearldine A. Simmons and George M. Daye.

ABSENT

Council Member Fearldine A. Simmons

STAFF PRESENT

City Manager Ray Griffin, City Attorney John H. Zollicoffer, Jr., City Clerk Esther J. McCrackin, Assistant City Manager Frank Frazier, Finance Director Katherine C. Brafford, Recreation & Parks Director Alan Gill, Interim Recreation & Parks Director Steve Osborne, Youth Services Director Donna Stearns, Henderson, Code Compliance Director Corey Williams, Fire Chief Danny Wilkerson, Police Chief Marcus Barrow and Human Resources Director Cathy Brown.

CALL TO ORDER

The 19 May 2014 Special Called Meeting of the Henderson City Council 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.

NEW BUSINESS

Presentation of Proposed FY 2014-2015 Budget

Mayor O'Geary immediately turned the meeting over to the City Manager.

City Manager Griffin presented a brief PowerPoint presentation to summarize the FY14-15 budget. Mr. Griffin began by saying this year has not been as good as last year or the year before. He said North Carolina is the tale of two states --- the Golden Crescent cities that are doing better and those in the rural part of the state that continue to struggle. City Manager Griffin said he is pleased to work with the City Council, Department Directors and employees. He said the Council's job is difficult because the final budget has to meet the needs of the community and also meet the State requirements and the needs of the City.

Mr. Griffin shared the budget is seriously constrained due to various causes and said there is no room for error in either the revenues or expenditures. He reviewed the process to compile this budget saying it began back in August. Tweaks were made through discussions with staff and after looking at the revenue streams in February, this proposed budget was worked on into the early part of May to make sure Council has the best information possible. He said even though the proposed budget is less than the current year, it includes 5% increases in the Water Rate and Regional Water Rate, and a 3% Sewer Rate increase. As far as personnel issues, the proposed budget includes reducing the work force by two (2) full-time and four (4) part time positions; unfreezing two (2) full-time positions; and implementing Phase 1 of the Classification and Pay Plan. No cost of living increase is included with the FY14-15 proposed budget. Mr. Griffin reminded Council that according to the Pay Plan, City employees are paid, on average, approximately 22% less than comparable municipalities.

Mr. Griffin shared good news by saying health insurance costs will decrease by 10% due to the wellness program, the good work of Mr. Philip Burnette, the City's Health Plan Administrator and employees/retirees working to reduce costs.

Council Member Rainey asked how long Mr. Burnette has worked for the City and if this is better than what the League of Municipalities offers. Mr. Griffin thought it was 2007 and said the long term relationship has paid off. Mr. Griffin added the City's costs are less than what the League offers.

General Fund

Next, Mr. Griffin reviewed the components which make up both the expenditures and revenues for the General Fund, Regional Water Fund, Water Fund and Sewer Fund. He reviewed the three primary revenue sources for the General Fund (property tax, sales tax and sanitation fees) and shared 47% of the revenue goes toward public safety (Fire/Police and E-911). The property tax does not fully cover the costs associated with public safety. He added since the proposed operating expenses are so limited, Council will find the streets and storm drainage improvements

underfunded, employee compensation lagging and vehicle/equipment replacement, especially in Public Services, minimal. No tax rate increase is recommended in the FY14-15 budget.

Mr. Griffin said the Maria Parham property tax appeal regarding the valuation assigned by the County has not yet been resolved by the State and depending on the result it could have a negative impact on the total levy. However, the tax/tag program is working in the City's favor with approximately \$200,000 in unanticipated revenue. He added the Finance Director is working with the County to separate out the vehicle decal/property tax data.

Council Member Kearney asked what the hospital is currently paying. Mr. Griffin asked the Finance Director to check with the County and said he would report back to Council.

Council Member Inscoe commented the property tax trend will change with the reevaluation of property in the coming year. Mr. Griffin said the rate is adjusted to be revenue neutral saying the new levy is calculated against the revenue received in the most current budget to determine the adjusted tax rate.

Council Member Kearney asked what percentage of the total tax comes from motor vehicles. Mr. Griffin said he would look at the FY13 Audit and report back.

Council Member Daeke asked if there was a limit on the city vehicle fee and if it is included. Mr. Griffin said the Finance Director is breaking out the current \$10.00 fee per vehicle from the tag fee. Mr. Griffin said he would find out the limit for the city vehicle fee and report back.

Mr. Griffin summarized the General Fund by saying it is very constrained and there is very little room for adjustments. He added he did authorize two vehicle lease purchases for the Fire Department because they have two vehicles which are no longer in service. The Police Department has vehicles with 80,000 to 100,000 miles on them that need to be replaced. He said the City has not had an active street resurfacing program since 2008 and the streets show it.

Regional Water Fund

The Regional Water Fund has experienced a decrease in water sales which is anticipated to continue in FY14-15. The proposed 5% increase will help mitigate revenue losses from reduced consumption and to keep capital reserve contributions at near-projected levels. The water plant electricity is managed with the power company's "time of use" program which is estimated to save approximately \$60,000 a year.

Water Fund

The Water Fund receives 97% of its revenues from the sale of water to the City's retail customers along with Kittrell, Vance County, Franklin County and Granville County, which is not yet on-line. A 5% increase is recommended for water rates and to unfreeze the Public Services Director position. This fund maintains the water lines for Regional Water plus the

City's distribution lines. He said the City's inside rate is the most competitive of all users but the outside water rate is competitive to Warren, Franklin and Vance and similar to Oxford. Mr. Griffin said 41% of the budget goes to pay for water purchased from the Regional Water.

Council Member Daeke asked for a reminder regarding the Rate Stabilization Reserve. Mr. Griffin said this was established about three (3) years ago with the funds received from Granville and Vance County for water reservation fees to reserve for any additional costs with the water plant upgrade. This reserve will keep the City from passing on the costs to customers. If the dollars are not needed for this, the dollars are set aside for other capital projects such as installing water lines to the neighborhoods on old US 158.

Mr. Griffin said the need for a Public Services Director is great and has included 50% of the salary in the Water Fund. He said the 5% water rate increase is necessary to avoid creating a long-term structural deficit.

Mr. Griffin said he could not emphasize enough the need for a Public Services Director. Although he said he was not trying to scare Council, in reality, if anything should happen to the Assistant City Manager, the City has no structure to move people into other positions and there is *no one* that can step into a director position at the current time.

Sewer Fund

Mr. Griffin said 97% of revenues come from user fees. A 3% rate increase is recommended. The increase is primarily for the Public Services Director position. He said the City is very competitive with in city sewer rates but definitely not competitive with out of city rates. The plant renovation continues along with the Sandy Creek project.

City Manager Griffin thanked Council for its time and patience. He said he would be happy to answer questions. There were no questions.

Mr. Griffin said when the budget schedule was set, it did not include time to read the budget information before the first work session. He said if Council would like to meet tomorrow evening (20 May), that would be fine or if it would like to postpone the first meeting until Thursday. The Mayor asked for Council's input. Council Member Coffey said she would rather begin Tuesday evening. Council Member Kearney said he would like a chance to look at the information and asked if Wednesday night was out of the question. Several Council members said they have commitments on Wednesday evening. Council Member Inscoe said Tuesday is fine with him. Council Member Rainey said he has a commitment Tuesday evening but should be able to arrive about 7:00 p.m. Council Member Peace-Jenkins said Tuesday is fine with her. Council Member Daeke said he would be unable to attend Tuesday evening as he has to work. Council Member Daye said Tuesday is fine with him. The Mayor then asked the Clerk for the result. After clarifying with Council Member Kearney that he is willing to meet, it was decided to meet Tuesday, 20 May at 6:00 p.m. by the following: YES: Kearney, Coffey, Inscoe, Rainey, Peace-Jenkins and Daye. NO: Daeke. ABSTAIN: None. ABSENT: Simmons.

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City Manager Griffin said he would prepare one-page summary sheets for the meeting tomorrow evening. He then asked staff to distribute the budget books and explained the book is compiled as in past years and suggested Council review Funds 64, 46, 78 for Regional Water; Funds 30, 70 79 and 43 for Water; and Funds 31, 70, 79, and 44 for Sewer. He said the 40's accounts are capital accounts like the sewer plant renovation. Mr. Griffin also suggested Council read the Budget Message and the Fund summaries to be discussed tomorrow evening.

Council Member Inscoe asked if the pumps that recently failed are included in this budget. Mr. Griffin responded no. The pumps need to be replaced immediately and the expense will come out of FY13-14 budget. If the Fund Balance is needed to make this purchase it will be brought to Council for approval.

City Manager Griffin said he will be happy to answer any questions before the next meeting, so please do not hesitate to call him.

Council Member Kearney asked for a list of City owned properties that might be available for sale. Mr. Griffin asked Code Compliance Director Corey Williams to compile a list that also shows if the property is jointly held with the County.

Mayor O'Geary then asked if there were any further questions. There were none so the Mayor asked if Council was prepared to adjourn.

ADJOURNMENT

Council Member Daeke moved for adjournment. Motion seconded by Council Member Coffey, and was unanimously approved. The meeting adjourned 6:50 p.m.

James D. O'Geary
Mayor

ATTEST:

Esther J. McCrackin
City Clerk