



## **City Council Minutes**

### **Henderson City Council Budget Work Session #1**

### **17 May 2016**

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#### **PRESENT**

Mayor Eddie Ellington, Presiding; and Council Members Marion B. Williams, Sara M. Coffey, Michael C. Inscoc, D. Michael Rainey, Garry D. Daeke, Fearldine A. Simmons and George M. Daye.

#### **ABSENT**

Council Member Melissa Elliott

#### **STAFF PRESENT**

City Manager Frank Frazier, City Clerk Esther J. McCrackin, Assistant to the City Manager Paylor Spruill, Kerr Lake Regional Director Christy Lipscomb, Police Chief Marcus Barrow, Fire Chief Steve Cordell, Assistant Fire Chief Curtis Tyndall, Recreation and Parks Director Kendrick Vann, Engineering Director Clark Thomas, Public Services Director Mike Ross, Code Compliance Director Corey Williams and Administrative Services Officer Edna Vaught.

#### **CALL TO ORDER**

The 17 May 2016 Henderson City Council Budget Work Session #1 was called to order by Mayor Eddie Ellington at 6:01 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 Ellington a quorum was present.

#### **OPENING REMARKS**

Mayor Ellington immediately turned the meeting over to City Manager Frazier.

Council Member Williams informed Council that she would need to leave at about 6:45 due to a prior commitment.

City Manager began by providing responses to the Car Park issues.

### **Car Park Issues from May 16, 2016**

The two items are:

1. Past Due Accounts - Mr. Frazier said the total overdue active and inactive accounts as of April 30, 2016 was \$639,234.55. As of May 1, 2016, \$388,643.51 has been received. Currently there is \$250,591 outstanding and that amount is partially made up of \$59,632.28 in sanitation; \$161.98 in hydrant fees; \$2,583.48 in miscellaneous and \$107,637 for sewer and \$79,786.66 for water. The outstanding accounts range from four days to ten (10) years past due.
2. DMV Transaction Fee – There is a fee of \$1.69 per transaction and if the DMV fees are paid with a credit card, the City pays that cost.

Council Member Rainey asked what process is utilized to collect outstanding utility bills. Mr. Frazier said the debt setoff program works best as long as the City can obtain a social security number.

Council Member Coffey asked about how individuals are tracked who have outstanding bills and try to establish new service. Mr. Frazier said the Customer Service Representatives are doing an excellent job of finding these before new service is established. Ms. Coffey then asked if there was anything that could be done if an individual with an outstanding bill is living with someone else but their name is not on the agreement. Mr. Frazier said he did not think the City had any recourse in that type of situation.

Council Member Daeke asked about when the cut off occurs if payment is late. Mr. Frazier said the Customer Service Supervisor provides a copy of each cut off list and normally cut offs occur after a month of non-payment.

Council Member Inscoe complimented City Manager Frazier on the outstanding job he did with his presentation Monday evening.

There were no other comments so City Manager Frazier directed Council's attention to a discussion regarding the Regional Water Fund

## **Kerr Lake Regional Water (KLRW) Fund 64**

City Manager Frazier summarized the key budget issues for this fund by saying no rate increase is being recommended although a 1.3% decrease in revenue is anticipated from FY15. He said a good amount of debt service has been paid off and went on to review the major capital outlay requests for FY16 -17 budget which consists of a new vehicle to replace a 1998 pick-up truck, lab equipment and Clearwell Repairs.

Council Member Inscoe felt there could be confusion regarding the monies in the rate stabilization account within KLRW as any funds that have been generated by City customers are currently housed with monies generated by the partnership. He suggested corrective action be taken to properly identify the City funds that are to be used for the 20MGD or any other projects related to utilities as needed and approved by Council.

Before moving on to his next questions, Mr. Inscoe complimented KLRW Director Christy Lipscomb and her staff on doing a superior job overall.

Mr. Inscoe said his understanding of the needed Clearwell repairs were esthetic and pertained only to the top of the well. He asked about the scope of the work and whether or not bids had been taken.

KLRW Director Lipscomb said the \$200,000 is only a ballpark figure used for budgeting purposes. She does not expect the project to be put out for bid until spring as she waits to see how her budget is running with revenues and expenditures prior to spending capital. Mr. Frazier stated the bid would have to be awarded by Council.

Council Member Coffey asked if there is any possibility the City would lose its IBT permit. Mr. Frazier said the City cannot lose the permit but there are some time constraints relative to the authorization to construct; an extension may need to be requested.

There was no further discussion about the Regional Water Plan so Mayor Ellington asked for the Consensus of Council regarding the proposed budget for the Kerr Lake Regional Water (KLRW) Fund. The Consensus to accept the proposed budget without change as follows: YES: Williams, Coffey, Inscoe, Rainey, Daeke, Simmons and Daye. NO: None. ABSTAIN: None. ABSENT: Elliott.

City Manager Frazier moved the discussion to the Sewer Fund at this time.

## **Sewer Fund 31**

City Manager Frazier said no rate increase is recommended for the Sewer Fund. The one capital outlay suggested is SCADA additions to 11 pump stations. There is debt service in the amount of \$20,062,237 which includes the projected cost of the Elmwood Cemetery Outfall project, Sandy

Creek Pump Station and also the improvements at the Henderson Water Reclamation Facility. Mr. Frazier did say 87.41% of the revenues in this fund are derived from the sewer user fee.

Council Member Inscoe asked for confirmation that \$260,780 in Rate Stabilization funds will be used to balance this fund. Mr. Frazier said that is correct. This would leave a balance in that fund of approximately \$462,000.

Council Member Daeke asked how significant of a reduction will occur with the operational costs and chemical costs due to the new sewer plant facility. Mr. Frazier said it's a little early to provide any data. Mr. Daeke requested a report in approximately 6 months as it was Council's understanding the new plant would provide considerable savings. Mr. Frazier will report back to Council when the data is available and after the plant is completely finished and running smoothly..

Mr. Frazier mentioned that Turner Murphy has have done a good job thus far in completing some of the more critical work needed at the plant.

Council Member Daeke asked about available positions at the plant. Mr. Frazier said currently there are several open positions.

There was no further discussion about the Henderson Water Reclamation Facility so Mayor Ellington asked for the Consensus of Council regarding the proposed budget for the Sewer Fund. The Consensus to accept the proposed budget without change was as follows: YES: Williams, Coffey, Inscoe, Rainey, Daeke, Simmons and Daye. NO: None. ABSTAIN: None. ABSENT: Elliott.

### **Water Fund 30**

Mr. Frazier explained this fund includes Engineering, Administration, Customer Service and Water Distribution. He recommends a 5% rate increase to absorb some of the increased operating costs and also to fund a small amount of capital. Mr. Frazier said the one capital outlay item is the purchase of a plotter/scanner at a cost of \$9,000.

Council Member Rainey confirmed the 5% rate increase would amount to a \$0.91 increase per month for City customers and \$2.28 per month for Out of City customers. Mr. Frazier verified this is correct.

Council Member Coffey commented that \$0.91 is a minimum amount for approximately 6,000gpm. Ms. Coffey asked about the condition of the Backhoe. Mr. Frazier said at this time their backhoes are in good condition; however, we do not want to get in a position where they are not replaced periodically.

Council Member Daeke noted the 1996 Explorer which is not included in the budget. Mr. Frazier said the Explorer was the first 4-wheel drive vehicle the City purchased.

Council Member Inscoe asked for details regarding the Outgoing Calling System. Mr. Frazier said this was not included in this budget but it would be used to send messages to let customers know, for example, of a water leak problem in their area. Mr. Inscoe asked for information regarding the cost to implement such a program.

Council Member Rainey asked what percent of the water meters have been converted to radio read meters. Mr. Frazier said approximately 40% and that they are working well: in some cases they have even proven leaks existed. Ms. Coffey added customers with radio read meters are paying more accurate bills. Mr. Daeke asked if there has been any reduction in work force with the implementation of these meters. Mr. Frazier said one meter reader is part-time.

Council Member Daeke asked how much income is generated for 1% of increase proposed. Mr. Frazier said \$27,000. Mr. Daeke asked why \$135,000 is needed. Mr. Frazier explained the plotter/scanner requested, plus the Utility locator position salary increase and a portion of the scissor lift made up a portion of this request. Other operating cost increases make up the difference.

When Mr. Frazier was asked what he thought about a reduction, he said he would be remiss if he did not mention there are places within the City that are in need of serious work --- specifically he mentioned a 12" water main from Chavasse to JP Taylor Road which the utility crews were trying to repair. This was a long distance in which there were no valves in between and could potentially affect a lot of customers including L. B. Yancey School. There are a number of dead end water mains which need to be looped and projects identified to help with this so he would not recommend the decrease but would be ok if that is Council's decision.

There was then a general discussion that included areas such as the need for economic development, and how to find a happy medium to keep citizens happy and to continue to provide the necessary City services.

Council Member Daeke suggested reducing the increase from 5% to 3% and use monies from Rate Stabilization for the balance. Council Member Coffey said 5% is needed but 3% is fine.

Overall Council was in agreement that 3% would be more palatable, especially in light of this being a revaluation year.

Mayor Ellington asked for the consensus of Council to reduce the rate increase to 3% and to use Rate Stabilization funds for the balance. The consensus was as follows: YES: Williams, Coffey, Inscoe, Rainey, Daeke, Simmons and Daye. NO: None. ABSTAIN: None. ABSENT: Elliott.

## **General Discussion**

At this time, before she needed to leave, Ms. Williams asked for a better understanding of how salaries are calculated and how the pay classification has been implemented. Mr. Frazier explained changes have been made depending on career development requirements, status, etc.; however, this did not include the 5% pay class funds as these funds have been placed in reserve.

*(Clerk's Note: This will be discussed further during the May 19<sup>th</sup> budget work session.)*

*(Clerk's Note: Council Member Williams left the meeting at 6:53 p.m.)*

There was a brief discussion as to whether Council wished to move on to the General Fund. Council Member Coffey felt Ms. Elliott needed to be included in discussions. Council Member Inscoe will be unable to attend the May 19<sup>th</sup> meeting and asked to express his comments and concerns this evening. With that, Mr. Frazier began the General Fund discussion.

## **General Fund**

City Manager Frazier recapped this fund by saying overall there has been a 6.06% increase from the FY15-16 budget. The main reason for the increase is the proposed renovations at the Fire and old Police station on Garnett Street which is estimated to cost \$600,000. This amount will be paid for with a loan and hopefully some energy related grant funding. Other expenses are a street sweeper that will be added to the fleet at a cost of \$260,000 through lease proceeds to begin in FY 18, and \$200,000 for critically needed street resurfacing.

Mr. Frazier said this proposed budget includes raising the motor vehicle tax from \$10.00 to \$30.00 as allowed by the North Carolina Legislature.

There was a brief discussion about raising this fee but overall Council was in agreement to raise the amount to \$30.00.

Mayor Ellington asked for a consensus to raise the Motor Vehicle Tax to \$30.00. The consensus was: YES: Coffey, Inscoe, Rainey, Daeke, Simmons and Daye. NO: None. ABSTAIN: None. ABSENT: Elliott and Williams.

Council Member Daeke asked to have funding set aside for Council to travel to meetings, conferences and League meetings, as appropriate. Council Member Inscoe suggested moving the \$0.50 set aside in sanitation in this year's budget for demolition to the Governing Body.

Council Member Inscoe asked if there was any possibility of sharing the proposed IT position with the County. Council Member Simmons asked if he meant splitting the position between the City and County. Mr. Inscoe said yes. Council acknowledged there is a need for an IT person

but asked Mr. Frazier to investigate alternatives. Mr. Frazier reminded Council that he was proposing to fill this position by reclassifying a vacant position in Finance and he had calculated the salary at \$45,000 with benefits.

Mayor Ellington asked for a consensus as to whether Council would like Mr. Frazier to investigate alternatives to a City IT position. The consensus was as follows: YES: Coffey, Inscoe, Rainey, Daeke, Simmons and Daye. NO: None. ABSTAIN: None. ABSENT: Elliott and Williams.

Council Member Inscoe said the County has included in its proposed budget \$25,000 for demolition and \$8,000 for lot mowing. The City's proposed budget is \$80,000. Mr. Inscoe did not feel the City should bear the burden of the expenses associated with demolition when the County owns 57.12% of the properties; therefore, he would like to see the City's budget reduced to \$33,000. He added the remaining \$47,000 should be placed in contingency. Once those funds have been expended, he felt it would be appropriate to go back to the County to request more funding. Council Member Coffey commented that the County has not paid anything toward mowing. Council Member Daeke agreed with this plan.

*(Clerk's Note: Council Member Simmons left the meeting at 7:20 p.m.)*

Mayor Ellington asked for a consensus by Council to set the demolition budget at \$33,000 with the remaining \$47,000 in contingency. Council was in agreement as follows: YES: Coffey, Inscoe, Rainey, Daeke and Daye. NO: None. ABSTAIN: None. ABSENT: Elliott, Williams and Simmons.

Council Member Daeke asked about vehicle replacement --- specifically the \$36,000 for a pickup truck in the Fire Department. Mr. Frazier asked Fire Chief Steve Cordell to come forward and explain the need.

Chief Cordell said this ¾ ton 4 wheel drive pickup will be used to pull the arson trailer and smoke house camper. The 4 wheel drive is necessary for inclement weather situations. It is also a crew cab so more firefighters can ride to the site. The vehicle will be purchased through the State contract program at a cost of \$34,000 for the pick-up and then an additional \$1,500 for the removable camper shell and installation of warning lights. There is also a 3% sales tax on the vehicle

Council Member Coffey said she had no problem with this purchase.

Discussion then turned to the health insurance increase. Council members discussed issues such as whether changing carriers would create unknown problems, what the cost would look like if there was a \$2,000 or \$3,000 deductible.

Council Member Daeke said he would hate to approve raises only to see them absorbed by a higher deductible but felt it was important to explore all possibilities.

City Manager Frazier was asked to provide the cost of health insurance with higher deductibles.

Council Member Inscoe asked Mr. Frazier to provide projected salary costs for FY17 and FY 18 if the Pay Classification Plan continues to be implemented. Mr. Frazier said he will provide this information.

Council Member Inscoe then shared some insights about Henderson being in the top 5% in taxes which is detrimental to both retirees and business considering relocation to this area. He mentioned several businesses/locations that have changed status in various ways which are no longer contributing to the City's tax base. Without the taxes that come with new business, the City has no new revenue to move forward. He also commented that Vance County only has one available property for industrial growth and he said Council should encourage the County to consider purchasing more property for future growth. Council Member Coffey said she is thankful for small businesses. Council Member Rainey said, unfortunately, Henderson is not the only community in this situation of losing a tax base.

The last item discussed was a breakdown of the DDC budget. Mr. Frazier said \$20,900 is for operating costs, and the remaining is for staffing and grant offerings.

Council Member Inscoe added that County's contribution to the DDC budget is \$1,500.

In summary City Manager Frazier said Henderson is moving forward with things such as economic development, incentives for downtown and redevelopment and although they may seem small at this time, it is showing progress. Council Member Rainey added the City needs thing to change its image.

#### **Guidance for Staff:**

In summary, City Manager Frazier thanked Council for its time and said the next budget session will be Thursday, May 19 at 6:00 p.m.

#### **Car Park**

1. Status of business on Norlina Road that left a large water bill when it closed.
2. Corrective action to redirect funds from the Regional Water Account to a City specific as the City has specifically set aside funds in conjunction with the IBT 20MGD project without any of the partners contributing.
3. Provide cost savings at the HWRF in approximately 6 months to evaluate the new system versus the old operating system costs.
4. Projected costs of out-going calling system
5. Put the \$0.50 from sanitation currently going to demolition from the FY 15-16 Sanitation fee into Governing Body for Council to attend conferences, meetings, etc. outside the city.

6. Evaluate possibility of sharing the County's IT staff, consider alternatives
7. Gather health coverage information for \$2,000 or \$3,000 deductibles
8. What is current maximum out of pocket for health insurance and what is the maximum with the new plan?
9. Salary projections to implement Plan for FY 17 and FY 18

Mayor Ellington asked if there was anything further or if Council was prepared to adjourn.

## **ADJOURNMENT**

Council Member Inscoe moved for adjournment. Motion seconded by Council Member Daeke, and unanimously approved. The meeting adjourned at 7:49 p.m.

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Eddie Ellington  
Mayor

***ATTEST:***

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Esther J. McCrackin  
City Clerk