



AGENDA

Henderson City Council Budget Work Session #1
Tuesday, 20 May 2013, 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, Sr.
Councilmember Sara M. Coffey
Councilmember Michael C. Inscoe
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. OPENING REMARKS

In order to provide for the highest standards of ethical behavior and Transparency in Governance as well as provide for good and open government, the City Council has approved Core Values regarding Ethical Behavior¹ and Transparency in Governance². The Mayor now inquires as to whether any Council Member knows of any conflict of interest, or appearance of conflict, with respect to matters before the City Council. If any Council Members knows of a conflict of interest, or appearance of conflict, please state so at this time.

¹ **Core Value 4: Ethical Behavior:** We value the public trust and will perform our duties and responsibilities with the highest levels of integrity, honesty, trustworthiness and professionalism.

² **Core Value 10: Transparency in Governance:** We value transparency in the governance and operations of the City.

IV. REVIEW AND DISCUSSION OF:

a) Car Park Items

1. Car Tag Fee Limits (*Still Under Review*)
2. Vacant Property List for General Fund Discussion (*See Attachment A*)
3. Vehicle Tax vs Total Tax (*See Attachment B*)
4. Hospital Real Estate Payments (*Still Under Review*)

b) Regional Water and Related Funds: 64, 78, 79 and 46 (*See Attachment C*)

c) Water and Related Funds: 30, 70, 79 and 43 (*See Attachment D*)

d) Sewer and Related Funds: 31, 70, 79, 44 (*See Attachment E*)

V. GUIDANCE FOR STAFF

VI. ADJOURNMENT



City Council Minutes
Henderson City Council Budget Work Session #1
20 May 2014

PRESENT

Mayor James D. O'Geary, Presiding; and Council Members James C. Kearney, Sr., Sara M. Coffey, Michael C. Inscoe, Brenda Peace-Jenkins, and George M. Daye.

ABSENT

Council Members Garry Daeke, Michael Rainey and Fearldine Simmons

STAFF PRESENT

City Manager Ray Griffin, Assistant City Manager, Frank Frazier, City Clerk Esther J. McCrackin, Finance Director Katherine Brafford, and Kerr Lake Regional Water Director Christy Lipscomb.

CALL TO ORDER

The 20 May 2014 Henderson City Council Budget Work Session #1 was called to order by Mayor James D. O'Geary 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 O'Geary a quorum was present.

OPENING REMARKS

Mayor O'Geary welcomed everyone to this first budget work session and turned the meeting over to the City Manager to begin.

Car Park Issues

City Manager Griffin said there were four requests from last evening as follows:

1. Limit on Car Tag Fee – Mr. Griffin will speak to the City Attorney about this and will report back at the next meeting
2. City Owned Vacant Property List – A list of City owned property and City/County owned property was distributed for review. Code Compliance Director Williams will be at the Thursday, 22 May meeting to respond to questions.
3. Vehicle Tax vs Total Tax – Mr. Griffin provided Council with page 99 of the FY13 Audit which shows an 85.35% collection of the Registered Motor Vehicles versus 94.30% of property tax collection.
4. Maria Parham Real Estate Taxes- Finance Director Kathy Brafford was out of town for a CDBG meeting today so she was unable to contact the County regarding this but she will have information for Council at the next meeting.

The discussion then turned to Regional Water.

Kerr Lake Regional Water (KLRW)

Fund 64 – City Manager Griffin summarized the key budget issues. He said approximately 97% of the revenue comes from selling water to Henderson, Oxford and Warren County. Electricity and chemicals compose 21% of the budget and continue to be unpredictable in cost. Mr. Griffin said the downward trend of water sales began in FY12 and it seems it will continue in FY15. He said even with the suggested rate increase, Regional Water's budget is \$4,319,000 less than the FY14 approved budget of \$4,430,000. Mr. Griffin said he has included in the FY 15 budget the re-plumbing of the hypochlorite bulk tank, triennial clear-well inspections which are required and critical concrete repairs/patching. He also said it is important to continue building the Capital Reserve for the 20MGD Water Plant Expansion, Corps of Engineers (COE) Reserve, and general needs.

Mr. Griffin said the KLRW budget is extremely tight. The recommendation is for a 5% increase. If Council desires to make changes, Mr. Griffin suggested using Capital Reserve funds which in the long term may have negative impacts.

Council Member Kearney asked about the year-end figure for FY14. Mr. Griffin said Kerr Lake Regional Water Director Christy Lipscomb keeps a very tight handle on her department. Ms. Lipscomb said she expects to come in slightly under budget. She added this has been a better year for the use of chemicals as there has been a lot of rain --- in drought years more chemicals are needed to provide quality water.

Council Member Coffey asked if there is anything that would help improve this downward trend

for water sales. Mr. Griffin responded mainly growth. He added Warren County felt some of its decrease is due to water conservation devices installed by its largest user, the prison. He also said the weather contributes as people tend not to have to water gardens, wash cars, etc. as often.

Council Member Inscoe, as Chair of the Regional Water Board, added several comments to the discussion. He said last year nothing was contributed to the capital expenditure, the plant is approximately 40 years old and there is a “*perfect storm*” brewing with expenditures up and usage down. He personally would like to see the increase reduced from 5% to 4% with the difference (1%) taken from Capital Reserves. This would automatically reduce the Water increase to 4% also. He added it takes money to operate and reserves will be important in the coming year(s).

Council Member Kearney asked about the 1 to 1 ratio between Regional Water and Water. Mr. Griffin said is more like .6% Regional and 1% Water.

Council Member Inscoe brought out the importance of keeping reserves for the IBT (Inter-Basin Transfer).

Council Member Coffey asked if the water usage trend is being experienced by all the partners. Mr. Griffin said he has not broken it down by partners. KLRW Director Lipscomb said other areas are experiencing the same downward trend.

Council Member Kearney asked if the new radio read meters are contributing. Mr. Griffin said if anything, the old meters tend to read more slowly but the new meters are providing more accurate readings.

Council Member Inscoe suggested taking the balance out of the City Water Capital Reserve transfer so the increase for Water would be 3 ½ cents.

Fund 78 – Mr. Griffin moved attention to this fund saying it is solely funded by the KLRW plant water sales. He said the FY15 budget calls for \$795,000 to be contributed to the debt reduction/rate stabilization plan. As mentioned earlier, this fund was established to reserve funds for a) the Corps of Engineers Reserve (COE Reserve); b) the 20MGD Water Plant Expansion projects; and c) General Regional Reserve.

Council Member Coffey asked why the breakout and Mr. Griffin responded to keep the accounts separate and clean for auditing purposes.

There was no further discussion about the Regional Water Plant.

Water Fund

Fund 30- Mr. Griffin began summarizing the key budget issues by saying the City’s revenue is down with water sales down. He said 78% of the revenue for Water Fund comes from retail and

wholesale government customers with 41% coming from Franklin County. Another 14% of revenue comes from the Granville and Vance counties water reservation fees. He reminded Council that the Water Department maintains all the water lines within the City and for Regional Water.

This portion of the budget is also extremely tight but includes limited funds for maintenance and repairs within the water distribution system, replacement of more water meters to radio read meters, the radio read software license/maintenance and outsourcing of bill preparation and mailing. Mr. Griffin said 50% of the costs to hire a Public Services Director are also included. The City Manager recommends a 5% increase. If Council desires to make changes, Mr. Griffin suggested using Capital Reserve funds and reducing the rate stabilization contribution.

Since Council has already suggested reducing the increase to 3.5%, Mr. Griffin asked if there were any questions.

Council Member Coffey asked if the Public Services Director position would still be included. Mr. Griffin responded yes. Council Member Kearney asked if it is anticipated the Public Service Director would be hired at the high end of the grade. Mr. Griffin said yes and added it may well take three (3) months to fill the position. Ms. Coffey asked if the pay scale is in line with the findings in the recently completed Pay Study. Mr. Griffin said yes. From past experience Mr. Griffin felt it would be impossible to find a qualified director at the current City job scale. Council Member Inscoe asked if the individual hired would require training. Mr. Griffin said the only training will be in understanding the City system which Council Member Kearney correctly called orientation.

Before moving on to the Sewer Fund, Mr. Griffin pointed out that the Water Capital Reserve is growing but has not reached Council's goal.

Sewer Fund - City Manager Griffin said citizens fund 91% of the Sewer Fund. The key expenses are similar to the Regional Water plant with volatile issues with chemicals and electricity; the lease purchase for a truck and the replacement of various expensive pieces of laboratory equipment; bio-solid disposal, sewer maintenance/repair and street patching for utility cuts. He reminded Council that Powell Bill funds cannot be used for street patching for utility repair.

As with the Regional Water, Henderson Water Reclamation Facility participates in Duke Energy's Time of Use Rate program which has saved between \$55,000 and \$65,000 per year.

The City Manager recommends a 3% rate increase. If Council desires to make changes, Mr. Griffin suggested reducing the capital reserve and rate stabilization contributions.

Council Member Coffey expressed concern that the \$21,800 for maintenance work was so low. Mr. Griffin agreed.

Council Member Kearney suggested Council be proactive in thinking about the recent Coal Ash spill and how it or something similar could affect the water supply. Mr. Griffin said KLRW Director Lipscomb is keeping a close eye on the situation and suggested a work session to discuss this in more detail.

Guidance for Staff:

In summary, City Manager Griffin asked if it Council's wish to reduce the Regional Water rate increase to 4%; Water to 3.5% and keep the Sewer increase at 3%.

Mayor O'Geary asked for consensus of Council which was as follows: YES: Kearney, Coffey, Inscoe, Peace-Jenkins and Daye. NO: None. ABSTAIN: None. ABSENT: Rainey, Daeke and Simmons.

(Clerk's Note: Council Member Rainey had a prior commitment and planned to join this meeting about 7:00 p.m. Council Member Daeke was working and unable to attend.)

City Manager Griffin said the Thursday, 22 May meeting will focus on the General Fund and more specifically Public Safety. He suggested Council review Fund 10 (General Fund) and Fund 11 (Powell Bill) along with Fund 72 Capital Reserve and Fund 41 (CIP) in preparation for the meeting.

Council Member Inscoe made several observations about this budget and said there are three vehicles included for lease purchase. He asked that natural gas conversion be considered which should save the City dollars and suggested extended warranties as several of the existing police vehicles have 100,000 miles on them. Mr. Griffin said pricing has already been considered for extended warranties. He added he plans to reinstate collision insurance which was dropped for some unknown reason on City vehicles of a certain mileage.

Mr. Inscoe said he is happy with this budget as it includes no ad valorem tax, no dollars are being taken from the Fund Balance, the first year of the pay classification plan is being funded, the Public Services Director is being unfrozen. He also pointed out that the Full Time employees have been reduced over the past years by 22. City Manager Griffin said it is actually more like 45-50 if you go back to 2000.

Council Member Kearney felt the City is in good shape with FY15.

Lastly, Mr. Griffin said there has been a definite tightening of the belt with major reductions in supplies and travel spending: the tax/tag requirement allowed the City to not dip into the Fund Balance and the reduction in health insurance costs contributed significantly to the budget.

Council Member Coffey said she feels better about the FY15 budget than she did the FY14. She added although staffing has been reduced, the work is still being completed at the expected level. Mr. Griffin said everyone is working hard but sometimes keeping up with the work is harder with less employees.

Mayor O'Geary asked if there was anything further or if Council was prepared to adjourn.

ADJOURNMENT

Council Member Peace-Jenkins moved for adjournment. Motion seconded by Council Member Coffey and unanimously approved. The meeting adjourned at 7: 05 p.m.

James D. O'Geary
Mayor

ATTEST:

Esther J. McCrackin
City Clerk