

BUDGET WORK SESSION - May 14, 2012

The Mayor and City Council held a budget work session on Monday, May 14, 2012 at 6:30 pm in the Council Chambers of City Hall located at 114 West Sycamore Street, Lincolnton North Carolina.

The following were in attendance:

RHYNE

CLONINGER

HEAVNER

HOVIS

Mayor Gilleland called the meeting to order, opening the budget work session and welcoming everyone in attendance. Mayor began by recognizing City Manager Jeff Emory and directing Mr. Emory to start with item (J) on the agenda. Item (J), Current Revenue/Expenditure Status, was moved making it the first item to be discussed.

City Manager Jeff Emory began by explaining that better revenue and expenditure projections will be available when the yearend budget amendment is complete. Referencing the provided material, Mr. Emory pointed out that currently expenses in the General Fund are running ahead of revenues by approximately \$117,000.00 which is an improvement from last year at this time. This year's revenues in the Water and Sewer Fund are ahead by approximately \$17,000.00 compared \$340,000.00 last year which is due to payment in lieu of taxes to the General Fund. Mr. Emory did point out that all debt has been paid in the Water Fund for this year. Electric Fund is in the positive which is directly related to the electric increase.

Mayor Gilleland confirmed that although it's still in the negative, cash flow this year is \$57,000 better than last year. Mr. Emory projected cash flow being about \$500,000 however is able to transfer funds from the Water and Sewer fund to the General Fund, it could possibly be \$250,000.00 in the negative.

Getting permission to proceed, Mr. Emory continued with the items on the Agenda, the first being the Wellness Program. The City received a 2% credit on insurance premiums due to the wellness program currently in place. In light of this new information, Mr. Emory has directed Human Resources Director Tina Hurdt to work on making the necessary changes to the plan for there to be a 0% overall increase.

Human Resources Director Tina Hurdt spoke to the Mayor and City Council regarding the results of an employee survey. Mrs. Hurdt explained that approximately ½ of the workforce was surveyed. She admitted responses were varied, some in favor of and some against. She voiced concerns some of the employees expressed regarding pre-existing conditions they are

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already being treated for and the role of the health care nurse and the coaching sessions. Mrs. Hurdt concluded requesting direction from Council on how to proceed with the program.

Mayor Gilleland asked for question and/or comments. Some discussion was generated regarding other options that could be considered. Mrs. Hurdt stated that requiring an annual physical in lieu of the screening was do able. She stressed that they would structure the program however Council directed. Councilman Rhyne also spoke to employee concerns with no being able to use their current physicians. Mrs. Hurdt confirmed that for an extra charge, employees have the option to use their own physicians, submitting the necessary forms to CMC. Mr. Emory asked, with Mayor Gilleland confirming that if an employee chooses to get an annual physical through their own physician, no coaching will be involved.

Mayor Gilleland commended Mrs. Hurdt for attempting to find ways to keep the medical cost in line however there are different options on doing that. More discussion was generated with Councilman Hovis along with Councilman Heavner and Cloninger speaking to the issue. All were in agreement that the wellness Program is beneficial and had their support. Mayor Gilleland again clarified the options with option one (1) being the program as presented, and option two (2) being requiring annual physicals with no screening or coaching sessions through CMC. Councilman Rhyne stated that he would like to see the wellness program continue with employees having an option to use their personal physician. There was more discussion in an attempt to clarify what the requirements would be. Mrs. Hurdt requested to summarize and it was decided that employees will have the screening or could opt to use their own physician giving information to Carolinas Health Care Systems. If health risk factors are flagged coaching will be required however if employee chooses not to participate in the coaching session, there would then be a cost shift. Employees will be responsible for paying the \$10.00 administrative fee for if they choose to bring in their screening information from another physician. In closing, Mr. Emory pointed out the options for keeping premiums flat and clarified Councils wishes to for him to do so. Council agreed that every effort should be made to keep the City's premiums flat.

The next item to be discussed was the airport. City Manager Jeff Emory directed Council to the information showing activity at the airport since 2004 showing that the City has paid \$324,000.00 in operating expenses and \$496,000.00 in matching grants. Mr. Emory continued stating that a request for another matching grant for a major project has been received from the airport for \$285,000.00. Mr. Emory recommends that the match provided over a two year period and that no more grant matches be given from the City in the future. The City will still be obligated to provide yearly

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operating expenses. Discussion from Council and officials of the airport was generated. Mr. Joe Tate, Airport Manager, spoke to the items explaining how this expansion will make the airport more competitive and attractive to the business community. This \$2.7 million dollar grant, according to Mr. Tate, will allow the taxi way to be extended and the completion of the glide slope which will accommodate corporate and general aviation aircraft. Councilman Heaver spoke to his opposition to the City providing these matching funds for this grant. There was also questions generated as to the application process when applying for grants as well as discussion regarding that fact that the City receives very little benefit for the investment. In conclusion, Mayor Gilleland suggested that decision be made at the June meeting after facts are clarified. Mr. Emory suggested a meeting with City staff, airport officials and the engineering firm. Councilman Rhyne suggested having the airport submit their plan to becoming self sufficient.

After a brief break, the work session continued with item (C), Water/Sewer. Starting with page titled, "Model 2013 Water & Sewer Trends", City Manager Jeff Emory read through some of the data provided. Mr. Emory pointed out that despite an increase revenues are less by \$20,000.00. Mr. Emory gave a brief history various rate adjustments over the years informing Council that although it is not sure if this is realistic, the water and sewer rate model for 2013 is identical to the one for 2012. This model will need to be approved at the June 7th meeting in order to be effective July 1st. If the decision is made later, the increase will be effective August 1, 2012.

Mr. Emory explained the different scenarios presented based on usage trends. To summarize Mr. Emory suggested that at the very least a 2% increase across the board or a 1% textile and 3% all other rate increase be implemented. In answer to Councilman Rhyne's question, Mr. Emory stated that he would feel more comfortable with implementing a 4% increase across the board. There was discussion was generated with Mr. Emory stating stressing that in his opinion doing nothing is not an option. It was decided that a rate adjustment of 2% for textile and 4% for residential customers be effective July 1st.

Although no information was provided regarding this item, the recycling program as discussed. Giving a brief overview of the program, Mr. Emory stated that the original contract dates back to 1992 which automatically renews every three (3) years. Cost to the City for this service, which includes the container that the City provides, is approximately \$150,000.00 per year. Staff is of the opinion that if the City could provided this service every two weeks, it could be handled in-house. One option would be to let the current contract with GDS expire, with the City taking over the service on a bi-weekly basis and utilize available grant money to purchase larger

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containers. Contract is set to expire February 2013, saving the City \$150,000.00 annually. Mr. Emory explained that this is an option because there is not a site that will except materials that are co-mingled. There were questions from Council regarding proposal which were responded to by Mr. Rob Buff. With a consensus was among Mayor and Council, direction was given to move forward and to make the change as quickly as it is feasible.

City Manager Jeff Emory moved on the item (e), Swap Loader. Due to questions that were voiced at the last meeting, Mr. Emory asked Public Works and Utilities Director Steve Peeler to speak to this item. Mr. Peeler provided Council with a memo and pictures about this vehicle and gave a brief explanation as to its usefulness and effectiveness. Bids would have to be taken due to the amount of the purchase. Both Mr. Peeler and Mr. Emory voiced their concern with putting off the purchase of needed equipment and the impact this will have in future years. Councilman Rhyne questioned if they were any cheaper options as well as what the purchase amount included. The cost being \$110,000.00 and the bed approximately \$14,000.00. Mr. Peeler confirmed that upon the purchase of the swap loader, both trucks will be declared surplus and put out on the GovDeals auction site. The general consensus is to go ahead with the purchase this year.

The next item discussed was overtime. Council was provided a one page e-mail summery of the overtime paid. For fiscal year 2011, \$358,000.00 was spent which is 5.7% of total payroll. Currently an approximate \$5.9%. Mr. Emory explained that a combination of things account for the amount overtime paid, with quite a bit due to special events. The City's decision to discontinue the use of comp time also is reflected in the overtime numbers. Mr. Emory stated that the numbers presently in the budget are based on historical trend. Ways to monitor this issue were discussed among Council and staff with Mr. Emory stressing the fact the department head will have to carefully monitor their staff. It was determined that a spreadsheet would be created showing the numbers, set a goal, then work on meeting the goal reducing the number.

Moving on, item (g), Purchasing Agent was discussed. City Manager briefly explained the information provided. According to the numbers presented, it was decided a savings of at least 17% would need to be shown in order to break even for a full-time position. Mr. Emory confirmed that currently he is responsible for signing purchase orders and Finance helps to monitor the process. Asking direction from Council on how to proceed, Mr. Emory spoke to some of the questions regarding the position. Councilman Cloninger stated that he would need more information before speaking to the idea. In conclusion, Council made no recommendation on this item.

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Item (h), Weather Siren, was addressed in response to an inquiry by Councilman Rhyne. Fire Chief Lee, who spoke to the item, directed Council to the information provided. In summary, sirens would cost approximately \$10,000.00 each. Chief Lee commented that other than the financial aspect of this purchase, the only other negative aspect being the Emergency Management recommending the WENS system due to the possibility of sirens not being heard. Also, he feels that multiple sirens would need to be purchased in order to get complete coverage which he feels is not financial feasible. Mr. Rhyne commented on the issue and feels strongly about getting some type of system in place. Councilman Rhyne commends that Mr. Emory create a plan to get some type of siren system for the City of Lincoln.

Continuing to the next item, Mr. Emory began by directing Council to the e-mail provided by Planning Director Laura Simmons regarding privileges license. Mr. Emory stated that the City currently does not charge for privilege license however at Councilman Rhyne's suggestion, staff is looking into this as a possible way to generate revenue as well as help local businesses. The e-mail summarizes Ms. Simmons conversation with the a representative at the School of Government. Mr. Rhyne explained the concept of how this would work. Local businesses would be exempt however outside contractor would be required to purchase a license based on a percentage of the total project cost. Much discussion was generated. Ms. Simmons spoke to the item on the additional research she did. Councilman Rhyne explained that his goal is to help the local businesses. Mayor Gilleland wrapped up the discussion by directing Ms. Simmons to look into the matter further and report back to Council.

With no further items listed, City Manager Jeff Emory welcomed questions from Mayor and Council regarding any other items they wished to discuss. Councilman Rhyne inquired about how the various funding request would be handled this year. Those funds, according to Mr. Emory, are currently set to be paid out of the Occupancy Tax Fund, identical to this year's budget.

Councilman Hovis requested to speak to the School Resource Officer. Mr. Hovis again expressed his concern over the issue in that the county taxes paid should over this position. Currently the school pays \$55,000 with the City paying \$13,500. He also voiced his concern with the liability of having a city officer at the school. Councilman Heavner was in agreement with Councilman Hovis that it is not the City's responsibility. Councilman Cloninger stated the importance of there being an officer at the school however since it is a county school the county should be responsible. Councilman Rhyne agreed that an officer has to be in place, but believes that the impact and benefit to the City from a Resource Officer being their that's in the City out weights the \$13,000.00 a year. It's a small price to pay

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for the benefit the City is receiving. Police Chief Rodney Jordan spoke to the issue answering questions from Council regarding his thoughts. Finance Director Georgetta Williams also spoke to the issue regarding how the position is funded. After more discussion Mr. Emory asked for direction regarding this issue.

Councilman Hovis made a motion not to put a School Resource Officer in Lincolnton High School. Motion passed 3 to 1 with Councilman Rhyne voting against and Councilman Heavner, Hovis and Cloninger voting for this motion. Mayor Gilleland voice is disagreement with the motion.

Mayor Gilleland adjourned the meeting.

DONNA C. FLOWERS, CMC
CITY CLERK

JOHN O. GILLELAND, Jr.
MAYOR