

BUDGET WORK SESSION - May 7, 2014

The Mayor and City Council held a budget work session on Wednesday, May 7, 2014 at 6:00 pm in the Council Chambers of City Hall located at 114 West Sycamore Street, Lincolnton, North Carolina.

The following were in attendance:

RHYNE CLONINGER EADDY HOVIS

Mayor John Gilleland called the meeting to order thanking everyone for their attendance then without delay gave the floor to City Manager Jeff Emory to speak to the proposed 2013-2014 operating budget.

Mr. Emory began the discussion directing Councils attention to the topic of Fund Balance and Fund Balance appropriation. He provided a hand-out showing what the trend has been from 2009 to the present and as he explained the chart, Mr. Emory stressed his concern with this pattern in the General Fund as 1.5 million fund balance dollars has been spent since 2009. The City, Mr. Emory explained, is still at 39% in this fund, but admitted his concern with the pattern he is seeing. He continued explaining some of the changes that have taken place over the years that has affected revenues, as well as explained how other unforeseen changes could potentially affect revenues that currently go into the General Fund in the future. Mr. Emory warned Council against continuing this trend and not finding a way to generate additional revenue or making significant changes.

Some discussion was generated with Councilman Cloninger directing attention to the proposed tax increase. Mr. Emory spoke to how a two cent tax increase would benefit and explained that the increase alone would not solve the entire problem but it would make a difference. Responding to Mayor Gillelands question regarding the trend in surrounding communities concerning this topic, Mr. Emory stated that a combination of things have been done in a lot of cities with employee reduction being one of the main things. Adding to this discussion, Councilman Hovis brought attention to city services provided for a fee and the need for a downtown tax. Councilman Eaddy inquired as to whether city residents that do not pay property tax could be required to pay a fee for city services that are provided. Mr. Emory informed Council that out of over four thousand utility accounts, one thousand nine hundred are labeled as renters.

Other cost saving options were discussed which included the elimination of spousal insurance coverage. Councilman Hovis again spoke to his belief that a downtown central business tax should be implemented. He would also be in favor of a service fee on renters but not property tax payers. Councilman Eaddy agreed saying that the tax payer should not have to carry the burden alone. More discussion was generated on this topic with everyone in agreement that unlike the water, sewer and electric rates, Council was in control of the tax rate and therefore needed to do everything possible to prevent a tax increase. Mayor Gilleland presented questions regarding insurance and employee salaries and what going to a more traditional plan would look like for the City. Lots of

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discussion was generated on the topic of insurance. Human Resources Director Tanya Osborne informed Council of what can and cannot be done regarding dependent coverage stating that eliminating spousal coverage can be done. Mr. Emory continued the discussion reminding Council of the different sources of revenue that is not longer available and the affect this has had on the fund balance. Councilman Rhyne spoke to the idea of contracting the sanitation collection service out as a cost savings to the City or at least tighten up on what the service offers. Assistant Public Works Director Rob Buff spoke to what other cities have done and what seems to happen over time.

Mr. Emory asked for direction from Council regarding health insurance, verifying the 25% increase for the upcoming year. Council Eaddy stressed the importance of being very deliberate in this change due to the impact it will have on the employees. Mr. Emory also requested direction regarding the purchase of garbage cans for the citizens suggesting the purchase be made over a two year period.

There was more discussion on the possibility of a downtown business tax, what implementing such a tax involves and who pays it. Councilman Hovis mentioned possible changes in how the Business and Community Development department is handled with Councilman Rhyne continuing to express his interest on the topic of a downtown tax and revenue being used to make the Business and Community Development department a self sustaining department. Mr. Emory strongly advised Council to get feedback from the DDA before making any significant changes with the department due to the amount of involvement this department has with the DDA organization. More discussion was generated regarding the pros and cons of the idea.

Continuing to discuss all of the issues at hand, Councilman Eaddy had several questions in looking at the budget regarding the purchase of vehicles for the City. He also asked about paving on the rail tail. Attention then turned to how the Christmas (holiday) bonus is administered with Councilman Rhyne stating his interest in seeing everyone receiving the same amount across the board. Councilman Eaddy spoke to his findings and voiced his concern that because the City is not competitive with other cities our size capping the bonus would hurt the majority of the workforce. Discussions continued among Council and staff regarding salaries and the employee insurance benefit and annual bonus. Mr. Emory acknowledged that over time a cost of living increase helps the employee more than an annual bonus; however, he stressed the employees appreciation and dependence on the bonus to help during the holiday season.

Due to budgetary time restraints, Mr. Emory requested Council give him direction regarding health insurance changes, the recommendation being to move forward with the spousal carve out option and also increasing the employee out of pocket expense for claims for a cost savings of approximately \$310,000.00. Mayor Gilleland confirmed City Councils consent to move forward with both actions. City Manager Jeff Emory verified Councils consent for the purchase of one half of the roll-outs this year and remainder to be purchased the following year. Rob Buff, Assistant Public Works Director, suggested that Main Street be used as the dividing line to determine how roll-outs will be distributed.

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Councilman Rhyne stressed the need for a new website design and finding a better way to service our citizens over the internet. Councilman Eaddy agreed and encouraged staff to make the information available that citizens need to know regarding services and what can and cannot be done.

Councilman Cloninger expressed his interest in discussing what the City can do for the citizens. They also spoke to long range planning and concentrating on moving the city forward in a positive direction. Councilman Rhyne turned Councils attention to the possibility of contracting out some of the cities mowing. Recreation Director Richard Haynes provided Council with a handout which summarized his findings regarding this topic. Mr. Emory reminded Council of the need to also eliminate seven positions in order to see any savings by doing this (*handout attached*). Mr. Haynes explained the information provided was not all-inclusive but gave a general idea of what making the change could look like.

Mr. Emory thanked Council for direction on two of the items previously discussed. Councilman Eaddy pointed out two more items. The proposed two cent tax increase and the fact that no cost of living increase is being recommended for City employees. Discussion was generated around the topic with Councilman Rhyne suggesting that another work session be scheduled before the June 5th Council meeting. Meeting date was set for May 21, 2014 at 6pm.

At the request of staff and Council, Mayor Gilleland recessed the meeting.

Meeting resumed as Council began discussions regarding contracts with Lincoln County. Mr. Emory explained that City Clerk Donna Flowers presented the potential meeting dates to the County Clerk and is waiting for a response. Councilman Hovis requested to speak pointing out the importance of all Council members being in agreement regarding the issues at hand before meeting with the County Commissioners. Mayor Gilleland agreed and encouraged discussing the topic and coming to an agreement to present to the Commissioners before the actual meeting. He suggested agreeing to pay \$100,000.00 per year for five years, go back to the previous sewer arrangement where the City would take ownership of the infrastructure once thresholds are met and lastly agree on a price for water sales. Councilman Hovis suggested only discussing water sales, however Council members, after much more discussion, agreed to proceed going back to the previous provisions for sewer, 911 and animal control, and \$1.15 being the proposed water rate. There will be no revenue sharing regarding the sewer. None of the proposed County facilities will be annexed but they will receive the inside water and sewer rate with the minimum purchase being increased which, according to Mr. Emory, is to the City's advantage. Councilman Eaddy made the motion to send back sewer agreement as previously outlined. Motion was unanimously approved.

Council Hovis made a motion to have prayer by a clergy at future meetings. There was discussion among Council on the topic. Councilman Cloninger, giving a number of reasons, voiced his strong objection to the idea. Councilman Eaddy spoke to the option of having a moment of silence. Mayor Gilleland stressed that if this motion was passed,

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all guidelines would be followed. Councilman Rhyne suggested waiting until the topic is researched and then bringing it before Council. Mr. Emory agreed. Councilman Hovis made a motion to investigate the topic of opening meeting with prayer. Motion was unanimously approved.

Going back to the water contracts with the County, Councilman Rhyne made a motion to put the proposal at a rate of \$1.15. As discussions continued, Mayor Gilleland suggested to keep it simple and offer the \$1.15 per thousand gallon rate with no additional tiers. Motion unanimously approved.

Regarding Animal Control and 911, Councilman Rhyne made the motion to pay \$100,000.00 per year for five years to the County. Motion carried three (3) votes to one (1) with Councilman Eaddy voting against. Mr. Emory advised that he would submit a letter to reflect the latest conditions of the City's offer.

With no other business to discuss, Councilman Cloninger made a motion unanimously approved to adjourn.

DAPHNE INGRAM
ADM. SUPPORT SPECIALIST

JOHN O. GILLELAND, JR.
MAYOR