REGULAR MEETING - MAY 7, 2015

The Mayor and City Council met in regular session on Thursday, May 7, 2015 at 7:00 p.m. in the Council Chambers of City Hall, located at 114 West Sycamore Street, Lincolnton, NC.

Mayor John O. Gilleland, Jr. called the meeting to order and led the Pledge of Allegiance. Council members present were:

RHYNE CLONINGER EADDY HOVIS

Councilman Rhyne made the motion unanimously approved the REGULAR AGENDA.

Councilman Cloninger made the motion unanimously approved the CONSENT AGENDA as follows:

- Approved the following PROCLAMATIONS:
  Older Americans Month – May 2015
  National Nursing Home Week – May 10 – 16, 2015

REGULAR AGENDA:

PUBLIC HEARINGS

APPLICATION FROM HRN BROADCASTING, INC. REQUESTING THE REZONING OF APPROXIMATELY 4.94 ACRES OF LAND FROM RESIDENTIAL-25 (R-25) TO NEIGHBORHOOD BUSINESS (NB) DISTRICT. THE SUBJECT PROPERTY IS LOCATED ON THE EAST SIDE OF STARTOWN ROAD APPROXIMATELY 650 FEET SOUTH OF THE INTERSECTION OF PONDEROSA ROAD AND STARTOWN ROAD. (PARCEL ID 01066):

(ZMA-1-2015)

Mayor Gilleland opened the Public Hearing. Laura Elam, Planning Director, thoroughly reviewed the above said request. Laura said while the district is designed primarily for local business centers for retailing of merchandise such as groceries, drugs, household items and for furnishing certain personal, business and professional services. She said unlike some of the other commercial zones, this district is established to serve local neighborhoods and other relatively small trading areas. Standards established for these business areas are designed to promote sound, permanent business development and also to protect abutting or surrounding residential areas from undesirable aspects of nearby business developments. These districts are located at accessible places with respect to traffic circulation in order to conveniently serve the trading population and to promote the grouping of several places of business at designated locations.

Ms. Elam said that while the applicant is not in compliance with the land use plan, the property lies along a major thoroughfare (Startown Road) and the property has been used for business purposes for over sixty years. The Neighborhood Business district is the only commercial zoning classification that would be appropriate for the area.

She concluded noting that staff feels this property could continue as a nonresidential use and be compatible with the surrounding land uses. Amendment of the land use plan to designate the site as a Neighborhood Business Planning Area would likely be appropriate for the area. She recommended on behalf of the Planning Board and staff that (1) the property be rezoned to the NB district as requested by the applicant and (2) the City amend the Lincolnton Land Use Pan to designate the site as a Neighborhood Business Planning Area.

The applicant, Mr. Ford, was present and offered to answer any questions from Council regarding the request. Hearing none, Councilman Rhyne made a motion unanimously approved to close the Public Hearing.

Councilman Rhyne made the motion unanimously approved to rezone the property as requested and recommended.

Councilman Eaddy made the motion unanimously approved to amend the Lincolnton Land Use Plan to designate the said site as a Neighborhood Business Planning Area.

A PROPOSED CLEVELAND, GASTON, LINCOLN REGIONAL HAZARD MITIGATION PLAN. THE PURPOSE OF THE PLAN IS TO REDUCE THE LONG TERM RISK TO LIFE AND PROPERTY FROM NATURAL HAZARDS:

(R-07-15)

Mayor Gilleland opened the Public Hearing. Laura Elam, Planning Director, reviewed the highlights of the proposed eight hundred page hazard mitigation plan. She said the key objectives of the proposed plan are to merge the three County (Cleveland, Gaston and Lincoln) plans into one regional plan. Updating the existing plans, maintaining grant eligibility for participating jurisdictions and maintaining compliance with both state and federal requirements is the ultimate goal. The proposed regional plan focuses on disaster prevention, property protection, natural resource protection, structural projects, emergency services, and public education awareness.

Other goals are to protect the health, safety and welfare of residents and visitors; Protect buildings, critical facilities, and infrastructure through cost-effective mitigation actions; Increase public awareness of hazards ad mitigation; enhance capabilities of local governments to reduce future impacts and improve effectiveness of mitigation actions and create and enhance policies and ordinances that will reduce the negative impact of hazards.

Laura said adoption of this plan would ensure that the City remains eligible for FEMA funds; Hazard Mitigation Grant Program; Pre-Disaster Mitigation Program and the Flood Mitigation Assistance Program as well as funding through the State Disaster Declaration process.

She concluded recommending adoption of the following resolution, thereby adopting the plan:

RESOLUTION TO ADOPT THE CLEVELAND GASTON LINCOLN REGIONAL HAZARD MITIGATION PLAN

WHEREAS, the City of Lincolnton is vulnerable to any array of natural hazards that can cause loss of life and damages to public and private property; and

WHEREAS, the City of Lincolnton desires to seek ways to mitigate situations that may aggravate such circumstances; and

WHEREAS, the development and implementation of a hazard mitigation plan can result in actions that reduce the long term risk to life and property from natural hazards; and

WHEREAS, it is the intent of City of Lincolnton to protect its citizens and property from the effects of natural hazards by preparing and maintaining a local hazard mitigation plan; and

WHEREAS, it is also the intent of the City of Lincolnton to fulfill its obligation under North Carolina General Statutes, Chapter 166A:North Carolina Emergency Management Act and Section 322: Mitigation Planning, of the Robert T Stafford Disaster Relief and Emergency Assistance Act to remain eligible to receive state and federal assistance in the event of a declared disaster affecting the City of Lincolnton; and

WHEREAS, the City of Lincolnton in coordination with Cleveland, Gaston and Lincoln Counties and the participating municipalities within those Counties has prepared a multi jurisdictional hazard mitigation plan with input from the appropriate local and state officials;

WHEREAS, the North Carolina Division of Emergency Management and the Federal Emergency Management Agency have reviewed the Cleveland Gaston Lincoln Regional Hazard Mitigation Plan for legislative compliance and has approved the plan pending the completion of local adoption procedures;

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Lincolnton hereby

1. Adopts the Cleveland Gaston Lincoln Regional Hazard Mitigation Plan; and
2. Agrees to take such other official action as may be reasonably necessary to carry out the proposed actions of the Plan.

Councilman Rhyne made the motion unanimously approved to close the Public Hearing.

Councilman Cloninger made the motion unanimously approved to adopt the resolution as presented, thereby adopting the plan.

PRESENTATION TO THE FINANCE DEPARTMENT FOR RECEIPT OF THE CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING FROM THE GOVERNMENT FINANCE OFFICER'S ASSOCIATION:

Mayor Gilleland called Mr. Steve Zickefoose, Finance Director up front to receive the official presentation of the framed certificate. Mr. Zickefoose then had Mary Huffman of the Finance Department and Dawn Cornelius of the Utility Billing Department forward to be recognized for their assistance with qualifying the City for this award.

The City, through the assistance of our auditing firm, applies for this award annually and has been a recipient for the past twenty-six years. The Mayor read aloud as follows: "The Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City of Lincolnton by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

The Mayor and City Council concluded thanking Mr. Zickefoose and staff for their continued dedication to securing this award. Mr. Zickefoose said, "It is truly a team effort and it would not be possible without the assistance of both the Finance and Utility Billing staff.

CONSIDERATION OF APPOINTMENT, FROM APPLICATIONS RECEIVED, TO THE LINCOLNTON PLANNING BOARD – EXTRA-TERRITORIAL JURISDICTION (ETJ) AREA ***NOTE: Once Council approves the appointment will be forwarded to Lincoln County for final action from the Commissioners per the LPB By-Laws***

(APPT-04-15)

City Clerk Donna Flowers told Council that one application was received for the vacancy on the Lincolnton Planning Board. The vacancy was due to the resignation of Mrs. Candy Burgin and is an extra-territorial jurisdiction position. The applicant, Mr. Jerry Hoffman, of 1262 N. Hill Drive, does reside in the one mile radius (ETJ) area and would be eligible for Council to consider for appointment.

Having only one applicant, nominations were not necessary. Councilman Eaddy made the motion unanimously approved to appoint Mr. Jerry Hoffman to the Lincolnton Planning Board.

The City Clerk was to forward this application and notice of approval to the Lincoln County Clerk to the Board of Commissioners for their approval (as required in the Planning Board by-laws) at their next regular meeting.

PROPOSED BUDGET AMENDMENT FOR THE FOLLOWING; INCREASE FIRE DEPARTMENT CAPITAL EXPENSE $14,327 (DONATED DRYING CABINET) ELECTRIC – CAPITAL PROJECTS – RELOCATE ELECTRIC FACILITIES FOR GROVE STREET BRIDGE (DOT TO REIMBURSE) $ 70,000:

(BA-02-15)

Steve Zickefoose, Finance Director, presented and recommended approval of the above said proposed budget amendment to the Mayor and City Council.

Councilman Eaddy made the motion unanimously approved to adopt the budget amendment as presented.

CONSIDERATION OF AWARDING CHEMICAL BIDS FOR THE WATER AND WASTEWATER TREATMENT PLANT:

(C-07-15)

Steve Peeler, Director of PW&U, shared results of a bid opening held on Thursday, April 16th at 11:00 am at the Water Treatment Plant for chemical bids.

He said of the nine companies submitting bids, his recommendation was as follows:

Water Treatment Chemicals:
LIQUID ALUM 8.23% - Chemtrade Chemicals @ $ 231.00 per dry ton
CAUSTIC SODA 50% - Univar, Inc. @ $ 432.00 per dry ton
CHLORINE – JCI Jones Chemicals @ $ 400.00 per cylinder
HYDROFLOROSILICIC ACID – Water Guard, Inc. @ 2.51 per liquid gallon
ORTHOPHOSPHATE 33% - Brenntag Mid-South @ $ 3.39 per liquid gallon
EARTHTEC – Univar USA, Inc. @ $ 886.00 per drum
CARBON – Univar USA, Inc. @ $ 41.94 per 40 lb bag

Wastewater Treatment Chemicals:
LIQUID SODIUM HYPOCHLORITE 10% - Univar USA, Inc. @ $ 0.59 per liq. gal
LIQUID SODIUM HYPOCHLORITE 12.5% - Water Guard @ $ 0.68 per liq. gal
LIQUID SODIUM BISULFITE 38% - Univar USA, Inc @ $ 1.423 per liq. gal

Steve noted that the City received one bid package after the bid opening of 11:00 am. Sterling Water Technologies, LLC's bid package was received after 1:31 pm and was opened and placed on the bid results sheet.

He also noted that Brenntag Mid-South, Inc. carbon bid of $ 32.00 per bag is for 50 pound bags. Because of the design of the carbon feed machine, we can only use 40 pound bags. Steve said this was specified several places in the bid package, therefore Robert Pearson rejected the bid. He said there was a tie bid on 10% liquid sodium hypochlorite. The City Clerk contacted the Frayda Bluestein at the School of Government, regarding the tie bid and the City could make the determination of the award based on the SOG. Mr. Pearson through a memo said Mr. Donald Burkey, Wastewater Treatment Plant Superintendent, chose to use the incumbent from last year which was Univar USA, Inc.

Councilman Cloninger made the motion unanimously approved to award the chemical bids as presented and recommended to the above said companies for fiscal year 2015-16.

REQUEST TO NEGOTIATE CONTRACT WITH PEASE/LABELLA FOR ENGINEERING SERVICES RELATED TO NC HWY 150-RYHNE MILL SEWER PUMP STATION AND DOWNTOWN UTILITY PROJECTS: (C-08-15)

Jeff Emory, City Manager and Steve Peeler, Director of PW&U, spoke to Council about the request for qualifications. Steve said he mailed out four packets for RFQ's to Brown & Caldwell, Hazen & Sawyer, Pease/Labella, and Vaughn & Melton as well as ran an ad in the April 1, 2015 newspaper, the Lincoln Times News.

Only one bid was received from the four packets sent. Pease/Labella submitted a statement of qualifications. A panel comprised of Steve Peeler, Laura Elam, Steve Zickefoose and Rob Buff met and reviewed the qualifications and found that the proposal was acceptable.

Mr. Peeler concluded requesting that he be allowed to negotiate with Pease/Labella for the engineering services related to the NC Highway 150 – Rhyne Mill Sewer Pump Stations, and the Downtown Utility Improvement projects. The actual contract would be presented to Council for their approval at their June 4th regular meeting.

Councilman Cloninger made the motion unanimously approved to allow Steve Peeler and Jeff Emory to negotiate said contract with Pease/Labella.

PROPOSED CONTRACT BETWEEN MCLAUGHLIN YOUNG GROUP AND THE CITY FOR EMPLOYEE ASSISTANCE PROGRAM (EAP SERVICES) $ 3673.00:

(C-09-15)

Tanya Osborne, HR Director, ask Council to consider entering into a contract with McLaughlin Young Group to provide Employee Assistance Programs to City employees. She said this recommendation is a change from previous years as she feels this group would be able to provide a much more extensive provider network, and offers a larger scope of services than our current vendor.

Ms. Osborne said if approved the contract would become effective July 1st, 2015 as this would allow time for transitioning of employees who may be currently undergoing counseling sessions through the current vendor. The total cost for a one year period of the contract would be $ 3,673.00.

Councilman Eaddy made the motion unanimously approved enter into the contract as recommended by the Human Resources Director beginning July 1, 2015.

CONSIDERATION OF REQUEST FROM FIRST FEDERAL BANK REGARDING POTENTIAL NAMING RIGHTS OF DOWNTOWN PARK IN THE AMOUNT OF $ 75,000. *(NOTE: $ 50,000 UPFRONT AND $ 5,000 FOR FIVE YEARS):*

(C-10-15)

Mayor John Gilleland said that at the April 2nd City Council meeting, Mr. Wayne Hoyle, a representative from First Federal Bank presented to City Council a proposal from the bank that would provide funding contingent upon naming rights to the proposed park that is to be located at the City owned property formerly known as the Old Depot Property. The request was made by First Federal as they are celebrating their 75th anniversary. In 1940 local businessmen came together to start a bank to help the citizens of Lincolnton and Lincoln County. He said to honor the accomplishments of the employees past and present, they would like to provide financial support for the new park located between Sycamore and Pine Streets.

The proposed contribution would be in the amount of $ 50,000 up front and then $ 5,000 per year for five years. The City Manager said he has spoken to the City Attorney and he is working on drafting an agreement to be executed by the City and the First Federal if Council approves the proposal.

After some discussion, Councilman Cloninger made the motion unanimously approved to accept the proposal and to enter into a contract with First Federal Bank for the above said terms.

REQUEST FOR CONSIDERATION OF FINANCIAL SUPPORT OF OPERATIONS FOR THE LINCOLN CULTURAL CENTER:

Dr. Becky Reavis, Lincoln Cultural Center Board Member, spoke to Council regarding the City's funding to the Lincoln Cultural Center for the upcoming 2015-16 fiscal year.

Dr. Reavis requested that Council consider providing additional financial support towards the operation of the Lincoln Cultural Center, filling in the gap of $ 8,000, in operating funds.

Councilman Eaddy and Councilman Rhyne both spoke in support of allocating the additional funding.

Mayor Gilleland said the City would consider this request as we proceed forward with the budget. He concluded thanking them for all that they do for our community.

DISCUSSION OF PROPOSED PLANS FOR CITY OWNED PROPERTY FORMERLY KNOWN AS THE "OLD DEPOT":

Jeff Emory, City Manager, suggested Council take a look at several options for the above said property.

Discussion was about incorporating the caboose into the potential design of the park. Councilman Eaddy was open to that idea but said, "We don't have a half a million dollars sitting around to spend on this project. If someone wants to come forward, a private group with funding, then we can take a look at incorporating this into the design." He said, "If GovDeals has a good deal and no one comes forth with money to assist with incorporating the caboose then we proceed with selling the items on GovDeals.

Councilman Eaddy said to this point, "We have a thought but we don't have a plan." He said he felt we should move forward with the park. He said, "I don't want to let the park sit idol. My priority is to build First Federal Park. Too many good things are happening downtown to lose this catalyst now."

This item generated much discussion. The City Manager agreed with Councilman Rhyne in that even if you keep the caboose there and just preserve it you may have to spend $ 100,000 to $ 150,000 just to do that and loose space for park.

Councilman Rhyne said to send out RFQ's, include architects in town as well as others that have designed other parks, and get the request for qualifications to design the park.

After some discussion Council agreed to the City Manager meeting with GovDeals, reserving the right to deny the sale of the depot or caboose if necessary depending upon the potential sale price of the items. They also agreed to proceed with advertising for RFQ's for design of First Federal Park.

MONTHLY FINANCIAL REPORT & OVERTIME REPORT:

Jeff Emory, City Manager, spoke to Council reviewing the monthly financial and overtime report. He expressed concerns of the balance of the general fund, noting there would be a fund balance expenditure to balance the budget this year. The report was as follows:

May 2015 Council Meeting

Executive Summary

March 2015 Year-To-Date

Comparative for Budgetary Purposes

General Fund		14-15		% of Budget	13-14	Difference	
Fund 10	Revenues	7,490,184.44	*	70.58%	7,466,534.19	23,650.25	*
	Expenses	6,714,442.83	**	67.27%	6,499,393.38	215,049.45	**
	Difference	775,741.61			967,140.81	(191,399.20)	
Water & Sewer Fund							
Fund 61	Revenues	6,383,958.16	***	72.82%	6,239,885.04	144,073.12	***
	Expenses	3,970,853.84	****	50.97%	3,914,285.89	56,567.95	****
	Difference	2,413,104.32			2,325,599.15	87,505.17	
Electric Fund							
Fund 63	Revenues	5,581,732.99	*****	68.36%	5,340,036.10	241,696.89	*****
	Expenses	5,523,991.33	******	71.05%	5,171,164.08	352,827.25	******
	Difference	57,741.66			168,872.02	(111,130.36)	
Overtime	80+ hours	227,343.80			218,906.86	8,436.94	

* Sales Tax up $166,823 through March compared to 13-14.

** Salaries and matching benefits up $148,287 through March due to 1% salary increase.

*** Includes $201,902 FEMA reimbursement.
Mohican & McMurray usage down $301,223 through March billing.

**** Salaries and matching benefits up $61,667 through March due to 1% salary increase.

***** Electric usage down $191,911 through March billing.

****** Salaries and matching benefits up $34,980 through March due to 1% salary increase.

PRESENTATION OF THE PROPOSED 2015 – 2016 FISCAL YEAR BUDGET MESSAGE:

Jeff Emory, City Manager, handed out the 2015-16 Budget Message. The total proposed budget for 2015-16 was

Enclosed for your consideration is the proposed operating budget for the City of Lincolnton for fiscal year 2015-2016. The budget includes four major funds, and totals $29,738,049.00. The Occupancy Tax Fund has been deleted from the proposed budget and will be explained in more detail later in the budget message.

A public hearing will be held at the June City Council meeting to receive comments and questions from the general public regarding the proposed budget. The budget must be adopted by July 1, 2015. City Council may have as many budget work sessions as they choose leading up to the July 1st deadline.

The City Manager will be available leading up to the adoption of the budget to answer any questions from City Council or the public. A copy of the budget will be kept on file in the City Clerk's office up until it's adoption.

I. GENERAL FUND

The proposed General Fund budget is $11,754,980.00. The General Fund contains the majority of city services, including public safety, solid waste, street, finance, planning and zoning, recreation, business and community development, and the human resources and city manager/city clerk's office. The General Fund budget as proposed will allow the city to continue providing the level of services that we have provided for our citizens for many years.

The City will experience an approximate $150,000.00 loss in property tax revenues next year, if the existing tax rate remains the same. I am recommending no increase in the tax rate. This is the second revaluation in a row conducted by the County that has reflected a loss of value for the City. This has placed a great burden on the General Fund's ability to provide the services we strive to offer our citizens. A revenue general tax rate would be right at $ .57.8. Again, I am recommending that the current tax rate of $ .56 remain in effect.

The City has received some positive news in the area of sales tax revenue. For the current fiscal year we budgeted $2,400,000.00 for sales tax revenue. Based on an improved economy, we estimate that amount to be $2,650,000.00 for next year. Another large source of revenue in the General Fund will be franchise tax, which is estimated to be $820,000.00. Other revenues in the General Fund include contributions for administrative purposes from the Water and Sewer and Electric Funds. We also receive a payment in-lieu of taxes from these funds totaling an approximate $400,000.00. Also budgeted in the General

Fund is $270,000.00 which includes a $220,000.00 contribution from the Lincolnton Tourism Development Authority, and $50,000.00 from First Federal Bank. The total contribution will be $75,000.00 because after the initial $50,000.00 we will receive $5,000.00 a year for five years. This will be done in turn for giving the bank naming rights for ten years to the new downtown park.

The City will continue to receive revenue from ABC sales, concessions from recreation related activities, and a reimbursement for providing a school resource officer to Lincolnton High School. There are no new fees recommended in the proposed General Fund budget, and no proposed increases to any existing fees. It is also recommended that the City appropriate $1,089,000.00 from General Fund fund balance. I continue to caution City Council that the City has utilized a portion of fund balance to balance the budget for the past several years. While the City still maintains a healthy fund balance percentage, we must reverse the trend of utilizing fund balance proceeds before the General Fund gets to a point that we are not comfortable with.

One of the biggest issues facing the General Fund continues to be the rising cost of health insurance. When the City received our quote this year from the North Carolina League of Municipalities insurance pool, our increase was 30% . Before we received the quote we had also gone to the open market to acquire proposals from other companies. Only one company submitted a proposal, and it reflected a 40% increase. We went back to the League of Municipalities to see if there was anything they could do to bring our quote down. Because the City already has such a high deductible, there is very little room to make a significant impact to rates. Faced with this reality, I am recommending that the City no longer provide insurance for spousal coverage. You will remember last you we eliminated coverage for spouses that had another means of acquiring health insurance through their employer. I am now recommending we provide no spousal coverage for any employee. This will affect right now 35 employees. I am recommending this change become effective January 1, 2016. This will allow our employees several months to make arrangements for coverage. By eliminating coverage all together, this will open additional avenues particularly through the National Health Exchange for employees to acquire insurance at a more reasonable rate than what they would have to pay to the City. By making this change the City will save over $400,000.00 from what we are currently paying. We will not recognize the true benefit this fiscal year because we are recommending the change be at mid-year. It will be a significant long term savings.

I know health insurance has been an extremely difficult item to pay for in the General Fund. While these changes are not easy to recommend, I feel there is absolutely no other way to continue coverage, other than increases in the tax rate or other fees. Keep in mind in 2012 we eliminated dependent coverage for all new hires. So eventually, the City will only be paying for employees. With this recommendation we will still be paying dependent coverage for children, but at sometime in the future we may have to take a look at this as well.

There are several big capital items recommended in the budget. It is recommended that we appropriate $270,000.00 for the construction of a downtown park. $220,000.00 of this will come from a contribution from the Lincolnton Tourism Development Authority from capital funds. We have also received a donation from First Federal Bank for $50,000.00. After the initial $50,000.00, the City will receive $5,000.00 for five consecutive years. In return for the donation the City will agree to name the park for at least ten years in honor of First Federal Bank. Should the City Council proceed in this direction to build a park, the next step will be to have the project designed so that we can begin construction in the next few months.

I am also recommending that a new fire engine be purchased. This is estimated to be $450,000.00. The City is past due for purchasing an engine, and we are recommending that a bank loan be secured for this purchase. I am also recommending the purchase of two automated garbage packers. With this recommendation the City will begin July 1, 2016 utilizing the new packers. The City's current fleet of garbage trucks is getting old, and we still utilize the practice of putting our men on the back of the trucks. This is dangerous and we feel at some point could very well no longer be an option because of safety issues. I am recommending that these trucks be purchased by a bank loan as well. The City no longer has to pay $150,000.00 back to the Electric Fund for money we borrowed to construct City Hall. That has freed up some money for the City to purchase these large pieces of equipment over a several year period which is the only way I feel we can afford such large scale purchases.

I am also recommending we purchase additional solid waste containers for the south side of the city. We purchased these for the north side during the current fiscal year. So far this program is working extremely well. Hopefully we will have containers delivered to the south side by January 1, 2016 so that all city residents will have a city purchased 90 gallon container. I am also recommending that the City finance additional police vehicles to continue our take home vehicle program. This is working extremely well, and will complete the purchase of cars needed to provide everyone a take home vehicle.

Additional ways I am recommending we cut expenses in the General Fund is the elimination of two positions. I am recommending the elimination of the Administrative Support Specialist in the Fire Department, and a maintenance worker at the cemetery. We will offer these individuals other positions that are currently vacant in the City, so that they will be able to continue their employment with the City if they choose to take these positions. I believe the City is going to be faced with the possibility of further reducing positions in upcoming years to help balance the budget. I have always said the biggest expense in the General Fund is personnel. Eliminating positions is one of the best ways to reduce expenses. I am recommending the addition of one position. I am recommending that the City add a fulltime IT position. The City is so large now and we are so dependent on technology, we really need to have a fulltime person to perform these duties. Currently we are utilizing a contract. We can take the savings from the contract and almost pay for this position. This is something that I feel and department heads feel is a big need for the City.

I am recommending no cost of living adjustment for our employees. I am recommending that we continue the annual holiday bonus. I wish the City were in a position to be able to provide some type of modest cost of living increase, but considering the financial conditions we are currently under, I do not believe this would be a wise thing to do. I do feel it is very important to continue the bonus.

Other expenditures in the General Fund will be for every day operating expenses. I have gone through the budget line item by line item with the assistance of Finance Director Steve Zickefoose and we have identified potential savings in every possible line item. We have cut various items and it will be critical that department heads continue to be creative in finding ways to operate their departments effectively. I have confidence in our department heads that they will be able to do so.

The budget does recommend an expenditure from the fund balance. I continue to be concerned about utilizing fund balance to balance the budget, but considering the financial conditions we have faced the past several years I do not see any other option. It will be necessary for the City to be able to find ways to generate more revenue or continue to cut expenses to bring the General Fund back to a place where we no long have to take our savings to balance the General Fund.

II. OCCUPANCY TAX FUND

The Occupancy Tax fund is no longer included in the City's general operating budget. During last year's audit process, the City was notified that the Occupancy Tax fund should be a stand along budget and not be included within the City's regular budget. In addition to action pertaining to the budget, City staff also recommended that the make-up of the Lincolnton Tourism Development Authority be changed, to be in keeping with the original language of the state statute that authorized the City to levy an occupancy tax. The five member board that was created by City Council has full authority to appropriate the funds as they see fit. All the requirements of the initial enabling legislation are still be in effect for the Tourism Authority to comply with.

The significance of this to the City is that for the past few years we have been using occupancy tax funds to support other agencies throughout the City. It will be totally up to the Authority to determine how to appropriate these funds in the future. I believe one thing the City needs to keep in mind is that any reductions from what was originally given, could encourage the other agencies to seek additional general fund spending from the City to make up any difference. It is my opinion the General Fund is not in a financial position to do this, and I do not recommend that the City appropriate any funding above and beyond what the Authority has allocated from the occupancy tax proceeds.

III. POWELL BILL FUND

The proposed Powell Bill Fund is $961,527.00. This is a significant increase due to two large projects that will come from the fund. Included within the budget is $100,000.00 to continue our traditional street and sidewalk repair. This is a decrease from prior years due to the two capital projects.

The first project is the intersection improvements to be completed at the E. Main Street/ General Blvd. intersection. The City has received a grant for this project. The City's match will be $116,000.00 and may be taken from Powell Bill funds. The entire project is shown as an expenditure in the amount of $581,250.00. The grant proceeds are shown as an off-setting revenue as part of Powell Bill Fund revenues.

The other project includes downtown improvements associated with a residential development project to be completed by Piedmont Companies. There is approximately $280,000.00 worth of work for this project. The three main expenditures I have mentioned make up the entire amount of proposed expenditures for Powell Bill.

On the revenue side of the Powell Bill fund, I have included the state CMAQ grant in the amount of $465,000.00, as well as the anticipated state allocation of $311,000.00. In addition to these two sources of revenue, the City will need to appropriate $305,000.00 of fund balance to balance the Powell Bill budget.

While this is a significant amount of Powell Bill fund balance, we do have a healthy cash on hand balance within the Powell Bill fund. The two capital projects I feel are well worth the use of fund balance to complete.

IV. WATER AND SEWER FUND

The proposed Water and Sewer Fund is $9,234,914.00. This fund is made up of four departments. These include Water Treatment Plant, Distribution and Collection, Waste Water Treatment Plant, and Intangibles.

Significant events during the past year have played a major impact on the Water and Sewer Fund. The good news is we will save approximately $141,000.00 a year for seven years by re-financing bonds that were sold in the mid-1990's for infrastructure improvements, including a total rehabilitation of the Water Plant, as well as an enlargement of the plant from six to nine million gallons of production per day. The original bond project also included a major rebuild of the Waste Water Treatment Plant. The City refinanced the bonds once in 2005. We re-financed again this year and received a very favorable interest rate in doing so. The $141,000.00 savings is a big help in budgeting this year's Water and Sewer Fund.

The devastating news came when it was announced that Mohican Mills would be closing. Mohican accounted for approximately 15.6% of water revenue, and 19.3% of sewer revenue across the board. To illustrate the impact of Mohican Mills, they accounted for 47.1% of all textile water usage, and 50.8% of waste water revenue. If we had spread this loss out among all customers we would have been looking at an average across the board increase of 17%.

Actions are proposed in the budget that will decrease this amount. Here are some of the things recommended. I recommend moving one meter reader position from the Water and Sewer Fund to the Electric Fund for a savings of $38,000.00. We have cut operating line items by an additional $85,000.00. I have decreased the Contra-Administration amount going to the General Fund by $100,000.00. The bond savings is another $141,000.00. We are also showing a reduction in electric and chemical usage based on prior history. These cuts and savings total $548,000.00. By doing this I am now recommending an across the board increase of 9%. The increase as proposed will apply to all customers including industrial and textile. I am very proud of the fact that faced with such a dire situation, we have been able to bring the proposed increase down to single digits. I also plan to look at a reduction of positions in the three operating departments, as vacancies occur. This will lower our expenses even more in the Water and Sewer Fund. Keep in mind, the $100,000.00 reduction in Contra-Administration to the General Fund, while helping the Water and Sewer Fund, only hurts the overall General Fund.

I have also cut capital spending from the current year with the exception of two major infrastructure projects Council has recently approved. Capital items include at the Water Treatment Plant Acti-Flow Settling Tubes and a new Skid

Steer in the amount of $50,000.00. At the Waste Water Treatment Plant I am recommending a $30,000.00 expenditure to rebuild the Grit Snail and purchase a new Hoist. Major expenditures in the Water and Sewer Fund include approximately $625,000.00 for pump station repair, and $385,000.00 for downtown infrastructure improvements. Fortunately, the Water and Sewer fund balance is healthy enough to complete these projects. Pump Station repair will provide for additional growth particularly in and around the Indian Creek Industrial area. The downtown infrastructure improvements are needed for the residential project that will add an additional thirty-eight units to downtown. These are critical projects that the City needs to complete. Other major expenditures in this fund will include chemicals for the two plants, electricity, sludge removal, and for equipment related items needed to complete all activities in distribution and collection, and to operate our two plants. We have a very high performing water and waste water treatment plant, and routine maintenance will be needed to continue the best possible performance at each location.

I believe the biggest challenge facing the Water and Sewer fund will continue to be the recruitment of a large water customer. As we know, this is a very difficult challenge. We may never recruit another water and sewer user like Mohican Mills, but we have to continue to strive to work with customers that can make up the difference, and allow us to keep any future rate increases at a bare minimum. Keep in mind we still have the same requirements as in the past for meeting our debt covenant ratio. This basically means that aside from capital work, the City must generate a dollar
of revenue for every dollar or expenses to operate the Water and Sewer Fund.

V. ELECTRIC FUND

The city received some good news this year regarding the Electric Fund. The Board of Directors voted to extend the debt for all members of

the western agency of Electricities. By doing so there will actually be a decrease in the purchase of power this year. The decrease is approximately 6%. Please remember that the City made a commitment to the North Carolina Local Government Commission that we will raise rates 3% above the annual rate increase. By having a reduction of 6% this immediately lowers the City's amount to a 3% reduction. Because the Electric Fund has been spending a portion of fund balance the past few years, and because we have moved expenses from the Water and Sewer Fund to the Electric Fund in an effort to provide relief to the Water and Sewer Fund, I am recommending that the City keep its electric rate flat this year. This will be the first year in several years that the City has not had to raise electric rates for our customers.

In addition to moving a salary to the Electric Fund, I am also recommending that the administrative contribution to the General Fund be increased by $100,000.00 This provides additional relief to the Water and Sewer Fund, but obviously places an additional expense on the Electric Fund. These are the reasons I feel it would be in the City's best interest to leave the rate at its current level, rather than trying to reduce the rate a percentage or two.

Major expenses in the Electric Fund other than the purchase of electricity, will include a new truck for $50,000.00, transformers for $20,000.00, and system improvements at $40,000.00. Keep in mind with all the downtown utility work being done for the residential construction project, there may be some expenses that need to be made in the Electric Fund. These are not to the level of what will be taken from the Water and Sewer Fund, since we will be able to do a great majority of the work ourselves. I still feel we need to include some money for any potential work
related expenses for this capital project, and other needs that could arise throughout the year.

The city continues to operate a well ran electric department. Many of you know that the eastern agency is working on a deal with Duke Power to sell their interest in the plant that they currently purchase power from. The western agency is in a much better condition and I do not feel you will see the same strategy for the western agency. I say all of this to point out that I can see the City of Lincolnton being in the electric business for many years to come. While electricity is not the revenue generator it was many years ago, I still feel we provide a very reliable service at a reasonable price for our customers. We were successful a few years ago in persuading the Super Wal-mart to stay on our system, and we also serve the Hampton Inn. We need to continue to pursue any additional large customers when the opportunity presents itself. Sometimes this may require line extensions but when you look at the payback it can be well worth it in many situations.

The total proposed Electric Fund is $7,666,628.00. This is a decrease from the current year and continues to allow the Electric Fund to operate at a high level.

VI SUMMARY

I have said on many occasions that this is the toughest budget I can ever remember putting together. The City has been presented with many difficult challenges this year. I would say the biggest have been the continued rise in health insurance cost, loss of revenue due to revaluation, and the loss of our largest water and sewer customer. I have used the phrase that difficult times require difficult decisions. And yes difficult decisions have been made putting this budget together. I have taken the revenues we estimate to generate next year, and have put together what I feel is a fair budget that will continue to allow the City of Lincolnton to provide a wide range of services to our citizens. I will still put our City up against any other when it comes to providing services. I think our staff does an overall excellent job in being responsive to our citizens various needs.

Some of these decisions have been very difficult ones. I do not like having to eliminate spousal health coverage, and not being able to give our employees any type salary adjustment. But under the circumstances, and considering the fact that the City has been spending a portion of our fund balance, I do not feel we are in any position to do anything differently. Any efforts to try to keep our current level of insurance benefits, or give staff a raise, I feel would require an increase in the tax rate , or the implementation of new fees. I do believe if the proposed legislation to give cities the opportunity to levy an additional quarter cent sales tax is approved, this is an opportunity we should certainly take a hard look at if it. We estimate an additional quarter cent could generate approximately $300,000.00 to the City. I believe this would be a better way to generate additional revenue, as compared to adjusting the tax rate.

I want to especially thank the city staff for all of their hard work in assisting me with the budget. Our staff understands the challenges we are facing, and our department heads I truly believe have been as conservative as possible in putting their proposed budgets together. I want to also thank the Mayor and City Council for your support to the city staff, and for your continued support in drafting the proposed budget. I sincerely hope that Council will support the budget that has been brought to you, and I am happy to answer any questions you may have.

In conclusion, I am recommending a $29,738,049.00 operating budget for fiscal year 2015-2016 for the City of Lincolnton. The budget is higher than last year, but keep in mind we have major capital projects in this years budget that inflate the numbers. Actual operating expenses across the board have been reduced, as has capital outlay for items other than the major capital items such as the new fire truck, automated garbage truck, city park, and the utility work on pump stations and downtown infrastructure improvements. Again, thank you for your consideration and support of the proposed budget.

Mayor and Council thanked the City Manager and all involved in putting this budget together.

PUBLIC COMMENT:
Mr. Robert Tomlinson spoke about phone calls he has had regarding the caboose.

NEWS MEDIA:
Mr. Phil Perry, of the Lincoln Times News, asked for potential date for the opening of the splash park. Mayor and Council were unsure of a date at this time.

Councilman Eaddy took a moment to publicly praise the work done to upgrade the City's website. He said he has navigated through and feels it is a great improvement from the previous website.

ADJOURNMENT:
Councilman Cloninger made the motion unanimously approved to ADJOURN the meeting.

DONNA C. FLOWERS, MMC **CITY CLERK**	**JOHN O. GILLELAND, JR.** **MAYOR**