

BUDGET WORK SESSION

APRIL 27, 2009

The Mayor and City Council met for a budget work session on Monday, April 27, 2009 at 4:00 p.m. in the Council Chambers of City Hall, located at 114 West Sycamore Street, Lincolnnton. The following Council Members were in attendance:

HOUSER

CLONINGER

HEAVNER

HOVIS

Mayor David Black called the meeting to order noting the purpose of the meeting would be to present a draft of the proposed 2009-2010 budget.

City Manager Jeff Emory said a couple of requests were received that may need to be included for the current year, and could be done through the year end budget amendment. The budget message will be distributed at the May meeting, during the actual presentation of the budget, and any additional work sessions Council feels is needed will be scheduled. A public hearing is always held at the June Council Meeting with the adoption of the proposed budget by July 1st. Mr. Emory thanked the department heads, especially the Finance Department, for their assistance in putting the budget together, noting how difficult the economic times are and the impact that it is having on all entities. In light of that fact, Mr. Emory stated that he tried to be very conservative only including those items that are absolutely necessary.

Beginning with tab two, budget highlights, Mr. Emory briefly read through the items, commenting on each one. Total proposed budget, with five major funds, being \$ 26.6 million dollars.

Once each item was addressed, Council was directed to turn to tab three in their notebooks which provided more detail, summarizing every department comparing the current year's budget to the proposed budget. He began with the General Fund which totals \$10,868,080 which is a difference of \$701,261. Mr. Emory did note at the bottom of the page the reason for the increase and commented that revenues will offset the expenses with the exception of the required match. Once this is done, there is only a very minimal increase in the General Fund. The Occupancy Tax Fund has a proposed budget of \$36,300 due to a decrease in revenue. Powell Bill Fund is proposed at \$428,500 due to a decrease in reimbursement funds from the State. These funds are to be expended for purposes related to local street, sidewalk and/or drainage issues. The Water and Sewer Fund will be \$8,033,457. The \$99,410 in the water and sewer intangibles is due to debt service and a decrease in revenue. He said, "There is also some capital recommended".

Mr. Emory stressed that even with the increase to the water and sewer rates, the Water and Sewer Fund is still his biggest concern. And unless sales pick up again, it is going to be very close as to whether or not we meet our debt ratio. There is very little room for error in this fund. Mr. Emory is recommending \$7,235,300 for the Electric Fund bringing the total budget to \$26,601,637, which is \$1,234,246 more than the current year.

BUDGET WORK SESSION

APRIL 27, 2009

Next was tab four which gets into the recommended capital outlay. Several departments need for software/hardware and computer equipment is included. Several vehicles, contracts, consulting fee are all included and brings the General Fund Capital total to \$1,475,500.00. Mr. Emory also addressed the capital outlay totals for the other funds. Tab five is every city department's current budget and what the proposed budget is along with the capital. Also any line items, other than personnel, that has increased by more the five hundred dollars. There are very few that has increased. Councilman Heavner pointed out that Mr. Emory had left out the Electric Fund. Mr. Emory did back up to discuss the Electric Fund and the current project to Roper Drive and the possibility of it carrying over into next fiscal year. A proposed budget of \$166,000.00 is recommended for the Electric Fund. At this point, Mr. Emory asked if he needed to go back and cover. Councilman Hovis asked a question in relation to the Walker Branch drainage, as to the location.

The revenue worksheet was discussed. It was pointed out that the refuse collections fees are for the residents in the Boger City Sanitary District area that are not annexed, but still receive collection services. The twenty year contract expires this year and Mr. Emory recommends that either the service be discontinued or the fee be adjusted to cover the cost. This is only household garbage. No recycling or leaf and limb pickup is provided.

The Recreation Department is generating revenue. Mr. Emory noted that this department is seeing a definite increase in participation in the program since becoming a City department. Admission and concessions generated around \$40,000.00 with registration adding around \$27,000.00. Under interest-investments, Mr. Emory pointed out that last year the City took in over \$244,000.00 with this year only estimating \$44,000.00. Again this is due to the economy.

ABC revenues are projected to be about \$160,000. The budget uses about 1.3 million dollars of Fund Balance to balance which is a typical amount to balance the budget. Although there are issues that we are facing this year, Mr. Emory still continues to say that the General Fund continues to be healthy.

Mayor Black addressed the fact that by not transferring the funds from the Water and Sewer Fund, the amount that the City had to raise the rates has reduced. Mr. Emory clarified that if the City would have transferred the funds from the Water and Sewer Fund, the increase for the water and sewer rates would have been closer to 30% or more.

The proposal for the Occupancy Tax Fund is \$35,500.00. Mr. Emory pointed out that there is only an estimate of \$800.00 in interested projected verses \$7,800.00. The Powell Bill Fund may only realize a \$290,000.00 reimbursement from the State this year. This would include \$13,000 in interest whereas two years ago we averaged \$50,000.00 per year. Mr. Emory is recommending \$125,000.00 of Fund Balance money be used in the Powell Bill Fund.

Mayor Black questioned whether it takes the maximum amount of administrative reimbursement from Powell Bill. Mr. Emory asked Mrs. Georgetta Williams, Finance Director to check to see if

BUDGET WORK SESSION

APRIL 27, 2009

the amount could be more than the \$100,000.00 it has been for some time, and stated that he would verify.

Mr. Emory, again, stressed that even with the increase in the rates for the Water and Sewer fund, he is recommending water at almost 2.9 million and sewer at 3.87 million. Mr. Emory explained that the City is only slightly better off than this time last year with a 28.5% increase in rates. He said, "This is a direct relation from the decrease in water sales, particularly industrial sales". Mr. Emory is planning to recommend revising the City's Tap Fee schedule this year stating that we are extremely low compared to other cities. Interest is projected at \$37,000.00 compared to \$217,000.00 which is another factor in this water and sewer increase.

Mr. Heavner asked if there had been any investigation into ways to earn more interest on the monies. Mr. Emory responded that there are only a few options available due to the Local Government Commission guidelines and restrictions.

Mr. Emory continued say that the City is looking at an overall increase of about 5.1% in electric rates, with .6% of that being directly related to federal requirements. Mr. Emory recommends passing on some of this to the customers. Councilman Houser questioned if any type of explanation could be included on customers bill and if it would show as tax. Mr. Emory expressed concern to Council about not passing on this increase. He said, "I'm already recommending \$700,000.00 of Fund Balance funds to balance the Electric Fund".

Mr. Emory continued to tab 7, going over the various request and recommendation for departments and other organizations, some changing and some staying the same. Councilman Heavner inquired about what Lincoln County is paying towards the operational cost for the Lincoln Cultural Center. Mr. Emory directed Council to a handout with a breakdown of what was given from the City and the County for operating expenses. This handout reflected totals the City is contributing at approximately \$ 25,000.00 more than Lincoln County in operating costs.

Councilman Heavner and Councilman Hovis both did not agree with this and said the City needs to reduce the amount contributed. "City residents are also County residents and pay both city and county taxes", said Heavner and Hovis. The Lincoln Cultural Center requested \$64,000.00 however, Mr. Emory is recommending \$45,000.00 in this fiscal year budget. Councilman Hovis and Council Heavner both commented that they felt that the County should contribute more to the operating costs.

Mr. Emory concluded with the request from Crime Stoppers stating that he is recommending \$2,500.00 to be given out of the Police Department budget as was last year. Councilman Cloninger asked about the success of the program. Mr. Emory stated that he would have to speak with Chief Abernathy to find out the details on the program.

City Clerk Donna Flowers passed out the information for a request from the Historical Association for funds this budget year. This item will be on the agenda. The City Clerk noted that this request is in addition to the \$19,000.00 that the City already funds. Mayor Black

inquired as to the amount of participation in this event. Councilman Houser suggested that the funds be taken out of the Lincoln Tourism Development Authority. Council directed Mr. Emory to meet with the LTDA board in order to appropriate the funds for this request in accordance with the by-laws as stated by the City Clerk. Mr. Emory clarified that once the Tourism Board approved the use of the fund, the item would not have to come back before Council. Mr. Emory then confirmed that it would be fair to say that this is the recommendation of Council.

Mr. Emory also discussed the airport operation fund. Based on the numbers, the City could take in approximately \$90,000.00 in taxes if the airport was annexed. However, the contribution would go up about \$30,000.00 for operating expenses. Therefore, the City would be looking at about a \$60,000.00 profit based on current value. Mayor Black questioned if there were other costs is Council decided to annex. Mr. Emory commented that the County would have to give their consent and that the City would use the existing satellite policy that would not require the City to provide other services. Discussion was also generated about the leasing of the airport hangers and the taxes paid. Mr. Emory confirmed that he would verify who is getting this income and if the City is entitled to half of it as a property owner.

Councilman Hovis expressed concerns about the expense associated with the Business and Community Development Department. There was discussion regarding Councilman Hovis's concerns. It was stated that a \$9,000.00 per year salary increase is being recommended for the Administrative Assistant for this department due to re-classification of the position. Mr. Emory reminded Council that they actually approved the positions and if they did not agree with this recommendation, he could lower the class since it is listed at the new position in the proposed budget. Mr. Emory agreed with Brad Guth in that the current duties for that position is above and beyond what a traditional administrative assistants duties are according to the job description.

Mr. Emory did not feel, as Councilman Hovis expressed, that this departments budget was increasing each year. Mayor Black inquired as to any revenue that this department generated. Mr. Emory and Georgetta Williams confirmed that the monies generated from the various events goes to the DDA, however the County does contributed \$12,000.00 to help cover the operation of this department. Councilman Houser commented that he was initially against forming this department but now has a different opinion and feels that the City would not operate as well in the downtown area without them. Mr. Emory did also recommend a \$50.00 a month increase in the auto allowance for the director's position.

Councilman Cloninger asked City Manager if he was pleased with the way things are going with the Recreation Department and about the status of the money that transferred with the creation of a department. Mr. Emory responded that he could not say enough about how pleased he was with the way things are going. He also said that there is about \$300,000.00 left of the money and all that has been spent so far, has been spent on recreation. Mayor Black inquired as to whether any marketing was being directed towards hosting ball tournaments through the Recreation Department, as he felt this could be another tool to help generate revenue. Mr. Emory

commented that we are not equipped to handle tournaments at this time. Mayor Black stated that he felt that the \$302,000.00 would be money well spent to get our City facilities equipped to handle these events. There was lots of discussion on this issue. Lighting was felt to be the biggest expense that the City would incur and one of the main things needed at the fields as well as scoreboards.

City Clerk Donna Flowers noted that \$678,000 was carried forward with a balance of \$302,000.00 remaining. The point was mentioned that the conditional use permit should be checked to make sure that there would not be an issue with having lighted fields after a certain hour. Mrs. Flowers also pointed out the possible issue you would have with limited parking. Mr. Emory again stated how thrilled he is with the job that the Recreation Department is doing.

Going back to page 41 and discussing the debt service in the Water and Sewer Fund, Mr. Emory pointed out several items. He notes that page 41 is \$ 3.4 million dollars of the \$26 million dollar budget. Mr. Emory stated that he hated implementing the rate increase but saw no way around it. Councilman Heavner asked when debt will be paid off. Mr. Emory said it would be 2021-2023, and the Electricities debt would be paid off in 2019.

Mr. Emory commented that he did -not have a lot of reservation about the budget, but was a little concerned about not doing anything about electric rates. The only major concern is the Water & Sewer Fund. Continuing to stress that if sales continue to decrease, the 24.5% will not be enough. Councilman Heavner asked if you could cut enough positions to make a difference. Mr. Emory felt that if this happened, another increase would have to be implemented because even cutting positions would not be enough. Discussion was generated regarding rates in both the Water & Sewer and the Electric Fund.

Mr. Emory asked Council to think about what should be done regarding the outside city solid waste customers that are receiving garbage pick-up service. Mr. Houser requested that Mr. Emory find out how much it is costing the City for this service. Mr. Ho vis questioned if the City could make a profit. Discussion was generated about what possible arrangements could be made.

Mayor Black asked Jason Harpe to address Council concerning the re-enactment request. Questions were directed to Mr. Harpe regarding the amount of participation. Mr. Harpe explained that this is the first year that his organization has planned this event and the circumstances that led to it. Mr. Harpe explained about the different groups that may or may not participate, which will make it difficult to know how many citizens will attend. He said "This is a pivotal year for this event". After giving the detail, Mr. Harpe asked if there were any questions. With no questions being asked, Mayor Black thanked Mr. Harpe for coming by.

Mayor Black suggested a five (5) minute recess.

Resuming the session, Mr. Emory asked if there were any questions on the budget. Councilman Cloninger commented that he felt that the \$2,000.00 for the re-enactment was approved and should be taken from the LTDA account. Mr. Emory replied that the committee will meet as soon as possible.

Councilman Houser had questions about the jet machine that is being requested in the budget by the Public Works Director. The total cost being \$60,000.00 A portion of that cost can be paid out of Powell Bill funds. Mrs. Flowers asked if the requested knuckle-boom will be an addition, and Mr. Emory replied that the older knuckle-boom would be surplus once the new one arrives.

Mayor and Council decided to wait until next Council Meeting (May 7th meeting) to set a date for another budget work session.

Being no more questions regarding the budget, Mr. Emory addressed another request the City has received from the School of Government. Mr. David Lawrence has announced his retirement and the SOG is requesting donations for a scholarship in his honor. They are asking for a commitment \$1,000.00 which can be done in one lump sum or \$333.00 over a three year period. Mr. Emory highly recommended that the City contribute to this.

Mayor Black called for a motion to go into closed session. Councilman Cloninger made the motion unanimously approved to enter into Closed Session in accordance with NCOS 143.318(a)(5).

Councilman Cloninger made the motion unanimously approved to return to Regular Session.

Councilman Houser made the motion unanimously approved to adjourn.

DONNA C. FLOWERS, CMC
CITY CLERK

DAVID M. BLACK
MAYOR