

**City Council Budget Work Session
April 14, 2014**

The City Council of the City of Elizabeth City met for a Budget Work Session on Monday, April 14, 2014 in Council Chambers, located on the 2nd floor of the Municipal Administration Building, 306 E. Colonial Avenue, Elizabeth City, NC.

MEMBERS PRESENT: Mayor Joe Peel
Councilwoman Jean Baker (*Arrived at 5:36 p.m.*)
Councilman Ray Donnelly
Mayor Pro Tem Anita Hummer
Councilman Tony Stimatz
Councilman Michael Brooks (*Arrived at 5:35 p.m.*)
Councilman Darius Horton (*Arrived at 6:00 p.m.*)
Councilman Montravias King

MEMBER ABSENT: Councilman Kem Spence

OTHERS PRESENT: City Manager Rich Olson
Finance Director Sarah Blanchard
Planning Director June Brooks
Chief of Police Eddie Buffaloe
Electric Department Superintendent Karl Clow
Assistant to the City Manager Angela Cole
ECDI Director Rebecca Cross
Human Resources Director Katherine Felton
Public Utilities Director Paul Fredette
Fire Chief Larry Mackey
Inspections Director Stanley Ward
Parks and Recreation Director Bobbi White
City Clerk Vivian White

The City Council Budget Work Session was called to order by Mayor Joe Peel at 5:30 p.m. Mayor Peel welcomed everyone to the meeting and gave the invocation, after which all in attendance recited the Pledge of Allegiance.

Mayor Peel welcomed Mayor Pro Tem Hummer back from her recent absence due to her recovery from surgery.

1. Agenda Adjustments and Approval:

Mayor Peel called for any adjustments to and approval of the agenda.

Motion was made by Mayor Pro Tem Anita Hummer, seconded by Councilman Tony Stimatz, to accept the agenda as presented with any necessary adjustments. Those voting in favor were: Donnelly, Hummer,

Stimatz, and King. Against: None. The motion carried. (*Baker, Brooks and Horton had not yet arrived.*)

2. PowerPoint Presentation and Discussion of Fiscal Year 2014-2015 Recommended Budget:

Mayor Peel recognized City Manager Olson and Finance Director Blanchard for the PowerPoint presentation of the Fiscal Year 2014-2015 recommended budget.

Mr. Olson advised that the budget process began during the Council's biennial retreat on February 28 and March 1, 2014. He stated that staff had tried to incorporate as many items from the retreat as they could into the recommended budget. He outlined the Council's established/reaffirmed goals from the retreat as follows:

1. Ensure Sound Fiscal Responsibility
2. Improve City's Infrastructure
3. Strengthen Inter-governmental Relationships
4. Provide Youth and Senior Activities
5. Deliver Cost Effective, Quality Services
6. Improve the Quality of All Neighborhoods
7. Increase the Quantity and Quality of Jobs
8. Increase Entrepreneurial/Small Business Opportunities

Mr. Olson presented a series of slides, which detailed the objectives set by the Council to accomplish these stated goals, as follows:

1. Write/Submit a Minimum of 20 Grants Each year
2. Create Solid Waste Enterprise Fund
3. Information Technology Improvements (Website redevelopment, Intranet, IT Director Position)
4. Complete Migration of Legacy Systems
5. Repair Infrastructure and Repave Road Street (between Ehringhaus Street north to Elizabeth Street)
6. Develop a Pilot Internship Program
7. Complete the Middle School Project
8. Line Item Support of Arts of the Albemarle
9. Conduct City-wide Streetlight Survey
10. Continue the Business Investment Program
11. Revise and Continue the Downtown Improvement Grant Program

Using the slide presentation, Mr. Olson provided highlights of the recommended budget, as follows:

- The total proposed budget is \$68,835,091, which is a decrease of 3%.
- The General Fund Budget is \$17,715,832, which is a decrease of 13%.
- The Electrical Fund Budget is \$39,753,775, which is a decrease of >1%.
- The Water/Sewer Fund Budget is \$9,202,589, which is a decrease of >1%.
- The Stormwater Utility Fund Budget is \$397,075.

- The Solid Waste Fund Budget is \$1,765,820.
- The budget reflects a 2% COLA for City employees, which equates to \$216,505
- The budget reflects an increase in longevity payments of \$25 per year.
- A 3.4% decrease in health insurance premiums is shown, which equates to \$73,185; however based on premiums paid versus claims made, a larger decrease is being pursued by staff.
- Due to the recent property revaluation, there is a property valuation decrease of 18%. Staff is proposing an 11.5¢ tax increase. The revenue-neutral increase would be 8.5¢ for a net increase of 3¢.
- A \$2.00 increase in solid waste fees is included in order to make the fund a standalone enterprise fund.

Mr. Olson provided an overview of the projects and equipment proposed for purchase in the General Fund Budget including the cost and budget impact of each item. He reported that a recommendation of \$50,000 had been included for Community Support Grants and that \$80,000 from the Aviation Park Account had been included to fund Downtown Improvement Grants using the recently approved new guidelines for next fiscal year.

Mr. Olson reviewed the various sources of revenue used in the budget calculations and reported that all revenue sources are estimated to be relatively flat from Fiscal Year 2013-2014. He reported that the recommended General Fund budget also includes allocations as in past years from the Enterprise Funds for “in lieu of taxes” and “in lieu of services” allocations.

Mr. Olson reviewed in detail the historical trend in property valuation and reported that the reassessment recently completed yielded a total current property valuation of \$1,117,740,870 in Elizabeth City.

Mr. Olson presented a review of total expenditures by fund, as follows:

- General Fund, \$19,481,652;
- Electric Fund, \$39,753,775;
- Water and Sewer Fund, \$9,202,589;
- Stormwater Utility Fund, \$397,075.

He explained that the recommended budget totaled \$68,835,091 across all funds, compared to the fiscal year 2014 approved budget of \$71,029,524. Mr. Olson presented a comparison between the 2014 and 2015 fiscal years for all expenditures by type, which revealed a budget decrease of 3.09%.

Mr. Olson detailed the recommended personnel expenses, which are estimated to be as follows:

- Longevity, \$410,250
- Christmas Bonus, \$110,343
- Health Insurance, \$2,428,343
- 401k, \$580,217

- Total Annual Salaries, \$10,779,470.

He pointed out that a 1% COLA would equate to \$107,794 based on this salary figure; however, he reported that the recommended budget includes a proposed 2% COLA.

Finance Director Blanchard reviewed the proposed retiree benefits across all funds, which total \$464,129. She reported that the state-required law enforcement separation allowance totals \$61,402.

Councilman Stimatz questioned if there are any strategies being considered for reducing costs in this area. Mr. Olson responded that staff has had discussions regarding the possibility of migrating retirees into one of the state programs under the Affordable Care Act and paying their premium. He reported that there may be some cost-savings by doing that. He stated that staff is trying to determine how to accomplish this change; because retiree claims history affects the premium for the entire group. He said that he should have a better idea within the next 30 to 45 days once the costs are determined.

Finance Director Blanchard and Mr. Olson reviewed slides, which provided the budget totals for all service levels in all funds and compared those totals to fiscal year 2013-2014 for the Council.

Mr. Olson reported that due to the property valuation decrease within the downtown Municipal Service Tax District, staff may need to consider proposing a 2.5¢ increase in the current taxation rate for the district, from 6¢ to 8.5¢, to generate the same amount of revenue.

Mr. Olson reminded the Council that an electric rate increase had been proposed for January 2015; and reported that the decision had been made not to apply that increase due to the proposed Duke Energy Progress purchase of the NCEMPA generating assets. He stated that the sale should be complete in July 2015 and would result in a substantial rate decrease for the City. Councilman Stimatz asked if City staff was making sure that proper preventive maintenance is being made on the City's electrical distribution system. Mr. Olson responded that a number of improvements had been made in connection with the City's new second electric delivery point; and as a result, certain lines had been upgraded. Mr. Olson said that he was most concerned about the human aspect of the department in that it has been extremely hard to attract and keep electrical linemen due to the City's pay scale. He stated that this is a concern that will need to be addressed very soon, because key longtime employees have recently retired or are scheduled to soon retire.

Mr. Olson advised the Council that until such time as there is a Stormwater Utility Fund rate increase or the debt for the Roanoke Avenue Drainage Project is satisfied, there will not be funds available to address the major stormwater-related projects that are currently being considered.

Mr. Olson reminded the Council that the next two budget work sessions will be held with the Finance Committee on April 24, 2014 and May 1, 2014 at 5:30 p.m.; however, he reported that the time for the meeting was chosen in order to allow all members of

Council to attend and participate. He stated that during those meetings, staff will provide detailed background information to further explain the summary given during this meeting.

Councilman Stimatz inquired about the proposed sales tax distribution for the coming fiscal year, to which Finance Director Blanchard responded that a 3% increase had been used. Mr. Olson stated that the methodology would remain the same, but that the City would realize a slight increase during the following fiscal year if Pasquotank County adopts a revenue-neutral tax rate and the City imposes a slight increase in its tax rate.

Councilman Stimatz inquired if the Parks and Recreation Department budget had been vetted with Pasquotank County. Mr. Olson responded that staff had met with the County Manager and had made adjustments based on feedback received during that meeting.

Councilman Donnelly asked if the proposed miniature golf course had any chance of surviving in the Parks and Recreation Department budget. Mr. Olson stated that Pasquotank County staff was not supportive of a miniature golf course project or the construction of a dog park. Mr. Olson advised that the SPCA would be constructing their new facility during the 2014-2015 fiscal year; and would like to have the dog park as an initiative during the 2015-2016 fiscal year to enhance the new facility.

Councilman King requested a review of any new positions proposed. Mr. Olson responded that the only two new positions proposed are an IT Director position and an additional employee for the Wastewater Treatment Plant.

Councilman King pointed out that the Council's goal of providing youth and senior activities appeared to be very weak to him, as far as providing activities for youth. Mr. Olson responded that besides the completion of the Middle School project, the only youth activities in the budget are those activities that normally fall under the Parks and Recreation Department such as the soccer and baseball programs. Mr. Olson also stated that the Arts of the Albemarle appropriation is designed to accommodate those youth who prefer arts opportunities to sports activities.

Councilman King stated that he feels the City should not miss out on the opportunity of using the Hugh Cale Center once the Boys and Girls Club vacates the property. He said that the Center represents a huge opportunity to provide youth activities for that community. He stated that the Boys and Girls Club only serves a certain age bracket and that the Hugh Cale Center could meet the needs of those not currently being served. Mr. Olson responded that the recommended budget only includes funds to pay the utility bill and to paint and re-carpet the facility once the Boys and Girls Club moves to the Middle School facility.

Mayor Peel responded that the Hugh Cale Center would be a great facility for workforce development, community leadership training activities and for college students to do their internship. He said that he had spoken with representatives from Workforce Development about the possibility of providing that service. He reported that the City

had also been approached by the SOULS Ministry about the possibility of using the Center for their feeding program.

Councilman Stimatz requested that staff find out the School Board's policy on using school facilities for recreational activities after school hours and to determine if there is a potential for providing additional services using those facilities. Mr. Olson responded that it was his understanding that each principal determined the use of the various facilities and that there was not a school district policy, but that he would have to verify that opinion.

Councilman King stated that the budget did not include a particular line item for youth activities; and said that he did not want to miss the opportunity of using the Hugh Cale Center for youth. He pointed out that there is a line item for seniors, but not youth. He said that he would like to explore what it would take for the Parks and Recreation Department to take a more instrumental role in the use of the Hugh Cale facility.

Councilman Stimatz stated that he would like to note that the budget includes a \$2.7 million Parks and Recreation Department budget; and that a number of things included in that budget are for youth, such as various athletic activities, camps, arts and crafts classes and the like; in addition to the City's \$45,000 support of the Police Athletic League. He also pointed out that the City is maintaining various youth facilities such as Knobbs Creek Recreation Center, the South Park Sports Complex and the River Road Soccer Complex. He said that he felt the City was spending a significant amount of money, in conjunction with Pasquotank County, on activities for youth. He stated that the Vision 2020 Building Strong Families Action Team made the recommendation that the Parks and Recreation Department be tasked with performing a youth survey, at least biennially, to determine what desires youth have, what needs aren't being met, what the barriers are for getting to those things that currently exist, and how to prioritize what needs to be done. He further stated that the Youth Task Force survey revealed that the number one activity youth wanted and did not have access to is water-based activities and the second was creative arts.

Councilman Brooks stated that the Council should be mindful of why the Hugh Cale facility was constructed and that was to help the people of the Hugh Cale community. He said that the City needed to be fair across the board in helping people.

Mayor Pro Tem Hummer stated that she felt the City should wait until the Hugh Cale building was vacated and available to have this discussion, because the needs of the next tenant would determine what action the City would need to take. She pointed out that during the award of Community Support Grants, the City could specify that some of the funds should be used for youth activities.

Councilman Horton said that he concurred with Councilman Brooks that the Hugh Cale community should benefit from the facility. He asked what funding source was used to construct the building. Mr. Olson responded that the facility was constructed using Community Development Block Grant funding. He advised that because of the funding source, 51% of the client base must be of low to moderate income and that the City could not discriminate using one part of a community versus another. He stated that the

facility would have to be open for all individuals within the Elizabeth City-Pasquotank County area. He reported that the City would have to follow the sub-recipient agreement process and that a Request for Proposals would have to be issued and scored before a decision regarding a lease agreement could be made by the City Council.

Councilman King stated that he thought the time to start planning was now, because the Boys and Girls Club was scheduled to vacate the facility by the start of the next school year. Mr. Olson responded that the Request for Proposals had already been prepared and that staff would have a better idea when to start the process once the Middle School project is closer to completion.

Councilman Brooks stated that he agreed with Councilman King that now was the time to start planning in order that funding would be available when it was needed.

Mayor Pro Tem Hummer stated that one of the things discussed during the retreat was the need to improve the quality of all neighborhoods. She pointed out that there was \$25,000 allocated for the code enforcement process and \$36,000 allocated for housing demolition. She asked City Manager Olson if this was enough funding to accomplish the City's goal of improving neighborhoods. Mr. Olson responded that the Council has always found the money when additional buildings needed to be taken care of or if there were additional issues. He stated that the City could always do a budget amendment if additional funding was needed.

3. ADJOURNMENT

There being no further business to be discussed, Mayor Peel adjourned the meeting at 6:58 p.m.

Joseph W. Peel
Mayor

Vivian D. White, NCCMC
City Clerk