

**CITY OF LAURINBURG
COUNCIL MEETING
JUNE 5, 2006
MUNICIPAL BUILDING
7:00 P.M.**

Minutes

The City Council of the City of Laurinburg reconvened its regular meeting held on May 16, 2006 which had been recessed until June 5, 2006 in the council room of the Municipal Building with the Honorable Ann B. Slaughter, Mayor, presiding. The following Councilmembers were present: Rembert DeBerry, Curtis B. Leak, Herbert M. Rainer, Jr., and Thomas W. Parker, III. Councilmember Lisa D. Griswold was absent from the meeting.

Also present were: Craig F. Honeycutt, City Manager; Dolores A. Hammond, City Clerk; Bob Bell, Human Resources/Risk Management Director; Cindy Carpenter, Finance Director; Robert Malloy, Chief of Police; Harold Smith, Public Works Director; Robert Ellis, Water and Wastewater Treatment Plants Director; Bill Riemer, Director of Administration and Development; Diane Chavis, Customer Service Manager; Stacey McQuage, Water/Sewer/Streets Superintendent; Harold Haywood, Fleet Maintenance and Sanitation Superintendent; and Ronald Pierce, Electric Distribution Superintendent.

Mayor Slaughter called the meeting to order at 7:00 p.m. and welcomed everyone to the meeting. Councilmember DeBerry gave the invocation.

BUDGET WORKSHOP

The City Manager provided a budget summary of the proposed 2006-2007 budget for the City of Laurinburg. The City Manager stated that if there are any specific questions that Council may have for the budget summary as presented he would be glad to answer them. He then stated that if there were not any questions about the budget summary that the discussions would continue by department.

He explained that this has been a difficult budget year for staff as staff has been trying to maximize the City's revenue stream. He continued by explaining that, unfortunately, even with this approach, the recommendation is a \$.04 tax increase. He further explained that breaking down the proposed increase, \$.03 would be allocated to the General Fund, and \$.01 to pay back the Electric Fund for borrowing that supplemented the General Fund last year in the amount \$430,000.00. He stated that \$.01 is the equivalent to \$70,000.00. He stated that the breakdown of the \$430,000.00 was \$270,000.00 for rollout carts for solid waste and \$160,000.00 for the demolition of the old hospital (\$255,000.00 was budgeted, but not needed). He explained that to pay back the loan, it would take almost six years at \$70,000.00 per year.

He stated that the good news for this proposed budget is that there are no increases in fees for water and sewer, solid waste, or electric rates.

Mr. Honeycutt stated that he and staff had worked hard with the County to maximize the benefit of some of the current contracts between the City and County. He explained that the County would be paying an additional \$20,600.00 in fire district payments. A request to help with the purchase of the Fire Department's platform truck was turned down by the County, however. In addition, changes in the water agreement between the City and County will increase revenue by \$13,000.00.

He then explained that even with the tax increase and what is being proposed in the budget, there is a need to transfer \$850,000.00 from Fund Balance to the General Fund. He further explained that \$50,000.00 is being transferred from the Electric Fund. He pointed out that last year's budget transferred \$180,500.00 from the Electric Fund to the General Fund which represented \$.02 on the tax rate. This proposed budget is \$130,000.00 less in transfers from the Electric Fund to the General Fund. He then stated that in the 06/07 proposed budget \$319,198.00 is being transferred from the

Water and Sewer Fund to the General Fund, and \$225,000.00 from the General Fund to the Solid Waste Fund.

He then explained to Council that the following projects are included in the General Fund:

- \$45,000.00 for sidewalks for Lauchwood Drive
- \$75,000.00 payment for refurbished fire platform vehicle (debt service will then be approximately \$78,000.00 for six (6) years)
- \$126,000.00 sewer jet (1/2 cost –shared with Water-Sewer Department)
- \$17,500.00 replacement of a 1989 truck in the Beautification Department
- \$150,000.00 for five police cars

He listed the following projects that are not included in the General Fund which represents \$465,096.00 of cuts from original requests by departments:

- \$147,000.00 upgrade to cemetery
- \$220,000.00 in drainage work/pavement of unpaved streets
- \$12,000.00 gear washer for Fire Department
- \$64,996.00 for Grants position

He then listed the following project included in the Solid Waste Fund:

- \$185,000.00 for automated garbage truck

The following project is not included in the Solid Waste Fund:

- \$108,000.00 for knuckleboom truck

He then explained overall expenditures in employee benefits which are as follows:

- Salary COLA increases will be based upon the Social Security increase which is 4.1 percent, with an additional 2% budgeted for merit increase
- Health insurance-renewal rates with First Carolina are up 9%
- No new employees budgeted, however a change in status from part-time to full-time dispatch in the Fire Department
- Reduction of two employees through attrition in the Solid Waste Department due to the automated system

He concluded his budget summary by stating that, even with a \$.04 tax increase, there are a number of projects that the City will not be able to do this year that will be necessary in the near future. He stated that this proposed budget is a recommendation and that, if Council sees things differently, staff will make adjustments as necessary. He thanked Council for the opportunity to present the proposed 06/07 Budget.

A discussion ensued among Councilmembers regarding the proposed tax increase and the fund balance appropriation.

Councilmember Parker stated that he thinks that the City has a certain degree of trust with taxpayers and has earned respect from them regarding the rate. He further stated that the City is in jeopardy if taxes are raised more than ten percent.

Upon question by Councilmember Rainer, the City Manager stated that the proposed tax rate is \$.42 per \$100 valuation.

Councilmember Parker discussed the transfer of \$850,000.00 to the General Fund from Fund Balance and stated that he feels that is a surplus of money. He stated that he feels that there is a tendency to over-estimate expenses and under-estimate revenues.

A discussion ensued concerning how transfers are determined and why monies are transferred at the end of the year.

The City Manager explained that the City's fund balance is down one million dollars in all funds from last year. He stated that \$850,000.00 is being proposed to be transferred but that the same amount is what is expected to be put back this year. He continued by stating that, if the City has to transfer more than \$850,000.00 and the Fund Balance continues to trend down, the City is going to be in a difficult financial situation. With this proposed budget, Fund Balance should remain constant or should increase slightly. The City Manager stated that the City has to look at past trends on Fund Balance and that the Fund Balance has been decreasing over the years.

The Finance Director explained that the City does not have the funds to transfer from the Electric Fund as in years past. She stated that this is because of expenses in the electric department continuing to increase with the City absorbing all the cost increases over the past few years.

The City Manager stated that the City's electric margin is less than 12% and that the recommended margin is 25%. He then stated that in looking at this year's transfer from the Electric Fund, it is only \$50,000.00 whereas it was \$180,000.00 last year. He explained that in looking at pennies on the tax rate that is a large part of the reason for the increase. He further explained that in looking at the trending down of the City's Fund Balance, the City is using a lot of it this year and should break even, but that has not been the trend the past four or five years in that it has been decreasing.

Councilmember Rainer commented that the City's tax revenue is lower that it was in the nineties and that it is apparent that by lowering taxes it has now come back to haunt the City. He stated that it appears that there are two options to consider, either to increase taxes or lower expenses.

The Finance Director stated that \$465,000.00 had been cut from the General Fund prior to this meeting. She also stated that neither funds for Buxton, Inc. nor the grant shared with the County for upgrades to Washington Park have been included in the budget at this time.

The City Manager stated that there is tentative approval for the Washington Park grant and that the amount that the City would incur would be \$4,000.00-\$5,000.00.

Councilmember Parker stated that he understands all the reasons but feels that more cuts need to be made.

The City Manager stated that the loan from the Electric Fund which the Local Government Commission will see as a loan needs to be paid back and that represents one cent of the tax rate.

Councilmember Parker questioned the recycling program.

The City Manager stated that the same level of service has been budgeted for in this proposed budget which is every week pickup. He continued by stating that there is an option to pick up recycling every other week, which will save the City approximately \$70,000.00. However, after discussing it with staff, if an every other week pickup is implemented, it may take a little longer to complete the routes, and overtime may need to be included in the budget which at this time has not been included.

Councilmember Parker stated that he feels that the program needs to be reconsidered to implement an every other week pickup.

There was further discussion regarding the recycling and solid waste programs.

Councilmember Parker asked Harold Smith to explain the proposed purchase of the Fire Department's platform truck.

Mr. Smith stated that an engine needs to be replaced this year. He explained that it could be replaced with another engine (with the same capabilities as the present one) which would cost only approximately \$290,000.00. The proposal is to purchase an aerial truck that would provide additional capabilities that the City currently does not have.

The purchase of this truck has the potential to reduce commercial fire insurance if the City can reduce its fire rating from a five to a four.

A discussion ensued regarding the differences in new equipment and refurbished equipment and the financing of a platform truck.

Mr. Smith stated that the proposed platform truck is a refurbished truck, has been to six fires in its life and is in mint condition.

The Finance Director stated that the best interest rate to finance the truck would be under four percent.

The City Manager stated that the platform truck would serve as a pumper, a platform truck, and an equipment truck. He explained that this purchase would give the City points on its ISO rating because of its capability of serving as three trucks.

Further discussion ensued regarding the proposed budget and if staff could reduce its needs in some of the different departments.

Councilmember Parker stated that a sub-committee of the Laurinburg/Scotland County Area Chamber of Commerce has been discussing cleaning the roadside areas further north on 401 and further south on 401 (Blue's Farm Road to Wal-Mart). He stated that this is not a recommendation from the Chamber.

A discussion ensued regarding the roadside cutting that the City has taken over from the State and the State's reimbursement to the City.

Councilmember Parker stated that a suggestion has been made that the City use some of the trees that are used in the Tree Give-Away Program in public areas in order to beautify the City. He stated that if 200 trees were purchased that 100 be planted in the public area and the remainder in citizens' yards as the program requires. He stated that the suggestion does not include the planting of trees on business properties.

Further discussion ensued, and there was no decision made on the suggestion.

Councilmember Leak suggested that when the City's meter readers notice that there are limbs interfering with the City's electric lines, they should let Public Works know of the location.

Councilmember Leak then stated that in talking with Pete Morris, Beautification Director for the City, Mr. Morris indicated that when the older trees need to be replaced that the planting of low growing trees under the lines would be considered. Councilmember Leak stated that he felt this would be a good move for the community.

Ronald Pierce stated that the Electric Department and the Beautification Department are working together on the tree limb and electric line issues.

Councilmember Parker discussed the markings at Plaza Road and US Highway 401 at the Lowe's location.

Mr. Smith stated that there are markings at the intersection where the stop light is located, but there are no markings where the turn goes into the Lowe's location.

Councilmember Parker stated that he feels that Plaza Road should be marked with centerlines and turn markings.

Mayor Slaughter stated that she had received numerous calls regarding no centerline markings on some City streets.

There was no decision made at this time regarding marking of streets.

There was continued discussion regarding the resurfacing of City streets.

At 8:35 p.m., Council chose to break and then resumed the meeting at 8:44 p.m.

The City Manager stated that so far the discussions have centered on the General Fund and stated that the Water/Sewer, Solid Waste, and Electric Funds should also be discussed if Council so chooses.

Councilmembers continued reviewing the proposed budget and discussed the different departments' requests.

Mayor Slaughter stated that the next discussion would be employee benefits.

The City Manager stated that what has been proposed with respect to salaries is a cost of living increase at the Social Security increase which is 4.1 percent and an additional 2 percent for merit.

Upon question by Councilmember Rainer, the Finance Director stated that the total proposed 2 percent merit increase is \$124,000.00 for the entire budget. She then stated that the total amount of money including salaries and benefits in all funds would be \$145,700.00

Following further discussion, the City Manager stated that included in the proposed budget is a pay and classification study for the City. This study had previously been approved to be conducted every five years.

Upon question by Councilmember Parker, Bob Bell explained how the study would be conducted. It would be done by a company that reviews positions and compares them with the market rate in the area to determine if the City has kept up the pay of employees with the pay of others in similar positions or doing similar work in our surrounding area.

Following further discussion, Councilmember Parker requested information regarding the turnover rate from the last pay and classification plan study.

The City Manager stated that the pay and classification study is a good tool for employees and a good budgeting tool for staff. He explained that one of the benefits of the study and having it done incrementally is that, by staying close to market rates, there are not large increases for employees at one time.

There was no further discussion regarding employee benefits.

Councilmember Parker stated that he could not support a 4-cent tax increase. He suggested that staff make recommendations on how it could make additional cuts in its departments.

Upon question by Councilmember Parker, Chief Malloy stated that there is an \$8,000.00-\$12,000.00 increase in fuel expenses because of gas prices. Chief Malloy informed Council that in order to cut down on fuel expenses at this time, with the exception of the canine unit, police cars do not sit and run idle without someone in the vehicle. He then stated that the officers also are parked more in strategic areas rather than moving around during the day.

Councilmember Parker stated that in response to the Chamber's request for funding, the Chamber should give Council an accounting of the number of businesses or industries contacted by the Chamber and the marketing firm.

The City Manager stated that he had contacted Jim Frank Henderson, Chamber President, and requested that information. He has also requested that the reasons, if known, those businesses or industries chose not to locate in Laurinburg and Scotland County be included in the report. He then stated that a report should be forthcoming.

Following further discussions concerning the proposed budget and the proposed tax increase, the City Manager asked if 42 cents were not acceptable what Council would consider a reasonable tax rate.

Councilmembers DeBerry and Leak stated that 41 cents would be reasonable to them.

Councilmembers Parker and Rainer suggested that staff review the proposed budget and see if additional cuts could be made.

Councilmember Parker also suggested that staff reconsider modification of the recycling program.

Further discussion was had regarding the tax rate, and it was a consensus among Councilmembers that staff re-visit the proposed budget and find additional cuts so that the tax rate could be lowered.

CLOSED SESSION

At 10:33 p.m. motion was made by Councilmember DeBerry to go into closed session, pursuant to North Carolina General Statute 143-318.11(a)(6), to discuss the performance of the City Manager. Councilmember Parker seconded the motion and it unanimously carried to adjourn to a closed session.

At 10:50 p.m., upon returning to the council room, motion was made by Councilmember DeBerry, seconded by Councilmember Leak, and unanimously carried to adjourn the closed session and resume the open meeting.

SETTING THE CITY MANAGER'S SALARY

Motion was made by Councilmember Leak, seconded by Councilmember Rainer, and unanimously carried to give the City Manager a pay increase of 5 percent of his current salary.

RECESS

Motion was made by Councilmember DeBerry, seconded by Councilmember Parker, and unanimously carried to recess the meeting until 6:00 p.m., June 12, 2006 in the council room of the Municipal Building.

The meeting was recessed at 10:53 p.m.

Ann B. Slaughter, Mayor

Dolores A. Hammond, CMC, City Clerk