

**CITY OF LAURINBURG
SPECIAL COUNCIL MEETING
MUNICIPAL BUILDING
MAY 14, 2007
6:30 P.M.**

Minutes

The City Council of the City of Laurinburg held a special meeting on May 14, 2007 in order to discuss the 2007-2008 Proposed Budget and to go into closed session pursuant to G.S. 143-318.11(a)(6) for the purpose of discussing the City Manager's Annual Performance. The meeting was held in the council room of the Municipal Building with the Honorable Ann B. Slaughter, Mayor, presiding. The following Councilmembers were present: Rembert DeBerry, Lisa D. Griswold, Curtis B. Leak, Thomas W. Parker, III, and Herbert M. Rainer, Jr.

Also present were: Craig F. Honeycutt, City Manager; Dolores A. Hammond, City Clerk; Bob Bell, Human Resources/Risk Management Director; Cindy Carpenter, Finance Director; John Evans, Interim Chief of Police; Harold Smith, Interim Fire Chief; Robert Ellis, Water and Wastewater Treatment Plants Director; Bill Riemer, Director of Administration and Development; Stacey McQuage, Public Utilities Director; Harold Haywood, General Services Director; and Ronald Pierce, Electrical Utilities Director.

Mayor Slaughter called the meeting to order at 6:30 p.m. and welcomed everyone to the meeting.

CLOSED SESSION

At 6:40 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 Griswold seconded the motion and it unanimously carried.

At 7:15 p.m., upon returning to the council room, motion was made by Councilmember DeBerry, seconded by Councilmember Leak, and unanimously carried to resume the open meeting.

BUDGET WORKSHOP

The City Manager explained that this year's budget had been a trying budget. He stated that the original budget request far exceeded the projected revenues in all funds which resulted in a \$5.18 million deficient. He then explained that Council is being presented a balanced budget due to drastic cuts in all new capital spending in the General Fund and fee increases in water, sewer, and solid waste.

He then stated that the problem is not expenditures but revenues. He explained that the City is very flat with respect to the growth in the ad-valorem tax base and has been for a few years. He explained that costs increases continue to grow. He gave examples of health insurance increases, the cost of fuel, increases to implement the City's pay and classification plan, cost of living increases and merit increases.

He then stated that staff is recommending fee increases to the solid waste fee of \$1.00 per month for residential customers and a 10 percent increase for commercial customers. He further explained that, even with the new revenue generated from the increases, the projection is a \$20,000.00 shortfall due to the increase in tipping fees from the County and the State. He then stated that the increase in tipping fess is approximately \$130,000.00 with revenue only generating \$110,202.00.

He further stated that increases in water and sewer rates are being proposed. He explained that in trying to get additional grant funding for the City's aging inflow and infiltration system, the City is not competitive in the process because the City's rates are too low. He then explained that the thought process at the State level is that a City must have high unit costs in order to receive grants to help with infrastructure improvements so that the City would have

funding in place to maintain the State's investment. He explained that the City's rates are 20 percent lower than what qualifies for funding. He then stated that staff's recommendation is to increase its water and sewer base rates by 4.05 percent over the next five years to get the City in the position it needs to be to qualify for grant funding.

Mr. Honeycutt continued to explain that in the proposed budget additional fees are being considered as discussed at Council's retreat in March for fire inspections. This additional fee would generate approximately \$7,700.00 in new revenue.

The City Manager then discussed the general fund balance which is currently projected to be \$1.3 million at the end of the current fiscal year. He explained that it is also proposed that only \$310,950.00 from the fund balance be used for fiscal year 2007-2008. He then stated that transferring \$310,950.00 would leave a balance of less than \$1 million in the fund balance. He advised that the Local Government Commission requires an 8 percent minimum in fund balance. This would leave approximately 12.5 percent in the fund balance, and staff recommends that the City not dip below the required 8 percent minimum of the City's fund balance. He further explained that the City's fund balance has steadily decreased over the years and that the fund balance needs to be increased in future budgets.

The City Manager then discussed the City's general fund expenditures. He explained that other than three new police cars; the tree trimming and Tree City USA programs; debt service on the last year's purchase of the fire department's ladder truck; and the sewer jet machine, there are no new capital expenditures in the proposed budget. He also stated that there is no expenditure for capital equipment in the solid waste fund, which is the reason there is no general fund transfer to the solid waste fund.

He then explained that the only new program proposed in the budget is the shell building program which is a joint project between the City, Scotland County and the Laurinburg/Scotland County Area Chamber of Commerce. The City's portion of the cost for the shell building is \$44,000.00. He then stated that the only new position included in the proposed budget is a traffic officer in the police department that is being funded through a grant.

The City Manager then stated that Council has been provided a list of cuts from the proposed budget. He then stated that, with respect to, the larger departments, instead of budgeting 100 percent of salaries, 90 percent of the salaries was budgeted because typically the departments are not fully staffed.

He then explained that during Council's retreat, specific projects were discussed and that those projects had been cut. Those projects include the Chamber's Economic Development position and marketing upgrades; the roof for the Market Furniture Building; the entire street paving program; and the Assistant Police Chief position.

He stated that, without growth, the City's budget has remained flat, and the dependence upon fund balances and transfers have to make up the difference. He then stated that the City should become less dependent upon the practices of using fund balance and transfers. Costs to run the City will continue to increase. He further stated that a tax increase would be required next budget year to help maintain what the City has in place.

He stated that the proposed budget is a "maintain" budget as the City "maintains" current personnel, equipment, and infrastructure. He then stated that the City must continue its efforts to work with the Chamber, County, and State to do what can be done to foster growth and development in the community. Without substantial growth, next year, the City will have to make a decision whether to cut existing services or raise taxes.

He concluded by thanking Cindy Carpenter and staff for the hard work put forth in the 2007-2008 Proposed Budget.

Upon question by Councilmember Leak, the City Manager stated that the County and the Chamber have also proposed to fund the shell-building project. He then explained that the County would not fund the Chamber's Economic Development position. He also stated that the County is also applying for a Community Development Block Grant to fund the shell building. He explained that one-half the cost would be funded with a 2 percent interest payment. He also explained that the \$44,000.00 funding is for five to six years or until the shell building is sold.

Upon question by Councilmember Griswold concerning the Chamber's Economic Development position, the City

Manager stated the County would not fund the position. He further explained that the Chamber would not financially contribute but would provide working space.

A discussion ensued on the revenue portion of the proposed budget.

A discussion then ensued concerning water and sewer rate increases as well as the proposed increase in solid waste fees.

Councilmember Rainer stated that the City needs to do what needs to be done in order to balance out funds. He suggested a 10 percent across the board increase to help balance out the water and sewer fund instead of the proposed five-year funding plan.

A discussion ensued about the problems with the inflow and infiltration systems. Councilmember Griswold proposed that water and sewer rates should be increased 10 percent this budget year and then 10 percent next budget year so that we could apply for grants as soon as possible to correct the inflow and infiltration problems. She stated that increasing the rates over a five-year period at staff's recommendation of 4.05 percent would take too long to allow us to apply for grants to correct the problems.

Councilmember Parker expressed concern about the solid waste fund and the proposed increases in tipping fees by the County and the State. He also expressed concern about the solid waste fund not being self-supporting. He recommends that solid waste fees for residential customers be increased by 10 percent in the proposed budget.

Councilmember Parker also stated that a resolution be prepared to present at the next council meeting strongly opposing the State's intention to increase tipping fees.

There was consensus among Councilmembers that in the proposed budget staff include, across the board, a 10 percent increase in water and sewer rates. The consensus was that a similar increase be proposed in the following year's budget as well. There was also a consensus that, in addition to increasing the commercial solid waste fees, residential solid waste fees be increased by 10 percent as well.

Councilmember Griswold left the meeting at 7:55 p.m.

Councilmembers continued reviewing the proposed budget and discussed different departments with the following directions to staff to adjust the proposed budget and present at the next budget workshop:

To include \$15,000.00 in the fire department budget so that the truck can be used for backup purposes;

To include \$35,000.00 to repay a loan from the Electric Fund;

To increase the water and sewer rates by 10 percent in the upcoming proposed budget and to include a 10 percent increase in next year's proposed budget; and

To increase the residential solid waste fees by 10 percent.

A discussion ensued concerning the Market Furniture Building. The City Manager informed Council that State funding was not available to help repair the building. There was consensus among Councilmembers to discuss the decision to take ownership of the building at the regular Council meeting to be held on May 22, 2007.

ADJOURNMENT

Motion was made by Councilmember DeBerry, seconded by Councilmember Rainer, and unanimously carried to adjourn the meeting.

The meeting was adjourned at 9:40 p.m.

Ann B. Slaughter, Mayor

Dolores A. Hammond, City Clerk