

**CITY OF LAURINBURG
SPECIAL CITY COUNCIL MEETING/
BUDGET WORKSHOP
MAY 24, 2017
MUNICIPAL BUILDING
303 WEST CHURCH ST.
5:30 p.m.**

Minutes

The City Council of the City of Laurinburg held a special meeting/budget workshop on Wednesday, May 24, 2017 in the Council Chambers of the Municipal Building at 5:30 p.m. with the Honorable Mary Jo Adams, Mayor Pro Tem, presiding. The following Councilmembers were present: Dolores A. Hammond, Curtis B. Leak, Andrew G. Williamson, Jr. and J.D. Willis. Mayor Matthew Block was absent.

Also present were Charles D. Nichols III, City Manager; Jennifer A. Tippet, City Clerk; Carrie H. Neal, Finance Director; and Harold Haywood, General Services Director.

Mayor Pro Tem Adams called the meeting to order at 5:31 p.m.

Councilmember Williamson gave the Invocation.

PRESENTATION OF TSUNAMI CAMERA SYSTEM

Police Chief Williams explained how he discovered the Tsunami Camera System and his research conducted on the system. He introduced Steven Teachout, Chief Executive Officer of Ocean 10 Security.

Mr. Teachout provided an overview of how the Tsunami Camera System operates. He explained that the camera systems can be rapidly deployed and are mobile. He added that the annual lease cost per device is \$5,600.00 and includes the needed Verizon 4g connectivity. He further added that before the end of four (4) years of service, a new system will be delivered at no additional cost, and that anytime a camera fails, a new camera will be provided. He further explained that there was no installation cost.

Upon question by Councilmember Williamson, Mr. Teachout explained that Boone, Lenoir, Durham, Wilmington, Goldsboro, Lake Royal and Kinston Housing Authority are using the Tsunami Camera System. He added that Myrtle Beach just installed 700 camera systems.

Upon question by Councilmember Hammond, the City Manager explained that the City's electric crews can move the systems.

The City Manager explained that the current FY 17-18 budget included 10 camera systems.

Councilmember Willis stated that if Council is serious about crime, then Council should listen to what the Chief recommends.

Councilmember Leak suggested that Council consider funding 10 units.

Upon question by Councilmember Leak, Mr. Teachout explained that the monthly charge from Verizon was included in the annual cost of each camera system.

Mr. Teachout discussed the impact that the City of Goldsboro experienced with the purchase of five (5) camera systems, and that Goldsboro had recently ordered five (5) additional camera systems. He discussed the psychological impact of the presence of the camera systems.

Upon question by Councilmember Hammond, Mr. Teachout explained that if a camera is damaged such as from gunfire or hurricane, there is a \$2,500.00 deductible for the subsidy insurance included in the lease. He added that it was possible that the City's insurance would cover the cost of the deductible.

Mr. Teachout thanked Council for allowing him to discuss the Tsunami Camera System.

BUDGET DISCUSSION

The City Manager reviewed major changes to the draft budget since the May 8, 2017 budget workshop as follows:

- Includes three percent (3%) Cost of Living Allowance for employees.
- Includes eight and 2/10ths percent (8.2%) increase in health insurance premiums.
- Includes five (5) additional full-time positions: Public Information Officer/Main Street Manager, IT/Fiber Director, Customer Services Representative and two (2) Police Officers. Due to the Laurinburg Housing Authority utility conversion and pending retirement in Finance/Accounting, an additional Customer Services Representative added in the event it was necessary. This position will not be an immediate hire, but later on in the fiscal year.
- Includes four (4) part-time positions for Recycling Program.
- Includes \$35,000.00 for a litter contract. The City Manager explained that staff received an estimate for budget purposes only, and that once the budget was approved by Council, staff would solicit Requests for Proposals (RFP).
- Increased the Water/Wastewater budget by \$10,000.00 for the City's five percent (5%) match for the Wastewater Asset Inventory.

The City Manager explained that the current draft General Fund budget would require \$282,044.00 from General Fund-Fund Balance in order to balance the budget. He added that last year, \$324,600.00 of General Fund-Fund Balance was needed to balance the budget. He further added that most of the time, the total amount of the General Fund-Fund Balance budgeted is never used, and that sometimes, the General Fund-Fund Balance increases.

The City Manager explained that the current draft Electric Fund budget has a \$0.00 balance. He added that the excess funds were budgeted for the electric substation preparation and planning. He added that staff is meeting with Alan Cobb of Progressive Engineering to begin planning for the electric substation to plan when items needed to be purchased and site location.

The City Manager explained that the current draft Water/Sewer budget is balanced and will have a surplus of \$8,375.00 to be added to Water/Sewer Fund Balance. He added that the budget includes \$1 million in capital projects.

The City Manager explained that the current draft Solid Waste budget is balanced. He added that he had followed up with the County concerning Tipping Fees and had heard nothing; therefore the budget still included taking Municipal Solid Waste (MSW) to Robeson County Landfill. He further added that with the four (4) part-time positions added and with capital items, the Solid Waste Fund would have a surplus of \$25,475.00.

Upon question by Councilmember Willis, Mr. Haywood explained that staff had used current equipment with regard to MSW; however, the recycling baler was replaced at the beginning of the current fiscal year.

The City Manager explained that if MSW continues to be hauled to Robeson County, the City will need to replace its sanitation trucks more frequently than if the MSW is hauled to Scotland County.

Further discussion ensued concerning utilizing Scotland County MSW services. The City Manager explained that the budget currently includes a surplus of \$25,000.00 and purchase of a sanitation truck. He added that in 2013, a 10% increase in solid waste fees was necessary to balance the budget which did not include any capital items.

Further discussion ensued concerning increasing Solid Waste Fund-Fund Balance.

HISTORY OF MANAGEMENT FEES

The City Manager explained that staff researched Management Fees from 1997 to current, and prepared a spreadsheet, a copy of which is attached to and incorporated herein as Attachment A. He added that six (6) departments are allocated among the four (4) different funds- Administration, Governing Body, Human Resources, Finance, IT and GIS since these departments are involved in work for all four (4) funds. He further added that in 2008, Ms. Sharon Edmundson, Director, State and Local Government Finance Division of the Local Government Commission (LGC) gave an update about Fund Balance and ways to increase the General Fund-Fund Balance to make it more self-sustaining, and on the use of Management Fees. He provided the following information:

- From 1998 to 2008, the Management Fees were a percentage of salaries.
- After Ms. Edmundson's visit in 2008, the allocation was 10% General Fund, 40% Electric Fund, 40% Water/Sewer Fund and 10% Solid Waste.

- From 2011-2015, Management Fee allocation changed to 20% General Fund, 35% Electric Fund, 35% Water/Sewer Fund and 10% Solid Waste Fund.
- The City Manager began looking at Management Fees when he came to the City in 2013 to ensure that documentation existed for the auditor and for the LGC.
- In 2015, Management Fee Allocation was 15% General Fund, 40% Electric Fund, 35% Water/Sewer Fund and 10% Solid Waste.
- In 2015 also added IT services as one of the departments that services all four (4) funds.
- Since 2014, there have been no inter-fund transfers.
- Past history of transferring from the Electric Fund to the General Fund, and even one (1) year, the Solid Waste Fund had to transfer funds to the General Fund.

The City Manager reviewed a graph showing the percent of administrative departments funded by Management Fees and Enterprise Fund transfers from 1997 through 2017, a copy of which graph is attached to and incorporated into these minutes as "Attachment A". He explained that when there were transfers from Enterprise Funds into the General Fund, the percentage of administrative departments funded by the Management Fees and Enterprise Funds transfers were the highest.

The City Manager reviewed General Statute 159B-39. Permitted uses of revenue from electric power rates, which include (i) payment of direct and indirect costs of operating the electric system, and (ii) transfer to other funds of the municipality a sum that reflects a rate of return on the investment in the electric system calculated using one the lesser of: (1) three percent (3%) of the gross capital assets of the electric system, or (2) five percent (5%) of the gross annual revenues of the electric system for the preceding year. He further added that although staff had never suggested to Council to transfer funds from the Electric Fund to the General Fund as allowed by (ii), staff computed according to (1) that amount would be \$495,000.00 and by using (2), that amount would be \$759,000.00, with the lesser being \$495,000.00 that the City could transfer from the Electric Fund to the General Fund by pledging it to a specific project. He further explained that staff believed that the draft budget utilizing \$282,000.00 of the General Fund-Fund Balance was safe and was less than what had been budgeted in previous years. He explained that staff wanted to have the funds as self-sufficient as possible and not have inter-fund transfers so that the City's electric customers, or the City's water customers were subsidizing other funds.

The City Manager explained that in 2008, Ms. Edmundson gave a report to Council with recommendations and overview of different options for the General Fund. He added that at that time, the City's General Fund was not in a great position. He further added that Ms. Edmundson explained to Council that since several departments, such as Finance, did not spend all time on the General Fund with a \$17 million Electric Fund budget, that allocation using Management Fees was recommended. He added that Council discussed Management Fees at the next Council meeting and decided to use a 10% General Fund, 40% Electric Fund, 40% Water-Sewer Fund and 10% Solid Waste Fund allocation.

Councilmember Hammond explained that in 2008 there were three (3) meetings before the budget was adopted discussing Management Fees and allocation.

The City Manager explained that the allocation formula is justified by time spent on the various funds by the six (6) departments that service all four (4) funds. He added that in 2008, Council directed the Finance Director to reach out to other ElectriCities members to see how other municipalities allocated Management Fees. He further added that Morganton was the most similar in size and budget to Laurinburg, and the City's allocation was less lenient than Morganton's and there were inter-fund transfers occurring at that time. He further explained that there had been no inter-fund transfers since 2014.

Councilmember Hammond explained that on June 17, 2008, Council adopted an Electric Fund Policy.

The City Manager explained that Council also adopted a Fund Balance Policy at the June 17, 2008 meeting. He further explained that the LGC recommends 8% General Fund-Fund Balance, and Council adopted a Fund Balance Policy requiring 16% Fund Balance for undesignated and 23% for total Fund Balance.

Upon question by Councilmember Williamson, the City Manager explained that over the last several years, approximately \$300,000.00 of General Fund-Fund Balance had been budgeted with very little actually being used. He added that in the previous two years, General Fund-Fund Balance was needed from a cash standpoint because the Electric Fund and the Water-Sewer Fund did not have cash. He further added that both funds are cash positive now, but just barely.

Further discussion ensued concerning the use of Fund Balance. Councilmember Williamson explained that the City Manager explained that when major events such as Hurricane Matthew happen, municipal governments do not want to rely on the enterprise funds to pay for damages.

Councilmember Willis explained that when he first got on Council, he discussed the procedure of balancing the budget with General Fund-Fund Balance. He added that this was when Council began talking about a zero-based budget.

Upon question by Councilmember Willis, Mrs. Neal explained that none of the enterprise funds owe the General Fund.

Councilmember Leak commended the City Manager and staff for their oversight with the enterprise funds and the General Fund to get them back in compliance.

Following discussion, it was consensus of Council for the City Manager to provide an explanation of the Management Fees at the June 20, 2017 Council meeting.

Upon question by Councilmember Hammond, the City Manager explained that 10 Tsunami cameras were included in the budget.

Discussion ensued concerning proposed legislation to provide firefighters with a separation allowance like law enforcement officers and the proposed legislation to drop the number of years for law enforcement retirement from 30 years to 25 years. The City Manager explained that if either of these proposals passed, there would need to be a budget amendment.

Following a brief discussion, it was consensus that no further budget workshops were needed.

ADJOURNMENT

Motion was made by Councilmember Willis, seconded by Councilmember Hammond, and unanimously carried to adjourn the meeting.

The meeting adjourned at 6:52 p.m.

Matthew Block, MD, Mayor

Jennifer A. Tippett, City Clerk