

Budget Work Session of May 7, 2019

The City of Kings Mountain, North Carolina met in a Budget Work Session at 3:00 p.m. on Tuesday, May 7, 2019, in the Conference Room at Public Works with Mayor G. Scott Neisler presiding.

ATTENDANCE:

The following Councilmembers were present: Keith Miller, Tommy Hawkins, Mike Butler, Rodney Gordon and Annie Thombs. Jay Rhodes and David Allen were unable to attend. Also present: Marilyn Sellers, City Manager; Nick Hendricks, Energy Services Director/Asst. City Manager; Chris Costner, Finance Director; and Karen Tucker, City Clerk.

INVOCATION

The invocation was given by Mayor Neisler.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Mayor Neisler.

BUDGET WORK SESSION

Marilyn Sellers, City Manager welcomed Council and Department Heads to the FY 2019-2020 budget work session. She introduced all new staff, including Councilmember Annie Thombs, as this was her first budget work session since she was appointed to the Ward 1 seat last July. Mrs. Sellers stated that the balanced proposed budget for FY 2019-2020 totals \$45,836,715. She reviewed the process for budget planning, stating that the process for the budget started earlier this year. Each department head had a voice in planning for their individual department. It is important to refer to their expertise in their individual department to know what they will need. It is stressed to each department head that our General Fund consists of \$17.5 Million in revenues plus transfers from electric. They try to set goals according to these parameters. Council received a copy of the budget presentation early this year, and we incorporated feedback from the strategic planning questioner. During our presentation on the strategic plan with Electricities and Creative, it was determined that our priority is Economic Development.

Mrs. Sellers stated that so much has changed since she has been here. She stated examples of major changes that have taken place over the course of thirty years.

- Billing was not computerized.
- The City experienced embezzlement.
- The City went through 5-6 City Managers, and interim managers in a short time.
- The City had a natural gas injunction.
- A moratorium on sewer and electric – The City was at 100% capacity in electric. We were reading meters with pencil and paper.
- Old equipment

- The City did not have a great recreation program or the quality of life and parks that we have.
- Employees would get paid on Friday and they would ask us to hold our checks until Monday. Many times, we would have to go to Spectrum to pick up their check so that payroll could clear.
- The City struggled to maintain 8% in fund balance, as required by the LGC.

She stated that she is so proud of present and past Council and Staff, as all of this has helped the City prevail. We have gone from 0 to 100 in technology with our very own IT staff. The GIS should be completed by June 30. The water plant expansion, water line upgrades, and of course, the switch to NTE from Duke which has resulted in an approximate 10% reduction in electric rates and more revenue for the City. She also thanked Randy Patterson for his leadership in the market study and the fact that all employees should be over 90% of market on their salaries. We had a great audit this year, and 75% of our strategic planning is completed. Mrs. Sellers stated that we still have challenges that lie ahead. We have to manage growth, and with growth comes more needs and more issues such as more housing and more regulations. She stated that Nick has taken the lead with the department heads in the strategic planning. They are giving great feedback and this process is coming together. Stuart Gilbert stated from a Planning perspective he is really excited about the strategic plan process and the support of every department and their expertise.

Nick Hendricks gave an update on Patriots Park stating that the amphitheater will be complete by June 30th, hopefully by the first week of June. A new drainage system is being installed, and once this is completed, the landscaping process will begin.

Marilyn Sellers stated that the Public Hearing to adopt the proposed budget is scheduled for the regular meeting of May 28, 2019.

She then reviewed with City Council the following budget recommendations and goals for the 2019-2020 Proposed Budget:

- **NO** Property Tax Increase
- **5%** Sanitation Services Increase (to pay for increased landfill and recycling charges .50 increase monthly for residential garbage, .14 increase monthly for residential recycling)
- **NO** proposed adjustments to City Fees
- **NO** increase in Health Insurance premiums for employees
- **2.5%** increase proposed for all employees (1.9% inflationary adjustment, 0.6% market adjustment)
- **6 new FT employees** (2 Telecommunicators, 2 K-9 Officers and dogs, 1 Communications/Marketing Director, 1 Special Events Coordinator)
- **NO** Electric rate increase
- **NO** Water rate increase
- **NO** Wastewater rate increase
- **NO** Storm Water rate increase

- **NO** Natural Gas rate increase
- **YES** approximate 10% estimated savings to our electric customers included on their March, 2019 bill

Budget Goals – General Fund Our “Score Card”

- To not have any significant changes regarding services the City is currently offering- **accomplished**
- To not increase Property Taxes. An increase is not planned at this time assuming property tax valuation continues to increase - **accomplished**
- Sanitation fees may increase due to increases in landfill costs-**5% increase**
- Hold all other City fees constant - **accomplished**
- Do not use General Fund fund balance to cover operating expenditures - **accomplished**
- Hold constant or reduce the operating transfer from the Electric fund to the General Fund – **not fully accomplished, but we are not increasing the amount of transfers for reoccurring costs**

Budget Goals Presented to Council -Utility Funds

Increased sales volume or cost savings (purchased power) will enable us to meet our needs without rate increases this next budget year.

- Electric rate increase not planned - **accomplished**
- Water/Wastewater rate increase not planned - **accomplished**
- Stormwater rate increase not planned - **accomplished**
- Natural Gas rate increase not planned - **accomplished**

Budget Goals Presented to Council-All funds

- 2.5% Rate subsidy/COLA proposed for all employees - **accomplished**
- To not increase Health Insurance premiums for employees - **accomplished**
- Continue to fund all vacant positions anticipating that they will be filled if the position is justified by the department head - **accomplished**

Chris Costner, Finance Director reviewed with City Council the following information regarding the Healthcare Benefits and Insurance:

- **NO** proposed medical plan changes (Gold, Silver, Bronze)
- **NO** increase in employee cost for medical
- More information to be presented at open enrollment meetings

Medical Insurance Fund

The Medical Self Insurance Fund has a little bit of an increase but we are still beating the trend rate. Our claims are actually going down, but our increase in premiums are out pacing our claims. The good news is that the programs that HR offers that are promoting healthy lifestyles are working. We are projecting basically flat claims this year. The medical in the departments has gone up in order to fund the plan. The City offers a very

rich benefit in offering health insurance, as we fund about 87% of the costs. The employees pay the other 13%. The City purchases Stop Loss Insurance, which means that we pay the first "X" amount up to about \$70,000 then the insurance picks up the remainder. There are some that our stop loss will not carry, so we basically have to provide an individual policy for these.

Personnel

The new personnel numbers include 4 Police Department positions, 1 Communications/Marketing positions, and 1 Special Events position. Only necessary people are in the budget.

2019-20 Capital Outlay

General Fund: (NO new debt in General Fund)

Finance-Billing software	\$	346,850	5 Yr LPA-C/O from 18-19
General contingency	\$	40,000	No financing
Police-Patrol cars	\$	79,000	No financing
Police- 2 K-9's	\$	25,000	No financing
Econ/Planning-software	\$	40,845	No financing
Econ-Streetscape Phase 1	\$	200,000	No financing
IT-Servers/Other	\$	60,000	No financing
All other (various departments)	\$	<u>70,305</u>	No financing
Total	\$	<u>862,000</u>	

Water/Sewer:

Replace raw water pump #1	\$	100,000	No financing
Truck	\$	30,000	No financing
Belvedere Project	\$	350,000	No financing
Wastewater Plant (membranes)	\$	55,000	No financing
"Jet" Truck	\$	75,000	No financing
Generator Relocation-Pilot Creek	\$	<u>250,000</u>	No financing
Total	\$	<u>860,000</u>	

Electric:

Back Yard Machine-annual pmt	\$	28,800	5 Yr LPA-\$144k total
Circuit Breaker/Regs	\$	50,000	No financing
LED Lighting Upgrades	\$	25,000	No financing
Line Expansion/Upgrades	\$	70,000	No financing
Traffic Signal Upgrades	\$	10,000	No financing
Subdivision Expansions	\$	45,000	No financing
City Fiber Network	\$	30,000	No financing
Public Works Upgrades	\$	5,000	No financing
Substations 2&3 Fiber Connection	\$	7,500	No financing
Pallet jack	\$	6,000	No financing
Locator/Fault Finder	\$	5,000	No financing

GIS Mapping	\$	50,000	No financing
SCADA Upgrade	\$	100,000	No financing
Smart Site/Econ.	\$	100,000	No financing
Ford Truck/Ford Explorer SUV	\$	48,000	No financing
Transmission Delivery	\$	200,000	No financing
Meter Reading (5G/Handhelds)	\$	80,000	No financing
Total	\$	860,300	

Gas:

Service Truck-annual pmt	\$	16,000	5 Yr LPA-\$80k total
Capital Projects Expansion	\$	20,000	No financing
Mini Excavator	\$	45,000	No financing
Second City Gate Station	\$	100,000	No financing
Pick-up replacement (702)	\$	30,000	No financing
GIS Mapping	\$	100,000	No financing
Economic Development	\$	50,000	No financing
Misc. small capital (less 20K)	\$	14,000	No financing
Total	\$	375,000	

Mr. Costner stated that several departments have set aside money for Economic Development, and all together it's about \$500,000. We can confidently say that we are working toward our goals.

Our overall debt balances are decreasing. About \$2.7 Million is being spent toward debt this year, most of which is in the water fund. This is all of the interest fee money that we borrowed for the water line rehabilitation project. Debt service will drop off this coming year, at which time additional equipment can be financed if the need arises next year.

General Fund Departments

Mr. Costner reviewed the **General Fund**, stating that this fund supports fourteen departments and is the primary operating fund for the City. The total General Fund Budget is \$17,527,303. General Fund revenue sources include property taxes, transfers in, local option sales taxes, fees (garbage and recycling), franchise/other taxes, debt proceeds for capital, and fund balance appropriations. The largest revenue source for this fund is property taxes, and of the \$7,545,000 that is projected, NTE consists of \$1.5 Million of that number. Mr. Costner emphasized that the City is not using fund balance to balance the budget this year.

Mr. Costner stated that an additional change for this year was the increase in the required contribution the LGERS for each employee. Currently, the City pays 7.25% into the state retirement fund, and that is increasing to 8.95% for non-law enforcement employees. For law enforcement personnel it is close to 10%. You will see about a \$100,000 increase in the General Fund due to this change. These increases are planned to continue for the next few years.

Non-Departmental

Included in this department is the YMCA contract, any designations to non-profits, Council salaries and travel, and any benefits to retirees. Increase in personnel is due to increases in medical insurance for retirees/Council – departments are now absorbing 100% of medical insurance costs. Increases in operations is due to contracted services increasing slightly, namely the 2% increase on the YMCA contract. Charges to the utility funds increased as a result of implementing/updating the cost redistribution plan.

Councilmember Mike Butler asked how much we pay to the YMCA each year. Mr. Costner stated that this year's contract payment was \$425,000. Rickey Putnam stated that there is approximately \$60,000 in maintenance costs which includes the fields.

Mr. Costner gave a brief overview of each General Fund Department.

Administration Finance/Billing

Increases in personnel due to increased medical (\$2,000 per employee), wage adjustments, COLA, and overtime budgeted. Operations are up significantly, primarily due to increases in costs for NorthStar software. A large part of this (80%) is being charged to the utility fund, thus the increase in charges to the utility fund. Capital is for utility billing software replacement, which is a carryover from last year. No new positions were added in this department.

Human Resources

Personnel increases due increased medical and COLA. Operations decreased due to decreasing the wage and rate contingency by \$175,000 over what was included in last years budget.

Election Board

No significant changes in this department.

Police

Increase in personnel due to wage study (\$325,000) implemented January 1, 2019 as well as COLA and step increases, increases in medical, and increase in retirement. Four new positions were added to this budget and all vacant positions were budgeted. Overall, personnel increased 34% (\$960,000) over last year's budget. Increase in operations is 8% over last year. Capital is to purchase new patrol cars and two new K-9's.

Break for Special Meeting and Vote on Budget Amendment

Chris Costner stated that the purpose of this budget amendment is to appropriate revenues for medical self-insurance to cover stop loss fees actually received and move this into expenditures.

Upon Motion by Councilmember Keith Miller, seconded by Tommy Hawkins it was unanimously voted to approve a Budget Amendment to appropriate additional funds for medical self-insurance to cover stop loss fees actually received (revenues) and increase budget for expenditures in the Health Insurance Fund.

Budget Work Session Cont.

Emergency 911 Fund

The proposed operations budget is increased due to non-capital equipment replacement and items necessary for addition on the new telecommunicators.

Fire

No new positions budgeted. The increase in personnel is a result of wage plan implemented January 1, 2019, current year COLA, overtime, and medical increases. Operating budget increased due to non-capital equipment and supplies. Current year capital is for constructing a bay, which can be appropriated if they desire.

There was discussion among Council regarding the need for additional fire personnel, based upon recommendations by NFPA and according to our department's ISO rating. Nick Hendricks stated that the City could appropriate \$200,000 from fund balance to cover the three additional positions, in hopes that the revenue will come in higher than expected; however, if the revenues don't come in, we have to know going into the budget planning process next year, that an increase will be required in order to preserve these positions. This might include cutting in certain areas or a tax increase, as it cannot be transferred and cannot be taken from fund balance next year.

Consensus of Council is to add three new fire positions to the Fire Department by appropriating \$200,000 from fund balance this year.

Public Works Administration

One less employee budgeted due to transfer to the Street Department. Operations is flat compared to last year's budget. Capital last year related to Patriots Park.

Garage

No new positions added; however, increases are due to COLA, overtime, and medical increase.

Streets/Grounds Building Maint.

Increase in personnel due to an additional employee transferred from Public Works Administration, increased part time and seasonal labor budgeted hours/rates, COLA, and medical. Increase in operations was due to tub grinder, park maintenance/landscaping was increased to current year amended budget amounts, streetscape/other street maintenance was also increased.

Sanitation

No new positions added, however increases are due to COLA, increased medical, increases in budgeted overtime hours/rates. Operations increased due to debt payments for

equipment, residential and commercial tipping fees increased 15% due to Cleveland County rate increase.

Cemetery

No new positions added, however increases are due to COLA, increased medical, and increases in budgeted overtime hours. Overall the proposed operating budget is flat.

Recycle

Personnel increased due to COLA, medical increases, and overtime increases. Proposed operations increase due to \$70,000 annual Republic tipping fee charges.

Planning/Economic Development

Increase in personnel is due to an additional position (Marketing/Communications position) budgeted in this department, for over 50% of the year. Remainder of increase in personnel is due to COLA and increased medical. Operating costs are decreased due to decrease in incentives (data centers). Capital is for software to facilitate planning/economic development processes and \$200,000 towards street scape. Overall, \$100,000 reduction in incentive payments were reinvested in this same department given our desire to focus on economic development.

Moss Lake

Personnel increases due to COLA, medical increases, and increased hours and overtime hours. Operating budget is flat. Capital requested for various small projects. Remainder of the change in total budget is slight decreases for non-capital equipment and improvements.

Main Street

Decrease in personnel due to making the Main Street director position a coordinator position – cost savings used to help fund the new position in Special Events. Operation budget is flat compared to 2018-19.

Special Events

Additional full-time position added, thus the increase in personnel. The hope is that this position will eventually be partially off-set by event sponsorship. Operating budget was increased based upon actual event costs.

Codes & Inspections

Personnel increase is due to increased rates, medical, and COLA. Operating is basically flat. There is no admin, charge to Moss Lake as Water is now responsible for supervision of the lake.

Marilyn Sellers, City Manager commended Clint Houser, Codes Director on his work on the Sagesport Building and gave a quick update on the requirements of the current owner. Mr. Houser stated that he received a call regarding what type of permitting would be require for demolition of this building.

Senior Center

No new positions added, however personnel increases are due to COLA and medical increases. Operations and capital are basically flat.

Library

The personnel decrease is due to not budgeting a vacant position. Operating expenditures decreased due to decreased grant funding. As grants are received, budget will be amended.

Transfer to Perpetual Care

A percentage of cemetery plot sales are transferred to the Perpetual Care Fund annually for cemetery upkeep.

Information Technology (IT)

Increase in personnel is due to medical insurance, COLA, etc. Operations are relatively flat. Capital requests are to replace various infrastructure that has reached end of service life.

Powell Bill

Overall budget is identical to last year, given revenues will be virtually identical to last year, and given the fact we have utilized all of our Powell Bill Funding from prior years.

RECESS

Upon Motion by Councilmember Tommy Hawkins, seconded by Councilmember Annie Thombs it was unanimously voted to recess the meeting at 6:58 p.m. and reconvene on Thursday, May 9, 2019 at 3:00 p.m. in the Conference Room at Public Works.

RECONVENE - Thursday, May 9, 2019

Upon Motion by Councilmember Keith Miller, seconded by Councilmember Annie Thombs is was unanimously voted to reconvene the Budget Work Session that was recessed on Tuesday, May 7, 2019.

The following Councilmembers were present: Keith Miller, Tommy Hawkins, Mike Butler, Rodney Gordon and Annie Thombs. Jay Rhodes and David Allen were unable to attend. Also present: Marilyn Sellers, City Manager; Nick Hendricks, Energy Services Director/Asst. City Manager; Chris Costner, Finance Director; and Karen Tucker, City Clerk.

Budget Work Session

Stuart Gilbert, Planning and Economic Development Director and Clint Houser, Codes Director gave a brief update on the process for minimum housing and community appearance complaints.

Mr. Gilbert stated that the Zoning Officer receives over 400 complaints each year, most of which are grass and weed complaints. He stated that there are issues that are sometimes beyond staff control, and these become legal matters. The areas that have the most problems are rentals. It is timely process to send violations to all of these complaints. He stated that they have looked at software that consists of an online portal that may result in a faster and more streamline result.

Mr. Houser updated Council on the process for minimum housing complaints. He stated that it is important to look at the human factor, and think about how our actions could cause a child to become homeless. Safety is the major concern and need to be addressed. He updated Council on the Sagesport building stating that if this building is not sold by June 1 that it would be demolished on July 1. Whoever might purchase the property has 90 days to restore or demolish.

Chris Costner stated that he has provided an updated power point presentation, which includes the fund balance appropriation for three additional firemen. The revised total for the 2019-2020 FY year budget is **\$46,027,665**.

Energy Services

Nick Hendricks, Assistant City Manager/Energy Services Director updated Council on the Energy Services Department. He is very proud of what is going on in Energy Services, and we are exactly where we need to be. We are on NTE and through the first four months we are the experiencing savings that we projected. He stated that the City is meeting goals that we intended to meet. Also, the PMPA Settlement is completed, and the City has recently received a check for approximately \$280,000 from Duke.

Mr. Hendricks stated that the Electric Department is great financial state, and the infrastructure is great shape, as well.

Electric Division

This year's decrease in comparison to last year's budget is \$1,289,954. The main contributing factors are as follows:

- Decrease in electrical wholesale costs of \$948,037
- Removal of Coal Ash costs by leaving Duke is \$405,000
- Reduction in Transfers to other funds

Gas System Fund

Nick Hendricks stated that the gas load is growing, therefore we will be purchasing more gas than in the past year. He stated that things are going well in the Gas System Fund. This year's increase is \$361,944 over the 2018-2019 budget. The main contributing factors for this increase are as follows:

- Natural Gas purchases increasing
- Administrative services charges increasing
- New line item called Economic Development

Beginning with the March, 2019 Transco invoices, the City realized a 37.2% rate increase that Transco has requested for FERC approval.

Stormwater Fund

No rate increase for stormwater. This fund is self-supporting. No fund balance appropriated to balance the budget.

Water and Sewer System

Chris Costner, Finance Director updated Council on the Water Resources Department. The Water Plant, System Maintenance, Wastewater Treatment Plant, and Pump Maintenance are all divisions of the Water/Sewer Fund. These divisions are funded entirely by Water/Sewer sales and other related revenues. Personnel increases are due to COLA, increased medical, and overtime in each division.

Water Resources

Personnel costs reflect COLA, increased medical, and overtime. Debt payments related to all the DEQ loans are budgeted in this department, totaling approximately \$1,540,000 annually. Operations increased due to the following:

- Administrative charge increases from the general fund represented a \$400,000 increase over last year as part of the cost redistribution plan implementation.
- A \$100,000 contingency is set aside for Water's share of potential economic development projects.

Water Plant

Personnel costs reflect COLA, increased medical, and overtime. Change in operations is due to a decrease in debt payments of \$180,000 – Siemen's Energy Project debt paid off in full, May 2019. Capital outlay in the prior year consisted of a contingency for Moss/City Lake Dam repairs. The 2019-2020 capital request represents the cost to pull and replace raw water pump #1.

System Maintenance

Personnel costs reflect COLA, increased medical, and overtime. Operating budget is basically flat. Capital outlay is for a truck in the amount of \$30,000 and the Belvedere capital project in the amount of \$350,000.

Wastewater Treatment Plant

Personnel costs reflect COLA, increased medical, and overtime. Overall, total operations decrease is due to a decrease in debt payments, namely Siemen's Energy. Capital is to relocate a generator to Pilot Creek, in the amount of \$250,000, remaining capital is comparable to past year amount.

Pump System Maintenance

Personnel was over budgeted last year in error. Personnel costs reflect COLA, increased medical, and overtime. Operating and Capital is comparable to prior year budget. There is a slight decrease in several operating lines just based upon recurring maintenance requirements.

The 2019-2020 Water Fund Budget Breakdown by Department is as follows:

- Water Resources 41%

- Water Plant 14%
- System Maintenance 16%
- Wastewater Treatment Plant 19%
- Pump System Maintenance 10%

Water Resources Project Update

Several projects are being funded by the DEQ Grants received in the amount of \$6.5 Million. These projects include the following:

- Long Branch Force Main Replacement – **complete**
- I-85 Loop Interconnect-survey/engineering – **essentially complete**
- Smart Meter Project Completion – **complete**
- Dam Repair – **complete**
- Debt repayments – **on-going (as they become due)**

These grants are being accounted for in a separate water capital project fund. We have drawn all of the grant funding.

ADJOURNMENT

Upon motion made by Councilmember Rodney Gordon and seconded by Councilmember Mike Butler, it was unanimously voted to adjourn at 5:25 p.m.

BY: _____
G. Scott Neisler, Mayor

ATTEST:

Karen A. Tucker, City Clerk