

**MINUTES
CITY COUNCIL
BUDGET WORK SESSION
MAY 12, 2006**

The Mount Holly City Council met on May 12, 2006 at City Hall, 3:00P.M. Those present were Mayor Robert Whitt, Mayor Pro-Tem Phyllis Harris, Councilman Jerry Bishop, Councilman Jim Hope, Councilwoman Pat Hubbard, Councilman Frank McLean and Councilman David Moore. Also Present were David Kraus, City Manager, Jamie Guffey, Assistant City Manager and Danny Jackson, Assistant City Manager.

The meeting was called to order with the City Manager submitting for review and discussion, the draft budget for fiscal year 2006-2007.

Councilmember Hope wanted to know how much of the Fund Balance was used in the current fiscal year. Mr. Guffey stated that the city currently was \$221,000.00 to the good where Fund Balance was concerned. Mr. Kraus stated that the intent was to have a zero balance this year. Mr. Kraus stated that there was \$200,000.00 put in the budget to cover the Tuckaseege Park Expansion Project, part of which was a penny on the tax rate.

Councilmember Hope wanted to know how the \$200,000 was distributed in the budget. Mr. Kraus stated that the goal is to take \$70,000 from the General Fund and \$130,000 from Fund Balance, if that's what Council wants to do. Mr. Kraus stated that it doesn't have to be that way.

Councilmember Hope asked about other large ticket items contained in the budget. Mr. Kraus stated that most of them were taken out of the budget. He said that the water and sewer plants need major repairs. Councilmember Hope wanted to know what effect on the budget the grant for Tuckaseege Park would have. Mr. Kraus stated that the grant was reimbursable; meaning you have to pay for the work first, submit invoices to the state to get your money back. He said that it would affect the city's cash flow more than anything else.

Mr. Kraus stated, with the help of Mr. Jackson, that the funds for the grant can be distributed over a 3 year period. He said that similar to the A&E Building Project, engineering and construction drawings are a part of the initial process for the park project. Mr. Kraus said that over the 3 year period the city will spend \$800,000.

Mr. Guffey stated that in regard to any other large ticket items in the budget, it included the purchase of 4 new police cars, the \$200,000 for the park, Debt Service for the Street Bonds, Police Station and the Fire Department building. Councilmember Hope asked about the fuel situation. Mr. Kraus stated that more money was put in the budget due to the rising cost of fuel. Mr. Guffey stated that all of the departments are under their budgets except one. He said that the reason for that is due to certain money not being transferred yet.

Councilmember Hope asked about savings that would affect the tax rate. Mr. Kraus stated that the city would have to save about \$500,000 during the year and not dip into Fund Balance to save a penny on the tax rate.

Councilmember Hope asked Mr. Kraus about having numbers on contracted services like garbage pickup. Mr. Kraus stated that he did not have any numbers at the time. He said that if the numbers come in cheaper, he will switch and assign the savings to Fund Balance. Mr. Kraus stated that he is looking into contracting garbage, IT, code enforcement, the garage and storm water.

Councilmember Hope asked about the proposed tax increase in the budget. Mr. Kraus stated that the proposed increase would be 5 cents. He also said that he is proposing a reduction of 16 personnel positions.

Mr. Kraus submitted a chart outlining what items the Council wanted him to address. He said that if the Council does not want to do the park project, Fund Balance will not be used. Mr. Kraus then discussed removing the morning hours at the Fitness Center, employee raises that could be done twice during the year, reduction of cell phones, reduction of vehicles, a generator at the Catawba Heights Pump Station, employee allocations and contracted services.

Mr. Kraus stated that he has received applications for a Utility Director. He said that the Police and Fire budgets have been cut. Mr. Kraus stated that there is money for a water tank acquisition to replace the Huitt Street tank. He said that money was placed in the budget to hire a planner for the Community Development Department. He said Fund Balance has not been used and that the budget does follow the directions set by the City Council.

Mr. Kraus stated that the personnel cuts may impact service levels. Mr. Kraus talked about the possibility of no leaf pickup and limited white goods pickup. He said that personnel cuts within the Street Department may affect Special Events. Mr. Kraus stated that he did not know if contracting for code enforcement would work or be cost effective. He said he may have to look into distributing the responsibilities to other existing personnel.

The Council then discussed ways to approach code enforcement effectively. Mr. Kraus stated that of the budget changes, code enforcement is the most challenging. Councilmember Harris stated that the situation with the trailers on McLean Street, is an example of the attitude of some property owners. She said that they think there is not a lot the city can do to them. Mr. Kraus stated that a lot of the issues may involve legalities that the City Attorney would have to address.

Mr. Jackson stated that the Council has to understand that code enforcement sometimes cost money. He said that even if you find someone to correct violations on a piece of property, you have to pay those individuals or companies to do so. He said that the money to pay those people has to come from somewhere. The Mayor stated that if

money is not in the budget to pay for code enforcement issues it is not a very responsible budget. Mr. Kraus stated that when it comes to expending money that would result in a lien on property, it would come to the City Council for approval and appropriation.

Mr. Kraus talked about moving the Community Service Officer to patrol in the Police Department. He said that a Captain's position would be eliminated. Mr. Kraus emphasized the fact that Public Housing and Parks & Recreation would not be neglected by any moves within the Police Department. Mr. Kraus stated that bumping may be used when cuts are made in the Police Department.

The Council discussed the use of the Fitness Center, the origin of the use and the ultimate cost to the city. Councilmember Harris stated although Mr. Jackson stated the Fitness Center is not heavily used, there are a lot of people that say they like it.

Mr. Kraus stated that he would work with the Fire Chief on what areas to cut in his budget. He said that currently there is a lot of brass in the department. He said that there are 4 Captains in the department right now. Mr. Kraus said that the city cannot even consider closing the Catawba Heights Station, even though it has only 1 paid employee stationed there.

Mr. Kraus stated that 1 position was cut from the water plant. He said that the plant could still function with the cuts being made.

The Mayor wanted to know if the city pays health insurance for employee dependents. Mr. Kraus said that the city does in fact pay. He said that he was told to restore some of the benefits that were previously removed from the budget. The Mayor asked about the cost of benefits. Mr. Guffey stated that the city only pays 100% of the coverage for employees only. The Mayor said that health coverage is tough for us all. Mr. Kraus stated that the city is going to switch from the current company to Blue Cross Blue Shield, who gave a better quote.

Councilmember Hubbard asked about the information on contracted services for garbage pickup. She asked about the number of people that were on the list of exemption for their roll out containers being put at the curb. Mr. Guffey stated that currently there are 235 people on the exemption list. Mr. Kraus stated that the proposed company bidding for the contract stated that they have a 1% exemption rate. They would only exempt 1% of the garbage customers, which would be less than the 235 that we current have on the list. Mr. Kraus stated that the contractors do not recommend that they do yard waste pickup. Councilmember Bishop stated that the City of Belmont has their act together when it comes to garbage collection and that we should look at what they are doing. Mr. Kraus stated that he contacted Belmont and is waiting on them to send him some information about their services.

Mr. Kraus stated that storm water issues would not be handled by the Street Department. He said that Bo Eller would go back to supervising the utility crew. He said that David Burgess would move from utilities to storm water.

Councilmember Bishop asked about the new line item in the Police budget, known as FF&E. Mr. Kraus stated that FF&E stood for furniture, fixtures and equipment. He said that the idea was to separate those items from the supplies line item, so that you could actually see what was being spent on those items alone.

Mr. Kraus stated that vehicle requests were cut. Councilmember Bishop stated that the city needed new cars that were good on gas and last longer. Mr. Guffey stated that the new hybrid cars have not really caught on in government because they have a tax credit that the city cannot take advantage of.

Councilmember McLean asked about leaf pickup. Mr. Kraus stated that it was once a month. He said that the city still picks up bagged leaves but does not do any leaf vacuuming.

The Mayor wanted to know the number of police employees that have insurance. Mr. Guffey stated that it was 39 employees. Mr. Guffey also stated that if an officer retires with at least 10 years of service, he gets a certain level of coverage thereafter. Mr. Guffey said there were 2 major health insurance claims filed with the city that really affected the rate. Mr. Kraus said that it was cheaper to seek private bids rather than go through the League of Municipalities. Mr. Guffey said that the city is on the list serve for the Institute of Government, to get insurance information.

The Mayor asked about the water and sewer budget. Mr. Kraus stated that it calls for a rate increase. He said that it contained \$27,000 for aerators. He said that there were cracks in the basins at the plant and that the filters have to be replaced. Mr. Kraus stated that he put in for a 10 cent rate increase now or a 20 cent increase at mid year. The Mayor stated that it was wrong to operate a business without having a rate increase to cover the expenses. Mr. Guffey stated that the first project to address is installing screens at the water intake to draw more water out of the lake. The Mayor stated that an extra 10 cent increase should be submitted to cover the cost of a water tank. Councilmember McLean stated that if the citizens know that the money goes toward a water tank they will take it better.

Councilmember Hope stated that the mindset in the past has been to not raise taxes. He said that now the city needs to do it. He said that after the last revaluation the city reduced the tax rate. He said that the city should have escrowed the money for future use. Councilmember Hope stated that it will be hard to not have an 8 to 10 cent tax increase this year. The Mayor stated that the City Council has to make the hard decisions.

Mr. Kraus asked about the next budget meeting. The Mayor stated that he wanted to have another meeting very soon. He also asked if there were any questions about the proposed personnel cuts. Mr. Kraus stated that 6 of the 16 proposed cuts were vacant positions. The Mayor stated that the City Council needed to feel comfortable enough with the City Manager that he is making the right decisions and that he is leading the city.

Mr. Kraus wanted to know if the Council was comfortable with the Public Safety cuts. Councilmember Hope stated that he was comfortable with cutting the fluff out of the budget. He said if there is fluff in it now, it should have been already cut. Mr. Kraus stated that he did not think there was any fluff in the budget.

Councilmember Hubbard stated that the Street Department is very visible and that they do a lot for special events in the city. She wanted to know what would be the effect if the city decides to contract out a lot of their services. Mr. Kraus stated that 10 people in the department would be cut if services are contracted. Councilmember Hope said that the key is to put the right people in the right positions.

Councilmember Bishop wanted to know if Mr. Kraus was checking to see what employees are actually doing. Councilmember Harris stated that the City Manager made a mistake by telling the Council about the personnel cuts. She said that once he did that the matter became political. She also said that in regard to the police positions, the Council approved them and that the City Manager is not responsible for them. Councilmember Harris said that the City Manager does not have to give in on his decisions about personnel.

The Mayor wanted to know if the Council was okay with the proposed severance package for those employees that might be laid off as a part of the budget. The consensus of the Council was that they were okay with the severance pay.

The meeting was adjourned at 4:47P.M., upon a motion and second by Council members Moore and Harris, respectively. The vote was unanimously in favor of the motion.