MINUTES

LENOIR CITY COUNCIL
FY2018-2019 ANNUAL BUDGET WORKSESSION
CITY HALL, THIRD FLOOR
THURSDAY, MAY 17, 2018
6:00 P.M.

PRESENT: Mayor Gibbons, Councilmember Perdue, Perkins, Stevens, Thomas and Willis.

Others present were City Manager Hildebran, Finance Director Bean, City Clerk Cannon, and Virginia Annable, *News-Topic.*

ABSENT: Councilmembers Beal and Rohr.

I. CALL TO ORDER

A. Mayor Gibbons welcomed everyone and called the meeting to order.

B. FY2018-2019 Recommended Annual Budget: City Manager Hildebran reviewed the highlights of the power point presentation of the proposed FY2018-2019 Annual Budget presented to City Council at the May 15 City Council Meeting.

The recommended budget is comprised of General Fund, \$17,100,331 and Water Fund, \$8,890,000, for a total budget of \$25,980,331. The current property tax rate of \$0.58 per \$100 valuation remains unchanged. The budget also includes the Rescue Readiness Tax of \$0.85 per \$100 of assessed property value. The budget includes a modest 1.5% increase in water rates which would cost the average ratepayer an additional \$0.35 on a monthly bill. All other Water/Sewer Fund charges are unchanged. The proposed budget also includes a 4.8% COLA for City employees effective January 1, 2019. All other General Fund charges/fees remain unchanged.

The City is required to have its budget adopted by July 1, 2018 in order to establish its legal spending limits.

Mr. Hildebran distributed handouts consisting of the 2018 Council Budget Priorities, Direct and Overlapping Property Tax Rates for a 20-year period, Solid Waste Fees from 2005-1018 and a 10-year synopsis of the CPI/COLA/Water/Sewer increases as information. (Copies of these handouts are attached to these minutes as information). Mr. Hildebran also referred to the City's low water rates in comparison to other municipalities of our size and reiterated the budget does not contain any fee increases.

A public hearing will be held on Tuesday, June 5 at 6:00 p.m. in the City/County Chambers for consideration of approval of the proposed FY2018-2019 Annual Budget.

Mr. Hildebran reminded Council that our employees are vital to the delivery of quality municipal services and they continue to represent our most valuable asset. It was noted that employee compensation is Council's top priority for FY2018-2019.

Next, Mr. Hildebran shared that Finance Director Donna Bean has established a Cost Savings Analysis Team that meets weekly to review cost savings options for the City. He noted that any savings will be applied to salary increases.

Group Health Insurance Proposals

Mr. Hildebran advised Council that Blue Cross Blue Shield has reduced their original rate increase from 10% to 6% for the City's FY2018-2019 group health coverage plan, but he asked about additional reduction possibilities, etc. as well as wellness programs. Mr. Hildebran further shared he has contacted the North Carolina League of Municipalities (NCLM) to obtain a quote on the City's health coverage and they quoted a similar package with a 5% reduction in cost. Mr. Hildebran stated BCBS has now submitted a 6.5% reduction in rates while the NCLM has submitted a 7.5% reduction. He pointed out the NCLM has become very competitive with their insurance rates over the past few years.

In addition, Mr. Hildebran gave a list of several municipalities that currently contract with the NCLM and added that beginning July 1, the Town of Hudson and the Town of Granite Falls would also join. He explained it would be a cost savings to the taxpayers should the City decide to change insurance providers and pointed out the NCLM's policy includes a beneficial wellness program, drug plan, annual screenings, cancer screenings as well as being an overall plus for employees.

Mr. Hildebran further pointed out there is a difference of $22,000 between the two (2) proposals and the City may also apply for up to $10,000 in wellness grants with the NCLM. It was noted the City would continue to use the local Robbins Medical Park/Urgent Care facility for employees should the City accept the NCLM's proposal. It was further noted the overall savings are in the $225,000 range.

Councilmember Perdue stated this decision should be made by Mr. Hildebran as Manager and not by City Council. City Council was very complimentary of Mr. Hildebran and emphasized they trusted him along with Staff to make the best possible decisions for the City.

Mr. Hildebran reiterated that any cost savings would be applied to salary increases plus be a cost savings to the local taxpayer.

Budget Highlights

- Core services are continued with funding at adequate levels.
- Revenue projections are estimated in a realistic, conservative manner.
- Our organization-wide Customer Service Excellence Initiative "Service beyond Measure" remains a priority.

- Employee Compensation: City Council and Management recognize that our employees are vital to the delivery of quality municipal services and they continue to represent our most valuable asset. As a top strategic priority, the budget includes a 4.8% cost of living increase effective on January 1, 2019. Also, the City's group health insurance plan will include changing providers which will result in an estimated 5% decrease in premiums, while maintaining plan benefit levels.

- Street Resurfacing: Provides $375,000 in funding to continue implementation of the recent Pavement Study.

- Fire Station #3: Provides increased funding to cover the planned construction debt service.

- Downtown Housing: Provides operational funds to continue planning efforts to "Move Lenoir to 2nd Floor" and includes $30,000 in funding for grants to assist in downtown development.

- North Main Street Plan: Allocates funds from the CDBG Capital Project Fund to complete ongoing improvements to J.E. Broyhill Park and expedite work on the Greenway Rail/Trail conversion.
- Traffic/Transportation Issues: Provides operational funding for the final phase of the Linkside Connector Project.

- Fiduciary Responsibility: Does not appropriate any fund balance proceeds and maintains a GF fund balance of 43.14%, which is above the City Council's 24% goal. Excess fund balance will be utilized for capital projects as council deems appropriate.

- Sidewalks/Greenways/Trails: Maintains funding of $75,000 in FY 2018-2019 as well as supports the Hospital Avenue Sidewalk Project.

- Code Enforcement: Maintains support of code enforcement activities of $24,000 toward building demolition.

- Technology: Continues to fund Computer/IT upgrades throughout the organization to enhance and improve operations and security. Also, the budget funds implementation of the advance metering infrastructure.

- Fairfield South Plan: Continues to provide operational funds to develop the Fairfield South Plan and to conduct area environmental assessments via EPA Brownfield Grant funding.

- The budget also funds all debt obligations, including the anticipated completion of both Bernhardt Water Treatment Plant Projects.

Mr. Hildebran also related the City is planning ahead to pave a section of Hospital Avenue and Mulberry Street as well as Finley Avenue and Greenhaven Street. Council held a brief discussion regarding the issue of traffic congestion at the intersection of Hospital Avenue and US Hwy 321.

34 The following General Fund capital projects are included: Patrol Cars (5), Detective Cars (2), First Floor City Hall updates, Aquatic Center Door(s) replacement, Viper Radios, Cemetery Mower and a used Bucket Truck.

The following Water/Sewer Fund capital projects are included: US 321/Connelly Springs Road Interchange Utility Relocation (Payment #3), Grit System Improvements, Vactor Pump, BioSolids Improvements, replacement vehicles (9) and Automated Metering Equipment.

The proposed budget does not contain any new financing package for capital items, though the budget includes $125,000 for initial debt set aside for Lenoir Fire Department #3.

Mr. Hildebran commented on the following projects:

- Fund Balance – will bring Capital Improvements Projects (CIP) for Council approval to fund out of Fund Balance account.
- Greenway – budget includes $75,000 for Greenway extension.
- AFC – reported bank is washing at the Aquatic & Fitness Center (future project)
- Hospital Avenue Sidewalk Project - $1 million has been funded for this project.
- Security –reported improvements will be made to the first floor of City Hall to make the area more accessible and customer friendly. Improvements include painting, repairing the entrance doors, fixing a waiting area plus adding additional space for customer lines in order to make this department more customer friendly.
- Elevator /Equipment– discussed evaluating City equipment to address future needs.

Mr. Hildebran also reported the City will make the last payment on the Whitnel Bridge Project. Councilmember Perdue inquired about the City's status for stormwater services with Mr. Hildebran responding Staff will be meeting with an engineering consultant for further review of the issue and to develop a Capital Improvements Project (CIP).

In addition, Mr. Hildebran stated the property tax estimate does not include the new hotel and Exela's recent large expansion project. Mr. Hildebran also clarified for Council that some capital projects are funded as operational, but next year, there may be a financing package for several of the larger capital improvements projects.

Financial Summary (April 30, 2018)

Finance Director Donna Bean reviewed the financial summary as of April 30, 2018. The over/under balance in the General Fund is $2,510,308.89, Downtown District ($163,449.36), and Water & Sewer Fund $2,631,166.96. Director Bean reported the City is on track to meet revenue expectations as expected. She stated expenditures have decreased by $350,000 and the Water & Sewer Fund has increased its revenue. The City is on track with its sales tax collections which is at 104% and she reported the City is being more proactive with its collection process.

Zacks Fork Conservation Easement

Mr. Hildebran reported the City anticipates closing on the Zacks Fork property later on this month and noted the Conservation Easement has been recorded at the Caldwell County Register of Deeds. He further commented that electricity is now permitted to be extended to the firing range located on the property and emphasized the City's goal is to close on this property within this fiscal year.

Upcoming Expenditures
Mr. Hildebran reported the City anticipates around $600,000 in future debt which includes the following:

➢Hospital Avenue Sidewalk Project	$800,000	*received from state & $200,000 (City)
➢North Main Street Project	$100,000	
➢Linkside Connector	$100,000	
➢PARTF Grant	$100,000	

Mr. Hildebran remarked the City has great teamwork and is headed in a good direction.

Consensus for FY2018-2019 Proposed Budget
It was the consensus of City Council to move forward with the proposed FY2018-2019 Proposed Budget. A work session will be held on Thursday, May 17 at 6:00 p.m.

Councilmember Thomas mentioned she hears excitement from the Mr. Hildebran as he discusses different projects and commended him upon his leadership. She also mentioned City Council starting the Community Meetings again as it is a good opportunity to receive feedback from the citizens.

Mayor Pro-Tem Willis remarked the City has a great team and City Council. Mr. Hildebran received additional good, positive comments from Councilmembers.

Mayor Gibbons also commended Mr. Hildebran and City Staff for their efforts in making great things happen for the City of Lenoir.

Adjourn
There being no further business, the meeting was adjourned at 7:18 p.m.

Attachments
2018 Council Budget Priorities
Direct and Overlapping Property Tax Rates
Solid Waste Fees (2005-2018)
10-Year CPI/COLA/Water/Sewer
Financial Summary (April 30, 2018)

2018 Council Budget Priorities

1. **Employee Compensation:**
   - Continue efforts to offer competitive compensation and benefits for employee recruitment and retention
2. **Healthy Infrastructure:**
   - Street Paving
   - Downtown Traffic Study
   - Bike Plan (Pennton Avenue)
   - Maintain City Facilities
   - Water/Sewer Improvements
   - Stormwater
   - City Hall
   - Fire Station #3
   - Sidewalks/Greenway/OVT (also downtown sidewalks)
   - Optimist Park/Mulberry Improvements/JE Broyhill Park Improvements
   - Information Technology
3. **Housing:**
   - Minimum Housing Enforcement
   - Pursue Market Rate Housing
   - Market City-owned Properties to Sell
   - Encourage Downtown Living (Moving Lenoir to the 2nd Floor)
   - Communicate building "spec" homes in shovel-ready areas such as Hibriten Mountain, Stonecroft, Huntington Woods & Summerhill
   - Work with WPCOG Vacant & Substandard Housing Task Force
4. **US 321 Beautification**
   - Neighborhood Branding Signage
   - Work on Commercial Blight (city-wide & downtown)
   - Address Major Visibility Issues (Smith Crossroad, Old Mall, etc.)
   - Implement North Main Area Plan & Fairfield South Plan
5. **Public Engagement**
   - Neighborhood Meetings
   - Walk-through's
   - State of the City Presentations
6. **Economic Development:**
   - Explore what other local governments are doing with public/private partnerships
   - Maintain Healthy Infrastructure
   - Continue Work with EDC
   - Market Quality of Life Amenities (Greenway, OVT, Bike Plan, etc.)

City of Lenoir, North Carolina
Direct and Overlapping Property Tax Rates
Last 20 Years
(rate per $100 of assessed value)

	City Direct Rates			Overlapping Rates	
Fiscal Year	City of Lenoir	Downtown Service District	Rescue Readiness	Caldwell County	Rescue Squad
2017-18	0.58	0.25	0.0085	0.63	-
2016-17	0.58	0.25	-	0.63	0.0085
2015-16	0.58	0.25	-	0.60	0.0085
2014-15	0.58	0.25	-	0.60	0.0085
2013-14	0.58	0.25	-	0.60	0.0085
2012-13	0.56	0.25	-	0.6299	0.0085
2011-12	0.54	0.25	-	0.6599	0.0085
2010-11	0.54	0.25	-	0.6599	0.0085
2009-10	0.54	0.25	-	0.6599	0.0085
2008-09	0.54	0.25	-	0.6599	0.0085
2007-08	0.54	0.25	-	0.6599	0.0085
2006-07	0.54	0.25	-	0.5399	0.0085
2005-06	0.54	0.25	-	0.5399	0.0085
2004-05	0.54	0.25	-	0.5839	0.0071
2003-04	0.50	0.25	-	0.5839	0.0071
2002-03	0.50	0.25	-	0.5561	0.0071
2001-02	0.47	0.25	-	0.5561	0.0071
2000-01	0.49	0.19	-	0.5829	0.0071
1999-00	0.49	0.19	-	0.5829	0.0071
1998-99	0.49	0.19	-	0.5829	0.0071

City of Lenoir, North Carolina		
Solid Waste Fees		
Fiscal Year	Solid Waste Fees	Solid Waste Collections
2017-18	9.00	TBD
2016-17	9.00	699,283.00
2015-16	9.00	703,382.00
2014-15	8.00	628,144.00
2013-14	8.00	622,819.00
2012-13	8.00	627,002.00
2011-12	8.00	626,743.00
2010-11	7.00	553,866.00
2009-10	7.00	560,940.00
2008-09	7.00	525,142.00
2007-08	7.00	515,359.00
2006-07	6.00	454,131.00
2005-06	6.00	438,734.00
2004-05	-	-

10-Year CPI/COLA/Water/Sewer

	Fiscal Year	SE CPI (February)	COLA	Water	Sewer
	2009-10	0.10%	0.00%	0.00%	0.00%
	2010-11	2.30%	0.00%	2.30%	5.00%
	2011-12	2.20%	0.00%	2.20%	4.00%
	2012-13	3.30%	2.00%	3.30%	5.00%
	2013-14	1.80%	0.00%	1.80%	2.00%
	2014-15	1.20%	4.50%	1.20%	2.00%
	2015-16	-0.30%	3.00%	0.00%	3.00%
	2016-17	0.70%	2.00%	0.00%	3.00%
	2017-18	2.80%	3.25%	2.50%	1.00%
	2018-19	2.10%	4.80%	1.50%	0.00%
10-Year Totals		16.20%	19.55%	14.80%	25.00%

City of Lenoir
Financial Summary
As of April 30, 2018

General Fund

	2017-2018 Budget	4/30/2018	% of Budget	Change from Previous Year	4/30/2017
Total Revenue	$ 16,605,509.00	$ 15,730,308.33	95%	$ 950,201.33	$ 14,780,107.00
Expenditures	$ 16,605,509.00	$ 13,219,999.44	80%	$ (362,902.56)	$ 13,582,902.00
Over/Under	$ -	$ 2,510,308.89		$ 1,313,103.89	$ 1,197,205.00

Downtown District

	2017-2018 Budget	4/30/2018	% of Budget	Change from Previous Year	4/30/2017
Revenues	$ 183,827.00	$ 1,709.90	1%	$ (27,111.10)	$ 28,821.00
Expenditures	$ 183,827.00	$ 165,159.26	90%	$ 58,696.26	$ 106,463.00
Over/Under	$ -	$ (163,449.36)		$ (85,807.36)	$ (77,642.00)

Water/Sewer Fund

	2017-2018 Budget	4/30/2018	% of Budget	Change from Previous Year	4/30/2017
Revenues	$ 8,239,307.00	$ 7,668,683.37	93%	$ 510,718.53	$ 7,157,964.84
Expenditures	$ 8,239,307.00	$ 5,037,516.41	61%	$ (938,172.37)	$ 5,975,688.78
Over/Under	$ -	$ 2,631,166.96		$ 1,448,890.90	$ 1,182,276.06

Tax Collections

	2017-2018 Budget	Collections As Of 4/30/2018	Percentage of Change	Change from Previous Year	Collections As Of 4/30/2017
Ad Valorem Tax Collection - % of Budget		104%			104%
Sales Tax (with adjustment for HB97)		$ 2,811,674.69	3.50%	$ 95,103.88	$ 2,716,570.81
Sales Tax (without adjustment for HB97)		$ 2,641,834.79	3.33%	$ 85,190.48	$ 2,556,644.31

Sales Tax adjustment for HB97

	2017-2018 Budget	Collections As Of 4/30/2018***	Percentage Collected YTD		
Sales Tax adjustment for HB97	$ 215,000.00	$ 169,839.90	79.00%		

***9 months collections