

MINUTES

Special Meeting: Budget Session
City Hall Council Chamber

May 13, 2008
Tuesday, 12:00 Noon

Present: Mayor W. Ted Alexander, presiding; Council Members Christopher H. (Chris) Mabry, Jeanette D. Patterson, Michael R. (Mike) Royster, Joel R. Shores, Jr., Andrew L. Hopper, Sr.; City Manager Rick Howell, City Clerk Bernadette A. Parduski, CMC, Director of Finance Theodore B. (Ted) Phillips, CPA, Director of Utilities Brad R. Cornwell, PLS, EI, Assistant Director of Utilities Julie McMurry, Fire Chief William Hunt, Interim Police Chief Jeffrey H. (Jeff) Ledford, Director of Parks and Recreation Charlie Holtzclaw, Director of Development Services Brian L. Pruett, Director of Planning Services Walter (Walt) Scharer, AICP; and media representatives

Absent: Council Member Larry G. Ware
City Attorney Sam B. Craig

Mayor Alexander called the meeting to order at 12:07 p.m. The Mayor gave the invocation and Mrs. Patterson led the *Pledge of Allegiance*.

PRESENTATION OF THE CITY MANAGER'S PRELIMINARY BUDGET SUMMARY - CONTINUED:

Mr. Howell continued his presentation of the preliminary budget summary by distributing the following revised documents:

- 1) General Fund Budget Summary by Department
- 2) General Fund Budget Summary by Object Line

To balance the budget, Mr. Howell explained \$70,000 in reductions of various expenditures; \$60,000, which represents an increase to the full 3 percent transfer allowed from the electric fund; and a \$170,000 appropriation from unrestricted fund balance to the General Fund revenues, all of which made up the difference of \$300,000 presented on May 8, 2008. Mr. Howell said these figures maintain the current tax rate of 43.5 cents and take into account the proposed increase of \$2.00/month in the trash collection fee.

Mr. Howell reiterated that proceeds from the electric fund transfer is by policy and recommendation of the Local Government Commission and is fixed at 3 percent of the gross fixed assets value of the City's electric system.

Upon questioning, an ensuing discussion followed regarding the transfer of funds from natural gas reserves, Mr. Howell and Mr. Phillips expressed their concerns to Council about supplementing the budget with a revenue stream the City cannot support. It was pointed out that as natural gas prices continue to be elevated, there has been a decline in consumption for both residential and commercial customers, which may ultimately impact the profit margin of the City's gas system.

As part of their fiduciary responsibilities as City Manager and Finance Director, Mr. Howell advised Council that transferring natural gas reserves is not the best, long-term practice because of a flat customer base, declining usage, and declining profit, which will make it more expensive for the City to borrow money for projects in the future.

Mr. Howell added that the City will face some tough decisions in the near future as to what changes Council will make on the expenditures or service side of the equation. Mr. Howell said the City will have to reinvent itself and that will mean changes in the way services are delivered to citizens.

Mr. Howell elaborated that the proposed \$2.00 trash collection increase equates to \$180,000 in revenue and to reduce the current tax rate to the revenue neutral tax rate would cost approximately \$100,000 for a total of approximately \$300,000 for Council's consideration when transferring reserves. By consensus, Council agreed to at least supplement a portion of that \$300,000 with natural gas reserves as a one-time stop gap measure.

Upon request, Mr. Howell provided Council with his preliminary recommendations for utilities as follows:

- 5 percent increase in the water rate due to a spike in debt structured in 1993 and for the Westside Water Project and the Eastside Water Line Project
- 5 percent increase in the sewer rate due to the Eastside Sewer Project
- 2 percent increase in the electric rate to pass on the City's wholesale cost from the North Carolina Municipal Power Agency 1 (NCMPA 1)

Mr. Howell recapped how the budget was balanced with reductions totaling \$70,000, an increase in the electric fund transfer by \$60,000, and \$170,000 appropriated from fund balance. Mr. Howell was also directed by Council to supplement at least a portion of the budget of approximately \$300,000 with natural gas reserves to attain the revenue neutral tax rate of 42.17 cents and to maintain the monthly trash collection fee with no increase.

Mr. Howell requested the scheduling of one additional budget session to be coordinated by Mrs. Parduski.

Adjournment:

- 1) Motion to adjourn

ACTION TAKEN: Upon a motion by Mr. Royster, second by Mr. Shores, City Council voted unanimously to adjourn the meeting at 1:17 p.m.

Respectfully submitted,

Bernadette A. Parduski, CMC
City Clerk

W. Ted Alexander
Mayor

Minutes of May 13, A. D. 2008

