City of High Point

Municipal Office Building
211 South Hamilton Street
High Point, NC 27261

Minutes

Thursday, April 24, 2014

9:00 AM

Council Chambers

City Council

James C. Davis, Mayor Pro Tem
Foster L. Douglas, Jason P. Ewing,
Jeffrey J. Golden, Judith P. Mendenhall,
Britt W. Moore, Rebecca R. Smothers,
Jay W. Wagner

ROLL CALL, PRAYER, AND PLEDGE OF ALLEGIANCE

Present	7 -	Mayor Bernita Sims, Council Member Foster Douglas, Council Member Jason Ewing, Council Member Jeffrey Golden, Council Member Rebecca Smothers, Council Member Jay Wagner, and Council Member Britt Moore
Absent	1 -	Council Member Judy Mendenhall

REGULAR AGENDA ITEMS

140117 **Preview of the 2014-2015 Proposed Budget and Financial Update**

Staff will provide a preview of major budget issues for the FY 2014-2015 Budget and a Financial update.

Attachments: Financial Report March 2014
FY 2014-2015 Projected Budget slides
Bonds- Coordinated Capital Financing Schedule

Eric Olmedo, Budget & Evaluation Officer, updated Council on the 3rd quarter Financial Report. He reported that the city is actually ahead of last year with a very strong property tax collection. He noted that this does not reflect the storm clean-up and staff will come back to Council sometime in May with another update, which may require action on a budget amendment to appropriate additional funds. The city is anticipating about a 75% FEMA reimbursement and 25% from the State, but this will not be received until the next budget year. The estimated cost of the clean-up related to the storm is about $5 million. City Manager Strib Boynton clarified that the reimbursement expenses will show up and have to be paid out of this year's budget with the reimbursement being received and reflected in next year's budget.

GENERAL FUND (Revenues and Expenditures)
Expenditures are where they were expected to be and ahead in revenues.

GENERAL FUND (Property Taxes- Cumulative)
Very strong property tax collections year-to-date (almost $56 million).
Council Member Moore asked if staff could provide Council with a breakdown of residential vs. commercial.

GENERAL FUND- Sales Tax
Sales tax is very strong this year; year-to-date at $10.5 million, which is ahead of last year by $650,000.00. Mr. Olmedo explained that the Legislature did make a change in sales taxes to broaden the base, but these numbers do not yet reflect that change that went into effect January 1. Year-to-date up by about 4.5%.

GENERAL FUND- Intergovernmental Revenues
These are revenues collected from other entities and passed on to the city (i.e. Powell Bill Highway Funds, Beer and Wine Tax, ABC Mixed Beverage Tax, Transitional Hold

Harmless Reimbursement and Utility Franchise Taxes received from the State of North Carolina). Mr. Olmedo explained that part of the increase is due to the fact that the city did not budget for a Transitional Hold Harmless payment because it had sunsetted and received a payment of approximately $225,000.00. This was the FINAL Transitional Hold Harmless Reimbursement payment.

GENERAL FUND- Licenses & Permits
Receipts through the ninth month of the fiscal year are ahead of the same period last year by 16.1%. He reported all the construction numbers are up which is another good sign of a rebounding economy.

WATER & SEWER FUND- 2013-2014 Revenue vs. Expenditures
Year-to-date collections are $33.5 million; expenditures at $30.8 million but where it is expected to be. Revenues are ahead of expenditures for the year by 8.59% through March.

WATER & SEWER FUND- Water Sales
In March, water sales were 2.7% behind the same month last year. Sales through this point in the year are ahead of last year by 0.3%.

ELECTRIC FUND- Revenues vs. Expenditures
Revenues in the Electric Fund are $10.8 million in the ninth month, which is ahead the previous March by 2.2%. Expenditures always lag behind a bit. Although expenditures are running well, expenditures are higher compared to last year mainly in capital outlay and wholesale power purchases.

ELECTRIC FUND- Electric Sales
Electric sales in March 2014 are 2.1% higher than March 2013. For the year, sales are 8.52% higher than this point in 2013.

Council Member Ewing asked about the variance between the revenue and actual sales. Jeff Moore, Director of Financial Services, explained the difference is the service fees for cut ons and offs.

LANDFILL FUND- Revenue vs. Expenditures
Mr. Olmedo noted they anticipate some increased expenditures in the current year due to the ice storm, but at this point in the budget, the city is almost at $6,000,000.00 in revenue. Mr. Moore added that due to the ice storm, the city did waive the tipping fee at Ingleside. The tipping fees have been reinstituted for the commercial people, but not the residents.

Council Member Smothers asked about the status of Ingleside since the recent fire. Allen Oliver, Assistant City Manager, explained the fire is out and was caused by a broken hydraulic line on a 14-year-old piece of equipment that spewed on the exhaust and nobody was hurt in the fire.

STORMWATER FUND- Revenue vs. Expenditures
$2.7 million in revenue vs. $2.2 million in expenditures which is in line where the city anticipated. Mr. Olmedo explained that pay-as-you-go money was allocated this current fiscal year to do Jacob's Place (but a lot of that expenditure is not yet reflected).

STORMWATER FUND- Stormwater Fees
$1.9 million in fees collected this year as compared to $1.8 million last year. This is in line where it is expected to be.

Mr. Olmedo pointed out there are no red flags in any of these funds that have been identified.

FY 2014-2015 Major Budget Issues
City Manager Strib Boynton informed Council that the proposed FY 2014-2015 Budget would be distributed to them in the next three weeks.

Eric Olmedo reviewed some of the highlights. He reviewed the economic indicators and noted the overall economic picture is favorable due to a 2.1% increase in assessed valuation; consistent sales tax growth; falling unemployment rate; rebounding in the commercial and residential construction industry; and slight growth in water and electricity demand.

Transition Environmental Services to Enterprise Fund
Mr. Olmedo explained the following changes as presented in the 3-year transition plan outlined last fall, will be included in the proposed budget: (Transfer of $6.3 million in expenses and $2.8 million in revenue from the General Fund to the Solid Waste Enterprise Fund; Decrease General Fund tax rate by 8/10 cent (-$715,000); Eliminate $1 recycling fee due to sunset provision
(- $550,000); Increase garbage collection fee by $3/month (from $5 to $8); General fund will subsidize $2.6 million the first year of the 3-year transition plan and the second year subsidy is projected to be $1.2 million with no subsidy in year three.

Mayor Pro Tem Davis questioned why there would not be a correlated tax decrease of the $2/month since the garbage collection fee will be increasing by $2/month. Mr. Moore explained that even though the $1 recycle fee will be sunsetting, there is still one more debt service payment on the recycling program in the new year ($1,000,000.00 quarterly payment). He further explained that the $1 sunset has a corresponding cost that will not be transitioned. He encouraged Council to focus on the $3 increase being proposed for the solid waste collection fee and pointed out the impact to the customers would be $2, but the real effect on the budget is the $3. Mayor Pro Tem Davis stated in theory this is akin to increasing taxes and he thought the whole purpose of this program was to spread the cost to all users of the service. Mayor Sims noted Council talked about this during discussions last year and cautioned residents that it will not be a one-to-one corresponding reduction because of this. She pointed out there has to be a start-up cost to move it forward, short of transferring more dollars from the General Fund to make it happen. Council Member Smothers felt it was also important to be mindful that garbage service for residential was essentially being subsidized by other parts of the tax base, while commercial and industrial have to pay for private service. She felt things were now the same in terms of equity.

Mr. Boynton explained this was simply a follow-up on what Council requested for the 3-Year Transition Plan and the details would be discussed further during the budget review process.

Salary Adjustments

Mr. Boynton shared statistics from 2009-2014 that show High Point is well below the average of other surrounding jurisdictions such as Greensboro, Winston Salem, Guilford County and Forsyth County. He noted the proposed budget would include a recommendation for some salary adjustments with a 1% cost of living in July and up to a 2% merit increase on the employees anniversary date. Mr. Boynton explained the increase on the anniversary merit increase is important in terms of motivating, retaining and recognizing employees who are doing a great job. Some employees will not have this until next June and this is why money will be included for an across-the-board increase July 1st. The anticipated cost for including this in the budget is approximately $1.2 million. Mayor Sims asked if staff could look at some sort of average of what other communities are paying versus what High Point is paying.

New Positions

Mr. Olmedo noted there are eight new positions proposed in the budget at an estimated cost of $443,279 based on feedback from Council and needs out in the community: (General Fund: Deputy City Clerk, Parks Maintenance Crew Supervisor and Groundskeeper, Transportation Grant Accountant [funded 50% by MPO]; Transit Fund: Transit Business Program Manager [funded by transit grant]; Electric Fund: Senior Electrical Engineer and Customer Service Analyst; Solid Waste Enterprise Fund: Sanitation Equipment Operator [multi-family housing garbage collection].

Assistant City Manager Randy McCaslin pointed out the proposed Transportation Grant Accountant's and the Transit Business Program Manager's positions were also recommended by the auditors. Council Member Smothers pointed out the MPO has grown in terms of coverage and has picked up Lexington, Denton and all southern Davidson County so there is more interaction with other jurisdictions.

Pay-As-You-Go Projects

Pay-As-You-Go Projects: Electric Pay Go projects ($7,174,000.00); Street Resurfacing ($1,000,000.00); Obsolete Water Line replacement ($1,000,000.00); Obsolete Sewer Line replacement ($1,000,000.00); GIS Base Mapping ($50,000.00); Fire Vehicle reserve for future purchases ($227,000); Gold Course green restoration ($40,000.00); Youth Athletic Facilities ($75,000.00); Bridge/Railroad Crossing/Culvert Repairs ($90,000.00); Traffic Signal Expansion/Upgrades ($50,000.00); Johnson Street/Sandy Ridge Widening/Sidewalks- City Match ($128,250.00).

Total FY 2015 PAYGO…………$10,834,250.00
Total FY 2014 PAYGO……………8,399,484.00

Rate & Fee Changes
Mr. Olmedo reviewed the rate and fee changes that are proposed in the upcoming budget: Tax Rate Decrease of 8/10 cent (from 67.5 cents to 66.7 cents); Garbage Collection rate increase (net $2/month) (Increase from $5 to $8/month) (Decrease Recyling Fee $1/month); 1.8% Electric Rate Increase (pass-through of 1.8% wholesale power increase); 3% Water and Sewer Rate Increase

Mr. Boynton informed Council that ElectriCities was anticipating a 5% wholesale power rate increase this year, but instead it will be a 1.8% wholesale price increase that High Point has to pay to get power from NCMPA1 at Catawba. He noted dollar for dollar, the 1.8% equates to $1.8 million that has to be raised to pay the electric bill.

Council Member Moore asked if staff could provide these numbers in the budget in percentages, as well as dollar amounts.

Mr. Olmedo pointed out there has not been a water/sewer rate increase since 2011 and since 2008; the City has issued approximately $133 million in Revenue Bonds, which does not include the Revenue Bonds that were just sold yesterday. He noted the city has done a good job in managing the Debt Program and rate increases. Due to the economic slowdown, management recommended to Council a temporary pause in the nominal incremental rate adjustments as project in the financial plan. As a result, City Council approved the recommendation to forgo the projected rate increases for fiscal years 2012-2013 and to time the next increase in rates with the issuance of the 2014 revenue bonds.

Mr. Boynton encouraged Council to review the information in the *General Fund; Water/Sewer Fund; Electric Fund; Solid Waste Enterprise Fund- Draft*s spreadsheets identifying revenues and expenses for these various funds. Mr. Olmedo pointed out a change in the franchise fee. As of next year, the city will no longer receive franchise fees for electric or natural gas, but will receive a sales tax, which will be revenue neutral according to the State. He noted it does have a potential for growth in the future. Mayor Sims asked what staff is projecting as far as the percentage of fund balance in the General Fund. Mr. Olmedo anticipates the numbers will be hovering around a 10% fund balance and when the FEMA reimbursement is received, this will increase. All in all, he presumes about a 12% fund balance.
Mr. Olmedo shared that the Water/Sewer fund is essentially flat with the exception of the 3% rate increase and the increase in debt service.

Budget Review Schedule
Council Member Smothers asked staff to send Council the meeting invites for these budget review dates to place them on their calendars.
Update on Bond Rating/Sale of Revenue Bonds
Mr. Boynton complimented Mr. Olmedo and Mr. Moore for the incredible job in

compiling the data/information with the Davenport Company, which allowed the city to get AAA and other favorable ratings.

Mr. Moore distributed copies of the Coordinated Capital Finance Schedule (All Bonds) that outlines the dates, process for all the recent happenings relating to the bonds. He noted that approximately $40 million in Revenue Bonds were sold yesterday and the City of High Point was a very high quality credit and very well received. He explained the bonds were oversubscribed on orders by almost three to three and a half times, which means we could have sold much more.

He then reviewed the recent bond ratings that were affirmed:

- Standard & Poors AAA; Moody's Aa2; Fitch AA+ (Water & Sewer Revenue Bonds)
- Standard & Poors AAA; Moody's Aa1; and Fitch AA+ (General Obligation Bonds)

He noted the GO Refunding Bonds would be handled competitively next Tuesday by the State Treasurer's office with a report to Council the following week. Mr. Boynton noted to keep it in perspective over the last 15-16 years, City Council has approved investing $600 million in rebuilding the infrastructure (the big stuff is pretty much out of the way).

Council Member Smothers asked if there has been confirmation regarding the Randleman lawsuit settlement. Staff reported no information has yet been received. Mr. Boynton pointed out this was anticipated and money has been set aside. Mayor Sims felt at some point in time, there should be some relief down the road going through this process that will not result in a rate increase every year. Council Member Smothers suggested it would be good to have a forecasting sheet that identifies this information. Mr. Boynton noted the Davenport Group has this data.

Mayor Sims asked staff to provide an update on where customers are in terms of ability to pay electric bills.

140118 **City Manager Strib Boynton Announces Retirement**

Council is requested to approve the Memorandum of Voluntary Retirement Agreement for the retirement of the City Manager to be effective July 1, 2014 and authorize the Mayor to sign the agreement. Council is also requested to accept the City Manager's Retirement Letter dated April 24, 2014.

Attachments: City Manger's Retirement Letter Dated April 24 2014
Memorandum of Voluntary Retirement Agreement

[Retirement Letter and Memorandum of Voluntary Retirement Agreement will be attached in Legistar as a permanent part of these proceedings]

City Manager Strib Boynton read his retirement letter dated April 24, 2014 into the record. He announced plans to retire after forty-two very satisfying and enjoyable years in public service, and has served the High Point community for more than sixteen years (longer than any other previous City Manager). Mr. Boynton will retire effective July 1, 2014.

Motion by Council Member Ewing, seconded by Council Member Moore to accept City Manager Strib Boynton's retirement letter. The motion carried by an 8-0 unanimous vote. [Council Member Mendenhall was absent]

Following Mr. Boynton's announcement of his pending retirement, Council Member Wagner distributed copies of a *Memorandum of Voluntary Retirement Agreement* he drafted that identifies terms that both Council and the City Manager agreed on. He gave a brief overview of the contents.

Council Member Smothers moved to approve the *Memorandum of Voluntary Retirement Agreement* and authorized the Mayor to execute the agreement inserting today's date with a retirement date of July 1, 2014. Council Member Moore made a second to the motion.

For further discussion, Mayor Sims clarified that the July 1, 2014 date was predicated on dates the City Manager was striving towards and a date of his own choosing. Mr. Boynton reaffirmed this.

The motion carried by a unanimous 8-0 vote. [Council Member Mendenhall was absent]

Richard Wood applauded the Mr. Boynton for what he has done for the High Point community.

Mayor Sims noted as things move forward, Council would need to make some other decisions and hoped all Council Members would be engaged in the process. She also thanked Mr. Boynton for his commitment to High Point and excellent supervision of his staff.

A motion was made by Council Member Ewing, seconded by Council Member Moore, to accept City Manager Strib Boynton's Retirement letter and approved the Memorandum of Voluntary Retirement with a retiremend date of July 1, 2014. The motion PASSED by an 8-0 unanimous vote. [Council Member Mendenhall was absent]

Comprehensive Planning Committe Meeting

Chairwoman Smothers announced that the Comprehensive Planning Committee would meet on Tuesday, April 29th at 8:30 a.m. with further discussion on the Theatre Study recommendations, outside agency funding recommendations, City Project issues, etc… Council Member Ewing noted the amount the Non-Profit Funding Review Committee recommended for City Project was taking into consideration the assumption that staffing expenses would be shifted to another department.

Statement of Economic Interest from Council Members

Council Member Smothers suggested making information available to the public regarding statements of economic interest that would be filed by each Council Member. She felt if such a statement about property that is owned would clear up any questions and pointed out similar policies are in place in other communities. Mayor Sims stated she fully supports this process.

Noise Complaints During Furniture Market- Truck Generators

Council Member Wagner shared that during the Furniture Market, many caterers will use kitchens at churches and mentioned that a complaint was received from a neighbor about noise coming from a generator on a truck that was parked at Forest Hills Presbyterian Church. He suggested a possible change to the Development Ordinance to allow short term use of facilities like this as an accommodation during the Furniture Market.

ADJOURNMENT

There being no further business to come before Council, the meeting adjourned at 10:30 a.m. upon motion duly made and seconded.

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Bernita Sims, Mayor

Attest:

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Lisa B. Vierling, MMC
City Clerk