

**HAMLET CITY COUNCIL BUDGET MEETING
HAMLET CITY HALL COUNCIL CHAMBERS
201 MAIN STREET, HAMLET, NC 28345
THURSDAY, APRIL 2, 2015 – 5:30 PM**

MINUTES

Governing Body Present:

Mayor	William Bayless
Mayor Pro Tem	Councilman Buie
Council Member	Councilman McQueen
Council Member	Councilman Martin
Council Member	Councilman Preslar

Absent:

Council Member	Councilman Clewis
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Staff Present:

City Manager	Marcus Abernethy
City Clerk	Tammy Kirkley
Finance	Jill Dickens
Police Chief	Scott Waters
Fire Chief	David Knight
WTP Supt.	Robert Brown
Zoning	Gail Strickland
Museums	Chuck McShane
Bldg & Main	Doc Sylvain

Others Present: David Lindsey, Leslie Doty-Intern

- 1. Call to Order.** Mayor Bayless called the meeting to order.
- 2. Invocation.** Mayor Bill Bayless offered the opening prayers.
- 3. Manager’s Report: Updates & Emerging Issues:**

Updates from March Meeting:

Upgrade on Parks and Recreation Scoreboard. Pepsi has proposed a 3-5 year agreement to sell their product in the concession stands. They will buy the scoreboard outright and it will belong to the city. Pepsi has recommended selling bottled drinks and they would like to place 3 additional machines within the city as well. Mr. McQueen said he has made contact with one of the professional athletes from Hamlet about making a donation. The Manager confirmed if the time comes and a contribution is made towards a scoreboard, the budget can be amended to reflect same. Mr. Abernethy reported they will meet with the representative again within the next few weeks to get a better idea of the proposed terms of the agreement.

Gate and Concessions Revenue. The Manager reported the total revenues for the Parks & Recreation generated is around \$70,000 yearly. The gate fees and concessions are combined into one line item in the budget and the actual as presented for the past two years are around \$25,000-\$30,000; the city normally generates \$3,000-\$4,000 per sport in gate fees, or around \$15,000 per year. Staff will be adjusting for these revenues in the budget.

Part-Time Position-Parks & Recreation–Staffing Consideration. Mr. Abernethy noted that changes to parks and recreation staffing were discussed in a previous council meeting and the suggestion was to replace Jerry Lamont’s full-time position when he retires with multiple part-time employees. He said the city could do so and add 20 hours extra of labor per week during the on-season and cut back on hours during the off-season. The Manager presented a chart indicating the anticipated differences in the seasons, the total hours needed and the potential costs for the on-off seasons.

The Manager then noted the pros and cons for both options of hiring multiple part-time positions or a full-time position. He stated as it stands now, the city will be advertising for one full-time person and unless staff changes their mind, this could be one full-time position or multiple part-time positions. The labor pool will be considered.

Mr. McQueen recommended testing the position as part-time first to see how it works out. He stated that we need to take the department head away from cutting grass and allow him to work on ideas to grow the programs. Mr. McQueen added that this position has been part-time in the past. Mr. Preslar said considering the \$17,000 decrease in gate fees, with an average of 1500 participants that will mean an increase of \$11.33 per registration to make up for the lost revenue. It was confirmed that the Parks & Recreation Department is not fully self-supporting; the Manager stated part is funded by property taxes and part is funded by the gate and concessions. Options for season passes were briefly discussed.

Mr. McQueen doesn’t like the idea of anyone taking up money and taking it home with them. Mr. Preslar said council needs to think about the lost revenue when looking at the budget and said council needs to see how much to increase registrations in order to maintain the programs. Mr. Preslar said he doesn’t have an opinion on the part-time employee; he hopes the city can find good loyal part-time employees because it’s uncharted waters. Council briefly discussed the decrease in revenues in concessions over a certain time period. Council agreed there is a need for two people to count the money collected to increase accountability and safeguards.

Jill Dickens reported that staff does have actuals on gate money. It was split up between football, soccer and baseball. Last year \$11,245 was taken in and staff is estimating around \$5,000 for basketball this year, based on actuals from last year. Mr. Preslar said it is about \$16,000-\$17,000 of revenues that need to be made up for. The Manager explained the water department can look at the line items separately, but as far as the budget document itself, on the revenue side they’re all the same line item. Mr. McQueen and Mr. Preslar agreed that now is the time to try and see if multiple part-time positions will work, and if it doesn’t, the position could go back to full-time.

Hamlet Property Tax Revenues. The Manager noted an update from the March Planning Session. The property revaluation will go into effect January 1, 2016; however, the city will not receive revenues from the revaluations until FY 2016-17. The Manager adjusted the proposed budget to reflect this year’s actuals. The 1-2% increase could potentially bring in around \$25,000.

Revenue Projections for 2014-15 from the NCLM. The League midday today released its state shared revenue estimates and staff has not yet had an opportunity to review them. The Manager will look and compare estimates.

First Draft of Budget.

The Manager presented a chart of this year's expenditure summary, currently \$5,350,220, with recommended \$5,011,880. He also presented the current draft budget. After the March Planning Session, he and Jill Dickens met with the department heads to put together a draft of the budget, which included all priority 1 items, as well as, a 2.5% pay increase for employees. Altogether, it means a \$740,000 fund balance appropriation. Staff went back to the drawing board and met again with the department heads to make further cuts but not to the point of it being uncomfortable. They were able to move some eligible salaries over from General Fund to the Enterprise Fund. The Manager presented a chart showing the current year budget appropriation originally requested and where it stands in comparison to the expenditures. He said the fire truck payment was moved into next year's budget. The recommended fund balance appropriation is a bit inflated. Jill Dickens the payment for the fire truck for the upcoming year was moved. A \$43,000 payment will not be made and will reduce the fund balance appropriation. A payment of \$46,000.00 is included in the 2015-16 budget. The City will receive a check from BB&T for the full purchase price of the fire truck and will pay the company the full payment. The City will then make a \$46,000.00 annual payment to BB&T for 2015-16.

Mr. Abernethy reported to council the recommended budget consists of approximately 60-65% for operating costs, and without making changes to the city's programs or services, it's difficult to make cuts. Mr. Preslar asked for the fund balance appropriation at the beginning of the current fiscal year, and the finance officer replied \$821,000 and said hopefully, that will come down from the actual. Mrs. Dickens confirmed these figures include the shifting for the payments of the garbage truck and the fire truck.

Jill Dickens reported out of the \$542,000 budget, \$67,000 is capital outlay and the rest is operating expenses. She said we are going to have this every year unless changes are made. Councilman Preslar asked if we have always had a \$500,000 appropriation and the finance officer replied no, that it is slowly creeping up and it is operating expenses. The Manager stated most line items are less than the previous year and said it is impossible to make a fund balance contribution without cutting services or raising revenues considering the operating budget.

Mr. Buie noted the different items moved into this budget and said it's not due to reckless spending. Mr. Preslar asked if the city will make a contribution to fund balance this year and Jill Dickens replied that the city will probably lose this year. The Manager explained the expenditure side has been increasing and only a few key staff employees have been added. He said insurance rates with the Affordable Healthcare Act, nationwide, is increasing and it will continue to do so. Mr. Abernethy said staff will shop around for insurance to get the best rate and will try to match other employers in the community. The Manager reported currently the city pays 100% of the employees' healthcare premiums and pays the premiums for retirees with 30 years of employment. It was confirmed that the city pays the healthcare, dental and life insurance premiums for employees.

Emerging Issues.

Updates to Capital Outlay Prioritization. Removed items: Police removed a vehicle; WWTP moved the aeration pump to a Priority 2 and kept the new wider lawn mower; Building and

Maintenance and the Manager felt in an effort to save money, painting the library should be included in this next fiscal year and the carpet replacement should be moved to the 2016/17 budget. The capital improvements total roughly \$225,000.

SB-369: Local Sales Tax Distribution. Currently this is a local levy and the legislature wants to make it a state levy. The Manager explained per state predictions, by FY 2018-/19, we could potentially lose revenue. With the proposed changes, Richmond County would have a 35-40% increase of an additional \$2.5 million; however, all municipalities could potentially lose. The Manager further explained the sales tax formula distribution is based on per capita. Staff will keep council updated as it is made available. He said if council wants the city to respond to the legislature with letters, to please let him know.

Salary Increase Costs. The draft budget includes a 2.5% increase in salaries for employees who have been here for at least one year. The total for a 2.5% increase would mean \$133,000 and as a comparison a 1% would cost \$81,000. He stated that if an increase is passed, he will not be budgeting one for himself for this fiscal year.

Holiday Time and Overtime. Mr. Abernethy talked about holiday time and overtime for police officers and fire fighters. Staff is researching the time they are supposed to be accruing and the Manager noted that staff is having some difficulty interpreting the wording in the current policy. The Manager explained the inaccuracies in the amount that's been given compared to the policy. He has sent the inquiry to the attorney and to the League, and both have said that we need to pay the holiday time because it is in the policy; the amount of hours is what is still left up for interpretation. He said for holidays, regular 40 hour employees are granted 8 hours off; the police have accrued 12 hours of holiday time and the fire have accrued 24 hours of holiday time. He read the wording in the current policy and noted the problem with defining the word "proportion" as it is stated in the policy: Employees working more or less than 40 hours per week will have holiday granted in the same proportion as their work week is to a 40 hour week.

Staff is trying to define proportion. Mr. Abernethy has not found any towns that pay hour for hour; he has found some towns pay a straight 8 hours, others pay prorated as compared to a 40 hour week. Using this formula, the police would be granted 8.4 hours and the fire department 10.6 hours and it is his thought that is the way our policy implies. The Manager pointed out with the current holiday accrual the city could be looking at paying \$30,000 or more when employees leave, which is a liability from the city's standpoint. The Manager said if we are going to pay the holiday pay, we need to budget for it and we need to work with expediency in coming to a conclusion. The Manager gave the findings of how other towns handle this matter.

Councilman Preslar suggested paying time and one-half when working a holiday. Mr. Abernethy replied they would get the holiday time if they worked or not and in addition if the employees worked, they would get paid for those hours.

Councilman McQueen explained in the past, the police officers who work a holiday were given another holiday off and did not receive any pay. Now the City would be telling them they have to take 2 holidays off. He said the city has shift work for a reason, to guarantee coverage in emergency situations. He gave an example of the police department working 4 day shifts; he said they work less days but more hours than a 40 hour employee and the same for the fire department. He feels that not having a full time staff is the reason for overtime costs. The

Manager stated there are two things to consider: what they felt should be done and the legal interpretation of the policy.

Councilman McQueen stated that policy can be changed. He asked the Police Chief if he could manage to keep time down and give people time off if he was full staff and the Chief said he could if the department was fully staffed. Mr. McQueen responded that reducing the hours given would cause employees to leave and go to other agencies.

The City Manager explained the cost at the prorated amount is \$50,000 to pay the police and fire holiday pay and this amount is paid whether they work or not. Mrs. Cumberland said the City is not telling employees they are not getting a day off, if the employees are working, they will get extra pay for the holiday. If they are not working they will get holiday pay but no accumulation of time.

Councilman McQueen noted there are two issues, to stop the accumulated days and start paying the employees. Ms. Cumberland acknowledged that was correct but at a prorated amount. Mr. Abernethy continued to say this is a new expense. In the past, whether the employees worked or not, they accumulated 12 or 24 hours. This expense is brand new. It has not been paid unless someone left and the city had to pay their accumulated days. When they leave, the City has to pay at their current hourly rate. The Manager explained paying up front is fair to the city because of the difference in pay when the time was accrued verses when an employee may leave. Councilman McQueen noted the police do not get paid overtime; they get a day off. Ms. Cumberland explained they get it on a different day.

Councilman Preslar questioned the legalities of not giving a day off when required to work a holiday. He suggested paying time and one half or double time if they work. He said that would be cheaper than the payoffs we are doing. Ms. Cumberland said that may not be fair to the other employees.

Councilman McQueen suggested allowing the departments an opportunity to let the system work like it's supposed to; and hopefully, the police department will be full staff and can manage their time. He said the city already has criteria for vacation time and will not pay above a certain amount. They should look at the same for the accumulated time. Next year, if there is no progress, council could review the issue again.

The City Manager explained that paying up front is fair to the city if the time was accrued over a 25 year time frame. He said if Council wants to continue accruing the time staff will remove it from the budget; however, the League and the city's attorney strongly recommends the city pay it because our policy states that we pay it and the current practice is a misapplication of the policy.

Councilman McQueen replied the policy could be amended and suggested giving time to the departments in question to see if they could give their employees the time off where it does not cost the city the extra money. Councilman Preslar stated he would like to see paying double time from July 1st forward, and mandate that the departments work to shrink the existing accumulated time.

Council discussed various alternatives. The Manager stated he wants to collect more employee buy-in, but for budgeting, council needs to determine if the benefit will be paid on the front-end or back-end so it can be reflected in the budget and the personnel policy needs to be changed to articulate same.

Councilman Martin said he wants to be fair to every employee. Councilman McQueen said the city simply needs to follow the policy. The Manager explained the wording of the policy.

Mr. McQueen motioned to amend the policy on vacation time to show that city employees get a vacation day whether its shift work, an 8 hour day, 12 hour day, or 24 hour day; if Attorney TC Morphis shows concern it will be considered. Councilman Buie seconded the motion and said if an employee works 8 hours, they need to get 8, a 12 for a 12 or 24 for 24 - shift for shift. Councilman Preslar would prefer to address it Tuesday night. The vote passed 3-2 with Councilman Preslar opposing.

Breakdown of General Fund.

The Manager presented a chart showing a breakdown of the General Fund with comparisons of the Departmental Budgets to the total General Fund. Council discussed the Senior Center's decrease of revenue due to the loss of certification. The new director will get certified and then work to get the center certified.

The City Manager gave a review of the draft budget as of today. The 2.5% pay increase is included but the insurance increase is not. On the revenue side, a \$542,000 fund balance appropriation is included to balance the budget. The Mayor noted a recent training on finances at the Lumber River COG, saying that Municipalities must include anticipated fund balance appropriations in their budget; if they do not, they cannot at the end of the year use additional money to balance the budget. The Mayor also mentioned the Local Government Commission looks for trends if municipalities are continually reducing their fund balance. The Manager said the city is not near this point, but said if a town's fund balance gets below 10%, the LGC will come in and prepare the budget without council's direction.

Breakdown of Water Fund.

Mr. Abernethy presented a chart of the Water Fund and reported the Water Fund is healthy. The revenues come in higher than the expenditures.

Powell Bill Fund

The Manager showed the Powell Bill Expenditures and reported the amount received from the state is based on a formula. The City uses the funds for road patching, resurfacing and paving.

FY 2014-15 Outlook – Total fund \$7.8 M

Mr. Abernethy provided the current fiscal outlook with \$5,011,880 in General Fund, \$241,000 in Powell Bill expenses and \$2,500,000 in the Enterprise Fund.

Contributions to Other Agencies.

The Manager provided a list of several agencies the City has made donations to over the past several years and noted the City has received requests from other philanthropic agencies. He will email the list to council to consider at a later date.

- 4. **Budget Discussion and Direction of Council.** Councilman Preslar asked for actual fund balances and Jill Dickens provided the numbers for 2014 as: \$1.867 million in the General Fund and \$2 million in Water and Sewer. Councilman McQueen asked what was appropriated for the last four years from the fund balance. Ms. Dickens replied in 2014 \$372,000 was appropriated and \$20,000 was used.

Councilman McQueen asked the Manager to check on the ownership of Memorial Park or find out how long it is leased from the School Board. He also asked him to get with Maurice and Jerry to see if they could check on the scheduling of basketball games. Several games have been forfeited because of travel ball teams, which hurt the recreational players. Mr. McQueen also suggested eliminating the Captain's position at the Police Department and the Manager and Police Chief restructure the rank, possibly having a chief, captain and two lieutenants. He would like to see the City look at having some planter pots with trees for the downtown area and suggested it may be something we can look at later if not now. Councilman Martin said he would like to see more work in the parks with planting. Billy Stubbs explained the City plants two times each year and the plants are on order.

At 7:38 Council Member McQueen left the meeting.

- 5. **Adjournment.** At 7:40 p.m. Council Members Martin and Buie motioned to adjourn. All were in favor.

Respectfully submitted,


Tammy Kirkley Kirkley, City Clerk
(Edited in part, Gail Strickland)

