



# **Minutes of the Roanoke Rapids City Council**

A special meeting of the City Council of the City of Roanoke Rapids was held on Wednesday, May 31, 2017 at 1:30 p.m. in the First Floor Conference Room at the J. Reuben Daniel City Hall & Police Station.

**Present:** Ernest C. Bobbitt)  
Suetta S. Scarbrough)  
Carol H. Cowen)  
Wayne Smith)  
Joseph Scherer, MPA, MS, City Manager  
Traci Storey, City Clerk  
Leigh Etheridge, Finance Director

## **Council Members**

**Absent:** Emery G. Doughtie, Mayor  
Carl Ferebee, Mayor Pro Tem

In the absence of Mayor Doughtie and Mayor Pro Tem Ferebee, Councilwoman Scarbrough as acting chairperson called the meeting to order.

## **Presentation of Proposed FY 2017-2018 Budget**

City Manager Scherer presented a hard copy of the proposed draft budget for FY 2017-2018 and reviewed the following with Council:

In accordance with the NC Local Government Fiscal Control Act, the recommended budget for Fiscal Year 2017-2018 is presented for your consideration. The budget document represents balanced revenues and expenditures.

The General Fund operating budget includes revenues and expenditures each totaling \$15,648,682. This year's proposed budget is approximately \$900,000 less than last year's budget.

The property tax rate is recommended to remain at \$.651/\$100 of valuation.

### **Summary of Recommendations**

I am recommending the following action for the Fiscal Year 2017-2018 Budget:

- Funding for employee benefits at the current level, and a 4% Cost of Living Adjustment for all employees.

- The property tax rate remain at the rate of \$.651/\$100 of valuation.
- The 2017-2018 budget allows the City to continue to provide quality services at the minimum acceptable levels.

City Manager Scherer stated there were very few capital items in the budget; just a couple of pieces of equipment here and there.

He said he was not recommending taking on any additional installment loans and using any undesignated fund balance to balance the budget this year.

### **Economic Outlook**

- ❑ The results of the November 2016 presidential election was a surprise to many and to date there is uncertainty as to what impact this will have on U.S. economy. Nearly 5 months into 2017, there have been few obvious economic setbacks.
- ❑ It remains to be seen how issues like health care, infrastructure spending, tax code and the federal budget will impact economic performance and outlook.
- ❑ Much the same can be said for North Carolina, though tempered somewhat from overall economic perspective.
- ❑ Dr. Walden, NC State: Economic Indicators Index declined in April by 2.2% from March.
- ❑ Dr. Connaughton, UNC: Projected 2.3% increase in real state GNP from 2016 to 2017.
- ❑ Carolina Survey of Business Activity: General Business Conditions Index at highest point since April 2016.
- ❑ Expect total inflation to be 2.1% in 2017, the same as in 2016. Core inflation, which excludes food and energy costs, should be 2.0% this year, down a bit from 2016's 2.2% rate. Reduced medical-care price inflation — which should be about 2.1% in 2017, down from 3.8% in 2016 — explains most of the slower growth. Housing costs are likely to rise 3.3% in 2017, because tight home inventory is pushing up purchase prices and rents.
- ❑ Roanoke Rapids unemployment rate as of March 2017 was 7.5%, a decrease of .2% compared to March 2016. The State rate was 4.3% as of March 2017.
- ❑ Consumer Confidence Index®, which had decreased in April, declined slightly in May. However, consumers' assessment of present-day conditions held steady, suggesting little change in overall economic conditions.
- ❑ Consumers' outlook for the labor market was mixed. The percentage of consumers expecting their incomes to increase edged up from 18.7 percent

to 19.2 percent, but the proportion expecting a decrease also rose, from 7.6 percent to 8.7 percent.

The annual budgets produced during the past few years had required a very careful approach to revenues. This resulted in severely reduced capital spending and cost of living adjustments.

This year’s budget attempts to address some of the more critical needs in salary and cost of living adjustments, to bring our most valued resource, our employees, closer to median salary levels in their fields.

**Revenue – Major Sources**

- Ad Valorem (Property Tax)
- Sales Tax
- Utility Franchise Tax
- Powell Bill
- Solid Waste User Fees

**Ad Valorem (Property Tax)**

- City’s primary source of revenue.
- 43% of total General Fund Budget.
- Projected 2017 tax levy \$6,602,661 (down \$200,000 from the current year; a 3% decrease).

Councilman Smith asked why there was a decrease in the ad valorem taxes.

Finance Director Etheridge replied part of that was due to where the City was trending year-to-date; slow collections. She said they take a look at the fiscal year audit and use a formula based on the collection rate. She said typically you will see a decrease in tax value and revenue a full year after a revaluation. She added it was a very conservative budget estimate.

Tax rates and prior year budgeted amounts are listed below:  
 (Receipts for FY 2017 is based on a 98% collection rate)

2011	2012	2013	2014	2015	2016	2017
0.574	0.624	0.624	0.624	0.651	0.651	0.651
6,768,485	6,862,753	6,977,275	6,872,871	7,332,371	6,805,041	6,602,661

**Sales Tax Revenues**

- City’s second largest source of revenue.
- 22% of the total General Fund Budget.
- Proposed sales tax revenues for 2017/2018 totals \$3,353,527.
- 2.15% increase compared to 2016/2017 appropriation.

Appropriated Sales Tax Revenues are listed below:

2012	2013	2014	2015	2016	2017	2018
2,070,113	1,938,632	2,005,894	2,090,541	2,817,600	2,954,907	3,353,527

**Utility Franchise Tax**

- City’s third major source of revenue.
- 10% of the total General Fund budget.
- Proposed franchise tax revenues for 2017/2018 totals \$1,470,344. (A 10% increase).

Appropriated Revenues for Utility Franchise Taxes

2012	2013	2014	2015	2016	2017	2018
1,113,582	1,229,631	1,200,000	1,200,000	1,200,000	1,320,569	1,470,344

**Powell Bill Funds**

- City’s fourth major source of revenue.
- 3.00% of the total General Fund budget.
- Proposed Powell Bill funds for 2017/2018 totals \$463,891, same as recommended from FY 2016/2017.
- Powell Bill is calculated using population plus street miles.

Appropriated Revenues for Powell Bill Funds

2012	2013	2014	2015	2016	2017	2018
458,877	467,824	473,244	475,217	470,060	463,891	463,891

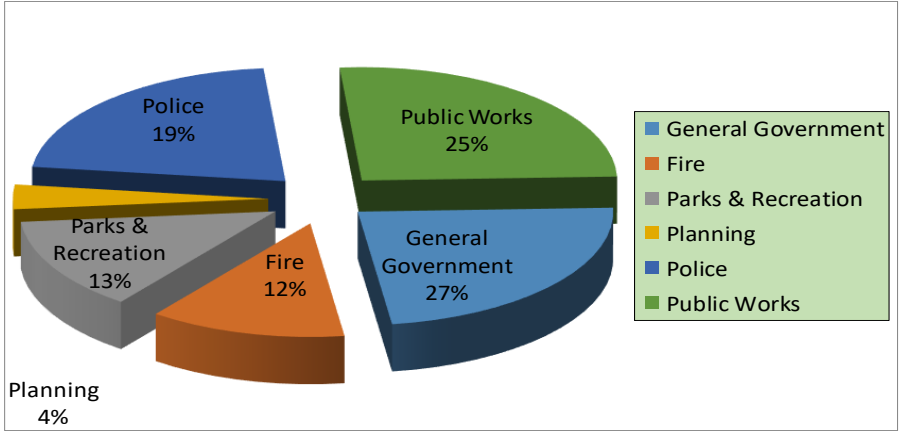
**Solid Waste Fees**

- Solid waste user fees are the fifth largest source of revenue.
- These fees are designated to cover the actual cost of providing this service.
- We are recommending no increase in solid waste user fees.
- The calculation for this fee is as follows: solid waste/refuse budget, debt service and administrative cost.

**Solid Waste Fees**

Fiscal Year	Solid Waste Fee
2017-2018	204.50
2016-2017	204.50
2015-2016	204.50
2014-2015	204.50
2013-2014	199.25
2012-2013	199.25
2011-2012	188.59

**Departmental Summary General Fund Operating**



**Departmental Summary – General Fund Operating**

Department	Amount
General Government	\$ 4,215,503.00
Fire	\$ 1,851,699.00
Parks & Recreation	\$ 1,987,782.00
Planning	\$ 486,674.00
Police	\$ 3,056,175.00
Public Works	\$ 4,050,849.00
<b>Total Fund Summary</b>	<b>\$15,648,682.00</b>

**Personnel & Employee Benefits**

- We currently have 147 Full Time Employees.
- Police and Fire report minimal vacancies.
- Recommending a 4% COLA for all employees.

**Employee Benefit Package**

Benefit	Annual Cost	
Group Health Insurance	\$ 1,357,414	No Increase
Dental	\$ 51,000	
Life Insurance	\$ 7,800	
Longevity	\$ 94,060	
Christmas Bonus	\$ 45,000	

Employee's Assistance Program	\$ 3,742	
Health Reimbursement Account	\$ 65,000	\$2,000 towards deductible
3% 401k Employer Match	\$ 81,885	

City Manager Scherer added Human Resources Manager Kearney was able to consolidate life insurance and eye care into the amount with no increase. This allows for an increase in benefits without additional cost to the employees.

Councilman Smith stated that was a good job. City Manager Scherer said a lot goes to the employees because there has not been any major claims. He said the major medical cost was prescriptions, not surgeries or other major medical. He stated as Public Works Chalker highlighted earlier today, his department had over 1,400 hours of no lost time injuries. This was true across the board in all City departments and that helps the City to hold its insurance costs down with no increase.

### Debt Service

Installment Notes Payable	Balance Due
	FY 2017-2018
First Citizens Bank - (refinanced USDA loan - Neighborhood Resource Center) due in 8 annual installments of \$24,274, including interest at 2.25%, beginning August 30, 2014 through August 30, 2021.	\$ 24,274.00
First Citizens Bank - (refinanced USDA loan - Firestation #2) due in 18 annual installments of \$94,521.30, including interest at 3.00%, beginning August 30 2014 through August 30, 2031.	\$ 94,521.30
First Citizens Bank - due in 5 consecutive annual installments of \$32,826.02, including interest at 1.85%, beginning July 2014 through July 2018. (6 Police Vehicles)	\$ 32,826.02
First Citizens Bank - due in 3 consecutive annual installments of \$97,255.93 including interest at 1.4%, beginning August 28, 2015 through August 28, 2017. (11 Departmental Vehicles) 4 Chargers/2 Camrys/1 Expedition/4 Ford Trucks	\$ 97,255.93

SunTrust Bank - due in 5 consecutive annual installments of \$100,025.38 including interest at 1.385% beginning April 8, 2014 through April 8, 2018 (1 Fire Ladder Truck)	\$ 100,025.38
BB&T Equipment Installment Financing - due in 6 annual installments at \$108,270/includes interest rate of 1.78%, repayment beginning December 7, 2017 through December, 2022.	\$ 108,270.81
<b>Total Installment Financing Payable</b>	<b>\$ 457,173.44</b>

City Manager Scherer reported several of the loans would be coming off the books next fiscal year so maybe they could do some different things with capital in next year's budget. Councilman Smith asked which ones were coming off.

City Manager Scherer replied the Fire Ladder Truck comes off April 2018 and the Six (6) Police Vehicles comes off July 2018. He stated the loan for 11 Departmental Vehicles in the amount of \$97,255.93 comes off August 2017. He added the Fire Department was very interested in being considered for another truck after that and he told them the Council would have that discussion to see where they were with capital.

### Community Contributions

Agency	Amount	Status
Beautification Committee	\$ 1,500.00	Funded
Roanoke Valley Rescue Squad	\$ 17,000.00	Funded
Halifax-Northampton County Airport	\$ 25,000.00	Funded

City Manager Scherer stated these were the amounts funded last year; no increase.

Councilwoman Scarbrough asked if each town in the county helped fund the airport. City Manager Scherer replied he was not sure about that, but he would check into it. He said the City has the requirement to fund it each year.

Councilwoman Scarbrough asked if those orders come from the County or the State. City Manager Scherer said it was his understanding in the agreement made when they built the new airport was that would be the City's share of the maintenance and upkeep of the airport.

City Manager Scherer reported there was \$25,000 in the current budget for demolition and he would like to consider using that to renovate some houses. He said in both the House and Senate budget versions right now there was \$10 million allocated for CDBG. He said this was the first year since he had been with the City that their budgets have included monies for CDBG Neighborhood Revitalization. He said in the past it only included funding for commercial development that lead to job creation. He stated he hopes the City would be able to apply for some grant money to assist with neighborhood revitalization. He recommended focusing on the neighborhood next to Ledgerwood Park/off of 11<sup>th</sup> Street. He said he believed that area was a blighted one that the City needed to address.

City Manager Scherer said the City had four parcels of parks land that was an acre or so that he recommended putting up for sale and whatever money was made would be used toward housing revitalization as well. He suggested tearing the house down but leaving the land with the property owner and give an incentive for them to build another house on the property by offering reduced property taxes for 3-5 years. He said they would require conditions similar to what CDBG does such as they would have to live there for 5 years, be owner occupied etc. in order to help revitalize some of the city's neighborhoods.

He said Senate Bill 126 was being considered and if the bill would go through as is that should provide the City with an additional \$270,000 in revenue that could be used for capital or other things the Council would see fit.

He said House Bill 900 would allow the City to put one of three options on the ballot in November to get additional revenue for infrastructure repairs or economic development. He said the three options were: prepared food tax, occupancy tax or sales tax. He stated that may be an option in the future to put it on the ballot and the people pass it.

Councilman Smith asked if that was ½ cent. City Manager Scherer replied he did not think there was a number on it yet, just the three options to choose from.

City Manager Scherer reported this budget plus the \$300,000 the Council previously approved for the Chaloner pool would put the City's Undesignated Fund Balance at 20 percent. He said that would include, if he can try not to spend all, the \$657,000 that the Council had allocated for this year's budget. He stated as they saw today, things break and need repair, but they were trying hold the line on spending.



Finance Director Etheridge added they were taking a look at everything from salaries to benefits. She said she was looking at deficit spending each week after every accounts payable run and payroll process as they near the final month of the fiscal year. She said she feels that it was better to do that many times instead of just once at the end of the fiscal year to see their deficits. She said this way they can reach out to operations and to the departments to ask if they could take a look at staffing changes or items that may not be a critical need at the moment to get through the end of the fiscal year.

Councilman Smith asked how much money the City would have out of the payment they would not have to pay in July on the Theatre. Finance Director Etheridge said the City would not be required to make a \$980,000 payment in July. Councilman Smith asked if they would have to make a payment of \$250,000. Finance Director Etheridge stated yes and that payment would be due in August. She added the only added expense they would have in June was the accrued interest on the renegotiated bond. Councilman Smith asked if that was about \$50,000. Finance Director Etheridge replied possibly.

City Manager Scherer stated in June the City would owe approximately \$50,000 on the current bond and in August the City would owe \$250,000 for the first quarterly payment. Councilman Smith asked if that would be a savings of \$600,000. Finance Director Etheridge stated it would be a few months for the City to recognize any savings because July was still a hard revenue month; they would not see ad valorem and sales tax revenue until August and September. Councilman Smith asked if they planned to put any of the savings back into the reserve fund. Finance Director Etheridge replied they would if at all possible.

City Manager Scherer said he was looking at very few capital items in the budget. He stated he was projecting to provide an additional truck for Planning & Development, a new leaf machine for Public Works and two more lawnmowers. He added the Public Works department has three rubber tire loaders; two are broken and require major repairs and the third one was operational, but only if driven very slow due to the brakes. He reported a new rubber tire truck would cost \$90,000 - \$100,000 and they were trying to identify a source to purchase a good used one for \$40,000-\$50,000. He stated he did not have that in the budget right now. He said he was hoping to get additional revenue from the State or worse case they may have to come back to Council to request appropriation on that piece of equipment. He added that piece of equipment was heavily used by the Public Works department. He said on one of the trucks, the hydraulic cylinders were broken and the repair could cost up to \$10,000-\$20,000. He said the one that works was the free one from the military, but they cannot get the brakes to work.

City Manager Scherer reported he has only budgeted six (6) months of funds to operate the Theatre. He recommended between July – December that Council needed to do something with the Theatre; sell it, close it or get somebody in there to develop it. He recommended only funding it for six months and after that, worse case, close the doors and maintain it the best they can. He said he felt the City had options to either sell it or potentially get somebody in here to develop it and the area. He said if Council felt differently to please let him know, but he has a hard time in continuing to put almost \$200,000 into the facility every year that could be better utilized in other areas.

Councilwoman Scarbrough asked if the City had a realtor trying to sell the Theatre. City Manager Scherer replied they still had a realtor working on it, but with very few leads. He said there were a couple other potential developments that may help them that he was not at liberty to disclose right now. He said they were trying to get something going not only on the Theatre, but the entire area out there.

Councilman Smith agreed with City Manager Scherer's recommendation about the Theatre. He stated he felt six months would be the limit; they cannot keep subsidizing people to put on shows. City Manager Scherer added they needed to get it in the hands of a commercial developer that will do something.

Councilman Bobbitt asked City Manager Scherer if he had any contact with the company that talked with Council a couple months ago. City Manager Scherer replied they were on hold until Council lets him know otherwise or if the other options do not pan out. He said hopefully during the summer, no later than the fall, they may know whether or not these other options were going to work out.

City Manager Scherer stated that concluded his budget summary and asked Council to take some time to peruse the details. He said he also included \$5,000 in the budget for a commercial refrigerator and freezer at Kirkwood Adams. He added that the departmental budgets were pretty much what they had this past year; he made a few cuts but nothing major. He said the department heads were good with what they have and were okay with knowing capital was going to be limited this year and were on board with helping the employees.

Councilman Bobbitt stated he felt it was fair and reasonable especially with the raises. City Manager Scherer said he hoped to be in a position next year to be able to have an evaluation system in place to offer merit raises instead of across the board to reward the people that deserve it most. He stated one of his goals for this upcoming year was to implement performance measurement/management for departments to take some of the data given to Council every month and target what

numbers really matter. He said this would help determine if they were performing at what they needed that department to do or if there were some things lacking. He said it could identify whether or not what a department was doing justified the budget it had so he could determine cuts from one department and put them where they are needed. He said he needed performance management implemented to be able to justify the decisions by data, not by his gut.

Councilwoman Scarbrough stated she believed that City Manager Scherer and Finance Director Etheridge had done a really good job with what they had told them. Councilman Bobbitt agreed.

Councilman Smith said he appreciated both of them sticking with the budget and the department heads agreeing with what they came up with. He added he thought it was a great idea to not borrow any money this year.

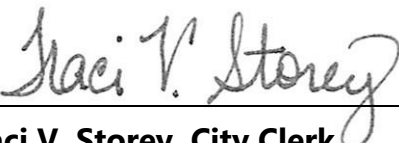
City Manager Scherer stated the departments were appreciative for what Council had done in the past for capital. He said the Police department continues to deal with '06 and '07 vehicles. He reported Chief Hasty has a '07 vehicle that needs a new transmission so they were planning to park it and try to utilize the transmission out of another vehicle. He said capital would have to be looked at much harder next year, but this year they were okay.

Councilman Smith stated he felt the public would be satisfied with the proposed budget with not borrowing any money and putting the City further into debt and not raising the tax rate.

Councilwoman Scarbrough said the tour today helped her see how well the departments mesh and work together.

City Manager Scherer stated he was very blessed with department heads and they worked well together. He added he hoped Council gained some appreciation of what they do with the taxes/monies Council gives them. He said they try to spend it as wisely as they could without luxuries or going overboard on some things.

There being no further business, motion was made by Councilman Bobbitt, seconded by Councilman Smith and unanimously carried to adjourn. The meeting adjourned at 2:05 p.m.

  
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Traci V. Storey, City Clerk

**Approved by Council Action on: June 6, 2017**