



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 30, 2018** at 5:15 p.m. in the Lloyd Andrews City Meeting Hall.

Present: Emery G. Doughtie, Mayor
Carl Ferebee, Mayor Pro Tem
Ernest C. Bobbitt)
Suetta S. Scarbrough)
Carol H. Cowen)
Wayne Smith)

Council Members

Joseph Scherer, MPA, MS, City Manager
Traci Storey, City Clerk
Leigh Etheridge, Finance Director
Kathy Kearney, Deputy City Clerk/Human Resources Manager
Chuck Hasty, Police Chief
Kelly Lasky, Planning & Development Director
John Simeon, Parks & Recreation Director
Larry Chalker, Public Works Director
Stacy Coggins, Fire Chief

Absent: Christina Caudle, Main Street Director

Mayor Doughtie called the meeting to order and gave an invocation.

Presentation of Proposed FY 2018-2019 Budget

City Manager Scherer presented a hard copy of the proposed draft budget for FY 2018-2019 and reviewed the following information with Council:

In accordance with the NC Local Government Fiscal Control Act, the recommended budget for Fiscal Year 2018-2019 is presented for your consideration. The budget document represents balanced revenues and expenditures without any use of fund balance. Achieving a balanced budget remains a challenge to provide effective services to our citizens.

The General Fund operating budget includes revenues and expenditures each totaling \$18,027,420.

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 2018-2019 Budget:

- Funding for employee benefits at the current level, and a one-time bonus of \$500.00 for all employees
- The property tax rate remain at the rate of \$.651/\$100 of valuation
- The 2018-2019 budget allows the City to continue to provide quality services at the minimum acceptable levels.

Economic Outlook

- ❑ National economic optimism remains high by all accounts, though somewhat tempered beyond this next year. According to the Duke University-CFO Global Business Outlook Index, the Optimism Index is at an all-time high.
- ❑ However, the number of U.S. CEOs that are “very confident” in revenue growth in the next three years has declined by 4 percent since 2016. Also, the Dow Jones index peaked in January with a slight decline through March but remains 19.74 percent up from this time last year.
- ❑ The Federal Reserve raised its benchmark interest rate to a range of 1.5 to 1.75 percent, with two more rate increases expected this year. While the Federal Reserve concluded that the economy continues to strengthen, the decision to increase rates is motivated by some concern that low unemployment may set off inflation as companies increase wages to compete for labor, thus increasing the price of goods.
- ❑ It remains to be seen how recent federal decisions on a variety of additional topics – including health care, infrastructure spending, the federal budget, trade tariffs, and immigration, to name a few – will continue to impact economic performance and optimism.
- ❑ Dr. Michael Walden of N.C. State reported that North Carolina’s aggregate growth rate in real GDP surpassed national growth for the third straight year in 2017, yet lags slightly behind GDP growth for the Southeast.

- He cites inflation, higher interest rates, and a possible trade war as factors to watch in 2018.
- Although the outlook for the state economy looks positive overall, our local situation could vary widely from the statewide projections.
- Roanoke Rapids unemployment rate as of March 2018 was 6.4%, a decrease of 1.8% compared to March 2017. The State rate was 4.3% as of March 2018.
- City Income Per Capita: \$20,568 (State: \$26,779)
- Median Household Income: \$33,844 (State: \$48,256)
- Poverty Level 26.7%

Previous annual budgets required a very careful approach to balancing low revenue forecasts against increased operational costs due to rise in the cost of doing business (fuel, materials, etc.)

This year's budget attempts to address some of the more critical needs in law enforcement and public works resources, including capital needs, against flat revenue forecasts.

Theatre Sale will eliminate annual operational costs and has potential for development revenue in out years.

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
- 36.9% of total General Fund Budget
- Projected 2018 tax levy \$6,655,115

Tax rates and prior year budgeted amounts are listed below:

(Receipts for FY 2018 is based on a 98.99% collection rate)

2012	2013	2014	2015	2016	2017	2018-19
0.624	0.624	0.624	0.651	0.651	0.651	0.651
6,862,753	6,977,275	6,872,871	7,332,371	6,805,041	6,602,661	6,655,115

Sales Tax Revenues

- City’s second largest source of revenue.
- 18.7% of the total General Fund Budget.
- Proposed sales tax revenues for 2018/2019 totals \$3,387,062.
- 1% increase compared to 2017/2018 appropriation-based on TYD actual revenues.

Appropriated Sales Tax Revenues are listed below:

2013	2014	2015	2016	2017	2018	2019
1,938,632	2,005,894	2,090,541	2,817,600	2,954,907	3,353,527	3,387,062

Utility Franchise Tax

- City’s third major source of revenue.
- 8.1% of the total General Fund budget.
- Proposed franchise tax revenues for 2018/2019 totals \$1,475,132.

Appropriated Revenues for Utility Franchise Taxes

2013	2014	2015	2016	2017	2018	2019
1,229,631	1,200,000	1,200,000	1,200,000	1,320,569	1,470,344	1,475,132

Powell Bill Funds

- City’s fourth major source of revenue.
- 2.4% of the total General Fund budget.
- Proposed Powell Bill funds for 2018/2019 totals \$448,399.
- Powell Bill is calculated using population plus street miles.

Appropriated Revenues for Powell Bill Funds

2013	2014	2015	2016	2017	2018	2019
467,824	473,244	475,217	470,060	463,891	463,891	448,399

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 an increase in solid waste user fees to \$215.29 from \$204.50.
- Previous rate in place for 4 years. Increases due to higher landfill and tipping fees.
- The calculation for this fee is as follows: solid waste/refuse budget, debt service and administrative cost.

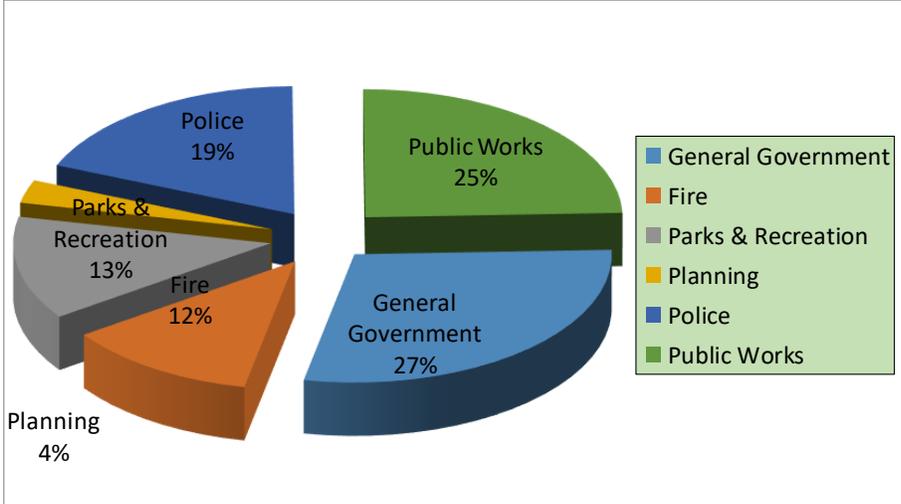
Solid Waste Fees

Fiscal Year	Solid Waste Fee
2018-2019	215.29
2017-2018	204.50
2016-2017	204.50
2015-2016	204.50
2014-2015	204.50
2013-2014	199.25
2012-2013	199.25

License Plate Fees

- We are recommending an increase in the City’s fee from \$6 to \$11.
- Increase should generate an additional \$67,650.
- Additional revenue would be budgeted for street and alley repairs.

Departmental Summary General Fund Operating



Departmental Summary – General Fund Operating

Department	Amount
General Government	\$ 5,175,115.00
Fire	\$ 2,188,654.00
Parks & Recreation	\$ 2,350,761.00
Planning	\$ 526,491.00
Police	\$ 3,356,793.00
Public Works	\$ 4,429,606.00
Total Fund Summary	\$18,027,420.00

Personnel & Employee Benefits

Personnel

- Add (2) PD Investigators to concentrate on gang activity and drug enforcement
- Police and Fire report minimal vacancies
- Recommending a one-time \$500.00 bonus for all employees

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
139	139	134	134	134	141	142	142	147	149

Employee Benefit Package

Benefit	Annual Cost	
Group Health Insurance	\$ 1,381,847	
Dental	\$ 51,000	
Life Insurance	\$ 7,800	
Longevity	\$ 94,060	
Christmas Bonus	\$ 44,545	
Employee's Assistance Program	\$ 3,933	
Health Reimbursement Account	\$ 72,290	\$2,000 towards deductible
3% 401k Employer Match	\$ 85,108	

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 based upon the City having over \$230,000 coming off installment financing this coming year, he is recommending the City look into installment financing for the following list of capital equipment:

Capital Items

- PD: (5) new vehicles, radar trailer, taser equipment package
- PW: (2) dump trucks, street sweeper, asphalt patch machine
- Other Potential Items: Knuckleboom Trailer, Leaf Machine, 1-2 Pickup Trucks (PW, P & R)

He said the total cost for all of this equipment is approximately \$900,000. Based upon review of interest rates, he estimates it would cost approximately \$200,000 per year for five (5) years for installment financing, which is less than the \$230,000 coming off this year.

In Closing

We continue to strive to present a recommended Annual Budget that is balanced, protects the investments made in the past, fosters a work environment that ensures the safety of those who serve the City, and provides for services as economically and efficiently as possible.

What's Next?

Public Hearing

5:15 p.m. June 5, 2018

Andrews Building

Adoption of the 2018-2019 Budget

5:15 p.m. June 19, 2018

Andrews Building

City Manager Scherer said the proposed budget will be available on the City's website tomorrow and a copy will be at the City Clerk's Office for public inspection. He stated that concluded his budget briefing and he would be happy to entertain any questions.

Council Smith asked what was the cost of the \$500 one-time bonus for the City employees. Finance Director Etheridge replied \$82,000 including FICA. He asked what would be the cost if they did away with the bonus and gave the employees a 3% raise. She replied it would be dependent on the percent but it would be approximately \$125,000 per percent. City Manager Scherer added to keep in mind a COLA would also impact the City's budget next year and future out years that is why he recommended the bonus for this year. Councilman Smith said he understood that and also understands that some of the City's employees were underpaid. He said out of a \$500 bonus, they would actually get about \$375 for the whole year after taxes were taken out. He was more inclined to give the employees a 3% raise and asked him to have department heads to cut off 1% of their budget. He said he knows there is some monies floating around there. He would like to give the employees a raise this year instead of a one-time bonus.

City Manager Scherer said they could do that, but his concern was the out years' budget unless revenues were able to somehow increase it would continue to reduce their operational resources. Councilman Smith stated he understood what he was saying and he did not know how the other council members felt about it. A raise would be more important to them than a one-time \$500. City Manager Scherer replied he would do whatever Council directed him to do, he was just pointing out the fact that raises will impact future budgets. He said they could go back and look at operational expenses and revenue to provide a raise.

Mayor Doughtie agreed that they would all like to pay people more. He stated like City Manager Scherer said, if you give them a bonus, it is one time. One thing they need to look at was once they give the employees that increase in salary it is going to come around next year and the next year. He said they may be in a position where the revenues do not provide it as well. He was not saying don't do it, but that is something the City Manager was thinking about and Council should think about it too.

Councilman Smith said he had thought about it. These people employed by the City, we took them for years and years and did not give them anything. He sat there in the front row when they weren't giving anything at all. If there was a way they could work it in the budget to do that and maybe the department heads can tell them better he could; can they cut 1% off of what they want to give the employees

a raise? City Manager Scherer replied he was sure they would be willing to do so. He was trying to be fiscally conservative with the budget given the revenue forecast. But if they need to try to cut operational costs to provide that raise, they would go back and take a hard look at that.

Mayor Pro Tem Ferebee asked Finance Director Etheridge what would be the dollar figure for that 3% raise. She replied with the staffing levels of the City, it would be approximately \$125,000 per percent. He asked what the \$500 bonus cost be again. She replied \$82,000 including FICA. He asked when the last time employees received a raise. City Manager Scherer replied last year the City gave employees a 4% raise.

Mayor Pro Tem Ferebee asked when was the last time they looked at departments as a whole whether salaries were in line. City Manager Scherer replied two to three years ago. Mayor Pro Tem Ferebee asked if there was a cost to do that or would it cost to do it again. Human Resources Manager Kearney replied no, she did it herself. City Manager Scherer added the NC League of Municipalities conducts annual salary surveys so they can take look at every position. Mayor Pro Tem Ferebee stated he would like to look at that again as well. He said he was kind of in the middle. He hears what City Manager Scherer was saying and he did not disagree and he hears what Councilman Smith was saying and he did not disagree with that either. He said the impact can be long-term so if Council wanted the impact to be long term and wanted to get the employees up that needed to get up to that level. He said he thought there were some employees that were out of balance of where they should be. He would not be opposed to looking into that whether they did it now or in the future to see if any group of employees were way out of balance of where they should be and look to see if they could get them closer in line and put those dollars towards that.

Mayor Doughtie asked Human Resources Manager Kearney how long it would take her to get that information for Council. She replied she could probably have it by the second Council meeting in June. She said she may be able to get it before then, but she was finishing open enrollment. Councilman Smith stated they would have already had the public meeting by that time so they need to make a decision on whether they leave it like it is or ask the City Manager to do it.

City Manager Scherer stated his concern was if they started targeting different categories of employees that usually has a tendency to upset other categories of employees because everybody feels they are underpaid; that typically has a ripple effect across the entire workforce. He personally is very leery of trying to give one category or person a raise. He believed that caused problems a few years ago when

one group of employees received a raise while the others were promised one and they never got it; that lead to some serious morale problems. He recommended Council not consider raises for different categories of employees; it should be all or none.

Councilman Smith stated he was talking about across the board. Mayor Pro Tem Ferebee said he may have spurred that comment. He said he was twofold on that as well because the person on the bottom would never get anywhere close. He was not saying to not give to all because you have to do that, but at the same time there has to be something to bring that guy on the bottom closer up to where they should be. He did not think those employees that were somewhat in-line would have a problem with some kind of adjustment for other departments that weren't in-line. The employees know better than Council who is out-of-line and who is in-line. He stated every employee deserves a raise.

City Manager Scherer asked if he was suggesting to give the bottom row/entry level employees say a 3% raise and crew leaders a 2% raise for example. Mayor Pro Tem Ferebee said he did not have the percentages in mind, but yes that was an example of what he was talking about. He said they need to do something to keep those employees here because it costs thousands of dollars to keep hiring new employees. He used the Police Department for an example, if they train an employee and then that employee goes to Halifax County that is a lot of lost money. So somewhere along the line, they have to do something to keep employees. He said he did not know that magic number but they need to look at that. He said they may not make that change this year, but they need to start working towards that.

Councilman Bobbitt asked Finance Director Etheridge if every 1% equaled \$125,000, then the 3% would be \$375,000. She replied yes, it would be approximately \$375,000. He asked if a 3% raise was approved how much more would be affected other than not buying some equipment or possibly not hiring some employees. She replied FICA, retirement and unemployment would be increased, anything tied to that salary. He asked how much that would be. She said she would have to calculate based on the percentage. He stated he liked the idea of a 3% raise because he worked for the City 31 years and there had been years where they did not receive a penny and other years they received a small percent. He said if you have dreams of the future its nice having it, but if you don't get it then you have to keep on digging. But he knows they need roads and equipment and if they don't do that they will have more problems. It's kind of a catch 22 and he did not disagree with a 3% raise, but can they afford it down the road.

Finance Director said to answer the second part of his question of what would they not be able to do, Council would need to let them know so she and City Manager Scherer can take a look at it.

Mayor Pro Tem Ferebee stated since the City gave a 4% raise last year and if they gave a 3% raise this year and that would be somewhat of a large impact. He said he understood how the bonus works and not having to do that every year. They probably need to start looking at some process of getting those that are not up to par, up to par.

City Manager Scherer stated if that was Council's desire to give a 3% raise, he could go back to the department heads and look at where they can provide the cuts from somewhere else to cover the close to \$400,000 by the time they figure the benefits in with everything else for a 3% raise. They were probably looking at operational cuts or cutting back on capital, but they could do that.

Councilman Smith stated he did not know why they would need to cut back on capital because they were going to borrow the money for that. City Manager Scherer agreed, it would basically be operational costs. Councilman Smith said that would be up to each department head to cut 1% so with a \$17.5M budget it would be about \$170,000. City Manager Scherer said they would have to look where they can recommend the cuts in the operational budget.

Mayor Doughtie asked what the General Government encompasses in the budget for \$2M. City Manager Scherer replied it covers things like the Theatre payments and deferred a more detailed explanation to Finance Director Etheridge. She said it covers the E-911 system costs, retiree group insurance, HRA – which is the health reimbursement account, the 401k 3% employer match, holiday merit bonus (Christmas bonus), maintenance repairs for general government buildings, advertising, association dues/subscriptions, unemployment, general liability insurance which was a big piece of the budget at \$202,000, legal settlements, uninsured losses and workers compensation. City Manager Scherer added it was basically all expenses not covered by other departments which are general City expenses. Finance Director Etheridge stated this is where they would find the budget dollars for the installment financing and they will see this particular department looks inflated this year.

Mayor Pro Tem Ferebee stated that if the average person looked at the budget as a whole, it appears that the budget has gone up to \$17M from \$15M when in fact some of that is grant monies. He would like to see that separated so it would not appear the budget was increasing that much. City Manager Scherer said it was

actually going to be \$18M because he decided today that the City could afford to borrow up to \$900,000 so that number would be about \$18M, but they could show that. He said \$900,000 increases the equipment purchases and \$650,000 was grants so they could break out those increases. Those were the two major reasons for the increase. Plus that budget line they had from last year was what they started out with but that also increased as they did transfers and carry overs and some other things.

Councilwoman Scarbrough asked in their notebooks if it showed what each department had requested. City Manager Scherer replied yes, it shows the requested and recommended.

Councilman Smith stated Council needed to settle on what they were going to do because the public hearing is June 5th. He asked if they were going to leave it like it is with the \$500 or do a 2% or 3% raise.

Mayor Doughtie asked if Council wanted to have a special meeting. City Manager Scherer said he could sit down with the department heads in the next couple of days and see what they could come up with.

Mayor Doughtie said City Manager Scherer reported the median household income for Roanoke Rapids was \$34,000 versus the State at \$48,000 which was about 25% less than the State average. He stated those of us that have been here for a long time and are looking at some of things the City funds now that came about when payment was secured by grants and those type of things, didn't cost the City much. The City is funding a lot of things that the community put in place when they were financially better off than they were now. He said that was just a statement, not a suggestion, but it is something they have to look at because they keep trying to operate on the same amount of dollars and the cost of everything is going up. Everybody wants things to get better, but do not want to pay any more. He said when you look at the average income around here it doesn't leave a lot there to get more money out of people's pockets. City Manager Scherer said that was why they only recommended a 1% increase in sales tax because the level of income around here does not support the NCLM estimate of sales tax going up 4%. People do not have enough disposable income to buy a lot of things as opposed to more wealthy communities where the state average is.

Mayor Doughtie said if things move along as projected with the Theatre and things start happening in that area, the City could see a significant increase in sales tax. City Manager Scherer agreed and had stated in his economic notes that in out years' development will lead to additional revenue.

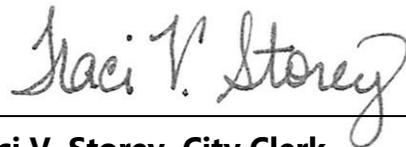
Mayor Doughtie asked Council what they wanted to do about the next meeting and if they wanted to have the hearing on June 5th. Councilman Smith stated he believed the public hearing needed to be moved out a few days to give staff a chance to look at some things and talk to department heads.

Mayor Doughtie suggested moving the Council meeting and public hearing out a week to June 12th; no meeting on June 5th. City Manager Scherer stated Council would meet on June 12th and again on June 19th.

Motion was made by Mayor Pro Tem Ferebee, seconded by Councilman Smith and unanimously carried to move the City Council meeting including the Budget Public Hearing from June 5, 2018 to June 12, 2018 at 5:15 p.m.

Councilman Smith suggested to start working on the budget earlier next year so not to be doing this at the last minute. City Manager Scherer replied they could do that.

There being no further business, motion was made by Councilwoman Scarbrough, seconded by Mayor Pro Tem Ferebee and unanimously carried to adjourn. The meeting adjourned at 6:00 p.m.



Traci V. Storey, City Clerk

Approved by Council Action on: June 12, 2018