

BOARD OF COMMISSIONERS
BUDGET WORK SESSION MEETING
MAY 9, 2022
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1 **PRESENT:** Mayor William L. Lewis, Jr.; Commissioners Jim Kohr, Josh Kohr, Brenda
2 Wilson, Karen Lewis and Danny Walsh

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4 **STAFF**

5 **PRESENT:** City Manager Chris McGee; Assistant City Manager/City Clerk Cindy Morgan;
6 Parks & Recreation Director Travis Adams; IT Director Chad Ives; Police Chief
7 Chris Morning; Planning Director Katrina Marshall; Finance Director Lee
8 Tillman; Fire Chief Tom Dorn; Public Works Director Patrick Lee; Public
9 Utilities Director Rick Day; TEC Sales Manager Pam Holder; Human Resources
10 Manager Angie Hall; and Deputy City Clerk Mary Weigl

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12 Mayor Will Lewis called the budget work session meeting of the Havelock Board of
13 Commissioners to order at 2:09 p.m. on May 9, 2022 at the Havelock Tourist & Event Center
14 with a quorum present.

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16 **BUDGET BRIEF**

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18 City Manager Chris McGee and Finance Director Lee Tillman provided and introduced the
19 proposed budget for FY 2022-23. It was explained that it reflects the City's commitment to
20 maintain required services along with improving the quality of service activities while keeping
21 the impact of taxes and fees to the citizens at an appropriate level.

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23 The Board members were provided with a budget workbook as a starting point to debate and
24 craft a final FY 2022-23 budget for the City of Havelock. This workbook also included the
25 manager's budget message. In summary, the proposed budget was funded at a tax rate of \$0.59,
26 which is no change from last year. In addition, a 7.5% rate increase was proposed on water,
27 sewer and trash services, along with some other proposed rate schedule increases. The
28 following amounts were appropriated to balance the budget:

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 - General Fund, Fund Balance: \$1,573,049
 - 31 • Sewer Fund Retained Earnings: \$-0-
 - 32 • Water Fund Retained Earnings: \$-0-
 - 33 • Powell Bill Fund Balance: \$505,816
 - 34 • E911 Fund Balance: \$75,17635

36 As part of the City Manager's budget message, on page two under Pay and Compensation,
37 "The resulting recommendation ensures that each employee will receive a minimum increase of
38 5.4% COLA and 1.7% longevity if employed prior to July 1, 2021. Employees hired on or
39 after July 1, 2021 would receive a minimum COLA increase of 5.4%; unless the market study
40 indicates a higher percentage. These adjustments do not fully mitigate the impacts of inflation
41 as the most recent CPI indicate 8.5%." Commissioner Jim Kohr asked for clarification why
42 there is two different numbers in the COLA and the CPI. The City Manager indicated that he
43 would touch on that more in depth later on in the budget, but for a starting number for the
44 budget process, 5.4% was a good number when staff began talking about personnel
45 adjustments. He continued on saying the reality is that the City is going to be short in
46 personnel adjustments and other adjustments, compared to what the actual CPI is. Mr. McGee
47 stated that the real CPI this fiscal year is at 12 or 13% and he does not think that it is realistic
48 that we are going to be able to fund that amount, especially after funding 5% in January.

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50 At this time, Finance Director Lee Tillman provided the following overview of the proposed
51 budget:

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53 **FY 2022-23 BUDGET OVERVIEW**

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55 It was explained that the budget format was similar to those provided in previous years, with
56 each department providing issue papers for discussion purposes in addition to a spreadsheet
57 depicting the items that were cut from their departmental budgets. The proposed budget is
58 balanced at revenue neutral.

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60 The Management Team's budget vision was as follows:

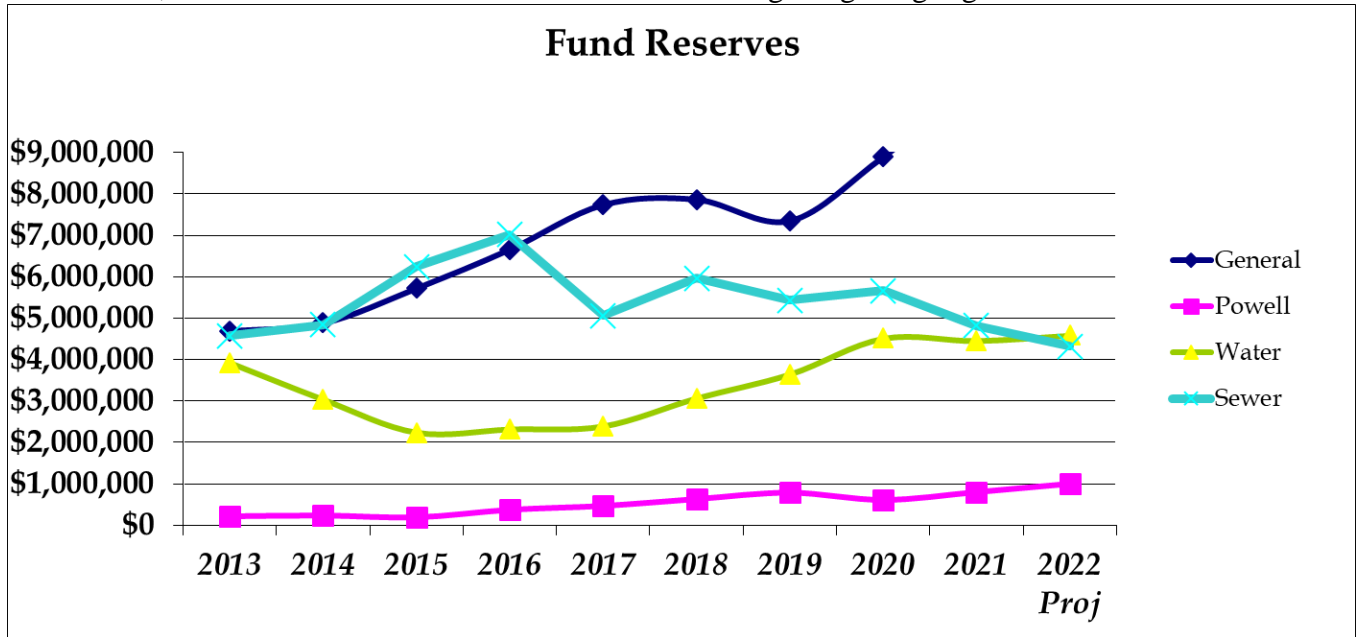
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 - Maintain a fiscally sound organization

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The budget process used was further described as follows:

- All departments were asked to submit their needs
- Departments reviewed and made cuts to achieve their goals
- Management Team made additional cuts to balance the budget
- Manager was prepared to make final decisions, but the Management Team balanced the budget

At this time, Ms. Tillman briefed the Board on the following budget highlights:



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FUND RESERVE TRENDS

- GENERAL
 - Projected decrease of approximately \$750,000
 - Initiative of 32% unreserved fund balance met
- ENTERPRISE FUNDS
 - Water, Sewer, Solid Waste and Tourist & Event Center
 - Needs continue to increase faster than revenues
 - Solid Waste Fund is better able to support the needs
 - Capital requests were reduced in all funds in order to balance expenditures with revenues

BUDGET YEAR TRENDS

	Budget Year Comparisons		
	<u>Actual 2020-21</u>	<u>Budget 2021-22</u>	<u>Proposed 2022-23</u>
Gen./Powell Fund	\$14,487,688	\$16,364,258	\$14,410,151
Water Fund	\$2,644,409	\$3,829,112	\$2,935,023
Sewer Fund	\$3,794,510	\$5,044,424	\$4,394,950
Solid Waste	\$1,134,748	\$1,148,562	\$1,271,714
Tourist Center	\$346,023	\$526,436	\$473,163
E911	\$164,878	\$202,850	\$234,000
Totals.....	<u>\$22,572,256</u>	<u>\$27,115,642</u>	<u>\$23,719,001</u>

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Ms. Tillman then identified the following as **Global Budget Issues**:

- REVENUES

- 95 ○ CPI increase in user fees-Permits 7.5%
- 96 ○ Utilities (Water, Sewer & Solid Waste) 7.5%
- 97 ○ All State Revenues (used NCLM, National, etc.)
- 98 ○ Legislative (Federal and State COVID assistance)
- 99 ○ Increase in admin fees to water, sewer and solid waste

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101 At this time, Commissioner Walsh questioned the increase in water, sewer and solid waste
102 administrative fees, with the AMI being in use. After a lengthy discussion, it was explained
103 that in theory, the AMI will reduce the cost of operating and meter reading, but it will not
104 reduce the true administrative cost of the IT, finance and customer service departments. In the
105 overall picture, the AMI will save money, but it does not save money in administration. The
106 City Manager reminded the Commissioners that the AMI also has to be fully implemented for
107 about a year before the City will know what and where the true cost savings will be.

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109 Commissioner Josh Kohr stated that he pulled the NC School of Government's numbers on the
110 water and sewer rates charged by the municipalities in NC. He stated that Havelock is in the
111 top 40% for water and top 16% for sewer. Commissioner Josh Kohr asked what the primary
112 driver was in our costs being higher than other municipalities in North Carolina. The City
113 Manager said the "age of the infrastructure" however, went on to caution Commissioner Josh
114 Kohr when pulling data from the School of Government, adding that their data isn't always
115 clear to differing municipalities and one of the things that they don't take into consideration is
116 the age of the infrastructure. Havelock's system, for example is old, has experienced many
117 leaks, and that is why the City is under a voluntary SOC. Mr. McGee concluded by saying that
118 those factors as well as the cost of the chemicals are what drive the cost up.

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120 Before continuing on, Mayor Lewis reminded the Board that the proposed fee schedule could
121 be adjusted up until the public hearing.

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123 **PERSONNEL**

- 124 ○ 5.4% COLA in budget
- 125 ○ 1.7% Longevity in budget
- 126 ○ Funds to implement market study are included

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128 ● **BENEFIT, INSURANCE AND CONTINGENCIES**

- 129 ○ Retirement 1.2% increase
- 130 ○ Health Insurance 0% increase (max liability going up)
 - 131 ■ Staff is still negotiating
- 132 ○ Property Insurance 10% increase (projected)
- 133 ○ Worker's Comp 0% increase (projected)
- 134 ○ Contingency of \$100,000 (fuel and other issues)

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136 ● **FUND BALANCE USE**

- 137 ○ Appropriations:
 - 138 ■ General Fund: \$1,573,049
 - 139 ■ Powel Bill: \$505,816
 - 140 ■ Water: \$-0-
 - 141 ■ Sewer: \$-0-
 - 142 ■ E911: \$75,176
 - 143 ■ Total: \$2,154,041

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145 At this point, the Board moved on to General Fund Trends.

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147 **GENERAL FUND TRENDS**

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149 The proposed General Fund highlights were provided as follows:

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151 ● **REVENUES**

- 152 ○ Tax Rate
 - 153 ■ Budget balanced at revenue neutral tax rate of .59 (same as last year)
 - 154 ■ .01 of tax rate generates \$79,600 est. (\$78,606 in FY 2021-22)
 - 155 ■ Average residential house value is \$120,035 (unchanged)
 - 156 ■ Craven County Tax Revaluation coming in 2023

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Service	Legal Responsibility	Extra Cost to Citizens	Tax Impact
Emergency Medical Services	County	\$45,000*	0.57
Senior Services	County	\$140,000	1.76
School Resource Officers	State/County	\$120,000	1.51
Animal Control	County	\$100,000	1.26
DMV Office	State	\$12,000	0.15
Emergency Dispatch (911)	State/County	<u>\$425,000</u>	<u>5.35</u>
	Total	<u>\$842,000</u>	<u>10.60</u>

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*3 year average

Commissioner Josh Kohr stated that he “would like to entertain the conversation of school resource officers (SRO)”. Mayor Lewis stated that the pros of having the SRO’s are building relationships with the kids in the middle and high schools in the community, having a good working relationship with the current Sheriff, and having three (3) additional officers during the summer months. The cons of having the SRO’s in our budget is the cost and the contract does not supplement the true costs. Police Chief Chris Morning stated that having a local police officer in the school makes a positive impact on the students and builds trust in the community. He also stated that having the SRO gives us and the citizens the benefit of additional officers during non-school times. After extensive conversation, it was decided to keep the SRO funding in this year’s budget, with the plan for Mr. McGee to meet with the County Manager, Mr. Veit about future SRO funding and the possibility of the County augmenting it to us, rather than paying for it themselves. The City Manager agreed to report back to the Mayor and Board.

The City Manager shared the following accomplishments for FY 2021-22 with the Board.

- New storage buildings at recreation facility
- New playground equipment at recreation facility
- Pickleball, Tennis and Basketball resurfaced
- New Fitness Equipment
- New Recreation Message Board
- New PA System, TV, Bingo cards for Senior Center
- New Oven at Senior Center
- New AC Units at the Senior Center
- Marsha’s Way Lighting
- Street Sweeper Ordered
- Parking Lot improvements at TEC
- Interior improvements at TEC
- Naval X – Tech Bridge Executive Office at City Hall
- K-9 Program
- Trap Neuter Release Program
- Animal Control Building Refresh
- Police Body Cams
- Dedicated and secure vehicle impound for police
- Sewer Plant remodel
- Bipolar air purification in city facilities
- Staff hires and reorganization
- Developing updated Nuisance Abatement Process
- 160D Rewrite
- ALL NEW City Park Stage
- Summer Movies
 - Thursday, April 21, 2022: Encanto
 - Thursday, June 23, 2022: Trolls: World Tour
 - Thursday, July 28, 2022: Sing 2
 - Thursday, August 11, 2022: Space Jam: A New Legacy

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- 207 • Summer Music
- 208 > Thursday, May 19, 2022: The Embers
- 209 > Friday, May 27, 2022: North Tower
- 210 > Thursday, June 9, 2022: Black Water Band
- 211 > Monday, July 4, 2022: TBA
- 212 > Thursday, August 25, 2022: Bryan Mayer
- 213 > Thursday, September 1, 2022: Havelock High School Jazz Band
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215 At this time, Commissioner Wilson asked for a ribbon cutting ceremony for the new City
216 Stage. Discussion ensued and Parks and Recreation Director Travis Adams stated that he
217 would like to have a ribbon cutting at the Pickleball/Tennis Courts as well. All agreed to have
218 a ribbon cutting ceremony at the City Stage during “The Embers” concert on May 19 and at
219 the Pickleball/Tennis Courts the next morning. It was also agreed to have one when the
220 Woodhaven Bridge Project is completed.

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222 The City Manager then shared the following key items/projects contained in the proposed FY
223 2022-23 budget:

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- 225 • Wayfinding Signs
- 226 • Programming for City Park
- 227 • National Night Out
- 228 • AMI metering program implementation
- 229 • General repairs and improvements to IT building
- 230 • Woodhaven Bridge Open
- 231 • Fairview Street Repair
- 232 • New programs for the senior center
- 233 • NOV8 (Innovate) Havelock – Launch for the employees
- 234 • Listening Sessions
- 235 • Strategic Plan Document
- 236 • Identify locations for Dog Parks
- 237 • Showers at the Senior Center
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239 The City Manager shared the following changes that are planned for the Senior Center:

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- 241 > New PA System
- 242 > New and Larger Televisions
- 243 > New BINGO cards that work with the new system
- 244 > New HVAC Unit
- 245 > New Air Purification System
- 246 > New Showers
- 247 > Improved coordination with partners to provide additional activities
- 248 ▪ Library
- 249 ▪ Craven Community College
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251 Finally, Mr. McGee shared with the Board the following proposed notable changes.

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- 253 • Special Projects/PIO will become Grants Manager/PIO
- 254 • Public Services Vacant Administrative Position Reassigned
- 255 > General Fund Administrative Department (from half position to full position)
- 256 > TEC Administrative Position (from half position to full position)
- 257 • City Engineer will become Contract Specialist
- 258 • Street Sweeping in-house
- 259 • Implementation of Market Study
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261 **PROPOSED GENERAL FUND HIGHLIGHTS**

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FY 21-22 Budget	FY 21-22 Projected	State Revenue	NCLM Forecast	Havelock Budget
\$2,967,700	\$3,131,883	Sales Tax	Increase	\$3,375,775
\$1,108,482	\$1,155,000	Franchise Tax	Varies	\$1,155,000
\$400,000	\$469,819	Powell Bill	Decline	\$450,000
\$4,476,182	\$4,756,702	Total		\$4,980,775

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UTILITY FUND TRENDS

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PROPOSED UTILITY FUND HIGHLIGHTS

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- Proposed Fee Changes
 - 7.5 % CPI on availability and usage charge
- Bill for 5,000 gallons:
 - Currently \$99.43
 - Proposed \$106.12
 - Difference of \$6.69 monthly

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UTILITY FUND ALLOCATION TRENDS

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Water Fund Allocations

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- 42% Personnel
- 48% Operations
- 10% Capital

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Sewer Fund Allocations

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- 30.30% Personnel
- 61.24% Operations
- 8.47% Capital

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Solid Waste Fund Allocations

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- 29.89% Personnel
- 70.11% Operations
- 00.00% Capital

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PROPOSED SOLID WASTE FUND HIGHLIGHTS

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- Proposed Fee Changes
 - 7.5 % CPI
- Residential:
 - Currently \$18.75
 - Proposed \$20.25
 - Difference of \$1.50 monthly
- Commercial:
 - Currently \$23.00
 - Proposed \$24.75
 - Difference of \$1.75 monthly

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TOURIST & EVENT CENTER (TEC)

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TEC FUND TRENDS

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TEC Fund Allocations

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- 48.10% Personnel
- 40.28% Operations
- 11.62% Foundation
- 00.00% Capital

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DEBT REVIEW

DEBT TRENDS – ISSUED

The following debt trends was provided to the Board for review. Ms. Tillman pointed out that there are no new debts/loans in the proposed budget.

Fund	Project	Lender	Interest Rate	Approx Principle	Annual Payment	Maturity Date
General	Senior Center	USDA-RD	4.25%	\$448,939	\$41,184	2036
	Fire/EMS West	USDA-RD	4.00%	\$2,939,775	\$216,600	2040
	Fire Truck	USDA-RD	4.25%	\$414,403	\$56,384	2030
	City Hall	USDA-RD	3.50%	\$1,482,579	\$92,446	2045
Powell	Joe’s Branch	USDA-RD	2.75%	\$471,224	\$22,806	2052
Water	Plant	State of NC	2.87%	\$386,538	\$128,846	2024
	Backwash Basin	State of NC	1.63%	\$506,672	\$158,000	2038
Sewer	Annex	State of NC	2.55%	\$86,169	\$89,175	2023
	I&I Project	USDA-RD	4.50%	\$2,517,136	\$162,935	2047
	Outfall Line	USDA-RD	4.55%	\$7,767,000	\$387,580	2054
Total				\$	\$1,355,956	

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At this time, City Manager Chris McGee pointed out that he wanted to explain some items prior to deliberations.

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He stated that the City is requesting very specific earmark funding (\$5.2M) from Senator Tillis for our West End Sewer expansion project and \$5M of congressionally directed spending from Senator Burr for additional cleanup of Phoenix Park that could allow us to do more than just a small dog park. The funding could provide an enlarged dog park; clean up around the pond, and a walking trail. Staff is looking into having conversations with our local representatives regarding remaining APRA funds to extending our water capacity westerly to accommodate the Otterwood and Ellis projects towards Catfish Lake Road. He stated if those two projects were successful, the City would open up miles and several thousand acres of expansion opportunities for Havelock.

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As far as our debt trends, and having debt, Mr. McGee explained that as a municipality, we want to have a certain amount of debt.

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At this time, Commissioner Jim Kohr asked if the Board started a CIP for a new fire truck last year. Finance Director Lee Tillman stated that she would have to go back and look to refresh her memory. Fire Chief Tom Dorn stated that it was funded last year.

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CIP – GENERAL FUND

Department	Description	Total Cost	Prior Funding	FY 22-23
Fire/EMS	Medic 235	\$120,000	\$60,000	\$60,000
Works	Storage Building	\$248,076	\$-0-	\$248,076
Buildings	HVACs	\$25,000	\$-0-	\$25,000
Powell Bill	Culverts	\$100,000	\$-0-	\$100,000
TEC	Aircraft Painting	<u>\$25,000</u>	<u>\$-0-</u>	<u>\$25,000</u>
Total	General Fund	<u>\$833,076</u>	<u>\$60,000</u>	<u>\$473,076</u>

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CIP – WATER FUND

Department	Description	Total Cost	Prior Funding	FY 22-23
Plant	Office	\$15,000	\$-0-	\$15,000
Distribution	Handheld	\$7,500	\$-0-	\$7,500
Distribution	Meters	\$25,000	\$-0-	\$25,000
Water	E-vehicle (1/2)	\$20,000		\$20,000
Water	Truck	\$40,000	\$-0-	\$40,000
Plant	Generator	<u>\$200,000</u>	<u>\$100,000</u>	<u>\$60,000</u>
Total	Water Fund	<u>\$307,500</u>	<u>\$100,000</u>	<u>\$167,500</u>

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CIP – SEWER FUND

Department	Description	Total Cost	Prior Funding	FY 22-23
Sewer	E-Vehicle (1/2)	\$20,000	\$-0-	\$20,000
Plant	Intermediate Pump Station	<u>\$50,000</u>	<u>\$-0-</u>	<u>\$50,000</u>
Total	Sewer Fund	<u>\$70,000</u>	<u>\$-0-</u>	<u>\$70,000</u>

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BUDGET ISSUE PRESENTATION

Fund	Department	Item	Amount	Page
General	Recreation	Appearance Commission	\$7,715	1
General	Fire/EMS	Personnel	\$145,902	2
General	Recreation	Master Plan	\$50,000	3
General	Capital Outlay	Equipment and Vehicle needs	\$1,094,700	4
General	Library	Funding Request	\$6,000	---

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CLOSING

Mayor Lewis explained that issue papers and parking lot items would be discussed at the next budget session.

ADJOURNMENT/RECESS

Commissioner Jim Kohr moved **to recess until 6:00 p.m. on Wednesday, May 11, 2022 to continue budget discussions.** Commissioner Wilson seconded and the motion carried unanimously. (5-0) The meeting adjourned at 5:09 p.m.

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Date approved: _____

 William L. Lewis, Jr., Mayor

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Attest:

Mary C. Weigl
 Deputy City Clerk

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