

The Washington City Council met in a continued session on Tuesday, May 8, 2012 at 5:30 pm in the City Council Chambers at the Municipal Building. Present were: Bobby Roberson, Mayor Pro tem; Doug Mercer, Councilman; Edward Moultrie, Councilman; William Pitt, Councilman; Richard Brooks, Councilman; Josh Kay, City Manager; and Reatha B. Johnson, Assistant City Clerk. Mayor Archie Jennings was absent.

Also present were: Matt Rauschenbach, Chief Financial Officer; Anita Radcliffe, Assistant Financial Officer; Stacy Drakeford, Interim Fire & Police Services Director; Allen Lewis, Public Works Director; John Rodman, Planning Director; Philip Mobley, Parks and Recreation Director; Susan Hodges, Human Resource Director; Gloria Moore, Library Director; Lynn Lewis, Tourism Director and David Carraway, IT Department.

Mayor Pro tem Roberson called the meeting to order and Councilman Moultrie delivered the invocation.

PUBLIC BUDGET WORKSHOP

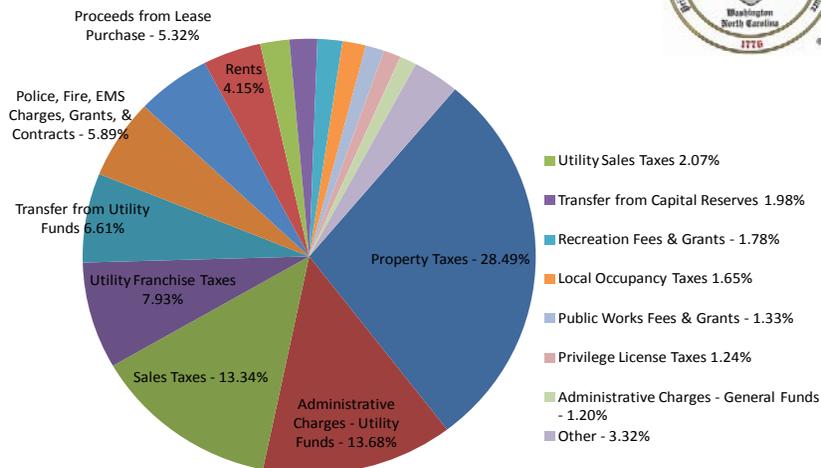
City Manager, Josh Kay presented and explained the general fund presentation:

- General Fund Overview
- Analysis by Department
 - Overview of major expense categories
 - Personnel
 - Operations
 - Capital
 - Debt

General Fund Revenue

- Proposed: \$14,502,346
 - 2009/2010 Actual: \$14,081,603
 - 2010/2011 Actual: \$14,414,191
 - 2011/2012 Budget: \$15,722,584
- Estimate: \$15,797,988
 - Hurricane Irene: \$338,368
 - Brown Street Bridge: \$585,033

General Fund Revenue



Mayor Pro tem Roberson requested highlighting the Proceeds from Lease Purchases. Mr. Kay explained this is essentially new debt (59 months financing - new capital that is going on in the City) revenue coming in but is directly spent out.

General Fund Revenue

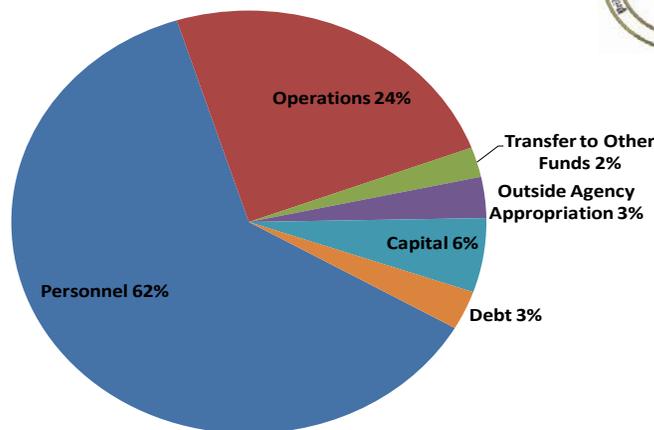
- Major Components

- Property Taxes: \$4,131,324 (28.49%)
 - No Tax Rate Increases requested
 - Historical
 - 2010 Actual: \$3,839,047
 - 2011 Actual: \$4,112,050
 - 2012 Budget: \$4,035,260
 - 2012 Estimate: \$4,155,095
- Administrative Charges from Utility Funds: \$1,984,263 (13.68%)
- Page 354 in Budget explains formula used

- General Fund Revenue
 - Major Components
 - Sales Taxes: \$1,935,263 (13.34%)
 - Utility Franchise Taxes: \$1,150,422 (7.93%)
 - Transfer from Utility Funds: \$958,616 (6.61%)
 - 2010 Actual: \$1,173,150
 - 2011 Actual: \$973,150
 - 2012 Budget: \$1,198,140
 - Proceeds from Installment Purchases: \$771,368 (5.32%)

Mr. Kay explained that the Proceeds from Installment Purchases of \$771,368 (5.32%) is new capital and new debt. One of the goals directed by Council to staff was to try to eliminate debt – but we are in a very unfortunate budget year. Mr. Kay voiced reduced revenue and expenditures is increasing cost that is out of our control. Three (3) month financing allows us to hold down our debt service for this fiscal year. Next year we will have twelve (12) months of debt service.

General Fund Expenses



General Fund Expenses

- Personnel: \$8,957,932 (62%)
 - 150 FTE's Budgeted
- Operations: \$3,507,811 (24%)
- Capital: \$822,188 (6%)
- Outside Agency Appropriations: \$453,175 (3%)
- Debt: 429,966 (3%)
- Transfer to Other Fund: \$331,274 (2%)

Mr. Kay explained that general fund is very personnel heavy (62%). Councilman Mercer expressed concerns regarding the Outside Agency Appropriations debt of \$453,175 (3%) noting it is now approaching ½ million dollars. Councilman Mercer stated when they arrive at other areas in the presentation he would like to have more conversation about reducing the \$453,175 allocations for Outside Agencies.

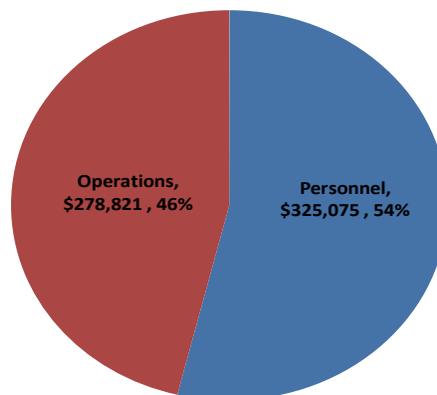
Administration & Governance

- Total: \$603,896
 - City Council: \$53,183 (0.37%)
 - 2011/2012 Budget: \$67,003

- Mayor: \$12,494 (0.09%)
 - 2011/2012 Budget: \$14,075
- City Manager: \$298,219 (2.06%)
 - 2011/2012 Budget: \$289,403
- Legal Services: \$240,000 (1.65%)
 - 2011/2012 Budget: \$260,000

Mayor Pro tem Roberson highlighted legal expenses. Mr. Kay noted that last year staff was charged with reducing legal expenses by 20% and shared we paid out \$260,000 last year. Mr. Rauschenbach verified that the estimate to date is \$236,000. Councilman Mercer suggested exploring the possibility of hiring a full time in house counsel rather than going outside. Also, Mayor Pro tem Roberson highlighted the City Manager's budget stating that last year's budget was \$289,403 and this fiscal year it is \$298,219.

Administration & Governance



General Fund Expenses

- **Other Departments: \$1,748,565**
 - TDA: \$116,771 (0.81%)
 - Municipal Building: \$244,333 (1.68%)
 - Miscellaneous: \$889,142 (6.13%)
 - Transfer to Airport Fund: \$83,158
 - Transfer to Cemetery Fund: \$117,215
 - Tourism Authority: \$232,800
 - Economic Development: \$166,601 (1.15%)
 - EDC Operations: \$61,780
 - Harbor District Alliance: \$66,000
 - Professional Services: \$30,000
 - Civic Center: \$254,423 (1.75%)

Mr. Kay explained the \$30,000 was a new line item and he recommends using this for retail downtown development or economic development consulting services. Finding outside consultants that will be able to come in and assist the City in retail recruitment.

Discussion continued regarding Outside Agency Funding. Councilman Mercer stated the way the bylaws are written for EDC, they were supposed to present Council with a budget in March and the City did not received a budget; therefore, he requests we cut the funding to \$60,000 and can adjust it at a later date if the need arises. Also, EDC is in sort of a limbo with the hiring of a new director and the salary should not be as much as the current director. Further, if a budget isn't presented at the appropriate time next year then he would suggest not funding them.

Mayor Pro tem Roberson suggested having conversation with the County during the hiring process of the new director since the City is the second largest contributor. Councilman Mercer recommended rather than having the City and County be the major contributors, have the bylaws based on appropriation by population. Mayor Pro tem Roberson stated we need to review how the City spends its allocation for EDC. Councilman Moultrie inquired if the City had any say so about EDC (do we have a

representative) response ‘yes’ Councilman Mercer is the City’s representative. Councilman Pitt suggested holding off any appropriation since EDC is in a state of limbo right now and Councilman Mercer stated they have a leader until the end of June.

Councilman Mercer expressed concern regarding the \$66,000 allocated to Harbor District Alliance. Also, there was \$17,000 requested for the study of a Hotel. If he recalls correctly, Council has not seen the study. Mayor Pro tem Roberson stated the study has been completed and Mr. Kay shared the results of the study – Washington could support a 61 room hotel. Councilman Mercer requested reducing outside agency funding by 1/3 (Council we will pick the ones to address). Council should go down 1/3 each year and the agency will have three years to get there funding in order. Councilman Moultrie had concerns regarding this request and stated we should look into what each agency is doing because there are some agencies that are not self sufficient. Councilman Mercer expressed concern regarding the \$25,000 allocation for Purpose of God as they were only given \$1,600 in the present budget and suggested decreasing funding to \$16,000 and Council members Moultrie and Brooks disagreed. Councilman Brooks suggested Council have a meeting to discuss why we should or should not cut funding for these agencies. Councilman Moultrie inquired if members of Council have we sat down with the organizations and told them eventually funding would be cut in three years and Mayor Pro tem Roberson responded ‘no’. Mayor Pro tem Roberson recommended a special meeting to go over the outside agencies funding with each agency providing a one page summary about how the allocation will be spent before adopting the budget. Councilman Pitt suggested becoming eyes for agencies with Council members giving the agency direction. Mayor pro tem Roberson requested each agency provide the City with an invoice for the funding amount before payment. Staff was directed to develop a policy for outside agency funding and Mr. Kay voiced this would be provided at the special meeting.

Councilman Mercer directed Council attention to page 55 regarding the appropriation for the Turnage Theater of \$8,800 and stated this should be deleted from the budget since the Turnage is in foreclosure and Council agreed.

Mayor Pro tem Roberson requested clarification on TDA allocation and Mr. Rauschenbach explained.

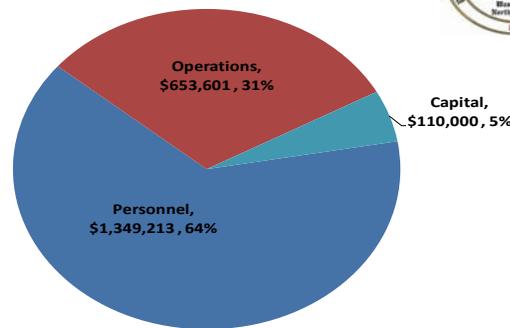
General Fund Expenses

- Outside Agencies: \$77,295 (0.53%)
 - Arts Council: \$16,000
 - Boys & Girls Club: \$16,000
 - Zion Shelter: \$5,000
 - Wright Flight: \$3,500
 - East Carolina Wildlife Guild: \$7,045
 - The Blind Center: \$1,000
 - Christmas Parade: \$1,500
 - Eagle’s Wings: \$1,000
 - Human Relations Council: \$1,000
 - Purpose of God: \$25,000
 - Washington Community Care: \$250

Administrative Services

- **TOTAL: \$2,112,814**
- Finance: \$508,171 (3.5%)
- Human Resources: \$283,009 (1.95%)
 - Elimination of health screening, but increase in health coaching
- Purchasing & Warehouse: \$128,214 (0.88%)
- Information Services: \$356,230 (2.46%)
 - Replacement of utilities server (\$45,000)
 - Install fiber from City Hall to Communications Center (\$65,000)
- Billing: \$154,922 (1.07%)
- Customer Service: \$682,268 (4.7%)

Administrative Services



Mr. Kay stated health insurance was a major increase and that 44% was the lowest possible bid in health coverage for the City this year. In the proposed budget, the City will be picking up 30% of the 44%.

Mayor Pro tem Roberson questioned what could be done to help the employees address health related issues because it appears health screening is not working? Mr. Kay highlighted that we are eliminating health screening (we have had three years of doing the screening and the results haven't changed). Human Resource Manager, Susan Hodges voiced the City is partnering with Vidant Health this year and have implemented a health coaching program. Mr. Kay stated all employees with the exception of one is participating in the program. Mayor Pro tem Roberson inquired if health related issues are part of the performance evaluation – response 'no' we have to be careful and consider any legal issues (health issues are protected and you can't discriminate). Councilman Mercer inquired if the pre employment physical does any screening that is job related and Ms. Hodges stated that police and fire is the only department with a pre employment physical and they are medicals.

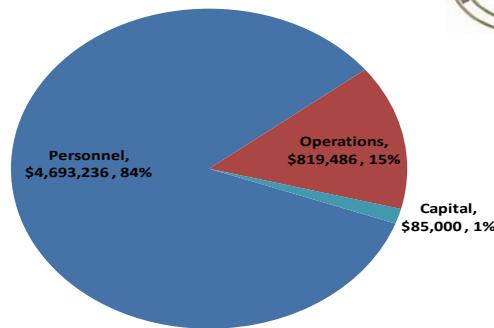
Mayor Pro tem Roberson questioned the installation of fiber from City Hall to Station 2 and Mr. Kay used Hurricane Irene as an example – how we lost optic cable communication at the City of Washington.

Councilman Mercer questioned the five employees in the finance department requiring four computers this year and noted two were requested last year. In the last five years there have been nine computers requested for five employees. Councilman Mercer asked for justification and Mr. Rauschenbach requested time to go back and review. Mr. Kay suggested looking at the entire computer replacement schedule to determine the true need. The computer inventory along with the replacement schedule will be provided to Council.

Police & Fire Services

- **TOTAL: \$5,597,722**
- Police: \$2,792,758 (19.26%)
 - 39 FTE's budgeted (down from 42)
 - Animal Control
 - 2 Police Cars: \$55,000
- E-911 Communications: \$393,774 (2.72%)
 - No Changes
- Fire: \$1,691,243 (11.66%)
 - 26.5 FTE's budgeted (No change)
- EMS: \$719,947 (4.96%)
 - Power Stretcher: \$12,500

Police & Fire Services



Mr. Kay voiced Animal Control will be moving back in house. At the present, we are paying the County \$27,500 (there are some upfront cost for the City).

Councilman Pitt stated the City is paying a County dispatcher \$40,000 for the transfer of answering 911 for the County and suggested looking at a timeframe this allocation should end. Councilman Mercer voiced the combination of service was schedule to take place last year but due to some issues this did not occur. Also, Councilman Pitt requested taking a look at how we can get back some of the money for PSAP as it all goes to the County now (E911 money for the secondary PSAP). It was pointed out by Council members that the City does not qualify for a secondary PSAP and that this will be an issue.

Mayor Pro tem Roberson suggested making a conscientious effort to determine where the new police facility will be located and the strategy for financing. Councilman Brooks stated we need to let the employees know where we are headed and what they will face in this picture. Councilman Pitt suggested considering combination of police and fire to be cost effective. Councilman Mercer voiced when building Station Two we should have looked at building a combination facility which would have only cost a few bucks more.

It was mentioned that it will take 4 million dollars to rehab City Hall; therefore, Council should consider if they wish to rehab City Hall or look for a large enough space to house the administrative offices as well as police.

Community & Cultural Services

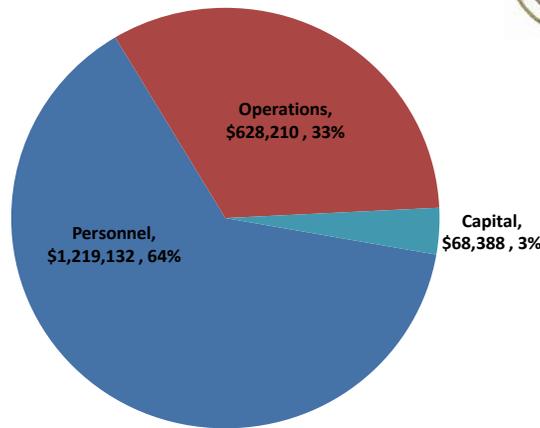
- **TOTAL: \$1,915,730**
- Code Enforcement/Inspections: \$237,200 (1.64%)
 - Contract House Demolition: \$10,000
- Planning & Zoning: \$299,661 (2.07%)
- Brown Library: \$464,774 (3.2%)
 - Replace 1 HVAC unit: \$15,000
 - Replace 2 servers: \$47,568

Mayor Pro tem Roberson expressed concern with the Contract for Housing Demolition of \$10,000 and stated this was not enough to get the job done – there is a need to address at least taking out five houses at \$50,000. Mayor Pro tem Roberson explained the issues we are having with housing and we need to be serious.

Community & Cultural Services

- Recreation Administration: \$107,713 (0.74%)
- Events & Facilities: \$181,443 (1.25%)
 - Replacement of Security System at Bobby Andrews Center: \$8,000
- Senior Programs: \$223,753 (1.54%)
 - Building Maintenance & Upgrades: \$12,820
- Waterfront Docks: \$104,106 (0.72%)
 - Installation of piling caps: \$2,000
- Aquatics Center: \$297,080 (2.05%)
 - Replacement of pool heater: \$6,000
 - Replacement of security system: \$4,500

Community & Cultural Services



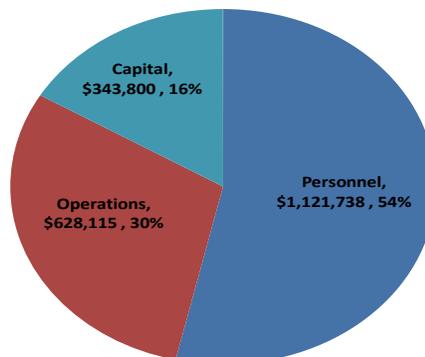
Public Works

- **Total: \$2,093,653**
- Equipment Services: \$119,453 (0.82%)
- Street Maintenance: \$467,951 (3.23%)
- Powell Bill: \$514,635 (3.55%)
 - Replace Street Sweeper (\$462): \$240,000
- Street Lighting: \$120,000 (0.83%)

Public Works

- Public Works Director: \$66,490 (0.46%)
- Storm-Water Improvements: \$302,626 (2.09%)
- Parks & Grounds Maintenance: \$502,498 (3.46%)
 - Storage building at Complex: \$9,000
 - 72' deck-mower: \$13,000
 - Grapple Hook: \$2,800
 - 1/5th of boardwalk replacement: \$19,000
 - Soccer Field lighting: \$10,000
 - Grant match for west-end restrooms: \$50,000

Public Works



Councilman Mercer expressed concern regarding \$302,626 Storm-Water Improvements line item (page 106). Mr. Kay stated this is primarily where the salary is coming in (storm-water operating cost).

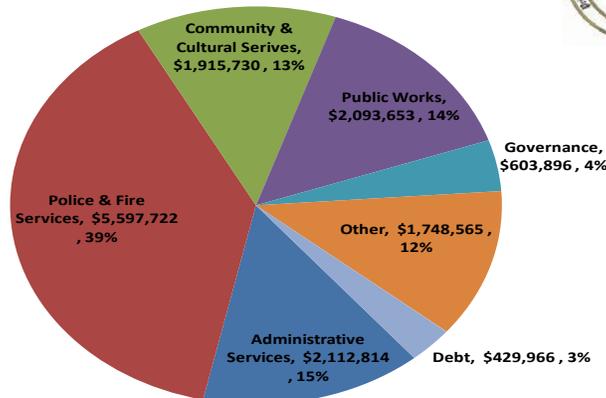
Councilman Brooks asked if the City receives funding for street improvements. Mr. Kay stated we received Powell Bill funding and a portion of those dollars are restricted for street paving and transportation related. Council discussed the argument with the State and instructed Mr. Kay to give them an update on Highway 17 and the \$1.7 million dollars along with any possible next step.

Debt

- **Total: \$429,966**
 - New Installment Note P&I: \$43,700

-
- 3 months of debt service only
 - USDA Loan P&I: \$171,935
 - Bank of America P&I: \$44,385
 - RBC P&I: \$165,569
 - Recovery Bond P&I: \$4,377

General Fund Expenses



Mr. Kay thanked the Chief Financial Officer and his staff as well as Department Heads and their staff for preparing FY 2012-13 budget.

Members of Council reiterated Mayor Jennings comment on Monday night and thanked Mr. Kay along with staff for a very well prepared and presentation of the budget.

ADJOURN

By motion of Councilman Pitt, seconded by Councilman Brooks, Council adjourned the meeting at 6:55 pm until Monday, May 14, 2012 at 5:30 am in the Council Chambers at the Municipal.

Reatha B. Johnson
Assistant City Clerk