

## MINUTES

Special Meeting: Budget Session  
City Hall Council Chamber

April 22, 2008  
Tuesday, 12:00 Noon

**Present:** Mayor W. Ted Alexander, presiding; Council Members Christopher H. (Chris) Mabry, Jeanette D. Patterson, Michael R. (Mike) Royster, Joel R. Shores, Jr., Andrew L. Hopper, Sr.; City Manager Rick Howell, City Clerk Bernadette A. Parduski, CMC, Director of Finance Theodore B. (Ted) Phillips, CPA, Director of Utilities Brad R. Cornwell, PLS, EI, Assistant Director of Utilities Julie McMurry, Interim Police Chief Jeffrey H. (Jeff) Ledford, Director of Public Works Daniel C. (Danny) Darst, Director of Parks and Recreation Charlie Holtzclaw, Director of Development Services Brian L. Pruett, Director of Planning Services Walter (Walt) Scharer, AICP; and media representatives

**Absent:** Council Member Larry G. Ware  
City Attorney Sam B. Craig

Mayor Alexander called the meeting to order at 12:20 p.m. The Mayor gave the invocation and Mr. Shores led the *Pledge of Allegiance*.

### A. Opening Remarks

In his opening statement, Mr. Howell provided Council with his historical perspective regarding the City's budget process and commented that the people, which include the elected officials and City staff, have changed dramatically, but the City's budget issues remain the same and continue to present challenges.

Mr. Howell stated that this session will be limited to a "big picture" overview of the City's General Fund revenues and expenditures.

### B. Fiscal Year 2007-2008 Year to Date Budget Report

Mr. Howell distributed and presented an outline of the City's General Fund major revenue sources for the fiscal year to date at March 31, 2008 as follows:

- **Property Taxes** – Mr. Howell noted and explained that there is a variance in the percentage of property taxes collected due to the timing difference related to the PPG annexation in fiscal year 2007.

- **Local Option Sales Tax – Mr. Howell commented that the City has benefited from the State of North Carolina’s growth for its sales tax reimbursement.**
- **Utility Franchise Tax – Mr. Howell stated that this revenue has been relatively flat.**
- **Transferred from Electric Fund – After a brief discussion regarding transfer history, Mr. Howell reminded Council of the City’s adopted policy not to exceed a 3 percent transfer from this fund to the General Fund, which has been followed.**
- **Transferred from Gas Fund – After a brief discussion regarding the advantages and disadvantages of transferring from the Gas Fund to the General Fund, Mr. Howell suggested that the City’s downward trend in consumer gas consumption needs to be reflected within the budget process. He reminded Council that there is no formal City policy on Gas Fund transfers and this may be a topic for future discussion.**
- **Garbage Disposal Fees – Mr. Howell recommended Council give consideration to operating the solid waste collection site as a pay-as-you-go service. The fee would have to be increased to \$12 in order for the City to reach the breakeven on collecting solid waste.**

**Mr. Howell and Mr. Phillips briefly reviewed the General Fund Expenditure Report, the Utility Fund Expenditure Report, the Utility Funds Major Revenue, the Weather Variances, the List of Investments, the General Fund Debt Service, the Water Fund Debt Service, the Sewer Fund Debt Service, the Electric Fund Debt Service, the Gas Fund Debt Service, and the Powell Bill Fund Debt Service Reports.**

#### **C. General Fund 5 Year Budget Trend**

**Mr. Howell reviewed the 5 year budget trend chart which summarized the General Fund’s total expenditures with figures he acquired from the previously adopted budgets, FY 2003-2008. He pointed out that the 5 year change indicated an overall 8.8 percent increase in personnel related costs, operating expenses, capital outlay, debt service, and allocated costs and he reiterated that the City has historically done a good job at holding costs in check.**

#### **D. General Fund Revenue Forecasts FY 2008-2009**

- **Real Property Revaluation – Mr. Howell reminded Council that the**

North Carolina General Statutes require that in the year in which a general reappraisal of real property has been conducted, a statement of the revenue-neutral tax rate is to be included in the budget for comparison purposes. Mr. Phillips reviewed the required calculations and the assessed values given to him by the Cleveland County Assessor's Office and stated that the revenue-neutral tax rate for Shelby in fiscal year 2008-2009 would be 42.17 cents compared to the current rate of 43.5 cents. Accordingly, Mr. Phillips said the new revenue is \$119,550.00 and one penny on the tax rate generates \$164,805.75.

- **Local Option Sales Tax Growth** – Mr. Phillips explained that the North Carolina League of Municipalities tracks the State's sales tax numbers which are showing a downward trend. In years past, the City relied on the sales tax distribution by Cleveland County as a growing revenue source; however, if the trend is correct, Mr. Phillips stated budget adjustments will be necessary to reflect the shortfall. He also noted that the City's reimbursement for Local Option Sales Tax and Utility Franchise Tax from the State runs three months behind.

#### **E. General Fund Expenditure Issues/Drivers**

- **Fuel Costs** – Mr. Howell stated that the City is anticipating approximately \$160,000 in new costs to cover fuel expenses. He reminded Council that City services, for the most part, are delivered through the use of vehicles i.e. Police, Fire, Public Works, and the Utilities Departments.
- **Employee Health Insurance** – Mr. Howell said the City's group health insurance has been quoted by United Health Care at a 23 percent increase and by Blue Cross/Blue Shield at a 17 percent increase above the current premium. The North Carolina League of Municipalities has yet to complete its quote for consideration. Mr. Howell added that the City's loss ratio (claims paid to premiums paid) in December 2007 was at 98 percent for active employees.
- **Employee Pay Raises** – Mr. Howell reminded Council of the newly implemented Performance Review and Development System, which will require Council's consideration to continue funding.
- **Debt Service** – Mr. Howell commented that the General Fund debt service is generally low at this time.

#### **F. Proposed Budget Workshop Dates**

- Thursday, May 8, 2008, at 12:00 Noon, City Hall Council Chamber
- Tuesday, May 13, 2008, at 12:00 Noon, City Hall Council Chamber

**ACTION TAKEN:** Upon a motion by Mr. Royster, second by Mr. Hopper, City Council voted unanimously to set the budget workshop dates as proposed.

**G. Adjournment:**

**1) Motion to adjourn**

**ACTION TAKEN:** Upon a motion by Mr. Shores, second by Mr. Hopper, City Council voted unanimously to adjourn the meeting at 1:37 p.m.

Respectfully submitted,

Bernadette A. Parduski, CMC  
City Clerk

W. Ted Alexander  
Mayor

Minutes of April 22, A. D. 2008

