

## MINUTES OF SHELBY CITY COUNCIL

Special Meeting – Budget Workshop  
Don Gibson Theatre

May 14, 2024  
Tuesday, 12:10 p.m.

**Present:** Mayor O. Stanhope Anthony III, presiding; Council Members David Causby, Violet Arth, Charles Webber, Andrew Hopper, Sr., Emilie Bullock, and David W. White, City Manager Rick Howell, MPA, ICMA-CM, Assistant City Manager Justin Longino, MBA, Assistant City Manager Ben Yarboro, City Attorney Jason Lunsford, City Clerk Carol Williams, Director of Finance Elizabeth (Beth) B. Beam, CPA, Director of Human Resources Deborah C. (Deb) Jolly, Director of Public Works Scott Black, Police Chief Brad Fraser, Fire Chief William P. Hunt, MPA, EFO, Director of Water Resources Brian Wilson, Ronnie Davis, Electric Department Operations Manager, and Economic Developer Brandon Ruppe

Mayor Anthony called the meeting to order at 12:10 p.m. and welcomed all who were in attendance.

Mr. Howell stated his goal is to have the budget message ready by the May 20<sup>th</sup> Council meeting and the Public Hearing for the budget on June 3<sup>rd</sup>; Council can vote on the budget after the Public Hearing or wait until the next meeting which is on June 17<sup>th</sup>. Today the focus is on the City's Enterprise funds. The presentation and all handouts are hereby incorporated by reference and made a part of these Minutes.

Mr. Howell stated that the enterprise funds (Water, Sewer, Stormwater, Electric and Natural Gas) need to be self-supporting, and the City needs to pay their bills and maintain the systems with the money that is received, and if there is excess money left over, then Council has the option of transferring that money.

As a reminder, Mr. Howell reviewed the City Manager's responsibilities in the budget process as well as by the Local Government Budget and Fiscal Control Act, adding:

- North Carolina General Statute 159-9 designates the City Manager as the budget officer. North Carolina General Statute 159-11 requires submission of a balanced budget and budget message prior to June 1 each year, which does not have to occur at a formal Council meeting.
- The City Manager is obligated as the Chief Operating Officer to submit a responsible budget that provides for desired service levels and addresses Council's goals and priorities for the City.

- North Carolina General Statute 159-13(b) (14) directs and limits no appropriation may be made from a utility or public service enterprise fund to any other fund than the appropriate debt service fund unless the total of all other appropriations in the fund equal or exceed the amount that will be required during the fiscal year, as shown by the budget ordinance, to meet operating expenses, capital outlay, and debt service on outstanding utility or enterprise bonds or notes.

Mr. Howell stated that the overview of the Enterprise funds will include a description and explanation of revenue sources and discussion of significant budget expenditures.

### **SEWER FUND**

Mr. Howell stated that 95% of the money we spend in the Sewer Fund comes from our sewer revenues, the other 5% comes from connection fees, proceeds from financing, grease trap inspection fees, late fees and other minor incomes.

Sewer Revenue notes:

- A 4% sewer rate increase is proposed that will generate approximately \$250,000 annually. The 4% sewer rate increase amounts to about \$1.27 per month for the average inside customer.
- A proposed transfer of approximately \$500,000 comes from the Natural Gas fund and the Economic Development fund to the Sewer fund which will pay the sewer fund's portion of the debt issued for Project Grizzly (Clearwater S2).
- One-time appropriations to net retain earnings will fund capital projects and system improvements.

Sewer Expenditure notes:

- Spending increases due to personnel costs.
- Debt service is up due to equipment debt taken this year, the debt issued for Project Grizzly, and also the Biosolids Project debt.
- Capital spending is up significantly as well.
- A 2.5% salary increase in July and a subsequent increase of 2.0% in January, 2025; will result in the City being on a January cycle for salary increases. Water Resources will get an additional 5% increase this year.

- A 6% health insurance increase is proposed due to our utilization rate being above our premium rate.
- Debt service increase - \$310,000 is the Project Grizzly sewer debt, the rest is debt incurred for capital equipment and vehicles
- System improvements are budgeted for \$475,000 with focus on infiltration and inflow, right of way clearance, and rehabilitation projects.

Mr. Howell stated the sewer fund is in sound condition with over \$4 million in net cash reserves for capital projects.

## WATER FUND

Mr. Howell stated that 85% of the money we spend in the Water Fund comes from our water revenues, the other 15% comes from connection fees, tap fees, late fees and other minor incomes.

### Water Revenue notes:

- A 4% water rate increase is proposed that will generate approximately \$250,000 annually. The 4% water rate increase amounts to about \$1.17 per month for the average inside customer.
- A proposed transfer comes from the Natural Gas fund and the Economic Development fund to the Water fund which will pay the water fund's portion of the debt issued for Project Grizzly (Clearwater S2).
- One-time appropriation of \$410,000 to net retain earnings will fund capital projects and system improvements

### Water Expenditure notes:

- Spending increases due to personnel costs including salary enhancements.
- Capital spending is up significantly.
- A 2.5% salary increase in July and a subsequent increase of 2.0% in January, 2025; will result in the City being on a January cycle for salary increases. Water Resources will get an additional 5% increase this year.
- A 6% health insurance increase is proposed due to our utilization rate being above our premium rate.

- Debt service is high due to the Project Grizzly water debt, the rest is debt incurred for the two new clear well tanks, pumping station and other improvements at the Water Plant capital equipment and vehicles.
- System improvements are budgeted to invest back into the system.

## **STORMWATER FUND**

The Stormwater Program started about ten years ago with a charge of \$1.50 and since then there have been incremental increases.

Stormwater Revenue notes:

- Proposed Stormwater rate for 2024-2025 budget will increase from \$2.63/month to \$3.31/month. This increase will amount to approximately \$250,000 annually. Our monthly rate is still lower than comparable municipalities in our area.

Stormwater Expenditure notes:

- Personnel costs are down due to shifting a couple positions to the Electric budget.
- Very little debt service in this fund, and it's mainly rolling stock equipment.
- One-time appropriation will help fund capital projects and system improvements.
- A 2.5% salary increase in July and a subsequent increase of 2.0% in January, 2025; will result in the City being on a January cycle for salary increases. Water Resources will get an additional 5% increase this year.
- A 6% health insurance increase is proposed due to our utilization rate being above our premium rate.
- Proposed to borrow \$350,000 to purchase a street sweeper with financing over a five-year period. Street sweepers last around 7 - 8 years.
- Continuation of the Stormwater Assistance Program is important. The additional \$250,000 generated from the Stormwater rate increase will help alleviate the backlog of stormwater repairs and projects.

## **NATURAL GAS FUND**

Mr. Howell stated the Natural Gas Fund is hard to budget for because natural gas is traded as a commodity on the market. The budget is an educated guess as to what the average cost of gas will be and the amount of gas we anticipate using. The City charges our customers what it costs us to buy the gas at a weighted average cost, plus our operating costs.

**Natural Gas Revenue notes:**

- No increase in the margin rate is recommended for this coming fiscal year.
- Overall, there is a decrease in revenues of 3.8%.

**Natural Gas Expenditure notes:**

- Debt service is up slightly which is part of the Project Grizzly debt.
- Capital spending is up slightly.
- There are transfers to other funds (Water and Sewer).
- Personnel costs are up.
- A 2.5% salary increase in July and a subsequent increase of 2.0% in January, 2025; will result in the City being on a January cycle for salary increases.
- A 6% health insurance increase is proposed due to our utilization rate being above our premium rate.
- Operating costs are down and are largely dependent on the weather.

The City buys natural gas directly from Williams Transco pipeline; we pay fees to Williams Transco and other transport costs in addition to the costs of gas.

There is a \$2.4 million transfer to the General Fund; this amount has not changed in 15 years. The Natural Gas Fund cannot afford to transfer anymore because it pays debt to the Water and Sewer Funds. Also, the average US customer uses 20 – 25% less gas today than they did years ago.

**ELECTRIC FUND**

A proposed 3.5% retail rate decrease will result in the average customer bill decreasing by around \$4.00/month.

**Electric Revenue notes:**

- Expect to have some revenue growth, not a huge amount.
- A one-time credit from the NCMPA1 in the amount of \$3.4 million.
- Fund balance appropriation of over \$1 million.

**Electric Expenditure notes:**

- Personnel costs are up due to moving two positions into the Electric Department.
- Capital spending is reduced from previous year.
- Wholesale power for resell is down about \$1 million.
- A 2.5% salary increase in July and a subsequent increase of 2.0% in January, 2025 will result in the City being on a January cycle for salary increases.
- A 6% health insurance increase is proposed due to our utilization rate being above our premium rate.

**ADJOURNMENT**

**ACTION TAKEN:** Upon a motion made by Ms. Arth, City Council voted unanimously to adjourn the meeting at 1:22 p.m.

**Respectfully submitted,**

**Carol Williams  
City Clerk**

**O. Stanhope Anthony III  
Mayor**