

**BUDGET REVIEW SESSION
MAY 27, 2015 – 3:00 P.M
3rd FLOOR LOBBY CONFERENCE ROOM (FISHBOWL)**

MINUTES

PRESENT:

Mayor William Bencini; Latimer Alexander (At-Large); Cynthia Davis (At-Large); Jeffrey Golden (Ward 1); Chris Williams (Ward 2); Alyce Hill (Ward 3); Jay Wagner (Ward 4); Mayor Pro-Tem James Davis (Ward 5) and Jason Ewing (Ward 6).

STAFF PRESENT:

Greg Demko, City Manager; Randy McCaslin, Deputy City Manager; Eric Olmedo, Budget and Performance Manager; Laura Altizer, Senior Budget Analyst; Roslyn McNeill, Budget Analyst; Jeron Hollis, Public Information; Jeff Moore, Director of Finance; Angela Kirkwood, Director of Human Resources; JoAnne Carlyle, City Attorney; Loren Hill, President, High Point Economic Development Corporation; Tom Vincent, Deputy City Clerk, Lisa Vierling, City Clerk.

MEDIA PRESENT:

Pat Kimbrough, *High Point Enterprise*

Note: The following hand-outs distributed at this meeting will be attached as a permanent part of these proceedings: Presentation/data from Overview of the proposed FY 2-15-2016 Budget; Non-Profit Funding Recommendation from Finance Committee

Budget Presentation and Discussion

Mayor Bencini thanked City Manager Greg Demko and his professional staff for the work they did developing this proposed budget.

*City Manager Greg Demko advised Council that today he wanted to go through an overview of the budget and review the budget message. He advised that there are a series of budget reviews scheduled and noted the public hearing on the budget is scheduled for Monday, June 1, 2015 at 5:30 p.m. The proposed budget totals **\$364,048,404** with the General Fund totaling **\$102,416,709**. Mr. Demko noted this is a stagnant budget with a refocus on improving and cleaning up the City's appearance.*

He explained the General Fund entails the Public Works, Fire, Police and Recreation departments, etc.... Mr. Demko pointed out that High Point is a full-service city and offers tremendous levels of service to its citizens. He noted one of the messages Council shared with him was they felt the tax rate was too high. Mr. Demko added that some of the things the City offers, for example the Parks and Recreation facilities are extensive, a theatre and a library as well the City's public safety and public services. He said the City has two lakes, two marinas, two golf courses, disc golf, two swimming pools and a campground, a Miracle Field, six recreation centers, 28 tennis courts, 21 miles of greenway, 50 parks, 30 playgrounds, 1922 acres of parkland and 36 picnic shelters. On average, this equates to a park for every 2,000 people.

He reported that the City's Police Department is well-run, well-organized and has received a lot of national recognition. Mr. Demko also gave accolades to the Fire Department on the ISO 1 rating and

pointed out the rarity of this as very few fire departments achieve a rating this high and it greatly benefits the residents by lowering the cost of insurance. He also mentioned the Theatre and the Library, both state-of-the-art facilities.

Eric Olmedo, Budget and Performance Manager, provided an overview of the data comparing other cities of general population, number of General Fund full-time employees, square miles, tax rate, penny on the tax rate, and General Fund Per Capita. The comparison cities were **High Point, Wilmington, Greenville, Asheville and Concord.**

Some of the data results reported were:

COMPARISON CITIES

General Fund Departments	High Point	Wilmington	Greenville	Asheville	Concord
Population:	107,741	112,067	89,130	87,236	83,506
# of General Fund FTE's:	913	811	535	911	584
Square Miles:	56.4	52.0	35.0	45.0	60.0
Tax Rate:	66.4	46.0	54.0	46.0	48.0
Penny of Tax:	914,000	1,137,500	597,000	1,075,000	915,000
General Fund Per Capita:	931	813	865	1,141	857

Net Budget Analysis (penny of tax)

General Fund Departments	High Point	Wilmington	Greenville	Asheville	Concord
GENERAL GOVERNMENT					
City Council	0.2	0.2	0.3	0.1	0.2
City Clerk	0.1	0.2	0.2	0.1	Council
City Manager	0.7	1.0	1.0	0.9	1.0
City Attorney	0.3	0.7	0.4	0.6	0.3
Budget and Evaluation	0.1	0.3	Finance	0.1	Finance
Human Relations	0.1	None	None	None	None
Facility Services	1.0	2.5	4.6	General Svcs.	3.2 *
Human Resources	0.8	0.7	2.4	1.0	0.9
Financial Services	1.0	1.6	2.2	1.9	1.1
Info. Tech Services	1.8	2.0	2.5	1.8	2.1*
General Services (fleet/facilities)	-	-	-	1.7	-
Subtotal	6.1	9.2	13.6	8.2	3.5
*Internal Service Fund					

Net Budget Analysis (penny of tax)

General Fund Departments	High Point	Wilmington	Greenville	Asheville	Concord
PUBLIC SAFETY					
Communications Center	2.4	County	County	County	1.8
Police	25.0	22.8	35.3	23.0	19.4
Fire	21.0	14.2	16.5	19.1	18.7
Subtotal	48.4	37.0	51.8	42.1	39.9

Net Budget Analysis (penny of tax)

General Fund Departments	High Point	Wilmington	Greenville	Asheville	Concord
PUBLIC SERVICES					
Cemetery	0.3	None	None	None	0.5
Transportation	4.7	3.0	1.3	2.4	1.5
Public Services Admin	0.2	0.2	0.7	1.2	In Street Maint.
Engineering Services	1.6	1.2	4.0	0.5	In Street Maint.
Street Maintenance	2.1	(0.7)	(3.0)	1.2	4.3
Subtotal	8.9	3.7	3.0	5.3	6.3

Net Budget Analysis (penny of tax)

General Fund Departments	High Point	Wilmington	Greenville	Asheville	Concord
COMMUNITY AND ECONOMIC DEV.					
Planning	1.1	1.2	1.0	1.0	2.1
Building Inspections	1.4	0.4	1.3	1.0	0.7
Community Dev. and Housing	0.2	0.1	0.9	In CDBG	In CDBG
Economic Development	0.2	0.1	0.9	0.7	1.3
Subtotal	2.9	1.8	4.1	2.7	4.1

Net Budget Analysis (penny of tax)

General Fund Departments	High Point	Wilmington	Greenville	Asheville	Concord
CULTURAL AND RECREATION					
Parks and Recreation	8.3	5.3	8.6	7.9	5.4
Library	4.2	County	County	County	County
Historical Museum	0.7	None	None	None	None
Theatre	1.0	None	None	None	None
Subtotal	14.2	5.3	8.6	7.9	5.4

Net Budget Analysis (penny of tax)

General Fund Departments	High Point	Wilmington	Greenville	Asheville	Concord
NON-DEPARTMENTAL					
Special Appropriations	2.8	2.6	(0.4)	2.1	3.1
Outside Agency Funding	0.4	1.2	Housing Fund	0.1	0.1
Transfer to General Debt Service	6.3	8.2	7.1	4.6	3.1
Transfer to Solid Waste Fund	2.8	n/a	-	-	n/a
General Capital Projects	0.4	-	8.7	3.7	1.0
Transfer to Transit Fund	0.6	1.3	1.2	1.6	-
Transfer to Other Funds	1.3	3.2	0.8	0.6	-
Solid Waste/Recycling	Ent. Fund	Ent. Fund	Ent. Fund	Ent. Fund	5.2
General Contingency	0.4	0.1	0.7	-	-
Subtotal	15.0	16.6	18.1	12.7	12.5
Total	95.5	73.6	99.2	78.9	71.7

Comparison Cities Sources of Funds

General Fund Revenue Source	High Point	Wilmington	Greenville	Asheville	Concord
Property Tax	55.5%	58.8%	42.0%	49.7%	62.6%
Sales Tax	25.0%	21.5%	20.1%	21.4%	19.8%
Intergovernmental	9.5%	13.7%	22.3%	11.5%	4.9%
License and Fees	1.1%	2.5%	7.4%	5.2%	2.7%
Charges for Services	4.1%	2.5%	4.9%	8.6%	5.1%
Miscellaneous	2.3%	0.3%	1.0%	3.5%	5.0%
Appropriated Fund Balance	2.4%	0.7%	2.3%	0.0%	0.0%
Total	100%	100%	100%	100%	100%

Mr. Olmedo explained that the Net Budget Analysis was derived by taking the entire cost of each department and backing out anything that is not attributed to the tax rate. Mayor Pro Tem Jim Davis questioned the number of other cities that have a Human Relations Department. Mr. Olmedo said they either did not have a Human Relations Department, or the department had an individual stand-alone budget. He noted that he did not actually go to that level to see if they have a position that does that function. He explained the information provided in this data may create questions and that staff would delve deeper into this information during the year.

Mr. Olmedo shared data showing where the municipal dollar originates:

Utility Fees.....48%
 Charges for Services.....13%
 Property tax..... 16%

Sales & Use Taxes/Licenses & Fees....8%
Interfund Charges.....7%
Intergovernmental Revenues.....6%
Appropriated Fund Balance.....2%

Where the municipal dollars goes:

Environmental Health.....20%
Recreation/Cultural/Neighborhoods...8%
Transportation.....8%
Electric.....36%
Public Safety.....15%
General Government..... 8%
Debt Service/Other Transfers..... 5%

He pointed out the proposed FY 2015-2016 Budget contains a 1.4 cent decrease to the property tax which is in line with the three-year transition plan that was started last year to move environmental services from the General Fund to the Solid Waste Fund. As a point of reference, he noted that a penny on High Point's tax rate equates to \$914,000.

Mr. Olmedo then shared a historical chart of tax rates and noted there was a reevaluation in 2011-2012 and when property values dropped by 3.8% the City had to raise tax rates to compensate for that. The total assessed value is \$9.1 billion, a .3% increase. He said that increase is not enough to sustain the City and the City Manager's focus is to change that number. Mr. Olmedo explained there will be a 17% increase in sales and use tax revenue due to the State broadening the sales tax base and moving the utility franchise tax to a sales tax. He explained that Intergovernmental Revenue includes items such as: Utility Franchise Tax (telecomm), Beer and Wine Tax, Powell Bill Funds and other funds. The budget has a projected increase of these funds of 3.3% or \$313,174. Mr. Olmedo pointed out License and Permit Revenue was down 37.3% due to the elimination of the Privilege License fees.

Council Member Alexander asked how revenue neutral the City's inspection fees were to the costs. Mr. Demko said the City does not achieve revenue neutrality with inspection fees. Mr. Alexander said years ago when there was a lot more building activity, the City was trying to achieve 90% return on cost and said the City should take a look at what the policy is going to be in cost recovery to service provided. Mr. Demko said the City needs to examine over the next year all of the cost recovery policies and bring that to Council throughout the year.

Mr. Olmedo noted Charges for Service include revenues such as Parks and Recreation Program fees and telephone tower rental. He said the City is budgeting \$788,245 less in Parks and Recreation fees to bring them in line with actual historical revenues. He noted there was a large increase in Miscellaneous Revenue due to the way the City has to account for receiving lease purchase proceeds.

Mr. Olmedo said the Expenditure side of the General Fund was showing a 2.1% increase. He noted Mr. Demko had already gone over the 1% COLA and the 2% Merit Increase for employees that has been proposed, the elimination of ten vacant positions, the addition of ten General Fund positions, the \$500,000 placeholder for redevelopment efforts, the funding for the County-wide Economic Development efforts, \$250,000 for changes to City Hall facility and \$50,000 for Façade Grants. Mayor Pro Tem Davis said last year the City increased Façade Grants from \$25,000 to \$35,000 and wanted to know why it was increased to \$50,000. Mr. Demko replied that it was another tool to encourage redevelopment and part was due to the four proposed Municipal Service Districts.

Mr. Demko shared that 10 positions were eliminated, but replaced with expanded Code Enforcement positions and \$500,000 was included in the budget to help with cleaning up the City. He noted \$2.4 million of the fund balance was used to balance the budget and added he does not intend to balance the budget through vacancies. Mr. Demko said there is \$1.4 million in street rehabilitation, but noted engineering studies indicate \$4 million dollars is needed for street repair. He suggested the City should look at a strategic plan of how the community is to grow and emphasized that the City has a great array of services. He advised there is approximately \$6 million in 2/3 bond capacity and that could be used for a start on a new Police Facility or Senior Center, but additional debt capacity or revenue would be needed to complete those projects. Mr. Demko posed the question to Council if they wanted to complement the services that the City already provides, or if there is a desire to add services. He noted this is an important policy decision that needs to be made. He added there is a lot of work to be done on cost recovery policies and policies concerning funding for outside agencies. He suggested having a second City Council retreat after the budget is adopted to discuss some of these important policy decisions.

Mayor Bencini asked when the Council was going to talk about what was happening with the joint economic development efforts between Guilford County, City of Greensboro and City of High Point. Mr. Demko said there is \$300,000 in the budget in anticipation of a county-wide new economic development effort. He noted the Greensboro Partnership has opened dialogue with the City of Greensboro and that the City of High Point has met with Guilford County and the City of Greensboro to discuss the possibility. Mr. Demko reported that nothing has been finalized at this point and shared that the position on the table is what was there before. He hoped High Point would become more proactive in attracting retail and reaching out to partners.

Mr. Demko said the Council may want to look at their travel budget which is the same as it was last year. He suggested Council discuss this further and felt the amount did need to be increased. Mayor Bencini felt there was a need for an increase in Council's budget due to a relatively new Council and a need/desire to learn more.

Non-Profit Funding

Deputy City Manager Randy McCaslin distributed a handout outlining the Finance Committee's recommendations for the Non-Profit funding requests. Mayor Pro Tem James Davis said Council authorized up to one-third of a cent for non-profit funding, which is roughly \$305,000. He explained that the Finance Committee members felt something should be included for hunger since it has been identified as a huge issue in High Point and were recommending \$50,000 be allocated for a matching food grant. Council Member Cynthia Davis suggested zero funding at this time due to the lack of details at this time. She also reminded Council that consideration should be given to the possible "double-dipping" impact for some of these organizations that also get funding through other sources.

Council Member Ewing mentioned the Prosperity & Livability Committee has discussed having funds that are more event-driven to support community events that meet certain criteria. Council Member Cynthia Davis expressed concern that the approval of these funds should go through the Finance Committee. Council Member Alexander pointed out any expenditures would have to go through the Finance Committee and the City Council, this would just give the Committee a budget line to get the funds from. Council Member Wagner said this money was supposed to be to help 501(c)3 non-profit organizations and not a slush fund for events.

Council discussed each organization's funding requests individually and eventually reached a consensus on funding the following dollar amounts (in red text), totaling \$305,500.

Southwest Renewal: \$12,500

Amount requested: \$34,000

Motion by Mayor Pro Tem James Davis, second by Council Member Golden to approve \$12,500 in funding for Southwest Renewal. The motion carried unanimously. [9-0 vote]

Theatre Art Gallery (TAG): \$31,000

Amount requested: \$31,000

Motion by Council Member Hill, second by Council Member Wagner to approve \$31,000 for Theatre Art Gallery (TAG). The motion carried unanimously. [9-0 vote]

City Attorney JoAnne Carlyle reported that the TAG contract with the City has been signed and returned to her office.

Macedonia Resource Center: \$16,500

Amount Requested: \$16,500

Everyone agreed for the funding for Macedonia Resource Center remain at \$16,500.

Open Door: \$20,000

Amount Requested: \$20,000

Everyone agreed for the funding for Open Door remain at \$20,000.

West End Ministries: \$20,000

Amount Requested: \$20,000

Everyone agreed for the funding for West End Ministries remain at \$20,000.

City Project: \$20,000

Amount Requested: \$35,000

Mayor Pro Tem James Davis pointed out they did not spend the funding allocated last year on what they were supposed to and noted they did not meet the application guidelines for the non-profit funding process. Council Member Hill pointed out there were other organizations considered for funding that did not provide an audit. Eric Olmedo, Budget & Performance Manager, explained organizations are allowed to submit financial plans if no audit is available. Council Member Cynthia Davis felt City Project should bring specific projects to Council for consideration before funding is given to them and reiterated that they did not follow the guidelines. Council Member Wagner reminded Council that The City Project, Inc. was set up by the City and existed to serve policies created by the City.

Motion by Council Member Alexander, second by Council Member Wagner to approve \$20,000 in funding for The City Project, Inc. The motion carried by a 5-4 vote. Voting Yes: Council Members Alexander, Wagner, Hill, Williams and Mayor Bencini. Voting No: Mayor Pro Tem James Davis, Council Members Cynthia Davis, Ewing and Golden.

YMCA: \$50,000

Amount Requested: \$50,000

Mayor Pro Tem James Davis felt the community should have some kind of buy-in on this project, but noted he is flexible. Council Member Golden pointed out this is one of the poorest communities in the City and buy-in would not be feasible. Council Member Wagner advised that the YMCA is providing services that the City does not have to provide and pointed out the land where the YMCA is at is actually owned by the City, thus the splash pad would eventually become an asset for the City.

Motion by Council Wagner, second by Council Member Hill to approve \$50,000 in funding for the YMCA (Carl Chavis Branch). The motion carried unanimously. [9-0 vote]

Welfare Reform: **\$15,000**

Amount Requested: \$40,000

Mayor Pro Tem James Davis noted this money is being requested for their training program and pointed out this service is already being provided through High Point Community Against Violence. A brief discussion followed regarding the possibility of tying the two programs together. Council Member Golden advised that WRLP also has a presence and does things in High Point, not just Greensboro.

Council Member Golden moved to approve \$15,000 in funding for the Welfare Reform Liaison Project. Council Member Williams made a second to the motion, which carried unanimously. [9-0 vote]

Change Progress: **\$00.00**

Amount Requested: \$20,000

No funding was recommended.

Steelers: **\$3,000**

Amount Requested: \$50,000

Mayor Pro Tem James Davis moved to approve \$3,000 for the Steelers. Council Member Williams made a second, which carried unanimously. [9-0 vote]

Arts Council: **\$110,000**

Amount Requested: \$125,000

Council discussed the amount of funding given to the Arts Council last year. Council Member Ewing advised that he would agree to \$110,000 for the Arts Council with the understanding there would be less money next year.

Motion was made by Council Member Alexander, seconded by Council Member Williams to approve \$110,000 in funding for the Arts Council. The motion carried unanimously. [9-0 vote]

Guilford County Historic Preservation Commission: **\$00.00**

Amount Requested: \$2,000

No funding was recommended.

Piedmont Ambulance: **\$5,000**

Amount Requested: \$5,000

Consensus to keep funding at the requested 5,000.

National Guard: \$2,500

Amount Requested: \$2,500

Consensus to keep funding at the requested 5,000.

Matching Food Grant: \$00.00

No official request received; Finance Committee recommended \$50,000

No funding approved at this time.

Community Resource Fund (Paid out of Electric Fund): \$100,000

Consensus that this amount remain in the budget.

The Ferguson Group

Council Member Alexander asked about the amount included in the budget for The Ferguson Group and felt it should be kept at \$80,000 because they have done a good job lobbying and identifying funding for the City of High Point.

Mr. Demko noted due to time constraints, Council could discuss some of the remaining issues during the next review session and mentioned the additional assistant city manager positions. He noted that he did discuss this with Council in small meetings and would be glad to discuss it with the Council as a whole. Council Member Cynthia Davis shared that she only remembered one additional assistant city manager position, saw one in the line item, but it became two in the manager's recommended budget.

ADJOURNMENT

The meeting adjourned at 5:05 p.m. on a motion duly made and seconded.

Respectfully Submitted,

Lisa B. Vierling, MMC
City Clerk