



**MANAGER'S BRIEFING BUDGET REVIEW SESSION
HIGH POINT MUNICIPAL BUILDING
MAY 2, 2016 – 3:30 P.M.
3RD FLOOR LOBBY CONFERENCE ROOM**

MEETING MINUTES

Present:

Mayor William S. Bencini, Jr.; Mayor Pro Tem Golden (Ward 1); and; Latimer Alexander (At-Large); Council Member Jason Ewing (Ward 6) (Joined meeting at 3:43 p.m.); Cynthia Davis (At-Large); Christopher Williams (Ward 2); Alyce Hill (Ward 3); and Jay Wagner (Ward 4)

Absent:

Council Members James Davis (Ward 5)

Staff Present:

Greg Demko, City Manager; Randy McCaslin, Deputy City Manager; Randy Hemann, Assistant City Manager; Eric Olmedo, Budget and Performance Manager; Laura Altizer, Budget Analyst; Roslyn McNeill, Budget Analyst; Jeron Hollis, Communications & Public Engagement Director; Mike McNair, Director of Community Development; Jeff Moore, Director of Financial Services; Angela Kirkwood, Human Resources Director; Tommy Reid, Fire Chief; Terry Houk, Public Services Director; Loren Hill, Economic Development Director; and Maria Smith, Deputy City Clerk; Lisa Vierling, City Clerk

News Media:

Pat Kimbrough, High Point Enterprise
Jordan Green, Triad City Beat

Handouts:

- *City Council Budget Update*

Note: These handouts will be incorporated into these proceedings, with the exception of the CAFR, which will be on file in the City Clerk's Office.

Mayor Bencini called the Manager's Briefing Budget Review Session meeting to order. Greg Demko, City Manager, reviewed the progress on the preparation of the 2017 Budget. He shared this was his second year in shaping the High Point budget and moving towards a system of priority-based budgeting which was one of the items discussed last year. He mentioned last year Council:

- Reduced property tax rate
- Eliminated 12 positions
- Reallocated 1.6M to programs identified as priorities which included:
 - \$500,000/neighborhood clean-up in blighted remediation

- Increased spending on street pavement
- Expanded code enforcement
- Increased library hours
- Increase appearance items for mowing and street sweeping
- Added Wi-Fi to Recreation Centers (with a property tax rate decrease)

Mr. Demko added for this year starting for January 2017, he began with budget department reviews to City Council and mainly core information. He reported that Council is working currently on a proposed budget, and Mr. Olmedo will review his presentation to show the current stands of the budget work and how he managed to move \$1M from existing budgets to put toward priority items on top of the \$1.6M from last year's budget. Mr. Demko plans to present to City Council on May 11th and then to follow on May 16th a Budget Public Hearing with opportunities for discussions with study sessions between May 18th-20th and targeted with the Council's Consideration/Adoption for Monday, June 6th.

Mr. Olmedo started with last year's reallocated savings of \$360,000. He noted that the Stormwater Fund was increased from \$2. to \$3. and that allowed the debt service from the Stormwater Fund pay for itself. Then all together it was \$1.6M as Mr. Demko stated.

He then noted some new priorities that were listed:

- \$500,000 for redevelopment efforts
- \$250,000 for the City Hall upgrades
- \$100,000 for the Countywide Economic Development
- Increased library hours
- Added Wi-Fi to Oakview, Allen Jay and Deep River
- Added four Code Enforcement Officers
- Added 3 full-time and 5 part-time to the Parks and Recreation and increased the mowing cycles and the appearance of the Right of Ways
- Increase the Communications and Public Engagement Department by 2 employees

Going back about three years ago, as they implemented the Environmental Services transition plan, he stated how they would decrease the tax rate and increase the fee that citizens pay for the solid waste collection over a three year process.

- FY 2013-14 = \$67.5 cents
- FY 2014-15 = \$66.4 cents
- FY 2015-16 = \$65 cents
- FY 2016-17 = \$63.75 cents (included in current budget development work)

Mr. Olmedo noted that what is included in the current numbers that would be seen later in the presentation are another \$1.25 cents decrease in the tax rate for a total of a \$3.75 cents. In addition, the solid waste fee was increased from \$5.00 to \$8.00, \$8.00 to \$11.00, and \$11.00 to \$14.00.

Council Member Alexander was concerned regarding the savings on the tax rate decrease and wanted to know what size house does a citizen need to have to be revenue neutral? Mr. Olmedo confirmed that it would need to be \$280,000. Council Member Alexander mentioned that the cost to government would be higher. He also advised that when you change your tax to a fee and then fees would not be deductible off your income tax and then if you own property was less than \$285,000 this would be a more expensive way that of paying for it than the other way.

Mr. Olmedo reviewed the method of the unintended consequence property of tax rate decrease. He calculated in \$600,000 less in sales tax over the last three years and has been lowering our rate and if we continue to lower our rate at an additional 1.257 for next year it should be an accumulative \$800,000.

Moving forward to the reallocations and prior to what Mr. Demko stated about \$1 million in various reductions had been made in the General Fund including one position. Mr. Olmedo reviewed what had been *added* to the General Fund.

He reported on the Stormwater fund.

- Went through the three months reviews with the departments.
- Showed business plans for the enterprise funds along with Stormwater as well.
 - Talked about increasing that rate to \$1 to be able to fund over the next five years. (That will allow us to pay for that service.)

Mr. Olmedo spoke briefly on the comparison with the other cities to what they charge and what City of High Point charges. Greensboro is at \$2.70 and City of High Point is at \$3.00 and with the current rate structure it would not be a five year plan instead it would be 18-year plan.

Mr. Demko requested direction from Council as to whether they should include that as part of the business plan in the proposed budget or not. Council Member C. Davis commented that she believes that it was too premature before Council sees the rest of the budget material being presented. Mayor Bencini saw the City Manager's question as if Council would like to follow a discussion. Mr. Demko raised the question if Council should put this in as part of the proposed budget as Council's idea wanting to accelerate the programs and wanting to keep the services we provide now and work them while adding the key strategic areas. He noted there is not enough money and to be able to do this would require a rate increase unless we plan to do it over an 18 year period. Council Member Alexander suggested that it could be bonded. Mr. Demko advised that the rate increase would be needed in order to bond it. He noted that the strategy with an enterprise fund would be normally a revenue bond and they could combine an enterprise fund to show the coverage and either way would it would be a source of repayment. Council unanimously came to a census to include it.

Moving on the General Fund, Mr. Olmedo reported:

- Appropriation to continue the funding that they did last year for redevelopment for \$500,000
- Forward High Point appropriation - \$250,000 (offset by reduction of current cost of \$125,000)
- Continuation of Countywide EDC Agreement - \$100,000
- Continuation of Façade Grant Program - \$50,000

Council Member C. Davis raised the question that the 500,000 that was used from last year was not used yet and now it seemed that we would add another \$500,000 to partner with Bank of North Carolina. She had an issue with that since it was supposed to be set aside to be used to remove deteriorated houses in neighborhoods and if we have not used any of that money that it was intended to be used for. She had spoken with Mark Walsh and they are not asking for a million dollars from the City of High Point to do the project at Meadowview and she does not understand the need for it. Council Member C. Davis mentioned that she will not support Forward High Point in the amount of \$250,000 because the individual would not be reporting back to this body. She referenced The EDC agreement and stated she still does not know how they spent the money the first time and there still seems to be a lot of unanswered questions.

Mr. Demko clarified the first one for the 500,000 that we set aside to work on to develop a program to remediate blight and issues in our Core. He reviewed the good success with first flow of contract code enforcements with the two that were hired and two on temporary contract. He shared within the first week they removed 309 signs and issued 105 nuisance violations and that was real evident with this

weekend's clean-up efforts. He continued as those signs were posted as the City is working on giving the due process to the people to cleaning up their yards or coming into consequences.

Mr. Demko stated that the additional 500,000 portions for redevelopment are to drive programs for how we drive improvements in the community. Council Member C. Davis thought the positions were funded for the General Fund for the hiring positions not out of the \$500,000. She thought the \$500,000 would be used for demolition or demolished properties that had trees growing out of the homes and with vines. She disagreed with it being part of the conversation. Mr. Demko does believe it was part of the conversation as it was developing the program to make the best impact of money and it is part of the General Fund.

Randy Hemann, Assistant City Manager, brought to Council's attention how the city has been prudent in working with the Guilford County Tax Office by looking at liens and being as efficient as possible. He would prefer to take a little broader look and not just spend it to be spending it, but to wait and spend it in the most prudent manner. He noted the nuisance process may not be as quick as everyone likes, but it would take time to be done right.

Council Member C. Davis agreed with Mr. Hemann regarding the status of these neighborhoods identified in Mr. McNair's presentation. She expressed concerns regarding a house on Shadybrook that had been demolished that was sitting there for 20+ years and noted there were absolutely no excuses for a house sitting there that long. She mentioned that we have set a standard so low that people have continued to live a certain way and felt it was as if the City of High Point is sending a message that these people do not matter. She stated that we can continue to dance around the issue that we are addressing, but we are not addressing it because we are only addressing those things that the majority in this room, and the movers and shakers of this City want. She felt the average citizen is being neglected.

Mayor Pro Tem Golden asked if the city had entered into an agreement with Bank of North Carolina yet. Mr. Demko responded that they have not and they have not come back with a program. Mayor Pro Tem Golden asked about the EDC program and if the city had paid the \$100,000 yet. Council Member C. Davis commented that she was not informed of that information. She remembered during the briefing that Council was informed that they considered taking the \$500,000 and adding another \$500,000 to it to couple with what Bank of North Carolina was doing. Mr. Demko stated that it was a possibility.

Council Member Williams inquired about the original \$500,000 that was allocated to the contractors for code enforcement. Mr. McNair responded for the first 90-day period it was about \$65,000. Mr. Williams asked if the city was now operating with five code enforcement officers and Mr. McNair confirmed this was correct. Council Member C. Davis asked if the other Council Members got a copy of what Council Member Williams was reading from and he noted he just got the information because he will be presenting it during the Council meeting tonight.

Mr. Olmedo reported on the lease with three more Fire Department apparatus for \$2M. He noted that we would continue our continuation of up to \$1.925 last year and added WiFi at:

- Southside
- Morehead
- Washington Terrace

Also, added \$100,000 for Neighborhood Traffic Calming Devices.

Council Member Alexander had a question on street resurfacing, and hoped Council would be briefed at some point in time on road ratings/miles/street lanes and figure how much money will actually be needed. He felt the city was throwing just short of \$2 million at a project and he believed that this is underfunded by 50 percent. Mr. Demko believes that it is about \$3.7 million to get a remaining service life that is recommended by the city's engineers through the road rating process. Deputy City Manager McCaslin

noted it was staff's intent to brief the Council on this, but this was one of the department presentations that got bumped. Mr. Demko agreed this is something that staff could bring to Council at the next Manager's Briefing. Council Member Alexander stated he would feel more comfortable having numbers to justify expenditures. He suggested if two pennies were added to the property tax, it would provide the money needed to resurface the streets.

Mr. Demko spoke briefly on the cost of living and merit increases and is recommending or proposing a pay for performance program and reinstating the pay for performance program and do from 0%-4% based on ratings and they are working on better training for our supervisors as far as how reviews are conducted and better documentation in the review process. Council Member C. Davis asked if this would be removing the cost of living percentage or if that would stay in place? Mr. Demko advised that right now, there is not a cost of living and this would be instead of that and this would be more of a pay of performance.

Mr. Olmedo advised additionally they have placed in the budget for Council's consideration eight grant funded police officer positions. They have applied for this Federal COPS Grant and will know in September if successful which requires a \$200,000 match for the personnel cost. He noted \$400,000 is included in the proposed budget to pay for vehicles and equipment that a new police officer needs. He noted when Chief Sumner gave his presentation he mentioned the need for uncommitted time to increase and decrease Signal 4 instances (when no officer are available to respond). This would help achieve those goals.

In the Transit Fund, he mentioned that we have included the increased service levels that have been discussed from the short range transit plan. That does have a General Fund impact because we would transfer City match from the General Fund and this would be \$120,000 additional to offset that grant. With that, it would increase 3 hours each weekday, 2 hours on Saturday, and does include the changes to implement the Palladium/Theatre route.

Mr. Olmedo reviewed the Pay as you Go projects in the General Fund:

- Electric System upgrade at City Hall (\$100,000 was put aside last year; \$400,000 total project cost). The idea was to put aside \$100,000 a year to pay for this much needed upgrade.
- Traffic Services storage building \$150,000
- Pay as you Go Projects for Parks and Recreation
 - Parking lot resurfacing (broke up into two years; the first year at \$492,000 and in 2018 will come back and ask for another \$490,000 to replace the parking lot at Blair Park and City Lake.

He mentioned there are three NCDOT projects that will require money to be set aside (grant dollars matched). He advised the bridge replacement is scheduled for 2019 (bridge only; does not include any of the interchange around the bridge). He was told by Mr. McDonald, Transportation Director, that if the city budgets a match, the State would more than likely allocate dollars for them to include the entire interchange construction project. He advised the MLK Drive sign change has not been to Council yet, but there would be an agreement for the City to pay back the money that the State paid to change out the signs on US 7. He noted the Skeet Club Road project for sidewalks that was a \$400,000 project and the city is requesting \$125,000 this year; and \$150,000 next year.

With all the needs included in the current budget, the City maintained the current service levels, committed to continue fund last year's priorities as well as the additional priorities. This brings the total of \$1.9 million in need. Mr. Demko pointed out this does not include any money for the sports/entertainment facility because the final numbers have yet to be received and the data was

inadequate at this point to be able to make any kind of recommendation on how the City should proceed. He also pointed out staff is in the middle of a space needs/facilities study and do not anticipate having it back in time for this year's budget.

Council Member C. Davis noted in the first budget Mr. Demko did, he had mentioned not wanting to spend a lot of money because of possible consideration of moving municipal government to another location and asked if these dollars could be saved if this is still a consideration. Mr. Demko advised that \$250,000 was set aside last year, but pointed out we are still short in the budget for how to fund it and Council would be discussing different strategies in either new revenues or cutting operations/services currently provided, etc.... Council Member C. Davis wanted to know if we have looked at vacant buildings throughout the City that might meet the needs and maybe working out some kind of arrangement for a donation of those buildings or structures to the city. Mr. Demko replied that he had.

Mr. Olmedo then reviewed the Municipal Vehicle tax. Currently the City of High Point charges \$5 for transit purposes. He noted last year, the Legislature approved cities to be able to raise this up to a \$30 fee without any special legislation. Currently, this means the city can use

- \$5 for any lawful purpose
- \$5 for Public transit
- \$20 Street maintenance

Mr. Olmedo reviewed the chart that shows what other cities have done and where they are currently at. The Municipal vehicle tax comparison which showed High Point at \$5. As Mr. Olmedo pointed out Greensboro is proposing to go from \$10 to \$20 and Greenville is proposing to go from \$20 to \$30. Fayetteville is proposing to go from \$10 to \$15.

He advised that \$5 means \$390,000 for High Point and this is what currently goes to the transit operations. Each additional \$5 increment would be \$390,000. If the city were to go to a \$30 vehicle tax, High Point would see an additional \$1.95 million in revenue.

Mr. Olmedo spoke about the Business registration fee and the Legislature took away our privilege license ability. He stated that the State Law allows cities to "charge a reasonable fee" which is generally considered \$25 or less. He stressed this is not meant to be a revenue generator, but it was more important to have an accurate list of cities doing business in the city limits.

Council Member Alexander stated he thought they did away with it and he had asked the League to propose a reasonable fee, but he did not think any action was taken on that yet. Mr. Demko explained that the privilege license was abolished by the Legislature but they started recognizing the value for municipalities to be aware of those doing business within the city. He recommended that the city start this process to help offset the cost.

Mr. Olmedo talked about the consideration of not lowering the property tax as much as was in the 3-year plan with Environmental Services. This would help offset that unintended consequence of the sales tax decline. He advised this year we are at slightly over 1% growth in assessed value and noted it is difficult to continue current operations at the current level because we are not growing as fast as some other cities. He noted the thought is if we reduce the tax rate by .25 cents instead of 1.25, we could retain about \$920,000 in revenue and this coupled with a business registration and increasing the municipal vehicle tax from \$5 to \$15 and using \$390,000 of that for general purposes, supplanting \$390,000 of the current \$1.925 in street maintenance and shifting those dollars over to general purposes, would just about make up the \$1.92 million in needs that we have.

Mr. Olmedo stated that the goal in putting the budget together was to maintain the service levels and address Council priorities and noted a lot of time has been spent over the past three to four months talking about the various departments and staff is asking Council to consider revenue options to fund these priorities.

In summary, Mr. Olmedo is asking Council to consider revenue options to fund these priorities.

- Property tax - \$920,000
- Business Registration Fee - \$125,000
- Municipal Vehicle Tax \$780,000
- Total- \$1,825,000

Council Member C. Davis pointed out the \$1.25 that was promised by the previous Council and asked if this would remain. Council Member Ewing explained this was for the Enterprise Fund. Mayor Pro Tem commented when this was done, the unintended consequences were not known. Mr. Demko noted this is the conversation that staff needs in order to get an indication how to shape and getting the operations the way Council wants the city to move forward. He pointed out a big piece in moving forward is how to gain increases in property values.

Council Member Alexander stated he would still like to find a way to put more money into street resurfacing. Council Member C. Davis agreed with Council Member Alexander in the fact that street resurfacing is something that the city is definitely charged to do. She believes that the private sector has its role and the municipal government has its role and she has seen that some want to do more with taxpayers dollars in regards for somebody starting a business than it is with maintaining the responsibilities that the city is supposed to be doing. She felt there are many fine institutions to fund the ballpark that keeps showing up and plenty of opportunities for those that want it to raise those dollars. She felt the City Council's focus should be on doing what they are charged to do, to maintain and provide the best quality of services possible.

Council Member Wagner asked if there is anything in the budget for a ballpark and Mr. Olmedo responded that there is not. Council Member C. Davis mentioned conversations that have been on- going regarding the ballpark and pointed out doing an amendment to the budget was not doing good business. Council Member Wagner felt that Council Member C. Davis is characterizing it like the city is funding the ballpark and neglecting services. He noted he is not privy to any of the conversations going on about the ballpark. Council Member C. Davis felt the bigger concern should be focusing on the needs at hand.

Mayor Bencini reiterated there is nothing in the budget about baseball and questioned why this was even part of the conversation. Council Member C. Davis stated because it would come up after the budget is adopted.

Council Member Alexander stated he does not have a problem moving the vehicle fees, but felt it was important to find a way to move the street resurfacing up. He would like to move it up and would like to figure out a long term strategy. Mr. Demko agreed with Council Member Alexander and shared that they have business plans and streets, parks, and sidewalks would be part of that discussion as well.

Mayor Bencini agreed with Council Member Alexander that there is a conversation on taxes, fees, and consequences of fees and would rather not do it that way, but if this was the only source available to get the city back on more of a sustainable program for the streets. Council Member Wagner stated he would be interested in seeing what would truly be revenue neutral.

Mr. Demko asked Council for some general direction and noted one of the big pieces of this was how do we push through our strategic items (curing blight, millennials and getting a catalyst project for driving new property tax values). He noted that although this was not in the budget, continuation of the façade improvement grants was and the addition that we have done in putting retail back in with economic development.

Council Member C. Davis asked what the increase would be if some of the blighted houses are removed in the neighborhoods that have been in that condition for generations. She does not see the City Council caring a whole lot about the people on the bottom part of the spectrum and this bothers her. Mr. Demko shared this is a piece of how to improve the property taxes. Council Member C. Davis reminded Council of the problems with existing and tangible things that could be seen and she felt Council is missing the fact that there are people living in areas that have made investments in their modest homes and they are important too. Council Member Williams spoke briefly regarding Council Member C. Davis' previous comments and noted she would be surprised about the money (\$500,000) they had spent and the positive responses he had received from neighborhoods such as: Burns Hill, Macedonia, Pershing. They all are responding to the sign violations, the efforts that are coming through. He shared they are happy with our efforts and he went further stating that this Council does care what they do!

Council Member C. Davis shared that she participated in the bus tour recently and contrary to what Council Member Williams is stating, the opposite was being said on the bus. Council Member C. Davis noted these people feel neglected and underserved. Council Member Wagner reiterated that we did address the blight and it was a unanimous vote and that we would not give up because it was not an overnight fix. Council Member Williams noted these were the priorities that came out of the Strategic Plan:

1. Blight removal
2. Millennial retention
3. Baseball

He pointed out the only thing that money is being spent on is the blight issue and shared that the money that has been raised so far for the baseball park has been private dollars.

Council Member Ewing pointed out just bulldozing dilapidated houses would not increase property values. It would have to be a combination between bulldozing dilapidated houses, redevelopment of those vacant lots and an increase of owner's appreciation of houses around those lots that need to be redeveloped. Council Member C. Davis stated those people are just as valuable in their day-to-day living and do not deserve having a house in that condition sitting next door for 30 years.

Council Member Alexander pointed out a building that was burned down in the City and wanted to know if we could get the demolition permit and then burn the building down first. Mr. Hemann responded that there is a State permit and also a City permit associated with that and they turn around with that in a couple of days. Tommy Reid, Fire Chief, stated they agreed they will sign and get notarized. Mr. Demko asked Council not to forget the core city study of the 15,500 properties that Mr. McNair and UNCG did as this is the baseline on how many of the blighted house issues are addressed. He noted this is an important tool that the city has in order to continue to monitor progress and staff plans on continuing to use it.

Mayor Pro Tem Golden took offense to Council Member C. Davis regarding the blight and noted he was offended that she said that the Council does not care. He noted he has seen more effort in the last year to address blight than he has seen twenty years prior.

He inquired about the equal payment plan that the city has for utilities and noted that the city failed to do the recert at the end of the year to see if the payments made were adequate or not. He pointed out people are getting bills for six year's worth of payments all of a sudden because the re-cert was not done by the

city at the end of the year. He questioned how the city failed to do the evaluation at the end of the year. The managers were not aware of the issue, but agreed to check on it.

Council Member C. Davis shared that it was not her intent to offend anyone on this Council but, on the other hand, she intends to speak her own personal truth. She encouraged anyone wanting to have dialogue with her to call her because the Mayor refuses to let her serve on any committees inside the city limits in which she was elected to serve.

Mr. Olmedo asked Council how they would like for staff to proceed and if it was Council's will for staff to include this in the final proposed budget that Council would see in nine days. Council Member Alexander stated he would like to see that and would also like to see if there might be another way of adding some dollars to street resurfacing. Council Member Ewing stated he would be fine if the fee needed to be increased more than \$15 in order to get done all the things that are needed especially for the thoroughfares and residential streets. Council Member Alexander felt it would need to be a property tax and it needs to stay as limited as possible in the fee area. He noted the cost of government to the poorest among us is increased moving from a tax to a fee.

Mayor Bencini then shared appreciation to Mr. Olmedo for all his efforts and laying out the budget and that Council has been given a lot to consider moving forward as to how to fund these things.

Mr. Demko explained that staff would put the budget together, get it out to Council on May 11th with a public hearing on the 16th and if any reviews are necessary, these could be done on May 18 – 20. He noted if Council would like to review the pavement management study, it could be put on the next agenda.

Council Member Alexander asked about Water/Sewer and Mr. Demko replied in continuing with the business plan, it would be a 4% increase.

There being no further discussion, the meeting adjourned at 4:58 p.m. upon motion duly made and seconded.

Respectfully Submitted,

Maria A. Smith
Deputy City Clerk