

TOWN OF MAIDEN

May 1, 2017

BUDGET MEETING

The Maiden Town Council met on Monday, May 1, 2017 at 5:30 p.m. for a budget meeting, held in the Community Room at the Maiden Town Hall.

Present for the meeting were Mayor Robert L. Smyre, Mayor Pro-Tem Fore Rembert, Councilmembers Trina Michael, Max Bumgarner, Jr., Marcus Midgett, and Ronnie Williams.

Also present were Town Manager Todd Herms, Town Attorney Scott Conrad, Town Clerk Elizabeth Krige, Billy Price, Tammy Hawn, Jody Rogers, Chief Tracy Ledford and Dianne Lowe.

Others attending: See attached sheet.

The meeting was called to order at 5:30 p.m. by Mayor Robert L. Smyre.

3. Approval of Agenda

MOTION WAS MADE BY COUNCILMEMBER MAX BUMGARNER JR AND SECONDED BY COUNCILMEMBER RONNIE WILLIAMS TO APPROVE THE AGENDA AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

4. Approval of the Minutes

MOTION WAS MADE BY COUNCILMEMBER TRINA MICHAEL AND SECONDED BY MAYOR PRO-TEM FORE REMBERT TO APPROVE THE SPECIAL MEETING AND REGULAR MEETING MINUTES FROM 4-3-17 AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

5. Fiscal Year 17-18 Budget Presentation

Town Manager Todd Herms gave his presentation to the Council. Our budget goals are to balance the constraints of the Town's revenues with town's responsibility to provide quality municipal service at the lowest possible cost to the tax payers of Maiden, North Carolina. The Town's expenditures must equal our revenues and we continue to move forward as a Town.

There are not a lot of high dollar items in the budget but we have several large projects coming down the pike, such as the Splash pad, construction of new Police Department, JW Abernathy entrance, and debt service for the Public Works building and Town Hall.

One question of every budget is the tax rate. The property tax will remain at .38 and the electric rate will remain the same. If Council approves a 2% rate increase the flat rate charged to water customer will be eliminated. Even with the flat rate we are the lowest water provider in the county. We are under

market rate. A 2 % increase is an increase of \$1.03 per month for the average customer. This is not to boost revenues but to keep up with inflation. There will be no change in the charge for trash and recycling collection.

Wholesale Rates and Contractors-We are keeping the rates the same, however there is rate increase coming in 3-4 years. There will be no increase in allocated demand. SEPA provides a small amount of our power and they are having a rate decrease of 15% but because the amount we buy is so small it does not impact our budget. Wholesale rate for water will be a 1.7% increase and Republic Trash Collection is a 2.1% which is based on the CPI for the southeast region. Employees' Health Insurance is an area that has changed, the rates came in at a 7.8% increase, we were hoping for a 6.5% increase but the budgeted amount was a 10% increase.

Projected Revenues- Projected revenue for the general fund is \$9,360,065, the electric fund projected revenues are \$7,622,312. Water and Sewer Fund projected revenue is \$2241148 which is related to Southfork and Apple expansions. The total operating budget is \$19,223,525 of which 40% is from the Electric Fund, 12% Water and Sewer Fund and 48% from the General Fund.

Tax Base- The increase over last year here is change out in business personal property and Apple has constructed two buildings. The breakdown of our tax base is business personal at 75.8%. This includes computers, servers and machinery at GKN. Industrial property accounts for 13.1% of the tax base, followed by 7.2% from residential property, 1.8% from motor vehicles and .6% of the tax base is from public utilities.

Tax Rate- Town Manager Herms stated Maiden's tax rate would remain at .38 cents. The average across North Carolina is .54 cents. The tax rate for Catawba County is .504. If you compare Maiden to the surrounding cities, Maiden is the lowest with the next closest rate at .47 cents in Conover. Longview had a tax rate of 0.42 cents but increased 10 cents to .52 last fiscal year. There is a revaluation coming up in two years, right now, the property rates have risen in Maiden is significantly. These are 3 bedroom 2 bath homes. Mill houses will probably remain the same. Citizens will likely see a tax increase due to the revaluation. Everyone else's tax rate is going up in the county whereas Maiden's tax rate is coming down.

Maiden's Economy- Mr. Herms presented information about where the citizens of Maiden work. 26% of Maiden's citizens work in manufacturing. The next largest category is healthcare. This data is where the people of Maiden work, which could be in Hickory or the surrounding areas. The technology sector grew 1% over last year which is a considerable increase. Two years ago, it did not even show up.

Mayor Pro-Tem Fore Rembert asked what comprised the category titled other. Town Manager Todd Herms explained this would include attorneys and folks who work in local government.

Mayor Pro-Tem Fore Rembert asked about public school employees, they are represented in education and make up 10% of Maiden's workforce.

Maiden's Top Employers- Mr. Herms presented information on the top employers in Maiden. GKN has 1600 employees, followed by Ethan Allen with 712, Apple with 485 employees, McCreary Modern with

471 employees, von Drehel Corporation has 153 employees, Lake Electric, 135, Temple, 97, Carolina Nonwovens, 52, and Lawrence Lumber Company, 32. The Town of Maiden employees 48 people.

Fund 10 Expenditures- Council makes up 43% of the General Fund, however most of this money is for economic development incentives. Police expenditures make up 17% of General Fund expenditures. The Street Department accounts for 8% of expenditures, followed by Recreation at 6%, Fire at 4%, Finance and Accounting at 4%, IT, Debt Service and Administration each account for 3% of General Fund Expenditures.

Economic Development Agreements-

The amount of incentive given to Apple is \$3,145,084, the net revenue that will remain in the General Fund is \$800,183. Other Revenues include water, sewer, electrical and State Collected Local Revenues (SCLR). The amount of other revenues generated by Apple is \$354,750, this results in a net gain of \$1,154,933.

The amount of incentive given to GKN in the 2014 agreement is \$238,604. The net revenue is \$59,651, other revenues are \$280,128 with a total net gain of \$339,779.

The amount of incentive given to GKN in the 2016 agreement is \$127,680. The net revenue is \$31,920, other revenues are \$264,601 with a net gain of \$296,521.

The amount of incentive given to Ethan Allen is \$8,000 with net revenue of \$2,500. Other revenues are \$195,060 with a total net gain of \$197,560. We very rarely pay this incentive but it is a state grant and must be budgeted.

The amount of incentive for South Fork is \$14,211 with net revenue of \$3000. Other revenues are \$460,413 with a total net gain of \$463,413.

The total amount of incentives is \$3,533,579 and we will keep \$897,254 in the General Fund.

Councilmember Marcus Midgett asked if net revenue will increase over the years. Town Manager Todd Herms said “yes, especially the incentive for GKN.” The agreement with Apple is straight forward, 50% property tax and 85% personal property for thirty years because they spent \$3 billion dollars. The GKN agreement is 80/80, 60/60, 40/40, every two years in drops 20%.

Town Manager Herms asked if there were any questions, seeing none he continued with his presentation.

Department Highlights- Council has a \$3.9 million budget but \$3.5 million is for incentive payments. Per the EDC, 175 new jobs were created in 16-17.

Administrative- This department had increases for employee travel and training, including certifications. The budgeted amount is \$237,002.

Finance-The budget for Finance is \$376,500 and includes increased funds for employee training, travel and meetings. Some employees will be traveling to the School of Government for certifications and funds are also included for employees who are furthering their education.

Information Technology- The budget for Information Technology is \$292,672, which includes increases for travel, training and meetings. In addition, \$95,000 is being budgeted to expand public Wi-Fi. This includes replacing the Wi-Fi at Rosenwald Park and putting it into new areas including West Boyd Street, North First Street, West Main Street, North Carolina Avenue, and the apartments across from the Rec Center.

Mayor Bob Smyre asked after these areas were completed, how much of the town would be left needing Public Wi-Fi?

Manager Todd Herms said about half our electric area was covered. Tammy Hawn stated we focused on areas that were in need. Billy Price might be able to answer more questions related to the how much of electric area we can cover.

The Forest Drive neighborhood was considered but the power poles are owned by Duke Power. An agreement has to be reached when placing Wi-Fi on poles the Town does not own. Manager Herms stated other Towns are working with Duke Power to use their poles.

Councilmember Marcus Midgett asked if the Wi-Fi went on street lights and Manager Herms said yes they do but they use power. Councilmember Marcus Midgett asked if they have to be connected and Manager Herms answered yes, they do. Councilmember Marcus Midgett then asked about the Town's power lines and electricity? Manager Herms stated that not all the poles have our power lines and our electricity.

Manager Herms said we have to figure out how to bring Wi-Fi to the customers who are served by Duke Power because we cannot utilize their power poles at this time.

Councilmember Ronnie Williams asked "How do we operate streetlights off Duke Power?" Mr. Herms stated the town pays them per pole. Manager Herms believes it is \$18 per year per streetlight.

Councilmember Ronnie Williams asked if the Town could use the streetlights to power the Public Wi-Fi devices. Manager Herms said that since we do not own the streetlights, only rent them, we could not use them.

Councilmember Ronnie Williams asked if we had the issues worked out where the citizens can access Wi-Fi. Town Manager stated that some homes would not be able to access Wi-Fi within their homes due to certain types of insulation or roofing material.

Councilmember Ronnie Williams asked what if a citizen connects one time and then is unable to access it?

Manager Todd Herms said he would have to research this issue, but he reiterated that the service would never reach everyone, 100% of the time and this is due to the nature of the wireless technology.

Councilmember Ronnie Williams asked about the map showing the A and B teardrops on the map. Tammy Hawn explained that some are backhaul units and some are receivers.

Manager Herms stated he had been in contact with the schools about putting Wi-Fi at the High School and Elementary School but they have Wi-Fi inside the building but they turn it off during instruction time. We will have to work with them to find a solution to this issue.

Councilmember Marcus Midgett asked if staff had heard from people stating they cannot connect?

Tammy Hawn stated that citizens did occasionally call in, she works with them to get the service restored. A lot of times it could be their computer, we cannot offer the service of going to their home and trying to help them. Electrical storms can sometimes cause issues with the service.

Town Manager Town Herms stated that some websites might be blocked due to the name. We find that most of the users are retirees and school aged children.

Planning & Zoning- The budget for this department is \$128,392 and includes increases for lot clean-up.

Town Hall- The budget is \$125,442 which includes funds for maintenance and improvements. There was one leak issue and which was fixed in-house.

Police- The budget for this department is \$1,541,592 which includes funds for a separation allowance, in car lap top replacement, two fully equipped SUVs and increases associated with the new building. There was an increase in animal control which is from an increased cost to house the animals at the county facility.

Fire- The budgeted amount is \$410,000. \$50,000 is savings for a future facility.

Garage- The budgeted amount for this department is \$182,380 which includes \$3,500 for a new garage door, \$2,000 for the inspection connection, \$2,000 for a gas air compressor and \$8,300 for power/hand tools.

Councilmember Ronnie Williams asked how much money was saved for the future fire facility. Mr. Herms stated there would be \$150,000 at the end of this budget year.

Councilmember Ronnie Williams stated looking for property for this facility should be made a priority by Council.

Street Department- The budgeted amount for this department is \$735,798. This includes \$125,000 for street repaving, \$40,000 for sign replacement project, \$26,930 for roof replacement at the Hawn Maintenance Building, \$13,900 for roof replacement of the equipment shed and \$10,005 for a ride-on aerator which is for areas too small for a tractor.

Powell Bill- The budgeted amount for this department is \$116,000. \$100,000 will be used for paving. Streets to be paved are Johnson Street, Greenway Avenue and Clerk Creek Lane.

Sanitation- The Sanitation budget is \$231,250 which is roughly the same as the past few budget years.

Recreation-The Recreation budget is \$582,252. This includes \$3,803 to replace carpet in the office area, \$5,000 to replace the safety fence capping at Fields 1 and 2. \$52,300 is budgeted for the resurfacing of the Main Field Parking Lot and per Council's request, \$32,775 to replace cabinets and countertops in the kitchen and office.

Cemetery- The budgeted amount for the cemetery is \$56,500 with \$50,000 being saved for the West Maiden Municipal Cemetery Project and at the end of this budget year, there will be \$117,000 for this project.

Transfer Out of General Fund- \$20,000 for the Splash Pad project, this amount is smaller but due to savings from past years, we will have \$100,000 for this project at the end of this year. \$50,000 for cemetery and \$50,000 for Fire Facilities.

Debt Service- The debt service in this budget is \$282,620 of which \$93,070 is for Town Hall and \$189,550 is for the Police Department.

Employee Benefits-The recommended salary increase is 2% COLA and 3% Merit. Some may receive larger increases because their salary is below market rate. There are a few supervisors who make less than or very close to their subordinates due to the subordinates being able to work overtime.

Employee of the Year will change from a \$100 gift card to \$250. If they are the best employee town, they really deserve \$250.

Councilmember Ronnie Williams asked if when giving raises does the Town use all the money budgeted for merit increases? If so, could the COLA be changed to 3%?

Manager Herms explained that the amount of money budgeted is about 9% higher than last year but that is to accommodate overtime expenditures. In the past, this method of budgeting has served the Town well, and we have not exceeded the budgeted amount. If Council wants to take COLA to 3%, there is money to do that, however 2% is what most local governments are doing.

Councilmember Ronnie Williams stated he believed the COLA nationally was 2-3%.

Manager Herms explained that most local governments are using some combination of 5%, either 2% COLA and 3% merit or 3% COLA and 2 % merit.

Councilmember Trina Michael asked if this ratio of 2% COLA and 3% have always been this way.

Manager Todd Herms said that is the way it has worked the last few years. Manager Todd Herms said in the past, 4% COLA and 2% merit was given. Last year, all employees got a \$1.00 an hour raise. It was great for lower earning employees but there are supervisors who make the same as their subordinates who can work overtime. With market rate adjustments, some employees will see a \$3-4,000 raise.

With regards to Police, there is a cycle where other towns increase their pay rate and we will have to increase ours. Manager Herms asked Chief Ledford about the number of applications we receive for open positions. Where there were 15-20 applications, now we have 3-4.

Councilmember Trina Michael asked if that was due to the pay. Manager Herms said there are a lot of factors at play. In starting salaries, we are competitive.

Councilmember Trina Michael asked, "In comparison to other places, are the supervisors happy with the starting salary we can offer?"

Town Manager Herms said he felt like our starting salaries were competitive with other local governments the problem with pay was really for mid-career employees. Manager Herms also explained that if an employee gets a certificate or other educational achievement, there is money in the budget to increase pay for those individuals.

Councilmember Marcus Midgett asked if we have positions where the pay is not competitive.

Town Manager explained he uses the NCLM salary survey which is a year old. We would need an outside pay study. Herms stated we are competitive in 95% of the positions. Town Manager Herms said he relies on his Department Heads to make sure the pay is fair and competitive.

Councilmember Trina Michael asked if the gift card was the only part of the award for Employee of the Year. Manager Herms said the gift card is given as well as a plaque.

Electrical Budget- The electrical budget is \$7,622,312 and almost 100% of the revenues come from the charges for utilities. Our top ten customers are GKN, Ethan Allen, Catawba County, H&M Woodworking, Food Lion, McCreary Modern, Lawrence Lumber, Maiden Galaxy, Temple Furniture and Brookwood Café.

55% of Maiden citizens use electricity to heat their homes, 32% use utility gas and 7% kerosene. Maiden owns 1.289% of the NC Municipal Power Association and as such owns that amount of debt which is \$13,612,509. Our debt went down 1,121,066 in 2016.

The average residential electric bill is \$121.33, for commercial the average is \$501.24 and for industrial customers it is \$10,801.08. We have 1,205 customers. We have budgeted \$6,277,484 for power purchase, which we will likely have to adjust because GKN keeps expanding. This includes \$40,000 for maintenance for delivery at #3 substation, \$50,000 to Capital Reserve for equipment, \$50,000 for distribution line work at GKN, \$40,000 for maintenance for delivery at Ethan Allen, \$120,000 for miscellaneous distribution line work, \$30,000 for tree trimming, \$25,000 for street light replacement on North and South Main, Manager Herms that we replace street lights every year.

\$130,000 is being transferred to the General Fund, which has not been done this in several years. Your enterprise fund should reimburse the general fund for utility bill printing, etc. The state is starting to look at this and we cannot be the only member of NCMPPA who does not do this.

Water and Sewer- The total budget is \$2.3 million. The revenues are \$2,019,898, with water accounting for \$1,050,105, sewer accounts for \$712,657, fund balance \$151,636, late penalties \$96,500.

The cost for water and sewer in Maiden as compared to other towns, for 3,000 gallons in 2016, Maiden charged \$35.31, Conover charged \$37.08 and Newton charged \$55.11. This includes our flat rate; our rates are still lower than the surrounding area. When you add on sanitation, we perform even better. Maiden is \$42.06, Longview charges \$48.10, Conover charges \$51.08, Claremont charges \$55.35 and Newton charges \$67.11. Maiden is removing the flat rate and will cost less.

The top ten water customers for the past twelve months are South Fork and they were only in operation for eight months, GKN, Ethan Allen, Maiden High School, Maiden Manufactured Park, Town of Maiden, Carolina Silver who has been sold and will relocate to Scranton, Pennsylvania, Maiden Middle School, Sunshine Coin and Maiden Elementary.

The top ten sewer customers are GKN, Apple, NC DOC, Ethan Allen, Maiden Manufactured Park, South Fork, Carolina Silver, Maiden High School, Maiden Middle and Maiden Elementary.

Eighty-six percent of water revenues come from inside Maiden, with 14% coming from those outside of Maiden. 97% of revenues come from those inside town, with 3% outside. There are 1,950 water customers and 1,556 sewer customers.

Water Dam Project- Manager Herms explained the Town has contacted the state about getting a grant for this project, but it does look likely. Phase II, was cut from last year's budget but Mr. Herms stated the Town needs to move forward with this project. The estimated cost for this project is \$221,250, this is to fill the hole under the spillway. There is a large hole and we need to fill it with concrete. Phase III's estimated cost is \$215,875 to be completed in 2019-2020. The estimated cost of all projects is \$724,749 which is about half of the original estimate.

Mayor Pro-Tem Fore Rembert asked if the hole is close to collapsing. Manager Herms said there is no way to know without digging it out. Based on the information Manager Herms has received, it is best to proceed with the plan the state has approved.

Mayor Pro-Tem Fore Rembert asked if completing this project would satisfy the state's requirements and if there was turnover in this department at the state level. Town Manager Todd Herms stated that if we complied with the plan approved by the state they would help us with other issues coming up and that there had been turnover in this department at the state level.

Department Highlights- For Distribution, the budget is \$1,302,700 which includes \$20,866 for replacing water line along S. Carolina Ave, \$44,000 for Valve Insertions on Boyd and Island Ford, N. 8th and Union and Boyd and 11th. This also includes \$130,020 for water capacity at the Hickory water plant.

For the Waste Water Treatment Plant, the budget is \$575,239. There are no major changes in expenditures. Tim Hedrick has successfully completed level 3 and is now our ORC. We have been using a contractor for ORC. We will hire someone to complete the level 2 certification.

For Sewer Mains, the budget is \$422,417, \$120,000 for slip-lining for 1,000 feet of sewer along Main Street. The project will start at the intersection. Strip Lining goes inside the pipe.

Fee Schedule Changes- The Town currently charges \$185.00, but we want to change it to the actual cost of the meter. Currently it is \$200.00. We also will eliminate the peddler fee for food trucks who have been approved by Catawba County Environmental Health. Admissions to youth sports is going up a \$1 for football and basketball so our rates will remain consistent with other towns.

Town Manager Herms stated he found an obscure fee for energy checks of \$15.00 which he is proposing to eliminate. This is when Electricities comes out to do an energy audit.

Budget Requests Unfunded-

In the Planning Department, \$30,000 was requested to outsource Code Enforcement and \$22,142 was requested for software change out.

The Police Department requested another patrol officer which is not being funded at this time. This will likely be funded in the next budget year.

The Fire Department requested \$50,000 for part-time salaries and \$400,000 for replacement of Tanker 1.

The Street Department requested a backhoe loader for \$112330, \$140,000 for Capital Reserve and \$38,880 for a Dump Truck.

Water and Sewer requested \$110,052 for sewer jet replacement.

Parks and Recreation requested \$18,000 for new scoreboards for Fields 1 and 2. The total amount of unfunded requests is \$974,846.

Town Manager Herms took questions from the Council.

Mayor Pro-Tem Fore Rembert asked how much a half cent decrease would affect the town in regards to property tax.

Town Manager Herms stated this would affect all the incentive agreements we have. Manager Herms stated that waiting until the revaluation would be his recommended course of action. Manager Herms said he would look at all the incentive agreements to see what the impact would be.

Councilmember Ronnie Williams-How does waiving the peddler fee for food trucks affect the special events in town?

Town Manager Todd Herms stated that during Fall Festival, we charge a lot fee. We do not charge during Merry Maiden. We also do not charge non-profits.

Councilmember Ronnie Williams-what about those who have been inspected by Catawba County Health Department.

Mayor Pro-Tem Fore Rembert stated he thinks the Recreation department needs help.

Manager Herms stated we have 48 employees and under current law there are regulations we must follow. There are many projects coming up and Manager Herms stated he did not want to promise a police department position and recreation position without cutting another area of the budget.

Manager Herms asked what action he needed to take.

Councilmember Ronnie Williams asked when we would know if the Town received the PartF Grant.

Manager Herms said October 1st.

Councilmember Ronnie Williams asked if the grant was awarded, realistically when would construction of the Splash Pad begin?

Manager Herms said construction would likely begin by Christmas.

Councilmember Trina Michael asked what would happen if the town does not receive the grant.

Manager Herms said the Town would re-apply and set the schedule to begin the Splash Pad in November 2019.

Mayor Pro-Tem Fore Rembert asked how codes would be enforced?

Manager Herms stated that enforcement would continue to be done by the Planner as it had in the past.

Mayor Pro-Tem Fore Rembert asked how effective is code enforcement when conducted by a Planner?

Manager Herms said it could be more effective but this was a model used in other towns.

Mayor Pro-Tem Fore Rembert asked if the police would be doing it.

Manager Herms said we could be more pro-active on code enforcement. We have used the police as code enforcement officers before but there were a lot of complaints.

Chief Ledford stated that other towns have incorporated code enforcement and police and the results are not positive.

Mayor Pro-Tem Fore Rembert stated that he was thinking of getting a police officer and part time code enforcement officer.

Mayor Pro-Tem Fore Rembert asked if it makes sense to look at a half cent decrease or not. Town Manager Herms said if he had to make the decision he would wait until the re-valuation. No one notices when you cut taxes. That is a better time to cut them.

Manager Herms said he would be happy to look at how much a tax decrease will affect the budget and the incentive deals.

Councilmember Trina Michael asked if taxes were going up in other towns. Town Manager Herms said some managers might propose tax increase but it may not make into the final budget. Valdese had a 6 cent increase last year but the Council was heavily in favor of it and for a specific purpose.

Councilmember Ronnie Williams said he believes the Town needs another position at the Recreation Department.

Manager Herms said last year when the flat rate went into effect, several citizens were upset. He put together some highlights for the budget and asked if the Council had any objections to sending out this information.

Mayor Pro-Tem Fore Rembert requested that newsletters are out of date, behind. Manager Herms stated the vendor has been delayed and this issue has been addressed.

Councilmember Ronnie Williams asked if Council would vote on the budget June 5th and Mr. Herms said yes, and wanted to put the Quick Facts in the newsletter. The Quick Facts are going out in utility bill and on the website.

Without further comments...

MOTION WAS MADE BY COUNCILMEMBER TRINA MICHEAL AND SECONDED BY MAYOR PRO TEM FORE REMBERT TO ADJOURN THE MEETING AT 7:06. MOTION CARRIED UNANIMOUSLY.

Robert L. Smyre, Mayor

ATTEST:

Elizabeth Yokley-Krige, Town Clerk