

**Minutes  
Kinston City Council  
Regular Meeting  
Monday, June 5, 2017 at 5:30 pm**

Mayor BJ Murphy called the City Council meeting to order at 5:34 pm.

Councilmember Sammy Aiken led the prayer followed by the Pledge of Allegiance led by Boy Scout Troops 392 and 74.

Those present: Councilmembers Sammy Aiken, Wynn Whittington, Felicia Solomon, Joseph Tyson, Mayor Pro Tem Robert Swinson and Mayor BJ Murphy

Also present: Tony Sears, City Manager and James Cauley, III, City Attorney

**ADOPTION OF THE AGENDA**

Mayor Pro Tem Swinson made the motion, seconded by Councilmember Whittington and upon a unanimous vote the agenda was adopted.

<b>CITIZEN COMMENT</b>
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**Travel Noel, 1201 Virginia Avenue**, stated a fundraiser is being held for 242 South Queen Street on June 17<sup>th</sup> from 5-7 at the Golden Progress Community Center and tickets are \$20. Two speakers will talk about the history of the building. The roof is leaking and is in need of repair with an estimate of \$3,200. The repairs to the roof will be done free, but money is needed for supplies to work on other parts of the building. Anyone wishing to attend may contact Pastor Koonce, Brenda Stewart or herself at 361-2627.

<b>PRESENTATION AND RECOGNITIONS</b>
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**1. Caroline Haller, Miss Kinston-Lenoir County 2017 and Aliza Matthews, Kinston-Lenoir County Outstanding Teen 2017.....Mayor Murphy**

Caroline Haller, Miss Kinston-Lenoir County 2017 introduced Kinston-Lenoir County Carolina Princess Miss Macy Fussell. She stated that she was crowned in February and it has been a privilege and honor to represent the community. Her platform is Find a Happy Place which promotes good mental health. She is raising awareness about anxiety, depression and other mental health conditions. Mental health conditions affect one in five Americans and one in two college students. She will compete as the 80<sup>th</sup> Miss North Carolina.

Aliza Matthews, Miss Kinston-Lenoir County Outstanding Teen 2017 introduced Kinston-Lenoir County Carolina Princess Miss Allura Cummings. She stated that she is 15 years old and born

and raised in Kinston, and she is honored that she gets to represent this great city. Her personal platform is Giving Back and it is all about getting people involved in their community through their time, talent and treasure (3 T's), because everyone has at least one that they can give back to their community. She encourages people to find their passion and use that to volunteer. Her passion is dance and she volunteers four hours a week as a dance teacher assistant with the Recreation Department. She is also an advocate for the Children's Miracle Network.

**2. National Garbage Man Day Proclamation .....Rhonda Barwick**

Rhonda Barwick, Public Services Director, stated each year the Mayor proclaims June 17<sup>th</sup> as National Garbage Mans Day. The Environmental Services staff was present, and she introduced Terrell Lovick.

Terrell Lovick, Environmental Services Superintendent, stated he has been a resident of Lenoir County all of his life and has worked in the sanitation department for 18 years. He expressed his appreciation for recognizing him and his staff. They work hard, they do great work, they are dedicated to the job and as always the customer is number one, and that standard will continue.

Mayor Murphy read and presented the proclamation for National Garbage Man's Day and thanked the Environmental Services employees.

Mayor Pro Tem Swinson stated people are asking about debris left on curbs and asked for the procedure for pick up. Mrs. Barwick stated the usual garbage in the rollout cart is picked up routinely every week for active account. C&D [construction debris] or mattresses, we ask that citizens call 939.3282 to generate a service order and schedule the pickup.

Councilmember Aiken asked about citizens who have not paid their accounts. Mrs. Barwick stated we need to collect on the accounts to be fair to all of our customers. If someone is moving and has extra debris on the curb we will pick it up with garbage.

Mayor Pro Tem Swinson asked if someone puts trash in front of their house and they do not have a utility account will we pick it up. Mrs. Barwick stated not routinely, however citizens can call for a one time pick up and the Environmental Services Superintendent will see if it is something that we can pick up and he would give an estimate of what it would cost. A truck load could be \$50 or \$100 depending on the size of the pile. We don't routinely pick up those things and it has to be an active account. Mr. Sears stated if customers call 939-3282, it will be taken care of. There are people who put garbage on vacant lots, and we understand it is a problem, but if citizens call 939-3282, the City of Kinston will make sure it disappears.

Councilmember Tyson stated there is a good video on Channel 2 that explains what to do and it is very informative. It would be a good idea to get it out to more people. Mrs. Barwick stated we will make sure the flyers on our website. Anytime anyone has questions about what we will or will not pick up, they should call our 24 hour customer service number. If citizens don't have an account, we will talk to them about payment, but we will pick it up.

Councilmember Aiken asked about the policy for picking up dead animals. Mrs. Barwick stated there are not a lot of calls for that, but if citizens call 939-3282, they will schedule for the animal to be picked up. Mr. Sears stated our Animal Control Officer will do that as well. If citizens will call the police department’s non-emergency number, we will take care of it.

Mayor Pro Tem Swinson asked about alternative to the existing barricades in the Lincoln City area. People still go back in the area and dump trash. Mrs. Barwick stated the barricades have been there since after Hurricane Floyd and at the time there was still private property in the area. We wanted to prevent dumping, but we wanted property owners to still have access. If City Council wants to barricade the areas we can do so. Mr. Sears stated the other option is that the city can dig up the road. We have had crews to do clean up, and that goes back to our pick up problem. If people will put out their trash, we will pick it up. People believe the city will not pick up the items and they don’t want to pay to have it picked up, so they go dump it which results in a lot of illegal dumping which is why we prefer to address it at the location. We are happy to work with citizens and we prefer citizens not do the illegal dumping. We can make it more difficult for people to access the area.

Mrs. Barwick stated the city pays tipping fees to the County for everything we take to the landfill, so we try to make sure the people who create the cost pay for it, but it is difficult in the buyout areas.

**3. Presentation of Safety Award of Excellence and NCAMES Rodeo Team Recognition  
.....Rhonda Barwick**

Rhonda Barwick, Public Services Director, stated the Electric Division is one of the fastest restorers of power after a storm. They have been the recipients of two awards, one from the American Public Power Association and ElectriCities of North Carolina recognized them for no loss work days. The North Carolina Association of Municipal Electric Systems provides training and continuing education for the staff, and they had a team competition in New Bern.

David Stocks, Electric Services Superintendent, stated all the municipalities get together, perform different tasks and they are judged on safety and time. They simulate an injured lineman and we have to get him down to the ground safely and start CPR within four minutes. Derrick Browning and Scott Hardison were our representatives this year, they did a very fine job, and we are proud of them. Mr. Stocks stated he has been with the City for over 25 years and these guys are very dedicated. They are first responders no matter the time or the weather. When the phone rings they don’t complain, they get the lights back on. It is all about the customer, the customer comes first, they are held to a high standard and they meet that goal.

**MINUTES**

**Consider approval of the minutes of the Kinston City Council meetings held on May 15, 2017 .....Monique Hicks**

Councilmember Tyson made the motion, seconded by Councilmember Solomon and upon a unanimous vote the minutes were approved.

ACTION AGENDA

- 1. **Conduct a public hearing and consider approval or denial of a request from Debra Bautista to rezone a parcel on Neuse Road from I-B (Industrial Business) to RA-20 (Residential) .....Adam Short**

Adam Short, Planning Director, stated this property is in our zoning jurisdiction, and the current zoning would not allow the property to be used in a conforming manner for a single family home, so the applicant is requesting to change it which is contiguous to RA-20 zoning that is just to the northeast of the property.

Mayor Murphy asked if there has been any conversation about where the General Assembly is with ETJ's. James Cauley, City Attorney, stated not recently and he isn't aware of any pending legislation. Mayor Murphy stated we should look at it and consider options. It is contiguous to the City, but the residents are not residents of the City of Kinston and they cannot vote for the City Council, but it is our statutory authority to hold this public hearing and issue a decision. We do recognize that people are not represented by this governing body, so it makes it a challenging task. Mr. Short stated we have ongoing discussions with Lenoir County and the GTP, so it would be an opportunity to address the ETJ in those areas as well.

Mayor Murphy declared the public hearing open.

**Debra Baustista, 3079 Kelly Road**, stated she has asked for the rezoning because at one time there was a house on this land, and she guess that it had been grandfathered. The house was town down and the land went back to industrial. We would like to put a single family home on the land.

Mayor Pro Tem Swinson asked if this property is in the flood zone. Mr. Short stated it is not, but it is close. Mr. Cauley confirmed it is surrounding by residential. Mr. Short stated that is correct, technically non-conforming.

After no one else spoke in favor of or in opposition, the public hearing was closed.

Councilmember Whittington introduced the following Ordinance:

**2017-07**

**AN ORDINANCE TO AMEND THE OFFICIAL ZONING MAP  
BY THE CITY COUNCIL OF THE CITY OF KINSTON**

**WHEREAS**, the City Council for the City of Kinston, North Carolina held a Public Hearing on June 5, 2017 to consider a request submitted by Debra Bautista to rezone a parcel on Neuse Road identified by NC PIN 453403443607 from I-B (Industrial Business) to RA-20 (Residential); and

**WHEREAS**, the property is currently within the zoning jurisdiction of the City of Kinston; and

**WHEREAS**, the Planning Board voted to recommend *approval* of the rezoning request; and

**WHEREAS**, this ordinance is consistent with the City of Kinston Comprehensive Land Use Plan Future Land Use Map and is consistent with the City of Kinston Unified Development Ordinance; and

**WHEREAS**, this ordinance has been reviewed and adopted in a manner consistent with NCGS 160A-383.

**THEREFORE**, the City of Kinston Official Zoning Map is hereby amended by rezoning this parcel of land from I-B (Industrial Business) to RA-20 (Residential).

Mayor Pro Tem Swinson made the motion, seconded by Councilmember Tyson and upon a unanimous roll call vote the rezoning request was approve.

**2. Consider adoption of a Resolution accepting the Clean Water State Revolving Loan offer of \$2,054,696 for the Briery Run Phase IV Sewer Rehabilitation Project**  
.....**Steve Miller**

Steve Miller, Public Services Assistant Director, stated the City applied for this loan in September 2015 and was awarded the loan in January 2016. They have asked us to approve a resolution to accept the loan officially. The loan is \$2,054,696 and includes \$500,000 principle forgiveness with 0% interest over 20 years.

Councilmember Tyson asked if this will complete this project. Mr. Miller stated no, since the application in 2015, we submitted for Phase V for Briery Run this past spring. That loan was also approved by the SRF, but we have not done a resolution. That will finish all of the manholes on Briery Run, but there will still be pipes that have not been rehabilitated, so there will be another future phase.

Mayor Pro Tem Swinson introduced the following Resolution:

**09-2017**

**RESOLUTION BY GOVERNING BODY OF APPLICANT**

**WHEREAS**, the North Carolina Clean Water Revolving Loan and Grant Act of 1987 has authorized the making of loans and grants to aid eligible units of government in financing the cost of construction of wastewater treatment works, and

**WHEREAS**, the North Carolina Department of Environment and Natural Resources has offered a Clean Water State Revolving Loan in the amount of \$2,054,696 for the construction of the Kinston’s Briery Run Phase IV Sanitary Sewer Rehabilitation Project, and

**WHEREAS**, the City of Kinston intends to construct said project in accordance with the approved plans and specifications,

**NOW THEREFORE BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF KINSTON:**

That, the City of Kinston, does hereby accept the Clean Water State Revolving Loan offer of \$2,054,696.

That the City of Kinston does hereby give assurance to the North Carolina Department of Environment and Natural Resources that all items specified in the grant offer, Section II – Assurances will be adhered to.

That Tony Sears, City Manager, and successors so titled, is hereby authorized and directed to furnish such information as the appropriate State agency may request in connection with such application or the project; to make the assurances as contained above; and to execute such other documents as may be required in connection with the application.

That the City of Kinston has substantially complied or will substantially comply with all Federal, State, and local laws, rules, regulations, and ordinances applicable to the project and to Federal and State grants pertaining thereto.

Councilmember Solomon made the motion, seconded by Councilmember Tyson and upon a unanimous roll call vote the Resolution was adopted.

**3. Consider approval of an amended lease to Common Grounds ENC for property located in the flood buyout area .....Tony Sears**

Tony Sears, City Manager, stated approximately a year ago, Reverend Warren spoke on behalf of Common Grounds. There are restrictions on FEMA buyout property, and they have worked with NCDENR and FEMA on what can and cannot be done. They have a draft of a lease that addresses what they would like to do with the property. We are not looking to vote on this item, but in order for them to move forward with state and federal government approvals, they want to make sure we are amenable to working with them.

Lee Albritton, CEO and Co-Founder of Common Grounds of Eastern North Carolina, stated he is standing in on behalf of Tom Warren. We were here about a year ago asking for an amendment to our current license agreement, and we would like to have a lease. The most significant change that we are requesting is for a 25-year lease in order to start a capital campaign. We cannot ask investors to invest in our new neighborhood park, outdoor classroom and urban farm if we can't insure them that their investment is protected. Currently, the city could terminate the agreement and turn it into parking for Grainger Stadium and all of our work would be up in smoke. We have been in discussions with FEMA and the City Attorney and we have had volunteer local lawyers to help us create a document. We need City Council's approval to send the lease to FEMA representatives in Raleigh who will forward it to the regional headquarters in Atlanta for approval. City Council's support for our requested modification of our licenses agreement to a longer term lease is critical. We have been leasing the site since 2011, we are an all-volunteer organization and we have invested almost \$100,000 in the five acres which is flood buyout property at one of Kinston's most important entrances. Significant traffic travels in front of this property. It is an important investment and does not cost the city anything to support this volunteer effort. We have taken the kudzu plagued five acres, cleaned it up and maintained liability insurance the entire time. Two years ago, we obtained a professional design for the acreage from world renowned landscape architects from NC State University. We have the map in place to start piece mill development and constructing it, we just need the key to open the door to investors.

Mr. Sears referred to page 2, item 4 [Use of the Premises] of the lease agreement and stated there are building restrictions according to the wetlands and that section addresses some of the permitted uses.

Mayor Murphy asked if a bond or clause is in the 25 year lease, where if the organization ceases to exist prior to the 25 years that the property will be restored back to the City. James Cauley, City Attorney, stated there is language in the lease that allows for that. For an example, if they lose their non-profit status, the land defaults back to the City. Mr. Albritton stated the City retains the overriding ownership, and hopefully would receive a very much improved property.

Mayor Murphy asked if there is any reason the lease could not be approved instead of waiting. Mr. Cauley stated any approval will be subject to FEMA's review. Mr. Albritton stated we would love to be able to forward it to Atlanta. Councilmember Tyson referred to item 16 [Time is of the Essence], and stated that since that statement is included he recommends that a vote be taken.

Councilmember Tyson made the motion, seconded by Councilmember Solomon.

Mayor Murphy asked if Laura Lane has been closed. Mr. Albritton stated it has not been officially closed, but that will probably be a future request. The neighbors who we have talked to would appreciate that.

Councilmember Aiken asked about the upkeep of the garden. Mr. Albritton stated that upkeep has been a struggle with all volunteers and most work full time jobs. Our community service workers are assets, yet our gardeners tend to be older and no able to do the physical work. We have been reaching out to organizations to share pieces. No one will be able to take on 5 acres for free. The appearance is critical to the community's continued support for us, so hopefully we will be able to provide different feedback in the future.

Councilmember Aiken stated he has obtained literature from a conference in Raleigh that he would like to share Mr. Albritton. He stated the garden in Raleigh donated food to the Food Bank. Mr. Albritton stated their organization has donated food to Mary's Kitchen and we plan to do it again this year. Mainly our gardeners have grown food to feed themselves, but there are other communal plots that are planted and are donated to Mary's Kitchen and neighbors.

Councilmember Tyson stated that Real Fathers Real Men have individuals who are willing to volunteer.

Clicent Boyd, Real Fathers and Real Men, stated he has passed this property several times and if Real Fathers Real Men could volunteer and assist. We work with the court system to work with the young men who need to do community time.

Mayor Murphy thanked Mr. Boyd for volunteering his organization and added that is what Kinston is all about.

Mr. Cauley stated as a technical matter, he would like for Councilmember Tyson’s motion to include that it is approved subject to FEMA review and approval and that is consistent with the City’s agreement with FEMA. Mr. Albritton stated that they will agree to bring the agreement back to City Council for final endorsement. Mr. Sears stated it could just be bought back for an update. Mr. Cauley stated if FEMA makes any changes, the City will need to see the agreement again.

**Note: Per the instructions by the City Attorney, Councilmember Tyson’s motion was amended to include “subject to FEMA’s approval of the agreement”.**

After a motion and second, the City Council unanimously approved the lease agreement, subject to FEMA’s approval.

INFORMATION AND UPDATES

**1. Essential Single Family Rehab Loan Pool Program .....Adam Short**

Adam Short, Planning Director, stated the City was awarded \$175,000 initial funding to maintain a revolving loan pool for rehab. The minimum allowable amount per unit was \$5,000 with a maximum of \$25,000. We received 50 applications, and there are requirements and a point system for the review of applications. We have an initial group of 5. The Wooten Company looked at 12 properties and some of them were removed from the process for various reasons. North Carolina puts stimulations on the program, one being the \$25,000 maximum and any work done has to bring the unit up to a minimum standard. There is a rehab threshold and if it cannot be obtained within the \$25,000 then applicant can’t receive the loan. This program is for homeowner occupied properties. Some were not accepted because the repairs did not meet the minimum \$5,000. We are interested in pursuing North Carolina Housing Finance to obtain urgent repair funding which would help with the units that exceed the \$25,000 threshold. It is hard for staff to look at all of the applications with all the needs we have in Kinston, so we have to stick to the objective criteria like homes with lead issues, a child under the age of 6, a head of household who is over 62, a veteran or who is disabled. There are also income criteria. It is very competitive, but once we spend the money we should be open to apply for more money.

Councilmember Solomon asked if the next group come out of the initial applicants. Mr. Short stated he is happy to continue to take application. It is only fair to give preference to those who submitted their application by the deadline. We look at homes on an individual basis, but we can almost determine the applicants based on the point system criteria. Councilmember Solomon asked if there is a timeline for completion of round one. Mr. Short stated yes, the document states that all work has to be complete by June 2019.

Councilmember Aiken asked about the Adopt a Lot Program. He has been told that there were more hurdles than expected. Mr. Short stated that the paperwork is handled by Chris Suggs, Kinston Teens. Once they process the paperwork, it comes to the City for approval.

**2. Queen Street Rehab Work Shop.....Rhonda Barwick**

Rhonda Barwick, Public Services Director, stated on Thursday, June 8<sup>th</sup> from 4-6, we will hold a Queen Street rehab work shop for the businesses and property owners to see the progress of the project. The work shop will be in the Human Resources Training Room.

Mayor Murphy recessed the City Council meeting at 6:36 pm.

RECOVENE

Mayor Murphy reconvened the City Council meeting at 6:48 pm

FY 2017-2018 PROPOSED ANNUAL OPERATING BUDGET

**1. FY 2018 Proposed Budget.....Tony Sears**

Tony Sears, City Manager, stated he hopes that nothing in this FY 2017-18 budget comes as a surprise. We were aware of the revaluation and that it would cause us to reexamine our tax rate and what it would do to our property valuation. Our requirement is to present a balanced budget, and this is a balanced budget, yet we can make changes. This is a \$100 million budget with a proposed tax rate increase of \$.04 going from \$.66 to \$.70. In the revaluation, the City loss approximately 12% in total valuation. Revenue neutral is \$.073. If someone has a home valued at \$100,000, they will pay \$46 less in property taxes than they paid last year. Businesses will not be the same because they held their value. The \$.04 increase on business owners will be an increase. The City has not had a tax increase in 9 years. \$.01 on the tax rate is \$138,000, and it used to be \$154,000. Last year the City’s total valuation was \$1.5 billion and now we are back to \$1.4 billion. The revaluation has costed the City around \$100 million. If City Council wants to decrease the \$.04, City Council could cut services or items or use more Fund Balance. Fund Balance is already being used to keep the increase at \$.04. There will not be any request for increases in fees for Water, Sewer, Electric, Environmental Services or in Stormwater. We were fortunate with State revenues and we will picked up \$360,000 which is the sales tax calculations, but the State has not adopted their budget, so if that changes, there will be a \$360,000 hole in this budget which will come from Fund Balance.

Councilmember Tyson asked when will the electric rate be addressed. Mr. Sears stated that there is a proposed 2.9% decrease, but he would like to offer an alternative idea.

Councilmember Solomon confirmed that the \$361,000 from sales tax is already in the budget.

Mayor Murphy stated to hear \$.04 is pleasantly surprising. How was the difference made up?

Mr. Sears stated the \$360,000 covered \$.02. Property tax is one of the two major revenue sources for the General Fund and the other is sales tax. Also, the department heads understood the challenge and didn't ask for some items and were fiscally disciplined. It's controlling the expenses and the appropriated Fund Balance. This budget is capped because we used Fund Balance to balance this budget. If we don't hold the line and outpace the revenues then we will have to constantly rely on Fund Balance. Managing the budget moving forward is just as important until revenues outpace the expenditures. The budget needs to be steady so you don't keep using Fund Balance to prop up the budget. Every year the use of Fund Balance needs to be reduced so that you don't bleed yourself out of your savings. You want Fund Balance for one time expenditures, not for the reoccurring cost of balancing the budget. The City will increase taxes, but on average the residential homeowner will pay less.

Mayor Murphy confirmed we have a tax rate increase, but we have a property tax decrease. Mrs. Gwynn stated revenue neutral was \$.07363 and that was the difference that made \$10,143,000 in revenue. We are not going to get to that number because the increase is only \$.04.

Mr. Sears stated this is a \$100 million budget consisting of 18 funds with 4 primary funds. The General Fund is \$24.5 million, the Water Resources Fund is \$10.4 million, Wastewater Fund is \$6 million and the Electric Fund is \$46 million. The budget highlights including maintaining constant levels of essential services, street resurfacing, support a resilient and well prepared police and fire departments, demolition, property reinvestments, renovations and improvements of public areas, water, sewer and electric infrastructure, and unrestricted Fund Balances. The Municipal Service District tax and the Global TransPark fire tax will remain the same. There are no fee increases proposed and \$1.1 million of Fund Balance will be use.

Councilmember Whittington asked the amount of the GTP Fire tax annual revenue. Mr. Sears stated he does not have that exact number, but the revaluation helped the GTP fire tax.

Mr. Sears stated the two new positions are for the Pride of Kinston, so the number of employees will be 380. The employer's cost for insurance has an increase of \$187,000. Organizational Support levels were held steady. We increased the SPCA's funding last year, and now they want to go to something contractual. Mr. Cauley and Lenoir County are reviewing the contract proposed, and it will be presented to City Council at a later date. The Police department has been at varying funding levels and their funding increased this year. We have been sponsoring candidates through BLEET, and we had eleven vacancies, but now we have two which means we have to change the funding level from 95.3% to 96.3% funding level. Police will never be funded at 100% due to vacancies and turn over.

Councilmember Tyson asked if there is still an issue collecting weed abatement fines. Mr. Sears stated we have a much better collection rate.

Mayor Murphy stated he would like to address street resurfacing and demolition. Mr. Sears clarified that the funds budgeted are only from the City and does not represent other funding sources [federal and state grants] for demolition.

Councilmember Solomon asked about funding for demolition. Adam Short, Planning Director, stated that the funding received for demolition was from the North Carolina Catalyst program which was part of the CDBG program. They have shifted their focus away from housing programs to more water and sewer infrastructure and some economic development. We had a \$125,000 grant for demolition which made a great impact, and since then we have been doing what we can with what we have. We are speaking to Legislators to hopefully obtain funding from a new grant program or some type of loan program. If we received a loan we could use the \$50,000 that is budgeted for demolition annually to pay off the loan.

Mr. Sears stated the demolition budget could be doubled if City Council wants to appropriate Fund Balance. Inspectors have identified 172 properties that need to be demolished. The area across from Southeast School needs to be address, but will take a lot of money.

Councilmember Solomon stated she personally feels an urgency to get rid of some of the dilapidated houses in that community, and clear some of that area even if we cannot grow the area economically. We need to be very aggressive going after money that is available.

Mr. Sears stated that Hope and Restoration Ministries have funds from the Duke Endowment and they are looking at that area. We have been discussing how to condemn the property and transfer the properties to the organization to rehab the houses.

Councilmember Whittington asked about the Tourism Development Authority's increase. Mr. Sears stated that is the Occupancy Tax. Mr. Sears stated we collect the money from the hotels and it is a straight pass-through. No tax dollars support the TDA.

Mr. Sears stated changes with increases in the budget include health insurance, the North Carolina retirement system's retirement contribution for firefighters and law enforcement, the full year of the raises that were approved last year, Pride of Kinston's employees, the new position in the City Manager's office, the upcoming election, a new phone system, the City's liability insurance, street resurfacing, the second full year of the separation of Police and Fire, (mostly filling the positions), law enforcement separation allowances, ten police cars, the Explorer Post, replacement of various computers, animal ballistic vests, and a SWAT robot. One thing that did not make the cut was riot shields. Other items include separation allowances for firefighters, turnout gear for Fire, live burn prop, Parks and Recreation has funding for upkeep and needed regular maintenance at the various facilities, the skate park, a ballfield machine, sandblasting a section of seats at Grainger Stadium and moving the irrigation system. There are internal transfers in the budget. The \$1.1 million appropriated Fund Balance will cover the additional separation allowance for officers, the HVAC system Mock Gym, the Skateboard Park contribution, the sandblasting for Grainger Stadium and a time keeping system for the City. Since 2012 Fund Balance has been appropriated to balance the budget. We had approximately \$10 million cash on hand across all funds and we are up to \$30 million due to the sale of the electric assets to Duke Energy. The General Fund Fund Balance is up to 9.5%.

Mayor Murphy expressed his concern about Environmental Services collections and asked is there a proposed increased in the fee. Mr. Sears stated the only increase proposed is property taxes. Environmental Services is projected to have an increase in 2020. The purchase of new

garbage trucks has contributed to the use of its Fund Balance. Stormwater and Environmental Services are not our healthiest funds.

#### PROPERTY TAX

Mr. Sears stated that the taxable base is back to where we were in 2011. The last tax rate increase was in 2009. The total valuation is \$1.4 billion, down from \$1.5 billion. The tax rate will increase \$.04 from \$.66 to \$.70.

#### WATER RESOURCES FUND

Mr. Sears stated that there is no proposed fee increase, and Capital Reserve has \$413,000.

Councilmember Tyson asked why was Well #9 being reinstated after being closed by the State. Of the 18 wells we have, how many are down. Rhonda Barwick, Public Services Director, stated we have had water pressure issues in the Briery Run area. In order to get the Chloramines all the way to the end of the line, we reopened Well #9 to meet those needs. The State does restrict how much comes from the aquifer, but we just need the water at certain parts of the system. We operate 17 wells routinely. One is abandoned at the power plant. Steve Miller, Assistant Public Services Director, added there is one well at the airport that was shut off ten years ago. The others are all functioning. Mr. Sears stated the wells were shut down to meet the requirements, but the State is having second thoughts about implementing the final ratio. We are buying water from NRWASA and we are well within our limits to use the water for pressure. Mrs. Barwick stated it is really the location. Some of the wells were not reinstated when we went to ammonia because of the expense and not needing them at the time, but the demand has grown, so we need them in certain areas. Also, the last phase of the Queen Street cast iron water line is included and this work is being done by our crews. It is slow, but we are saving money.

#### WASTEWATER FUND

Mr. Sears stated there is no fee increase proposed. The biosolids dryer is being built, we are no longer recognizing the generator for load management, and we have the economic development payment 7 of 10 for Sanderson Farms.

Mrs. Barwick stated we do expect the biosolids dryer to be complete by late 2017. We have funds for the solids pick up in the meantime. We have an increase in the equipment repairs. No major capital outlay and the budget request is about \$400,000 because we did not purchase a jet truck.

#### ENVIRONMENTAL SERVICE FUND

Mr. Sears stated we used \$84,477 of Fund Balance. A 10% fee increase is anticipated in 2020.

Catherine Gwynn, Finance Director, stated in 2017 we had a rate increase, so for June 30<sup>th</sup> we would break even. We think the cash balance will increase. It cannot be seen because we only have the numbers through December 2016.

Rhonda Barwick, stated it includes the 15 weeks of Bulk Leaf collections, mosquito spraying and recycling.

Mr. Sears stated if we stop recycling, we still have to take the recycling to the Lenoir County landfill and they charge by the ton. We would save money, but not the entire \$73,000. Recycling is environmentally positive, but it is not profitable.

#### STORMWATER

Rhonda Barwick, Public Services Director, stated there is no proposed fee increase. The one capital project is the replacement of 560' of 24" pipe on Tiffany Street. Staff will do this work.

Councilmember Tyson stated he would like a future briefing of stormwater rates.

#### PROPERTY AND FACILITIES MANAGEMENT FUND

Mr. Sears stated the items for this fund includes an upgrade to the electrical system in city hall, carpet and miscellaneous items in different city buildings and a material shelter for bulk material at the Public Services Complex.

#### ELECTRIC FUND

Mr. Sears stated NCEMPA has changed the wholesale rate which equals to a 2.9% reduction which is the equivalent to \$1.5 million. One of our growing areas is Herritage Street. We could take \$1.5 million to bury the power lines, but you are going to break up the street to do that, then it would require construction, and it will be ten times as inconvenient as Queen Street has been. We could bury the electric lines, replace the water lines and spot fix the sewer. The water lines can be replaced quicker by a contractor. These utilities would be responsible for repaving. In the end, the power lines would be buried, water lines would be replaced, sewer lines enhanced and Herritage Street would be paved. If the 2.9% [\$1.5 million] is not given to the customers it can be placed into a special fund. Staff would need 12-18 months to come up with a plan and that gives us another year to put another \$1.5 million, total of \$3 million, into the special fund. We have another year to actually do the project and it is \$1.5 million, total of \$4.5 million, and this would be close to the amount to cover the cost of the project. It could be a completed project with the different projects paying their fair share of the costs.

Councilmember Tyson confirmed that City Council is being asked not to return the electric rate reduction to the customers and to invest the money on Herritage Street. Mr. Sears stated there is a segment of the community who is concerned about Herritage Street's condition and aesthetics. There are individuals who would love to see Herritage Street updated. Once the 2.9% is given back to the customers, there is no other magic bullet to address Herritage Street, so this is about time and opportunity.

Councilmember Tyson stated he is going to have to convince citizens that we aren't paving the street in their neighborhood, and we are not giving the money back on the electric and we are going to fix up Herritage Street. Mr. Sears stated that he is aware that every segment of the community will not support the proposed project, I have only presented an option.

Councilmember Tyson stated citizens need to know exactly what we are voting on and how we are voting on it. Mayor Murphy wants to readdress street resurfacing, Councilmember Solomon wants more money in demolition and we are going to take the millions out of the General Fund Fund Balance to complete Queen Street and other projects. We are asking citizens to use their

electric money to put electric wires on Herritage Street underground, and citizens have been asking for the money back since I have been on City Council. Mr. Sears stated that the wholesale electric rate has increased 14.5% since 2003, yet our customers are only 3%. We have done a good job at returning funds and reinvesting in our system. If we give back 2.9%, we wipe out the 3% and we are back to the 2003 rate level.

Councilmember Whittington asked the average savings to the customers with the 2.9% reduction. Mrs. Barwick stated the 2.9% would represent about \$3 on the average monthly residential bill and about \$200 for the average commercial customer.

Councilmember Tyson stated he agrees with the concept and the idea, but he has a problem with the proposed mechanism of paying for it.

Councilmember Whittington confirmed that the electric savings to the residential customer is around \$36 a year. He questioned the needs for the sewer fixes. It would be better to know what issues to address so that we don't pave and have to go dig it up to replace the sewer. Mr. Sears stated that would be part of the 18 month process before the project would begin. If the sewer line is replaced on Herritage, there will be backlash because it is going to be tenfold compared to Queen Street. It will take a lot of fortitude to address this project.

Mayor Murphy stated we are spending \$200,000, and we need to be spend \$530,000, so every year we are underfunding Street Resurfacing by \$300,000. This is why we have a \$1.2 million problem with Herritage Street just to repave it. He is beginning to have different opinions of transfers from the Electric Fund. This is a unique proposal. Is there a way to do more street resurfacing and demolition by increasing the electric transfer and is there a way to accomplish the Herritage Street project? We have two options to address Herritage Street, a General Fund Fund Balance appropriation or we need to discuss the option of bonds. Mr. Sears stated he is not a fan of increasing the \$800,000 transfer. Given the directive received in the past, it may be a different way to address this.

Councilmember Solomon asked the hesitation with the transfer. Mr. Sears stated the General Assembly has historically debated about lowering the 3% of gross asset number because of NCEMPA, and, they didn't want cities to bleed off the Electric Fund to support General Fund products. We can legally justify the transfer up to 3%.

Councilmember Solomon asked the average savings per household after the 10% rate reduction. Mrs. Barwick stated the average customer saw a 10% decrease in their electric bill. We also increased projects. SmartGrid and the 2<sup>nd</sup> POD were fully funded. The Falling Creek Substation project is almost complete and Vernon Avenue. Electric projects are very expensive.

Mayor Murphy stated we have an aging infrastructure and an opportunity with the rate reduction to invest in the infrastructure. The question is how much and for how long. We have to resolve how to repave Herritage Street, street resurfacing throughout the entire community, demolition and how to repair the water and sewer lines.

Mr. Sears stated in order to change the electric rate we have to have a public hearing, and it can be changed any time. If you give the 2.9% back now, then this entire conversation is moot. He recommended a public hearing be held to receive feedback from the community.

Councilmember Tyson agreed that a public hearing needs to be held to allow citizens to provide their input, but we need more than one option.

Mr. Sears clarified that the 2.9% will go into the Electric Fund Fund Balance until a project or decision is decided. We anticipate that in 2021, Duke will have a rate increase that will affect us, then we would take the 2.9% to absorb their rate increase so we don't have to pass it on to the citizens.

Councilmember Solomon stated she would like to hear other suggestions or possibilities for the money other than Herritage Street. Mr. Sears stated he would be happy to provide other options, but it is going to take longer than two weeks. Once we have the other options, we will also have to determine the cost. I don't know any other way to pave Herritage Street.

Mayor Murphy stated he would like to see a plan to increase resurfacing to be closer to \$553,000. The City could take a part of the 2.9% and leverage resources over the next few years to start some Capital Fund Project line items. He is more than satisfied with the \$.04 tax rate increase. We are below revenue neutral and he would like to stay there.

Mr. Sears stated we will hold a public hearing for the budget approval and the electric rate change at the next meeting. We will come back with some type of hybrid to increase demolition, increase street resurfacing, some type of hodgepodge that meets the different matrixes, and the tax rate will remain at the proposed \$.04 on tax rate increase. He asked how City Council felt about the \$1.1 million Fund Balance appropriated.

Mayor Murphy clarified that just because it was appropriated does not mean that it will be spent.

Mr. Sears stated the \$361,000 from the Legislature is the wild card, and we will reexamine appropriated Fund Balance.

Mrs. Gwynn stated the issue will be to come back to the City Council with options. That is not a problem, but it takes about a week to draft the ordinance. We can come back with two or three options of a budget or we come back for another meeting. Mr. Sears stated the other option is as long as the tax rate doesn't change, budget amendments could be done at the July meeting to make any corrections.

Councilmember Whittington asked if the Fund Balance appropriation goes from \$1.1 million to \$1.4 for additional street resurfacing, how many streets could be resurfaced. Mrs. Barwick stated we would work from the 2017 street survey. We would present the next streets on the list and City Council would vote on them. \$553,000 resurfaces about 4.58 miles. Mr. Sears stated the appropriation can be increased. If we spend the additional funds we should spend more time and effort selecting the right streets.

Mayor Pro Tem Swinson asked how long would the 2.9% sit before the project would start. Mr. Sears stated around 3 years. It will take 12-18 months for studies, engineering and videoing to be done. We are also talking about not needing it to offset a Duke Energy increase until 2021.

Mayor Murphy stated he and Lenoir County Commissioner Chairman Hill have discussed the City and County and what synergies we have and how to save the taxpayers monies. In the past we have not been able to get past the first meeting. Mayor Murphy, Chairman Hill, the City and County Managers will meet to discuss possible synergies or possibly bring in a third party.

Councilmember Tyson confirmed that there were indications that we should meet before budgets were approved, but it has been decided that this will wait until after the budget. Mayor Murphy stated that is correct, and there was no way to merge City and County services in three weeks. There are chances for us to adjust our budgets and processes as we move forward.

Mr. Sears stated the third party would be the North Carolina League of Municipalities, the Association of County Commissioners, UNC School of Government or a private party to analyze the situation. A community group could potentially be an additional option.

ADJOURNMENT
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Councilmember Whittington made the motion, seconded by Councilmember Tyson and upon a unanimous vote the City Council meeting adjourned at 9:20 pm.

Respectfully submitted,

Monique Hicks, City Clerk