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The Washington City Council met in a continued session on Monday, May 17, 2010 at 4:30pm in the City Council Chambers at the Municipal Building. Present were: Archie Jennings, Mayor; Bobby Roberson, Mayor Pro tem; Doug Mercer, Councilman; Ed Moultrie, Councilman; William Pitt, Councilman; Gil Davis, Councilman; Jim Smith, City Manager; and Reatha Johnson, Assistant City Clerk.

Also present were: Matt Rauschenbach, Chief Financial Officer; Robbie Rose, Fire Chief; Allen Lewis, Public Works Director; Gloria Moore, Library Director; John Rodman, Planning Director; Keith Hardt, Electric Director; Philip Mobley, Parks & Recreation Director; Mick Reed, Police Chief; Ray Midgett, Information Technology Director; Susan Hodges, Human Resource Director, Lynn Lewis; Tourism Director, and Mike Voss, of the Washington Daily News.

Mayor Jennings called the meeting to order and Councilman Moultrie delivered the invocation.

### **APPROVAL/AMENDMENTS TO AGENDA**

Mayor Jennings added Mr. Barry Gutfeld to the agenda and by consensus, Council concurred to the addition.

By motion of Mayor Pro tem Roberson, seconded by Councilman Pitt, Council unanimously accepted the agenda as amended.

#### **Mr. Barry Gutfeld**

Mr. Gutfeld provided the following general comments on the FY 2010-11 budget:

- Revenue
- \$56,000 General Fund transferring to Electric Fund
- (ElectriCities)
- Choice between Economic Development and Electric rate reduction (with recession - electric reduction should come first)
- State reimbursement of \$1.7 million (Has there been a requested meeting with delegations from City Council to meet with Representative Williams and Senator Basnight?) Mayor Jennings responded 'yes' and will continue to make those efforts.
- Mandatory shut-off of heat pumps and water heaters
- Capital Expenditures
- Responsibilities of City Government
- Employee's raises

By motion of Councilman Mercer, seconded by Mayor Pro tem Roberson, Council unanimously agreed to adjourn the meeting at 9 pm.

Mayor Pro tem Roberson requested considering additional budget sessions due to the mandates on staff for completion of the revised budget and noted his unavailable dates. Councilman Moultrie will be out of town the 3<sup>rd</sup> week of June. Councilman Davis suggested waiting until May 24, to make this decision. Mayor Jennings requested Council to be kept abreast of schedules prior to the budget being ratified.

### **CITY WIDE BUDGET OVERVIEW**

Jim Smith, City Manager addressed a few key points on the budget overview:

- Budget request from the departments (\$14,473,000)
- Last year's total budget (\$16,239,000 – including transfers of open purchase orders)
- Final proposed budget (approximately \$220,000 less than the department's requested - a reduction from last year's budget and a reduction for request from departments)
- Avoidance of appropriating Fund Balance to balance the funds
- Appropriated approximately \$120,000 in the General Fund (have about four months of fund balance in the General Fund)
- Water Fund balanced
- Sewer Fund balanced (\$40,000 appropriation from fund balance)
- Storm water (\$375,000 appropriation from fund balance- anticipated to be debt service)
- Electric Fund (\$265,000 fund balance appropriated - trying to avoid a rate increase)

- Airport Fund (\$26,000 of fund balance appropriated and the airport does have some fund balance)
- Solid Waste Fund balanced
- Cemetery balanced (transfer of General Funds into the cemetery & airport fund)
- Total of all budgets including the Enterprise Fund is \$62,149,000 which includes \$993,000 of total fund balance and provides \$155,000 contingency.

City Wide Budget Overview

5/13/2010

	Pr. Year Actual 08-09	Amended Budget 09-10	YTD 09-10	Est. Exp. Entire Year 09-10	Dept Head Request 10-11	Manager Recommends 10-11
<b>General Fund</b>						
Revenue	15,206,404	16,239,246	10,807,612	14,205,096	13,854,357	14,216,484
Expenditures	14,366,637	16,239,246	12,604,378	16,140,455	14,473,561	14,216,484
<b>Net</b>	<b>839,767</b>	<b>0</b>	<b>(1,796,766)</b>	<b>(1,935,359)</b>	<b>(619,204)</b>	<b>0</b>
FB Appropriated	0	2,506,106	0	0	0	119,837
Contingency	0	0	0	0	0	0
<b>Water Fund</b>						
Revenue	3,585,362	2,981,669	2,337,108	3,036,164	2,977,377	2,958,537
Expenditures	2,818,912	2,981,669	1,873,273	2,960,407	2,977,377	2,958,537
<b>Net</b>	<b>766,450</b>	<b>0</b>	<b>463,835</b>	<b>75,757</b>	<b>0</b>	<b>0</b>
FB Appropriated	0	0	0	0	0	0
Contingency	0	7,664	0	0	16,972	112,426
<b>Sewer Fund</b>						
Revenue	3,211,064	3,256,665	2,463,224	3,070,749	3,093,611	2,985,014
Expenditures	2,987,735	3,256,665	1,905,405	3,220,115	3,119,370	2,985,014
<b>Net</b>	<b>223,329</b>	<b>0</b>	<b>557,819</b>	<b>(149,366)</b>	<b>(25,759)</b>	<b>0</b>
FB Appropriated	0	204,504	0	0	0	39,839
Contingency	0	0	0	0	0	0
<b>Storm Water Fund</b>						
Revenue	492,951	555,338	409,400	500,620	1,094,500	869,500
Expenditures	547,263	555,338	412,173	537,073	1,094,500	869,500
<b>Net</b>	<b>(54,312)</b>	<b>0</b>	<b>(2,773)</b>	<b>(36,453)</b>	<b>0</b>	<b>0</b>
FB Appropriated	0	53,288	0	0	0	375,000
Contingency	0	22,726	0	0	222,691	0
<b>Electric Fund</b>						
Revenue	37,760,915	43,395,622	32,411,181	40,290,582	38,663,066	38,640,856
Expenditures	37,305,557	43,395,622	30,553,658	41,482,373	40,380,585	38,640,856
<b>Net</b>	<b>455,358</b>	<b>0</b>	<b>1,857,523</b>	<b>(1,191,791)</b>	<b>(1,717,519)</b>	<b>0</b>
FB Appropriated	0	3,482,843	0	0	0	265,222
Contingency	0	0	0	0	0	0
<b>Airport Fund</b>						
Revenue	355,956	765,308	430,973	740,253	426,400	437,911
Expenditures	409,650	765,308	605,015	748,685	426,400	437,911
<b>Net</b>	<b>(53,694)</b>	<b>0</b>	<b>(174,042)</b>	<b>(8,432)</b>	<b>0</b>	<b>0</b>
FB Appropriated	0	23,655	0	0	0	26,478
Contingency	0	18,723	0	0	1,989	0
<b>Solid Waste Fund</b>						
Revenue	1,267,948	1,612,923	1,006,570	1,271,449	1,413,500	1,413,500
Expenditures	1,222,596	1,612,923	1,225,674	1,542,637	1,413,500	1,413,500
<b>Net</b>	<b>45,352</b>	<b>0</b>	<b>(219,104)</b>	<b>(271,188)</b>	<b>0</b>	<b>0</b>
FB Appropriated	0	355,523	0	0	0	0
Contingency	0	60,707	0	0	12,260	42,567

Budget 2011C

	Pr. Year Actual 08-09	Amended Budget 09-10	YTD 09-10	Est. Exp. Entire Year 09-10	Dept Head Request 10-11	Manager Recommends 10-11
<b>Cemetery Fund</b>						
Revenue	0	248,751	181,807	254,479	315,015	260,036
Expenditures	251,602	248,751	139,362	243,179	315,015	260,036
<b>Net</b>	<b>(251,602)</b>	<b>0</b>	<b>42,445</b>	<b>11,300</b>	<b>0</b>	<b>0</b>
FB Appropriated	0	200	0	0	0	0
Contingency	0	0	0	0	0	0
<b>Other Funds</b>						
Revenue	6,563,221	540,064	1,408,789	1,252,162	426,974	367,600
Expenditures	6,431,285	540,064	749,893	561,676	426,974	367,600
<b>Net</b>	<b>131,936</b>	<b>0</b>	<b>658,896</b>	<b>690,486</b>	<b>0</b>	<b>0</b>
FB Appropriated	0	227,656	0	0	167,333	167,333
Contingency	0	0	0	0	0	0
<b>Grand Total</b>						
Revenue	68,443,821	69,595,586	51,456,664	64,621,554	62,264,800	62,149,438
Expenditures	66,341,237	69,595,586	50,068,831	67,436,600	64,627,282	62,149,438
<b>Net</b>	<b>2,102,584</b>	<b>0</b>	<b>1,387,833</b>	<b>(2,815,046)</b>	<b>(2,362,482)</b>	<b>0</b>
FB Appropriated	0	6,853,775	0	0	167,333	993,709
Contingency	0	109,820	0	0	253,912	154,993

**BUDGET CHALLENGES AND ACCOMPLISHMENTS**

Mr. Smith discussed challenges and accomplishments faced with the FY 2010-11 budget. Mr. Smith noted we were facing a 33.0% increase in our health insurance cost and 31.6% increase in state retirement charges from the Municipal portion of State Retirement System. Mayor Pro tem Roberson requested an overview on the health insurance and Mr. Smith explained some of the issues and stated Ms. Hodges will go into more detail during her budget session. Mr. Smith noted the following and stated there will be a major impact on employees this year for health care:

1. Eliminated Broker & fees
2. Encourage employees not to use the Emergency Room
3. Fixed Consultant Fee
4. Direct relationship with Blue Cross and Blue Shield
5. We are not health insured but we manage health care as if we were
6. 98% participated in the Health Risk Assessments
7. Discounts for use of generic drugs
8. Last year employees contributed approximately \$285,000 of their money for Health Insurance cost and this year it will be approximately \$413,000
9. On average employee will pay approximately \$1,700 more for health care expenses
10. The largest thing moving us into the future: last year was the beginning of a Health Savings Accounts and will be moving more aggressively into that this year
11. Over the last three years utilization has exceeded premium
12. City absorbing 5.6% of the increase and the rest will be absorbed by the employees

	5/13/2010										
Budget Challenges and Accomplishments	General	Water	Sewer	Storm	Electric	Solid Waste	Cemetery	Airport	Other	Total	
<b>Budget Increases:</b>											
Health Insurance 33.2%	320,833	31,484	31,484	0	73,124	24,375	10,156			491,556	
Retirement 31.6%	108,730	10,188	9,510	0	28,731	5,813	3,250			166,222	
Reduced Trans. from Electric Fund	200,000				(200,000)					0	
Property, Casualty, Liability Insurance	19,054	18,760	18,885	116	29,174	519	2,482			90,000	
EB911 to County	120,714			(289,754)						120,714	
Trans. Storm Water Personnel to GF	289,754			1,000	20,328	2,091	1,247			322,720	
Gasoline 15%	17,506	1,865	1,865		1,368	33,699	17,135			991,192	
<b>Total Increases</b>	<b>1,107,091</b>	<b>64,297</b>	<b>64,795</b>	<b>(288,638)</b>	<b>1,368</b>	<b>33,699</b>	<b>17,135</b>	<b>0</b>	<b>0</b>	<b>123,489</b>	
<b>Additional Revenues Included in Budget:</b>											
EMS Collections (net of fees)	51,250									51,250	
State Medicaid Reimbursement	50,000									50,000	
Beaufort County EMS Contract (\$21,500)	24,249									24,249	
<b>Total Additional Revenue</b>	<b>125,499</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125,499</b>	
<b>Expenditure Reductions Included in Budget:</b>											
Health Insurance 5.6%	(269,710)	(26,459)	(26,459)	0	(61,453)	(20,484)	(8,535)			(413,100)	
Workers Comp Claims Pd From Reserve	(152,521)									(152,521)	
Capital vs. Council C.I.P. Goal	(585,241)	0	(166,033)	0	(348,462)	(53,678)	0			(1,153,414)	
Instalment Debt vs. Cash Capital	(198,671)	0	0	0	(786,561)	0	0			(985,231)	
<b>Total Expenditure Reduction</b>	<b>(1,206,142)</b>	<b>(26,459)</b>	<b>(192,492)</b>	<b>0</b>	<b>(1,135,476)</b>	<b>(74,162)</b>	<b>(8,535)</b>	<b>0</b>	<b>0</b>	<b>(2,704,266)</b>	
<b>Total Add'l Revenue and Exp. Red.</b>	<b>1,331,641</b>	<b>26,459</b>	<b>192,492</b>	<b>0</b>	<b>1,196,476</b>	<b>74,162</b>	<b>8,535</b>	<b>0</b>	<b>0</b>	<b>2,829,765</b>	
<b>Budget Summary:</b>											
Revenue	142,16,484	2,938,537	2,985,014	869,500	38,640,856	1,413,500	260,036	437,911	367,600	62,149,038	
Expenditures	142,16,484	2,938,537	2,985,014	869,500	38,640,856	1,413,500	260,036	437,911	367,600	62,149,038	
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
FB Appropriated	119,837	0	98,889	375,000	265,222	0	0	26,478	167,333	993,709	
Contingency	0	112,426	0	0	0	42,567	0	0	0	154,993	

**GENERAL FUND REVENUE DISTRIBUTION (DEMONSTRATE WHAT REVENUE SUPPORTS)**

City Manager, James Smith noted the implementation of reduced transfers from the Electric Fund in the amount of \$200,000 into the General Fund. Approximately \$20,000 increase in Property, Casualty and Liability Insurance. Also, they are implementing a payment of a \$120,000 to the County. Councilman Mercer asked to have this number explained because he understood the County wanted the City to pay them \$52,000 for a console which was a onetime fee and \$40,000 for an additional Telecommunicator (\$92,000). Mr. Smith suggested that Chief Reed would explain this during his budget session. Personnel cost had been removed from the Stormwater Fund in order to dedicate all of the revenue in the Stormwater Fund into actual improvements of the Stormwater System (approximately \$300,000). Last year the City paid about \$2.20 on average for all types of fuel and generators, this year we expect the cost to be about \$2.50 per gallon which equates to approximately \$38,000 increase. We are looking at a combination of cost increases and revenue reduction in the General Fund of approximately \$1,100,000.

**Things that benefited the General Fund**

1. Contracting out the EMS Charges. Expects a net revenue increase of \$51,000 in EMS Collections
2. State Medicaid Reimbursement (increase of \$50,000) Chief Rose will cover during his budget session
3. \$24,250 increase in payment from Beaufort County EMS contract had been projected in this budget; however it was rejected and we are expecting approximately 2% increase (125,000 to 127,000)

Chief Financial Officer, Matt Rauschenbach touched on the Workers Comp Claims paid from Federal Reserve. Councilman Mercer inquired what would be in there at the end of the year and Mr. Rauschenbach responded approximately \$80,000.

City Manager, James Smith stated Capital Budget Expenses had been reduced substantially, reduced expenses by \$1,200,600.

Mr. Smith explained the spreadsheet noting that revenues are distributed through the departments in the General Fund and breaks out between revenue and expenditures:

General Fund Revenue Distribution

5/14/2010

	Prior Year Actual 08-09	Current Budget 09-10	Revenue to Date 09-10	Estimated Entire Year 09-10	Dept Head Request 10-11	Manager Recommend 10-11
<b>General Fund Administration</b>						
Revenue	13,170,988	14,162,771	9,514,108	12,114,650	12,035,098	12,300,975
Expenditure	4,561,437	6,023,069	5,222,136	6,049,957	4,386,612	4,209,563
Net	8,609,549	8,139,702	4,291,972	6,064,693	7,648,486	8,091,412
<b>Police and E911</b>						
Revenue	428,416	240,228	118,183	283,827	161,203	208,051
Expenditure	3,294,717	3,276,290	2,517,108	3,351,254	3,332,385	3,411,648
Net	(2,866,301)	(3,036,062)	(2,398,925)	(3,067,427)	(3,171,182)	(3,203,597)
<b>Fire and EMS</b>						
Revenue	710,179	668,359	423,746	667,384	768,497	792,746
Expenditure	2,879,292	2,597,706	1,820,708	2,506,247	2,660,808	2,642,658
Net	(2,169,113)	(1,929,347)	(1,396,962)	(1,838,863)	(1,892,311)	(1,849,912)
<b>Planning, Code Enforcement, and Economic Development</b>						
Revenue	69,434	125,825	84,591	96,047	71,525	77,525
Expenditure	503,343	623,872	338,220	551,664	700,490	681,879
Net	(433,909)	(498,047)	(253,629)	(455,617)	(628,965)	(604,354)
<b>Public Works</b>						
Revenue	316,981	296,000	292,535	294,925	283,454	308,454
Expenditure	1,072,733	1,475,534	1,204,141	1,488,934	1,445,878	1,420,833
Net	(755,752)	(1,179,534)	(911,606)	(1,192,009)	(1,162,424)	(1,112,379)
<b>Library</b>						
Revenue	58,918	33,292	33,645	39,210	37,300	37,800
Expenditure	430,042	393,284	291,360	383,556	450,385	388,504
Net	(371,124)	(359,992)	(257,715)	(344,346)	(413,085)	(350,704)
<b>Parks &amp; Recreation</b>						
Revenue	451,490	712,771	340,804	709,053	497,280	490,933
Expenditure	1,625,073	1,849,491	1,210,705	1,810,843	1,497,003	1,461,399
Net	(1,173,583)	(1,136,720)	(869,901)	(1,101,790)	(999,723)	(970,466)
<b>Total General Fund</b>						
Revenue	15,206,404	16,239,246	10,807,612	14,205,096	13,854,357	14,216,484
Expenditure	14,386,637	16,239,246	12,804,378	16,140,455	14,473,561	14,216,484
Net	839,767	0	(1,796,766)	(1,935,359)	(619,204)	0

Councilman Mercer addressed some of the concerns he had on administrative charges and suggested checking into outsourcing some of the administrative charges. Mr. Smith advised that contracting things out had been explored (EMS Billing will be contracted out this year) generally it is cheaper in house. Mayor Jennings asked for clarification if the \$ 2.6 million in administrative had been looked at and found to be cheaper in house than outsourcing and Mr. Smith stated 'yes'.

Mayor Jennings suggested Council write down any questions and give them to the Clerk. They will be addressed further at a subsequent meeting. Mayor Jennings expressed his concerns regarding fees when starting a business downtown and Councilman Mercer gave an example. Mr. Smith will follow up and Councilman Mercer requested going through fees again before adopting the final budget.

**GENERAL FUND REVENUE HISTORY**

Mr. Smith referred to the analysis prepared for City Council going back to 2003. There has been about a 6% change in revenues, they are holding up well. Also, there is an analysis on Fund balance on the same spreadsheet. Bond rating was upgraded. Upgrade was provided by the growth in Fund Balance.

City of Washington  
History of General Fund Revenues  
For FY 03/04 through FY 10/11

<u>General Fund Revenues</u>	<u>FY 03/04</u>	<u>FY 04/05</u>	<u>FY 05/06</u>	<u>FY 06/07</u>	<u>FY 07/08</u>	<u>FY 08/09</u>	<u>FY 09/10 est.</u>	<u>FY 10/11 Budget</u>	
Revenues	\$ 9,820,470	\$ 10,034,257	\$ 10,690,957	\$ 10,624,363	\$ 11,019,244	\$ 11,233,036	\$ 10,619,437	\$ 10,436,681	
% Change from Previous Year		2.2%	6.5%	-0.6%	3.7%	2.0%	-5.5%	-1.7%	
% Change Cumulative								6.3%	
Administrative Charges from:									
Water	177,000	220,672	228,950	222,063	238,790	278,043	274,290	273,570	
Sewer	213,811	214,558	228,803	210,944	229,322	286,177	283,376	280,555	
Electric	1,041,718	931,922	1,146,339	1,112,867	1,167,194	1,433,342	1,287,046	1,343,378	
Solid Waste	-	-	-	84,256	117,327	167,757	175,840	184,802	
Storm Water	-	-	-	-	387	91,880	81,941	100,933	*
Airport	-	-	-	-	316	9,344	9,996	29,746	
Cemetery	-	-	-	-	-	-	-	18,397	†
County Water	137,243	143,911	-	-	-	-	-	-	
Total Administrative Charges	\$ 1,569,774	\$ 1,513,063	\$ 1,604,312	\$ 1,630,132	\$ 1,753,736	\$ 2,268,543	\$ 2,112,489	\$ 2,231,603	
Transfers in:									
Electric	397,600	969,412	738,287	1,139,332	1,025,846	680,000	1,173,130	973,130	
Aquatic Center	-	20,148	-	-	-	-	-	-	
Civic Center	-	25,671	-	-	-	-	-	-	
Capital Reserves/Special Funds	481,873	395,835	221,127	154,130	231,976	623,882	300,000	330,000	
Total Transfers Into the G/F	\$ 1,079,473	\$ 1,411,066	\$ 959,414	\$ 1,293,662	\$ 1,257,822	\$ 1,303,882	\$ 1,473,130	\$ 1,323,130	
Total Revenues	\$ 12,469,719	\$ 12,958,386	\$ 13,254,683	\$ 13,548,159	\$ 14,030,802	\$ 14,809,461	\$ 14,205,096	\$ 13,991,434	
<u>General Fund Balance</u>									
Fund Balance Gained/(Used)	\$ 1,101,336	\$ 256,609	\$ 944,670	\$ 1,056,950	\$ 632,132	\$ 843,626	\$ (1,933,339)	\$ (119,837)	
Fund Balance:									
Reserved	\$ 2,020,929	\$ 2,693,478	\$ 3,638,148	\$ 2,623,134	\$ 2,563,722	\$ 2,867,093	\$ 2,867,093	\$ 2,867,093	20.2%
Unreserved	3,637,762	3,241,822	3,241,822	3,311,786	6,005,330	6,347,363	4,612,224	4,492,387	31.6%
Total Fund Balance	\$ 3,678,691	\$ 3,935,300	\$ 6,879,970	\$ 7,936,920	\$ 8,569,052	\$ 9,414,678	\$ 7,479,319	\$ 7,339,482	51.8%
									14,216,484
<u>G/F Transfers Out</u>									
Water	\$ (33,487)	\$ (46,849)	\$ (30,274)	\$ (30,274)	\$ (3,008)	\$ -	\$ -	\$ -	
Sewer	-	(9,805)	-	-	(3,140)	-	-	-	
Electric	-	-	-	-	-	-	-	-	
Solid Waste	-	-	-	(12,100)	-	-	-	-	
Airport	-	(188,701)	(121,732)	(138,667)	(75,487)	(103,000)	(100,000)	(93,633)	
Cemetery	-	-	-	-	-	-	(19,341)	(37,736)	
Aquatic Center	(121,257)	-	-	-	-	-	-	-	
Capital Reserves/Special Funds	(330,648)	(237,848)	(259,491)	-	(51,180)	(248,393)	(1,133,334)	(136,667)	
Worker's Comp Reserve	-	-	-	-	-	-	(740,470)	-	
Total Transfers out of G/F	\$ (727,392)	\$ (483,203)	\$ (411,317)	\$ (181,041)	\$ (132,813)	\$ (333,393)	\$ (1,993,143)	\$ (270,036)	

\* Excludes Revenue from Mass Property sale of \$1,013,005 in FY 06/07 and \$240,000 in FY 07/08  
 † Decrease in revenue from FY 08/09 to FY 09/10 is due to lower sales tax, Powell Bill, and the removal of Cemetery fees from the G/F to an enterprise fund.  
 \* Increase in Administrative fees in FY 08/09 is due to the Customer Service department being moved from the Electric Fund to the General Fund.  
 \* Solid Waste was moved out of the General Fund and into an enterprise fund; administrative charges began.  
 \* Began capturing the true administrative costs to the Storm Water Fund.  
 \* Storm Water operating expenses have been moved to the G/F in FY 10/11 but adm. charges have not been recalculated.  
 † Cemetery Fund became an enterprise fund in FY 09/10; adm. charges are calculated for FY 10/11.

**DEBT SERVICE & OUTSTANDING DEBT**

Mr. Smith referred to the chart that had been provided for City Council with dates ranging 2005-2015. 5/13/2010

Budget Challenges and Accomplishments

	General	Water	Sewer	Storm	Electric	Solid Waste	Cemetery	Airport	Other	Total
<b>Budget Increases:</b>										
Health Insurance 33.2%	320,933	31,484	31,484	0	73,124	24,375	10,156			491,556
Retirement 31.6%	108,730	10,188	9,510	*	28,731	5,813	3,250			166,222
Reduced Trans. from Electric Fund	200,000				(200,000)					0
Property, Casualty, Liability Insurance	19,054	18,760	19,895	116	29,174	519	2,482			90,000
E911 to County	120,714									120,714
Trans. Storm Water Personnel to GF	299,754			(299,754)						0
Gasoline 15%	<b>37,906</b>	<b>3,865</b>	<b>3,865</b>	<b>1,000</b>	<b>70,328</b>	<b>2,991</b>	<b>1,247</b>			<b>122,700</b>
<b>Total Increases</b>	<b>1,107,091</b>	<b>64,297</b>	<b>64,755</b>	<b>(298,638)</b>	<b>1,356</b>	<b>33,699</b>	<b>17,135</b>			<b>991,192</b>
<b>Additional Revenues Included in Budget:</b>										
EMS Collections (net of fees)	51,250									51,250
State Medicaid Reimbursement	50,000									50,000
Beaufort County EMS Contract (\$21,556)	<b>24,249</b>									<b>24,249</b>
<b>Total Additional Revenue</b>	<b>125,499</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			<b>125,499</b>
<b>Expenditure Reduction Included in Budget:</b>										
Health Insurance 5.6%	(269,710)	(26,459)	(26,459)	0	(61,453)	(20,484)	(8,535)			(413,100)
Workers Comp Claims Pd. From Reserve	(152,521)									(152,521)
Capital vs. Council C.I.P. Goal	(585,241)	0	(166,033)	0	(348,462)	(53,678)	0			(1,153,414)
Installment Debt vs. Cash Capital	(198,671)	0	0	0	(786,561)	0	0			(985,231)
<b>Total Expenditure Reduction</b>	<b>(1,206,142)</b>	<b>(26,459)</b>	<b>(192,492)</b>	<b>0</b>	<b>(1,196,476)</b>	<b>(74,162)</b>	<b>(8,535)</b>			<b>(2,704,266)</b>
<b>Total Add'l Revenue and Exp. Red.</b>	<b>1,331,641</b>	<b>26,459</b>	<b>192,492</b>	<b>0</b>	<b>1,196,476</b>	<b>74,162</b>	<b>8,535</b>			<b>2,829,765</b>
<b>Budget Summary:</b>										
Revenue	14,216,484	2,958,537	2,985,014	869,500	38,640,856	1,413,500	260,036	437,911	367,600	62,149,438
Expenditures	<b>14,216,484</b>	<b>2,958,537</b>	<b>2,985,014</b>	<b>869,500</b>	<b>38,640,856</b>	<b>1,413,500</b>	<b>260,036</b>	<b>437,911</b>	<b>367,600</b>	<b>62,149,438</b>
Net	0	0	0	0	0	0	0	0	0	0
FB Appropriated	119,837	0	39,839	375,000	265,222	0	0	26,478	167,333	993,709
Contingency	0	112,426	0	0	0	42,567	0	0	0	154,993

**5:30PM PUBLIC HEARING FY 10 PLANNING AND COMMUNITY DEVELOPMENT PROGRAMMING  
(SMALL CITIES COMMUNITY DEVELOPMENT  
BLOCK GRANT (CDBG) FUNDS**

Planning and Development Director, John Rodman addressed the CDBG Affordable Housing Development Application for the Emerson Square Affordable Housing Project. This is the first public hearing out of the two required. Mr. Smith explained that the City would apply for a grant and in turn will loan that money to the Emerson Square Developer. Emerson Square Developer will use it to subsidize infrastructure and the developer will pay the City back. Mayor Jennings and Mr. Smith addressed Councilman Mercer's concerns regarding the pay back to the City. They have to be built by the City standards. Budget 2011C

Mayor Pro tem Roberson asked if there were any contingency allocations and Mr. Smith stated 10% will be held until completion.

Mayor Jennings opened the Public Hearing. No one came forward to speak.

There being no comments from the public, Mayor Jennings closed the Public Hearing. No council action required at this point.

**PAY AND BENEFITS**

Human Resource Director, Susan Hodges presented a power point presentation addressing the proposed changes in the Health Insurance and the 401K Plan. Ms. Hodges expressed concerns over the Health Insurance and ways to help the employees. Also, Ms. Hodges addressed the difference between the Health Savings Account and the Health Spending Account.

- a. Health Insurance & Conversion to 457 Plan
- b. 401k

Ms. Hodges and Mr. Smith explained:

**2009 – 2010 Rates**

Current										
PPO - 2009 - 2010 – w/HRA Discount					HSA \$700 - 2009 - 2010 – w/ HRA Discount					
	Rates	City	Employee	Monthly	Rates		Employee	HSA \$700	City	Monthly
Employee Only	\$410.68	\$393.33	\$17.35	\$79,261.24	\$335.00	\$335.00	\$0.00	\$58.33	\$393.33	\$5,899.95
Employee & Spouse	\$846.62	\$393.33	\$453.29	\$9,312.82	\$743.41	\$335.00	\$408.41	\$58.33	\$393.33	\$0.00
Employee & Children	\$698.90	\$393.33	\$305.57	\$19,569.20	\$503.90	\$335.00	\$168.90	\$58.33	\$393.33	\$562.23
Employee & Family	\$1,089.41	\$448.34	\$641.07	\$8,715.28	\$1,049.02	\$390.01	\$659.01	\$58.33	\$448.34	\$0.00
		\$94,839.28		\$116,858.54					\$6,293.28	\$6,462.18
	City	\$1,138,071.36		\$1,402,302.48				City	\$75,519.36	\$77,546.16
					Total City	\$1,213,590.72				
					Plan Total	\$1,479,848.64				

**2010 – 2011 Renewal Options**

City of Washington Renewal Current Plan			
	PPO 2009-2010	HSA 2009-2010	
Primary Care Physician Visits	\$25	80% after Ded	
Specialist Physician Visits	\$50	80% after Ded	
Preventive Care	\$25	100%	
Deductible	\$1,000	\$1,500	
Deductible - Family	\$2,000	\$3,000	
Out of Pocket Limit - Includes Deductible	\$3,000	\$3,500	
Out of Pocket Limit - Family Max - Includes Deductible	\$6,000	\$5,000	
In-patient Hospital Services	80% after Ded	80% after Ded	
Out-patient Hospital Services	80% after Ded	80% after Ded	
Emergency Room	\$150	80% after Ded	
Pharmacy	\$10/\$35/\$50/75%	80% after Ded	
Lifetime Maximum	Unlimited	Unlimited	
Rates:			
Employee Only	\$410.68	\$335.00	
Employee & Spouse	\$846.62	\$743.41	
Employee & Children	\$698.90	\$503.90	
Employee & Family	\$1,089.41	\$1,049.02	
Change 133.22%			
CURRENT	Total	\$123,320.72	Per month
		\$1,479,849	
RENEWAL		\$164,283.36	Per month
		\$1,971,400	
		33.22%	

**2010 – 2011 Renewal Options**

City of Washington Renewal Summary					
	Current			New Plan	
	PPO 2009-2010	HSA 2009-2010		Blue Options 1, 2, 3 2010-2011	2009-2010 HSA
Primary Care Physician Visits	\$25	80% after Ded		\$25	80% after Ded
Specialist Physician Visits	\$50	80% after Ded		Deductible/70%	80% after Ded
Preventive Care	\$25	100%		\$25	100%
Deductible	\$1,000	\$1,500		\$2,000	\$1,500
Deductible - Family	\$2,000	\$3,000		\$4,000	\$3,000
Out of Pocket Limit - Includes Deductible	\$3,000	\$3,500		\$4,000	\$3,500
Out of Pocket Limit - Family Max - Includes Deductible	\$6,000	\$5,000		\$8,000	\$5,000
In-patient Hospital Services	80% after Ded	80% after Ded		\$250 Copay/ Deductible/90%	80% after Ded
Out-patient Hospital Services	80% after Ded	80% after Ded		Deductible/70%	80% after Ded
Emergency Room	\$150	80% after Ded		\$250/Deductible/80% or Deductible/70%	80% after Ded
Pharmacy	\$10/\$35/\$50/75%	80% after Ded		\$10/\$45/\$60/75%	80% after Ded
Lifetime Maximum	Unlimited	Unlimited		\$700 HSA	975.72 HSA
				Unlimited	Unlimited
Rates:					
Employee Only	\$410.68	\$335.00		\$433.66	\$335.00
Employee & Spouse	\$846.62	\$743.41		\$893.97	\$743.41
Employee & Children	\$698.90	\$503.90		\$738.00	\$503.90
Employee & Family	\$1,089.41	\$1,049.02		\$1,150.35	\$1,049.02
Change 105.60%					
	Total	\$123,320.72	Per month	Total	\$129,859.03
		\$1,479,849			\$1,558,308

### Premium Cost

	<u>Yearly Cost</u>
2009-10 Current Plan	1,479,849
2010-11 Current Plan Renewal	1,971,400
<b>Cost Difference no Plan Change</b>	<b>491,551</b>
	33.22%
2010-11 New Plan Option Renewal	1,558,308
<b>Cost Difference with Plan Change</b>	<b>78,459</b>
	5.3%
<b>Additional Cost to Employees</b>	<b>413,092</b>

We are concerned with the increase in medical expenses for our employees.

\$1,700+ per Employee

Depending Upon Utilization

### Current 401K contribution

\$50 per pay period with \$5 employee match  
\$1,300 per year

To help employees with increase in cost of medical expenses due to decreased health insurance coverage

**\$10 / month 401k**

- 401k \$10 employer with \$5 employee match

**\$40 / month flexible**

Employee chooses based on their personal needs

- Medical Spending
  - Flexible Spending Account
  - Health Savings Account
- 457 Deferred Compensation (Cannot discriminate with 401K plan)

\$10 & \$40 per pay period not per month

### Advantages

- Maintains a 401k contribution from both employee and employer
- Allows employee choice and helps with healthcare costs
- Employees with HSA plan would have flexibility to make changes throughout the plan year
- Adopting 457 Deferred Compensation program provides additional employee option

### Constraints

- Law Enforcement Officers are not eligible due to NC General Statute which mandates 5% employer contribution to 401k
- Flexible Spending Account is locked in for the plan year and is “use it or loose it”
- May be complicated to some employees
- 457 is subject to FICA taxes

### What we will need to do

- Adopt NC 457 / Prudential (requires Council Action)
- Small group meetings with all City employees and retirees (first week in June)
- Individual open enrollment for all covered employees where employees choose health insurance option, flex benefits options, employee paid benefits, etc. (middle of June)

Council directed Ms. Hodges to bring any actions requested on Monday 5-24-2010 and also Councilman Mercer’s concerns can be addressed at that time.

Council recessed for a break and reconvened @ 6:30 pm

### GENERAL FUND DEPARTMENT BUDGETS

#### Revenue Neutral Tax Rate, Public Safety Capital Reserve

There was a brief discussion addressing the Revenue Neutral Tax Rate. Chief Financial Officer, Matt Rauschenbach suggested all required information would be ready for City Council to review at the next meeting (5-24-10).

Councilman Mercer expressed concerns on Utility Franchise Tax, Rental (Boat Slip and rental income on Impressions). Councilman Mercer was concerned with raising the income on Impressions and not spending any funds for maintenance on the building. Mr. Smith stated there is a cap in the draft lease.



Mayor Jennings stated we should look at the draft lease agreement (Council should be receiving next week) and see what the City is responsible for. Representatives from Impressions were asked if they wanted to repair the building or the City to repair the building. Their preference was to repair the building to their specification with the City's agreement.

Councilman Mercer requested seeing the lease on Impressions before finalizing the budget. Mayor Jennings emphasized having the lease ready for review.

Councilman Mercer requested General Fund cut their revenue estimate by 5% and cut cost by roughly \$70,000 or the appropriate amount. Mayor Jennings noted Council had challenged staff to reduce the budget by \$500,000 and felt they had presented an honest budget. Councilman Mercer stated the \$500,000 was out of the Electric Department (Fund). Mayor Pro tem Roberson expressed his issue concerning Stormwater. Also, in consideration for the new councilmember's Mayor Pro tem Roberson suggested looking at each bottom line number and an overview of what we have. Councilman Mercer expressed his concerns over part-time employees.

Mayor Jennings recommended one consistent methodology to be employed when directing staff on the budget. Mayor Jennings requested Council take a break and decide on their preference in instructing staff whether it be line item by line item or a percentage on the overall budget. Mayor Jennings suggested entering a Blue-Ribbon Committee consisting of Council and Staff to begin working together in the middle of July. They will look specifically at benefits, personnel policy, and any item of concern, etc. with a net savings target.

Councilman Mercer addressed his concerns with merit and longevity pay and proposed to take the money set aside and a 1% bonus to every employee on his anniversary date. Mayor Jennings understood the intent but ultimately you would be taking money away from your better performers that earn a merit and give it to the lower performers. Discussions ensued and Mayor Jennings suggested placing this in a category as an item of concern.

Councilman Mercer requested the number of employees at the top of their range and only receives a bonus each year.

Council recessed for a break and reconvened @ 7:50 pm.

Councilman Mercer addressed the following observations:

- Telephone (flat fee per ext.)
- Safety Shoes (suggested flat fee)
- Uniforms (suggested fix number or flat fee)
- Advertisement on WITN-TV

By motion of Mayor Pro tem Roberson and seconded by Councilman Davis, Council unanimously challenged staff to find an accumulative target of another 2% from the total budget (approximately \$800,000 which would be inclusive of the \$500,000 directive given by Council at a prior meeting).

Councilman Moultrie reiterated that staff had been given direction to find \$500,000 in the budget and concern if city employees will be affected by looking at other avenues to cut. Councilman Davis suggested revisiting revenues. Councilman Pitt favored tasking staff and leaving the percentage to them. Councilman Mercer noted if you would go line by line and take out all he is suggesting it will be more than \$800,000. Mr. Smith asked for clarification on the 2% from total budget and agreed to work as hard as possible reaching this goal.

City Council agreed to take up the Enterprise Fund budget session on 5-24-10 and add a budget session on June 1, 2010 @ 4:30 pm.

**PROGRESS ON LOAD MANAGEMENT SWITCH PURCHASE**

Electric Director, Keith Hardt noted the Washington Electric Utilities Advisory Commission did not have a quorum at their meeting on May19, 2010 but the group recommended implementing the Load Management Switches. Discussed the following for implementation of Load Management - phase one:

- Customers who visits customer service desk
- Customers ask for extension
- Customers on cut-off
- Disconnect for non payment
- Budget billing
- Meter test

Mr. Hardt stated the Advisory Commission will meet next month and determine meeting frequency of the Commission and the next stage of how to proceed. Mr. Hardt noted that bids had been received with two vendors being able to supply the switches but do not have a labor bid. Delivery schedule is twelve weeks.

**TDA & CIVIC CENTER**

Tourism Director, Lynn Lewis presented the TDA and Civic Center budgets. The budget worksheet for the Civic Center is based on revenues from rentals and the supplemental contract with the City in the amount of \$50,000. Ms. Lewis stated they are requesting the same for the coming year and this is the final year in the contract. Increasing revenues but would like to address a telephone issue later. The \$77,218 is for one full time employee, part-time staff, general expenses for operation and the \$50,000 contract.

The TDA budget is reimbursed 100% from occupancy tax revenue. Ms. Lewis questioned the \$50,000 under the contract and Mr. Smith stated contractual obligation will not change. This is a legally binding contract and there is a letter of agreement associated with this.

**ADJOURN**

By motion of Councilman Davis, seconded by Mayor Pro tem Roberson, Council adjourned the meeting @ 8:35 pm until May 24, 2010 at 4:30 pm in the Council Chambers at the Municipal Building for a Budget.

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**Reatha B. Johnson  
Assistant City Clerk**