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NORTH CAROLINA  
GRANVILLE COUNTY  
CITY OF OXFORD

Oxford City Hall – Commissioners Board Room  
TUESDAY, JUNE 1, 2010 – 5:30 P.M.  
OXFORD BOARD OF COMMISSIONERS' AGENDA SESSION

The Board of Commissioners for the City of Oxford met at the above-mentioned time and place to set the agenda for the Regular Meeting to be held June 8, 2010 at 7:00 p.m. at City Hall, 300 Williamsboro Street. All members of the Board and local news media were notified of the same as well as the purpose of the meeting.

Present were: Mayor Pro Tem Howard Herring, Sr., Commissioners Robert B. Williford, Sr., Walter Cantley, Jackie Sergent, Danny Currin, Ron Bullock, and Calvin Harris, Jr. Present also were City Manager Mark Donham, City Clerk Donna B. Hosch, and City Attorney J. Thomas Burnette. Absent was Mayor Alvin Woodlief.

#### AGENDA SET

Mayor Pro Tem Herring presided over the meeting.

The Board set the agenda for the June 8, 2010 Regular Meeting.

CM Donham stated that the tax rate for the fiscal year 2010-2011 would hold at \$.60 and that the budget was developed using this figure. Capital expenditures would run about \$210,000/year for 5 years. A 2.3% COLA is being proposed. CM Donham then read the Budget Message:

Dear Mayor Woodlief and Members of the City Board of Commissioners:

As the end of the 2010 fiscal year approaches and we look at the 2011 budget, Oxford continues to face increasing costs and reduced revenues. Increasing costs occurred in healthcare, workers compensation, retirement, funding the Fire Chief's position, and post employment medical benefits. In FY 2010, due to budget constraints, we did not budget for new capital costs and technology. In FY 2010 we did fund the Fire Truck that had been carried over from the FY 2009 budget for \$546,000.

Costs in healthcare will increase 10%. While this is a modest increase for healthcare costs, it is a significant increase for our budget. Health insurance costs are estimated to increase \$48,000 in the General Fund. Workers compensation costs continue to increase even though we are making major efforts to keep them down. They increased by \$20,000 in the General Fund. Because of the drop in the stock market in 2009, the State increased the cost of the City's share of retirement costs by \$54,000 in the General Fund. The Fire Chief's position with

salary and benefits will cost around \$77,000. Medical insurance benefits for retired employees increased by \$10,000 in the General Fund. These costs alone account for about four cents of the General Fund expenditures.

While we did not budget any capital cost for the FY 2010 budget, we did end up making one major capital expenditure in the General Fund; it was for the Fire Truck for \$546,000. It was carried over from the FY 2009 budget. We did not budget for replacement of Police vehicles or other vehicles and equipment. Not making needed investments regularly can lead to unplanned equipment breakdowns and increased maintenance costs. The City needs reliable equipment to ensure that we run effectively and efficiently. We need a reliable and effective fleet of Police vehicles available. We continue to wear out the vehicles and equipment we use in Parks and Recreation, the Fire Department, Public Works, and Engineering. To provide efficient and timely pick-up of leaves we need a \$128,000 truck to pick up leaves. However, due to budget constraints it is not recommended to fund this truck this year. Our facilities and computer equipment need repairs and upgrades. The roof at the Fire Station needs repair at an estimated \$10,000. Annex Building #2 has structural problems in the floor and will have to make bathrooms ADA compliant. It is estimated that this will cost \$20,000. The Public Works meeting room needs improvements, but this is not recommended to be funded this year. The Rucker Park swimming pool is functional but is approaching its useful life. The Police Station needs repairs to make it more functional. The Gymnasium next to City Hall is a facility that could use changes to meet the changing needs of Oxford's citizens. Each year as facilities are used they need maintenance, eventually they need to be updated to be functional.

For the last two years the North Carolina Local Government Commission has sent us advisory letters stating that our "Fund Balance Available" is below what they recommend it to be. While this does not mean we are in a dire condition, it does mean that we should try every effort to ensure we have enough in reserve for emergencies and opportunities.

The City needs to seriously look at what it does to promote economic development in the City of Oxford. It needs to leave a legacy of financial resources available to future generations so they can operate the City in an efficient and effective manner and have the facilities, equipment, and technology to serve its citizens. The City has invested large amounts of funds to provide the resources that industries need to operate and be successful; however, the City has not been able to obtain the financial resources needed to grow. We invested in a water plant and sewer plant and equipped and staffed public safety programs to ensure the surrounding industry is protected. The City of Oxford has half the tax base of 14 other municipalities its size. This alone makes a huge statement. The City has been selling itself short. Without questioning it, we have provided our valuable resources and have not developed a tax base as many municipalities have done. The City needs to develop land it can sell to industries. We also need to make sure that we are good stewards of our resources and not selling them off without developing a tax base for our citizens. Once our water and sewer is used up, there will be no growth. The City could be locked into a situation where we have no choice but to provide substandard services with a deteriorating infrastructure, relying on others to bale us out.

However, we can have a bright future where we will have positive growth and resources to meet the needs of our citizens. We are in North Carolina, the number 1 location for business and industry in the United States. We are in the Research Triangle area, a position many envy. Oxford can be clearly identified on a map of the United States showing it to be part of the Piedmont Atlantic Megaregion. We are on a major Interstate Highway, within a short drive to an international airport, and we have a labor force experienced in modern manufacturing. We have excellent training facilities at the Vance Granville Community College. We have water and sewer resources. We have a nice community. We have a lot we can sell; we need to develop an economic development plan that recognizes our strengths and not give away our heritage.

Revenues continue to decrease. Sales tax, our second major source of revenue, has decreased again as it did in 2007. Since 2007, sales taxes have decreased by \$195,000. In FY 2010 we budgeted revenues for the General Fund of \$7,983,098. We are estimating that these will likely be \$7,750,000. If we budget revenues based on the revenue neutral rate for FY 2011, we will have to reduce revenue projections by \$320,000 from last year's budget. At the revenue neutral rate the City revenues will be of \$7,430,406; a decrease of 4%. Under this scenario we will have to significantly reduce capital expenditures for a second year and not be able to fund a cost of living increase for employees.

Every eight years Oxford revalues its property. In this process, State law requires that local governments must make revenue neutral evaluations. This process calculates the amount of new investment that is added to the City tax base but it does not include the effects of inflation. Between 2002 and 2010 there was 22% increase in the cost of living. At the revenue neutral rate, the City will not be able to cover the 22% increase in inflation that occurred over the last eight years. Yet over this eight-year period the City had to increase its costs for utilities, purchasing supplies and equipment, salaries, etc. Because property taxes are the largest source of revenue for the City, at 32% of the budget, this continues to put a significant squeeze on City's ability to provide services needed by its citizens.

When Oxford is compared to other municipalities its size in North Carolina, it is clear to see that it runs on an extremely tight budget where its Public Safety operates on a budget that is 10% less than the average of these comparable municipalities, Parks and Recreation operates on a budget 45% less, and Planning and Zoning operates on a budget 66% less than similar municipalities. We spend significantly less than these other municipalities because we have to. The City of Oxford has a tax base that is less than half of the 14 other municipalities its size.

The City of Oxford lowered its tax rate in FY 2003, after revaluation, from \$0.70 to \$0.55 per \$100 of valuation. The ratio of the fund balance to expenditures dropped from 36% in 2004 to 23% in 2009. With lower revenues projected for FY 2011, under the revenue neutral rate, it will be difficult to cut without severely impacting services. The Finance Committee has requested that the tax rate stay where it is at 60 cents per \$100 valuation of property. This allows the City to fund needed capital projects and look into the future to plan economic development growth. We need to invest in developing land in the City limits so we can build a tax base so the residents of Oxford can have a lower tax rate and facilities and services that benefit the quality of life for those that choose to live in Oxford.

The management team is looking to lower cost and improve productivity. We are working to keep our health insurance costs down through implementing a comprehensive wellness program to motivate our employees to make healthy choices in food selection, and emphasize exercise. Over the last two years we have cut our labor force by 4%. We have started implementing supervisor training and implementing a performance review program.

If we maintain the 60-cent tax rate, we will be able to provide investment in facilities and equipment, invest in our economic future, adjust our City employees wages for inflation, and maintain services to our citizens. I am presenting to you, for your review, the proposed balanced budget for FY 2010-2011. The budget as proposed provides funding for the continuation of high quality, efficient municipal services that our citizens expect. We will be hiring a new Fire Chief soon and begin paying this salary. I commend Chief Wolford and our firefighters for doing an excellent job ensuring that our public safety services are being performed in a professional manner and that Oxford's citizens are safe. We will be investing in needed capital purchases to ensure that our work force is productive and to keep down our maintenance costs. I feel good that we were able to keep all are basic services to ensure that Police and Fire, Parks and Recreation, Building Maintenance, Planning and Zoning, Human Resources, Finance, Engineering, Public Works, Water Resources, and General Administration can be provided.

The combined recommended budget for the 2010-2011 fiscal year is \$14,105,075, a decrease of \$2,108,780 over the current year combined budget of \$16,233,855.

#### GENERAL FUND

The proposed General Fund Budgeted Expenditures for the 2010-2011 fiscal year are \$8,314,773 an increase of \$164,955 from the current fiscal year of \$8,149,818. Highlights of the General Fund Budget include:

	2010	2011
Revenues		
General	\$7,983,098	\$8,332,136
Fund Balance	<u>\$166,720</u>	<u>\$(17,363)</u>
Total Rev.	\$8,149,818	\$8,314,773

Budget		
Expenses	\$8,149,818	\$8,314,773

#### POWELL BILL

For FY 2011 the Powell Bill will have revenues of \$239,196. We will expend \$40,000 for sidewalk repairs and \$75,000 for street resurfacing.

#### WATER AND SEWER FUND

The proposed budget for the Water and Sewer Fund for the 2010-2011 fiscal year is \$4,481,105, an increase of \$94,241 over the current fiscal year. This involves taking \$599,844 out of the Fund Balance. For fiscal year 2011, sewer rates are going up 17% and water rates are going up 5%. Despite this increase, the Water Fund is still running a deficit in FY 2011. To remove this deficit rates are scheduled to go up next year as well. Because a recent study showed that the City needs to make at least \$7,000,000 in improvements to the sewer lines, the City has aggressively sought and is receiving up to \$850,000 in grants to solve inflow and infiltration problems in the sewer lines. We have budgeted \$500,000 out of fund balance to match these grants.

#### WATER CIP

The City is funding two projects for a total of \$1,000,000. The City is contributing 50% of the funds and the balance is coming from grants

#### STORMWATER FUND

The Stormwater Fund is anticipating revenues of \$144,000. It will have expenditures of \$70,000 with the remainder going into the Fund Balance. During the FY 2011, there will be a review of stormwater fees based on the new calculations for impervious areas and expenditures for stormwater projects affecting flooding will be evaluated. A fund balance is held in reserve specifically for these projects and will cover the excess expenditures.

#### CONCLUSION

We will be planning a public hearing in the next couple weeks and the Board of Commissioners will be holding the vote on the budget prior to the end of the month.

I am grateful to each of you for your leadership and support, and I welcome your comments and suggestions as you review the attached information in the days ahead.

Commissioner Cantley asked how the three scenarios would affect the average household. CM Donham stated that based on the re-evaluations, some households will pay more in taxes and some will pay less. Even though the City has dedicated employees, Commissioner Cantley stated a 2.3% COLA would be hard to swallow. CM Donham stated this is about average for what the County and Roxboro are giving. Employees have to be paid on par with other municipalities or we would start losing them at some point. The lower the pay, the more likely employees are to switch jobs. For good employees who are skilled and capable, there is the potential to lose them to higher wages. The salary for the new Fire Chief will be about \$77,000 including benefits.

Commissioner Currin stated that General Fund expenditures have gone up over 2 ½ million dollars in the last 5 years and asked where are we spending that much more money. CM Donham stated that Oxford is spending less than other municipalities the same size. Finance Director Steve McNally added that between 2006 and 2009, for example, there was a \$124,000 increase in health insurance and the MAPS study salary adjustment was \$340,000. CM Donham stated the City is now in line with other municipal salaries. FD McNally stated expenditures for the athletic park also have to be recognized. Even though the land was donated and grants were awarded, the monies have to be shown as revenue and as expenditures. The value of the land is approximately \$750,000.

Commissioner Sergent commented she would be interested in seeing what the current tax rate per capita would be if it were spread out, accounting for inflation and population change. This type of graphic might be very educational and may help explain the budget to citizens. CM Donham stated the State Treasurer's office publishes this information.

Commissioner Currin stated if it can be explained where the money is going, then there is no problem. For example, no one would probably have a problem buying police cars, but buying a van for Recreation might be a problem. Also a problem might be spending \$20,000 on the [old ACIM] building and not having anything to do with it. Commissioner Currin stated he has problems with situations like these, and he gets these types of questions from citizens. CM Donham stated some of the old equipment, for example, is inefficient. Also, the City provides services such as leaf collection which the Board may want to take a look at cutting. The van requested for Recreation is important for getting kids around and moving equipment from one place to another. Equipment wears out.

MPT Herring thanked CM Donham for his work on the budget. CM Donham stated the next step is to hold a public hearing on the budget, at which time it can be adopted. FD McNally will have the detailed budget showing line items ready to look at by Thursday. A Finance Committee meeting was subsequently set for Thursday, June 3<sup>rd</sup> at 2:00 p.m.

## ADJOURNMENT

WITH THERE BEING NO FURTHER BUSINESS, COMMISSIONER WILLIFORD MADE A MOTION TO ADJOURN. ALL VOTES WERE IN THE AFFIRMATIVE. THE MOTION CARRIED.