

**CITY OF WILMINGTON
SPECIAL CITY COUNCIL MEETING MINUTES
MONDAY, APRIL 14, 2014**

The Council of the City of Wilmington held a special meeting on the above date at City Hall in the Lord Spencer Compton Conference Room, 102 North Third Street, Wilmington, North Carolina, following the agenda briefing meeting for an update on Council Security Protocols and Fiscal Year 2015 Budget Development. Those present were: Mayor Bill Saffo, presiding; Mayor Pro-Tem Margaret E. Haynes; Councilmembers Laura W. Padgett, Charlie Rivenbark, Earl Sheridan, and Kevin O'Grady; City Manager Sterling B. Cheatham; City Attorney Bill Wolak; and City Clerk Penelope Spicer-Sidbury.

Councilmember Anderson was absent.

FISCAL YEAR 2015 BUDGET DEVELOPMENT

Mrs. Lynn Heim, Budget Director, gave latest financial updates on the budget as currently projected. She noted that projected fiscal year end 2014 does not include the \$300,000 Item for tomorrow night or the presumption of reimbursement for debris; but it does include the \$1.4 million discussed at the last budget work session. As directed, the comparison of fiscal year 2013-2014 adopted tax rates now includes Fayetteville, Asheville, Greenville and High Point.

Mrs. Heim displayed a revised projection of revenues with decreased property taxes and increased sales tax.

Councilmember Padgett expressed concern.

Mr. Sterling Cheatham, City Manager, responded that the tax base has grown, but not as much as expected.

A brief question/answer and discussion period was held.

Mrs. Heim displayed a revised projection of expenditures, which after careful consideration realized a decrease in the budget shortfall to \$2.3 million.

Councilmember Padgett expressed concern regarding the \$91,119 decrease in agency funding. Mrs. Heim responded that she would research it and report back.

Mrs. Heim gave an overview of expenditures over revenue drivers.

In response to an inquiry by Mayor Saffo, Mrs. Heim stated that Public Safety mid-year increases of \$540,000 included six (6) vehicles and equipment, three (3) new officers, a new crime scene technician, civilianization of two (2) positions, smart phones, pistols, holsters, surveillance equipment, one computer support position, 10 over hires, radios, gear and equipment.

Mrs. Heim stated that the WAVE commitment is for two (2) years, as is agency funding. She noted that economic development incentives are five (5) years. She reiterated the budget balancing strategies, which include noncore service reductions, a tax increase, fund balance or a combination of the above.

Mrs. Heim gave an overview of potential service reductions including the elimination of approximately 34 existing, mostly filled positions (\$489,914); and the elimination of four (4) proposed positions in preliminary budget (\$200,974). She listed potential service reductions as follows:

- Reduction in Code Enforcement efforts \$73,412.⁰⁰
- Closure of Legion and Northside pools \$90,558.⁰⁰

- Eliminate NCDOT ROW and alley/lot maintenance	\$19,688.00
- Eliminate funding for Housing Summit	\$7,000.00
- Elimination of Safelight program	\$150,000.00
- Maintenance of flashing lights for schools	\$30,000.00
- Elimination of Historic Preservation program	\$60,000.00
- Elimination of Mounted Patrol	\$213,000.00
- Elimination of School Resource Officer contribution	\$213,180.00
- Closure of Fire Station #4 – Wallace Avenue (12)	\$643,248.00
- Elimination of energy sustainability projects	\$50,000.00
- Departmental support for retiree payout	\$100,000.00
- Postponement of Technology projects	\$50,000.00
- Elimination of SOG Benchmarking Study	\$10,000.00

Mrs. Heim summarized that the shortfall is \$2,345,514 and these reductions would close the gap with \$2.4 million. She noted that an additional one cent (1¢) in the tax rate would close the gap to \$1,214,110 with \$1,200,000 necessary in partial reductions. Increasing the tax rate one and a half cent (1.5¢) would decrease the gap to \$1,821,165, requiring \$655,000 to cover a base budget with no additions. She noted that the base budget includes mid-year additions in Public Safety (Mobile Field Force) that equals approximately 0.44¢. She recommended against using fund balance to close the gap and gave an overview of the budget schedule, which indicates finalization of the recommended budget by April 25, 2014.

In response to an inquiry by Mayor Pro-Tem Haynes, Mrs. Heim stated that fund balance might be used for one-time capital purchases, such as for equipment and vehicles and grant matches (approximately \$250,000 for the latter).

Councilmember O'Grady inquired about capital balances. Mrs. Heim stated that she would research it and report back. She noted that capital balances have been used for overrun on the Riverwalk.

Councilmember Rivenbark suggested considering cutting back funding of New Hanover County programs such as Safelight, flashing lights for schools, and school resource officers as a matter of necessity.

Councilmember Sheridan inquired if any capital projects could be delayed. Mrs. Debra Mack, Finance Director, responded that the General Fund is no longer transferring funds over to capital project except by separate action and at the discretion of Council.

Mayor Saffo expressed concern about salary increases for this and the following year. Mr. Sterling Cheatham, City Manager, explained that critical needs projects approved in the middle of the year absorbed growth for this year. He noted that the City would be in a better position next year.

Mr. Glenn Harbeck, Planning/Development/Transportation Director, added that more than \$400 million in private investment has been approved, which will add taxes after the lag due to construction and more is anticipated.

In response to an inquiry by Mayor Saffo, Mrs. Jeanne Sexton, Human Resources Director, stated that turnover is approximately six or seven percent for public safety after three (3) years, which is a City-wide turnover statistic. She noted that turnover is highest in the Solid Waste Department, among laborers, and in the City Attorney's office.

Mr. Bill Wolak, City Attorney, pointed out that turn-over in his office was 80 percent at one time.

Mayor Saffo expressed concern regarding the misconception of turnover in public safety. He requested minimizing the impact to property tax rates. He noted that some tough decisions may need to be made regarding reduction in services.

In response to an inquiry by Councilmember O'Grady, Mrs. Heim stated that the budget does not include the \$293,485 increase to the actual required contribution for the law enforcement separation allowance trust fund based on actuarial recommendation.

In response to an inquiry by Councilmember Padgett, Mrs. Heim stated that the separation allowance trust fund balance is about \$900,000, which will shrink over time; but does not necessitate using fund balance immediately.

COMPENSATION INITIATES UPDATE

Mrs. Jeanne Sexton, Human Resources Director, gave an update on compensation initiatives. She noted that last year staff proposed a three (3)-year plan to reduce compression, improve the City's ability to attract and retain quality prospects, and increase salary ranges to reflect the market.

Councilmember Padgett expressed concern regarding cost-of-living increases for new hires and requested an estimate of savings in delaying the increase until after 12 months of service.

A brief question/answer and discussion period was held regarding compression.

Mrs. Sexton stated that last year staff proposed to achieve goals of the plan by funding pay increases from three to five percent (3%-5%) for three to five (3-5) years beginning in fiscal year 2014. She noted that the final one percent (1%) of deferred compensation was reinstated; and an across-the-board increase of two percent (2%) and a merit budget of one and a half percent (1.5%) was given; although, salary range adjustments could not be afforded.

Mrs. Sexton stated that wage scales and range penetration were analyzed in order to optimize investment in the second year of the plan to attract and retain employees. She noted that 76.5 percent of City employees are below the mid-point of the range or market rate.

In response to an inquiry by Councilmember Padgett, Mrs. Sexton stated that departmental budgets restrict movement through the ranges.

Mrs. Sexton stated that City employees' average seniority is eight years and one month.

In response to an inquiry by Councilmember Rivenbark, Mrs. Sexton stated that the mid-point is the market rate and the minimums and maximums are determined relative to it. She added that the mid-point is determined by comparable cities.

Mrs. Sexton stated that the plan includes the following:

- Adjust City ranges to be competitive;
- Bring employees to new minimums;
- Move employees to appropriate step for this year based on "time in title" for all below midpoint – excluding executives;
- 1.5% across-the-board (those above mid-point and those below mid-point who did not get an at least 1.5% increase to step or minimum);
- 1.5% merit pool for those above mid-point and executives

A question/answer and discussion period was held.

Mrs. Sexton displayed projected costs as percent increase over current salary base of \$45 million as follows:

Bring to minimum	0.76%	\$342,000 ⁰⁰
Step increases based on "time in title"	1.86%	\$837,000 ⁰⁰
Across-the-board increase (for employees below mid-point)	0.93%	\$418,500 ⁰⁰
Merit Increase (for employees above mid-point and executives)	0.45%	\$202,500 ⁰⁰
Total	4.00%	\$1,800,000⁰⁰

Mrs. Sexton presented three (3) anonymous scenarios of compensation increases as follows:

Title	Beginning Salary	To Minimum	Time in Title	Time-in-Title Step	Total Increase	Final Salary	% Increase
Fire Fighter	\$29,743	\$2,099	2 years	\$1,910	\$4,009	\$33,752	13.5%
Police Officer	\$35,730	\$0	2 years	\$2,103	\$2,103	\$37,833	5.9%
Solid Waste Operator	\$29,286	\$0	2 years	\$1,515	\$1,515	\$30,801	5.2%

A question/answer and discussion period was held.

Mrs. Sexton summarized steps for 2014 and beyond as follows:

- Annual market analysis of benchmark jobs with competitive entities:
 - Raleigh, Greenville, Jacksonville, Fayetteville, Asheville, New Hanover County, CFPUA, Charlotte, Cary, Durham, High Point, Winston-Salem, and private industry through the Capital Associated Industries' Survey (national surveys, engineers);
- Range adjustments to meet compensation philosophy;
- Across-the-board increase to be reflective of the range adjustment;
- Step increases for employees below market;
- Merit increases for employees above market;
- Projected costs 3% of market value of positions annually

A brief question/answer and discussion period was held.

COUNCIL SECURITY PROTOCOLS

Mr. Sterling Cheatham, City Manager, requested Council's feedback on the implemented Council Security Protocols.

Councilmember O'Grady expressed concern that his bag was not checked. Mayor Pro-Tem Haynes and Councilmember Padgett noted that theirs were.

Councilmember Sheridan expressed concern that the security check seems unwelcoming. Mayor Saffo concurred; but, commented that it is necessary.

Mayor Pro-Tem Haynes pointed out that security checkpoint was well managed. She expressed appreciation regarding its portability.

Councilmember Padgett expressed concern regarding the lack of convenience in exiting and reentering to access restrooms. She suggested the checkpoint be moved.

Mr. Tony Caudle, Deputy City Manager, responded that the current position is necessary to limit control points.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at 9:47 a.m.

Respectfully submitted,

Penelope Spicer-Sidbury, CMC/MMC
City Clerk

NOTE: THESE MINUTES ARE NOT A VERBATIM RECORD OF THE PROCEEDINGS.