

**MINUTES OF THE BOARD OF ALDERMEN
TOWN OF KERNERSVILLE, N.C.
BRIEFING SESSION MAY 28, 2014**

The Board of Aldermen of the Town of Kernersville met in a briefing session at 6:30 P.M. on the above date in the Town Hall Executive Conference Room at the Municipal Building at 134 East Mountain Street.

Present: Mayor Dawn Morgan, Mayor Pro Tem Joe Pinnix, Aldermen Kenny Crews, Keith Hooker, Irving Neal and Tracey Shifflette.

Absent: None.

Staff Present: Curtis L. Swisher, Town Manager; Jayne Danner, Deputy Town Clerk; John Bain, Town Attorney; Jeff Hatling, Community Development Director, Scott Cunningham, Police Chief; Ken Anderson, Deputy Fire Rescue Chief; Doran Maltba, Public Services Director; Ernie Pages, Parks & Recreation Director; Gray Cassell, Chief Information Officer; Franz Ader, Finance Director and Ray Smith, Human Resources Director.

Call to order and invocation.

Mayor Dawn Morgan called the meeting to order and Alderman Tracey Shifflette delivered the invocation.

1. Consideration of a Request by Ivey M. Redmon to expand the Old School House at 4th July Park.

Mr. Ivey Redmon stated that Mr. Harold Sapp has offered to donate wood from his old barn on Union Cross Road for the potential construction of a well house and woodshed to compliment the Old School House at 4th July Park. He added that if the Board approves the construction of the buildings and the Town will transport the wood from Mr. Sapp's old barn site on Union Cross Road he has volunteers lined up to construct the two buildings.

Alderman Irving Neal joined the meeting at 6:37 p.m.

Alderman Tracey Shifflette asked where the buildings would be located in relation to the Old School House.

Mr. Ernie Pages, Parks & Recreation Director stated that the land directly behind the school is flat and would be the best location to accommodate the two additional buildings.

Mayor Morgan thanked Mr. Redmon for sharing this idea and stated that she would also like to have a sign erected explaining the significance and history of a woodshed and well house at an Old School House.

Alderman Irving Neal made a **Motion** granting approval for Town employees to transport the old barn wood to 4th July Park for the purpose of constructing a woodshed and well house behind the Old School House and the placement of a sign explaining the significance and history of the buildings. Alderman Tracey Shifflette seconded the motion and the vote was all for and the motion carried.

2. Briefing on the June 3, Regular Meeting Agenda.

Mr. Curtis Swisher, Town Manager noted the one ceremonial item on the Agenda; Recognition of East Forsyth High School 2014 Girls Lacrosse Team.

Item # 1 PUBLIC HEARING: on the Annexation of property owned by the Town of Kernersville consisting of approximately 9.068 acres, more or less, known as a portion of the Kernersville Medical Parkway.

Mr. Swisher, Town Manager briefed the Board on this annexation request for a portion of the Kernersville Medical Parkway.

Item # 2 PUBLIC HEARING: on proposed Fiscal Year Operating Budget 2014-2015.

Mr. Swisher noted that as required by the N C General Statutes the FY 14-15 Budget Public Hearing will be held on Tuesday evening.

Item # 3 PUBLIC HEARING: Mark Smith, Agent for Others for property located at 422 Mountain View Drive including vacant property north to the 700 Block of Lake Drive being all of PIN #(s) 6876-84-7611 and 6876-94-0147 containing 6.78 acres more or less. Petitioner requests to rezone from RM12-S (Residential Multifamily, maximum 12 units/acre – Special Use District) to RM12-S (Residential Multifamily, maximum 12 units/acre – Special Use District). Requested Use(s): Residential Building, Multifamily Zoning Docket K-724 A.1

Mr. Jeff Hatling, Community Development Director briefed the Board on this rezoning request to add seven additional units to the property previously rezoned in February. He stated that the Planning Board recommends approval as presented by staff and no opposition was received.

Alderman Irving Neal asked if these additional units would negatively impact the stormwater runoff.

Mr. Hatling stated that the property is still under the Town's 24% requirement and the developer will be using a low impact stormwater management program so this addition would not be in violation of the Town's stormwater requirements.

Item #4 PUBLIC HEARING: Curtis Swisher, Agent for the Town of Kernersville for a proposed UDO Text Amendment by amending Chapter B, Article II, Section 2-1.4(A)(4)[B]1.); requirement of the Unified Development Ordinance (UDO) to allow for a "sound wall" to replace a portion of the required trees. Zoning Docket KT-212

Mr. Hatling briefed the Board on this text amendment request by Deere Hitachi to install a sound wall on top of the berm instead of tree plantings. He noted that the Manorwood residents are in favor of this measure to address their noise issues. He stated that the Planning Board recommends approval as presented by Staff and no opposition was received.

Alderman Neal asked if this UDO amendment requirement would be specific to this development or required by other developers.

Mr. Hatling stated that this requirement would only apply to a property that is rezoned LI - Limited Industrial.

Item # 5 PUBLIC HEARING: Curtis Swisher, Town Manager, for consideration of an amendment to the Kernersville Development Plan to amend the Land Use Plan for the eastern portion of Old Winston Road, southern portion of South Cherry Street and Southern Street area consisting of 225+/- acres. Plan Docket KDP-40

Mr. Hatling briefed the Board on this amendment to the land use plan. He stated that the Planning Board recommends approval as presented. He noted that it does include modifications recommended by two adjacent residents.

Item # 7 Consideration of the following regarding the Sale of General Obligation Refunding Bonds:

- a. Resolution Approving the Filing of an Application with the NC Local Government Commission.**
- b. Introduction and Adoption of a Bond Order.**

Mr. Swisher briefed the Board on this matter. He stated that Staff recommends calling back in the 1998 Road Bonds, refinancing at the current interest rate, thus saving the Town \$300,000 at \$30,000 per year over 10 years.

Item # 8 Consideration of Designating Kernersville Medical Parkway within the Highway Corridor Overlay District

Mr. Hatling briefed the Board on Staff's recommendation to designate Kernersville Medical Parkway to the Highway Corridor Overlay District which would be in line with all other major highways in Kernersville. He added that all property owners have been notified of this designation, however since current properties would be grandfathered in this would have little to no impact on them. He further added that for future property owners it would require enhanced building design standards.

Item # 9 CONSENT AGENDA: All of the following matters are considered to be routine by the Board of Aldermen and will be enacted by one motion. There will be no separate discussion unless a Board member or citizen so requests, in which event the matter will be removed from the Consent Agenda and considered under the following item.

- C-1 Approval of Minutes for April 30, 2014 Briefing Session**
- C-2 Consideration of the new Lease with the Kernersville Woman’s Club for the Kernersville Community House.**
- C-3 Consideration of the new Lease with the Shepherds Center for the Basement of the Library.**
- C-4 Consideration of a Recommendation to designate a Chairman for the Sister Cities Commission.**
- C-5 Consideration of Appointments to Various Boards and Commissions.**
- C-6 Consideration of Auditing Service Contract with Dixon Hughes Goodman.**
- C-7 Consideration of a Resolution setting the Public Hearing date for a voluntary annexation petition by Ricky & Katherine Gray for property located at Grays Land Road near Macy Grove Road and I-40, 19.130 acres.**

Mr. Swisher briefed the Board on the Consent Agenda items. He noted that Item C-7 is for an apartment complex off Macy Grove Road that would also require rezoning approval and is on the Planning Board’s June Agenda.

Attorney John Bain left the meeting at 7:06 p.m.

3. Fiscal Year 2014-2015 Budget Work Session.

Mayor Dawn Morgan stated that the Draft Budget is available on the Town’s website and a paper copy is also available for public inspection in the Town Clerk’s office and the Paddison Memorial Library. She further stated that the Public Hearing is scheduled for June 3rd and the public is welcome to make comments at that time.

Mr. Swisher stated that he has met with Board members to discuss some of his budget recommendations and that since the Draft Budget was released the Capital Outlay for Stormwater and Administration has been updated.

Mr. Swisher stated that he would give an overview of the projected Revenues and Expenditures for FY 14-15 and answer any questions presented by the Board.

Mr. Swisher stated that the projected revenue for FY 14-15 is \$ 26,726,307 and although this is up from FY13-14 it is still lower than anticipated due to appreciation of equipment loss and payment of Infrastructure Reimbursement Agreements. He added that the tax base for Forsyth County increased this year to \$41.7 million; however, Guilford County tax base had a slight decrease. Mr. Swisher stated that **Ad Valorem** (property) taxes are the Town’s greatest source of

revenue, followed by **Other Taxes** such as vehicle tax; **Unrestricted Governmental Revenue** such as ABC taxes, Sales and Use taxes; **Restricted Governmental Revenues** such as Grants, and specific project funds; **Miscellaneous Revenue** generated from sales of fixed assets; **Functionally Related Revenues** such as dumpster and recycling fees; **Operating Grants** such as payment for Student Resource Officers, **Interfund Transfers** for transference of monies to departments that perform stormwater functions and **Fund Balance Appropriations**. Mr. Swisher compared the difference in revenues for each category compared to FY 13-1, he added that overall these revenues have increased \$1 million, \$700,000 of which is not tied to Capital Projects.

Alderman Irving Neal stated the he believes these projections to be conservative especially for vehicle taxes. He also asked if the reevaluation process had affected the collection rate for ad valorem taxes and if we have received less revenue from FedEx as expected.

Mr. Swisher stated that since this is the first year that the State collected and will be distributing the Vehicle Tax he is projecting the same as FY13-14, he also noted that he is unaware of when the funds will be distributed by the State and received by the Town. He also noted that reevaluation does not impact the collection rate and he is using a 98.3 collection rate, the average collection rate for the past five years for Ad Valorem revenue, and that some of the revenues like Intergovernmental are set amounts. He further stated that Deere Hitachi would have had the biggest tax base increase however since we have the Infrastructure Reimbursement Agreement 50% of that is paid back to Deere same as with FedEx.

Alderman Keith Hooker asked what Mr. Swisher's plan is if we don't receive the projected amount of \$160K for vehicle taxes. He also asked if the Fund Balance Appropriated Unassigned figure for FY13-14 is correct.

Mr. Swisher responded that it would have to come from Fund Balance to balance expenditures at the end of the year and that the figure is zero until we hear from the Auditors.

Mr. Swisher stated that he would note any major changes to Expenditures line items by department. He noted that there are similar changes for all departments for **Insurance and Bonds**, due to the increase in employee bond coverage and workers' comp.; **Unemployment Insurance** due to the change in the billing process and an increase in **401K** based on his recommendation of a 1% match contribution to encourage employees to contribute to their retirement fund.

Alderman Neal asked if all employees receive a Xmas Bonus and how it is calculated. He also asked about the cost of the 401K match.

Mr. Swisher responded that all employees receive a Xmas Bonus which is 2% of the salary less taxes; unless an employee has worked for the Town for less than a year then it is pro-rated. He added that the 401K will be based on 1% of the salary but since it won't be effective till January it's actually only ½% for a total cost of \$36K. He further added that individual employees monthly healthcare coverage premiums will increase from \$30/45/60 to \$40/55/70, based on the number of wellness incentives they participate in; family insurance will gradually be 50/50 but to

assist with this it will be implemented over 2 years to lessen the \$160 per month increase impact; employee spouse premium increased \$20 per month and employee child premium increased \$30 per month.

Alderman Neal asked if we are paying hospitalization for anyone with double insurance coverage and asked if it was legal to ascertain that.

Mr. Ray Smith, Human Resources Director stated that we are not allowed to ask, however, if we do it is probably very few, we do discourage this and it will probably be zero next year due to the premium increase.

Alderman Hooker asked what the revenue gain is based on the employees paying the extra premium and specifically the \$10 individual employee coverage increase.

Mr. Swisher stated that the total gain in revenue from employee premium increases is \$150K, the Town is still paying approximately \$87K some of which is due to the new healthcare mandates, the Town also changed health insurance providers from United Health Care to Blue Cross Blue Shield to save money.

Alderman Neal asked if the Town could save money by joining a state or municipal health insurance co-op.

Mr. Smith advised that that would actually be more expensive.

Mayor Pro Tem Joe Pinnix asked how many employees have family coverage.

Mr. Smith responded approximately 48 employees.

Governing Body

Econ Develop – payments to Deere Hitachi and Triad Business Park for Infrastructure Reimbursement Agreement.

Special Appropriation – increase to KCK, Shepherd Center, and Sister City, also addition of Senior Services.

Alderman Hooker asked if we paid Forsyth County Board of Elections in a non-election year. Mr. Swisher responded that we do but it is much less.

Administration

Installment Purchase – should be \$42K not \$70K for new HVAC, will update and provide new sheet.

Alderman Hooker asked about the \$6,200 Travel line item and the Contracted Services. Mr. Swisher responded that some of the travel costs will be reimbursed for Dale Martin, Town Clerk since she is attending more Clerk events due to being President of the NCAMC. He added that the Contracted Services is for the FTR recoding system used during Board Meetings; however we may be unable to fund the purchase of the new version this year.

Community Development – Planning Division

Dept. Supplies - new laptop to be used for Planning Board and other meetings
Contracted Services – decrease due to funding/purchasing fewer Wayfinding signs.

Community Development – Permit Enforcement Division

Salaries temp p/time – increase due to increase in number of permit inspections for VA and other projects. He noted that a position was eliminated and we may need to re-look at re-hiring a Permit Specialist.

Community Development – Engineering Division

Salaries – increase due to transfer of employees due to restructuring and elimination of Transportation Division
Contract Service – increase due to potential Senior Shuttle Service
Capital Outlay – funds for sewer and other planned projects

Alderman Hooker asked what portion the Town will pay for the Senior Shuttle. Mr. Swisher responded \$3,300 was approved by the Board.

Finance

Employee Training – increase due to new employees and new software/accounting procedures
Professional Service – annual auditing of financial statements
Maintenance & Repair – new munis software for accounting
Contracted Services – collection of taxes by Guilford and Forsyth County
Bank Services – increase in credit/debit card transaction fees

Alderman Hooker asked about the increase in Telephone & Postage line item. Mr. Swisher responded that this is due to the Town switching to a monthly billing cycle for dumpster service.

Information Systems

Professional Services – upgrade the six year old website
Software Lic. – increase in annual fee
Maintenance Repair/Network – decrease due to not extending warranty for voicemail and storage.

Alderman Neal asked if this could be done by an employee as opposed to contracting out.

Mr. Gray Cassell, Chief Information Officer stated that we do not currently have an employee with the skill set to design a website.

Human Resources

Retiree Insurance - increase due to additional employees retiring
Employee Training – increase due to new employees and federal guidelines
Professional Services – healthcare brokers fees

Alderman Hooker asked about the increase in Employee Appreciation line item. Mr. Smith responded that this is for gifts for three employees retiring in FY 14-15

Police Department

Salaries - increase due to the 3 new officers the Board approved hiring in January 2014.

Department Supplies – difference in request and recommended due to new computers, and radios, moved to Non-Capital Equipment line item.

Capital Outlay – recommend purchase of 6 new police vehicles and replacement of old computers, laptops and printers that are not in compliance with federal software requirements.

Alderman Hooker asked about the overtime increase. Mr. Swisher responded that Chief Cunningham is requesting and recommending that sworn officers who work Town events receive overtime instead of comp. time as they have the past several years due to scheduling issues and in order to maintain service delivery level.

Mayor Pro Tem Pinnix asked about the compensation of officers who work on their own time for private events such as at the Botanical Gardens. Chief Cunningham responded that officers are compensated for these events through a Secondary Employment Agreement, the vendor pays the town and the Town pays the officer through payroll minus a small administration fee. He added this is an excellent well established process.

Mr. Swisher advised that the Street Department employees are also going to be compensated with overtime instead of comp. time for some events due to the same issues as the Police Department with operations and work schedules.

Fire Department

Salaries – increase due to new Training Officer position

Capital Outlay – recommend new fire truck to replace 1998 model, not 1991 model, complete replacement of radios.

Maintenance & Repair Bldg - several issues with Station 42 may spend more than budgeted also issues with roof at Station 43. Mr. Swisher noted that Station 42 needs to be relocated within the next 4-5 years.

Alderman Hooker asked if it would be best to wait until next year to buy the new fire truck since the quint truck would be paid off then. Mr. Swisher recommended pursuing replacement this year as there may be more needs next year. He added that he does not look at an individual department when prioritizing replacement of vehicles and equipment, and the retired debt does not stay in that department.

The Board discussed the quint fire truck and potentially replacing it. Deputy Fire Chief Ken Anderson stated that he would provide additional information.

Street Division

Salaries - increase due to transfer of employees due to restructuring and elimination of Transportation Division

Street Lighting – increase due to Kernersville Medical Parkway (\$24K) and increase in Duke Energy rates

Contracted Services – increase to fund pavement rating survey

General Improvements – funding for Piney Grove Road project. Mr. Swisher noted that no funding of road resurfacing projects is recommended in FY14-15.

Alderman Hooker asked about the increase in Installment Purchases. Mr. Swisher responded that it is for the new mowers purchased last year to mow the interchanges.

Mayor Morgan asked if the Town could prepare a Resolution of Support recommending that NCDOT re-prioritize Union Cross Road for snow and ice removal. Mr. Maltba responded that he had discussed this with Mr. Pat Ivey at NCDOT.

Solid Waste Division

Professional Services – should be \$39,500 will correct and provide revised sheet
Insurance and Bonds – should be \$45,575 will also correct
Salaries – decrease due to transfer of Recycling Specialist to Admin Division

Parks & Recreation

Employee Training – increase due to required certifications for playground safety
Salaries Temp/PT – seasonal employee salaries
Maintenance Repair/bldg. – increase due to floor repairs and electrical repairs at 4th July Park
Professional Services – decrease, recommending grading at Ivey M. Redmon sports complex

Alderman Neal asked if the new vehicle requested would be an SUV. He also asked if the revenues from events had increased. Mr. Swisher stated that due to costs he was not recommending that but if the Board approved an SUV it would provide more uses for the department. Mr. Swisher also responded that FY13-14 revenues were \$240K and he is anticipating about the same in FY14-15, which offsets the salaries of staff. He also noted that the Parks and Recreation Department budget includes maintenance and repair costs for three dams, mowing of a number of DOT intersections and Town Hall in addition to the mowing and maintenance of seven parks. Mr. Swisher stated that he is recommending new zero turn lawn mowers and two larger mowers.

Library

Not recommending replacement of HVAC

General Services Division

General Improvements – not recommending resurfacing of parking lot at Public Services

Special Appropriations

Used for transferring of funds

Public Services Administration Division

Salaries – increase due to transfer of Recycling Specialist from Solid Waste Division

Central Maintenance Division

Salaries Overtime - slight increase
Gas & Diesel – slight decrease

Parts & Accessories – increase due to parts costs increase

Mayor Morgan asked how many vehicles we maintain. Mr. Maltba responded that the division maintains 300 pieces of equipment.

Forfeiture Funds

Funds to be used to offset costs of new rifles and SWAT uniforms

JAG – no changes

Stormwater Enterprise Fund

Mr. Swisher noted that this is a standalone federally mandated fund revenues are collected and all expenditures must be stormwater related, \$490K transferred into other departments to offset costs incurred related to stormwater tasks.

Capital Outlay – rebuild and replace car wash with a water reclaiming system

Occupancy Tax

Disbursement of funds to agencies same as last year, probably have less to transfer for Parks & Recreation this year.

Mr. Swisher stated that standard operating increases this year are operation maintenance; insurance and bonds; unemployment insurance; the additional three police officers; recommended capital equipment purchases and developmental pay which totals \$1.2m. He added that new revenue minus projects leaves us with a deficit and that is why he is recommending a 2 cent tax increase setting a tax rate for FY14-15 of 54.75, this will generate \$475K in revenue and leave a deficit of \$150K which could be appropriated from Fund Balance. He further added he cannot recommend continuing to appropriate money from the Fund Balance as a source of revenue to be used for the day to day operating expenses of the Town. He stated that we will complete FY13-14 with a Fund Balance appropriation of between \$700-800K, leaving a balance of \$6.8M. He further stated that he is not anticipating receiving any additional revenues in FY 15-16 from projects like the VA, possibly FY16-17, but expenses are increasing like everyone else. Mr. Swisher stated that his future concern is revenue. He added that the Board needs to understand that the Town is operating on a day to day basis, the bare essentials for new equipment purchases are recommended. We don't have the funds to purchase items scheduled for replacement in the 5 year CIP and no funding is being recommended for road resurfacing, parking lot repairs, or infrastructure improvements such as relocation of Station 42 and replacing the communications system that has to be done eventually. He added that without a tax increase or appropriating more funds from fund balance it would require eliminating 15 employees, and then we would not be able to offer the same level of service. He further added that if all the recommended equipment was eliminated from the budget it would save a ½ cent on the tax rate. He stated that the only way we can fund the repaving of parking lots, road resurfacing, a new communication system, land and construction of Station 42, new recreation center would be a \$15M plus bond referendum, or an 8 to 10 cent tax increase.

Mayor Pro Tem Pinnix asked what impact a 2 cent tax increase would have on a home valued at \$200K.

Mr. Swisher stated that it would be an increase of \$40 per year and \$20 per year for \$100K home which is less than most other monthly payments such as internet service or cable TV and you get a lot more bang for your buck. He added residents pay a \$60 per year yard cart fee and receive weekly service. This would cost approximately \$200-300 per year if they used a private service. Mr. Swisher reiterated that a lower tax rate increase isn't enough to make up the deficit, it would just require more appropriated from Fund Balance and prolong the agony and we can't cut back anymore. He added that we are one of the few Towns in Forsyth County that is full service and our taxes are less than Winston Salem, High Point, Greensboro and Lexington.

Mayor Morgan stated that the reason for consolidating the tax and tag system was supposedly to have a greater collection rate, increasing revenue by approximately 3-4 % per year, but if this is not correct it is hard to determine if this can be included as a good source of increased revenue.

Mr. Swisher agreed. He noted that the Board discussed implementing a Privilege Tax /Business License Fee last year but now the State has capped it for FY14-15 and will be eliminating it completely in FY15-16.

Alderman Neal stated that he is not in favor of raising taxes however everything has gone up in the last three years; it's a hard decision to make.

Alderman Hooker agreed with Alderman Neal and said we can't continue to raid Fund Balance and not raise taxes.

Mr. Swisher stated that the Fund Balance should be used for any unforeseen expenses like the snow removal this year. He added that Department Heads are doing an excellent job at monitoring and staying at or below budget and he just can't cut anymore without eliminating a service and he would have a hard time determining which one to recommend to be cut but he definitely can't eliminate any more employees and retain the level of service.

Mayor Morgan thanked Mr. Swisher for his work on the budget and recognized the unique challenges he is faced with.

Alderman Hooker stated that if Mr. Swisher can't recommend any additional cuts maybe the way to go is to split the difference between a Fund Balance appropriation and a tax increase.

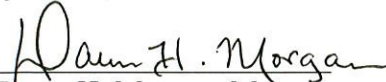
Mr. Swisher offered to answer any questions this evening or any time before the Public Hearing on Tuesday June 3rd. He asked that the Board members let him know what they are thinking so that a Budget Ordinance can be prepared for adoption at the June 24th meeting.

4. Matters to be presented by the Town Manager and Town Attorney.

None

5. Adjournment

Alderman Keith Hooker made a **Motion** to adjourn the meeting at 9:52 p. m. Alderman Tracey Shifflette seconded the motion and the vote was all for and motion carried. Being no further business to come before the Board, the meeting was adjourned.


Dawn H. Morgan, Mayor

Attest:


Jayne Danner, MMC, NCCMC Deputy Clerk

I, Jayne Danner, Deputy Clerk of the Town of Kernersville, North Carolina, do hereby certify that this is a true and correct copy of the minutes of the meeting duly held on May 28, 2014.

This the 26th day of June, 2014.


Jayne Danner, MMC, NCCMC Deputy Clerk