

**HAMLET CITY COUNCIL
BUDGET WORK SESSION
COUNCIL CHAMBERS ROOM
201 MAIN STREET, HAMLET, NC 28345
TUESDAY, JANUARY 24, 2023
5:30 PM
MINUTES**

Governing Body Present:

Mayor	Bill Bayless
Council Member	Eddie Martin
Council Member	Abbie Covington
Council Member	Oscar Sellers

Governing Body Remote (not counted as present or voting on matters)

Mayor Pro Tem	Jesse McQueen
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Staff Present:

City Manager	Matthew Christian
City Clerk	Gail Strickland
Int. Public Works Dir.	Robert Brown

Others Present:

1. Call to Order

Mayor Bayless called the meeting to order at 5:30 pm. He announced Council Members McQueen and Stuart were unable to attend. Mr. McQueen was joining by phone.

2. Agenda

Council Member Covington motioned to adopt the Agenda. The second was offered by Council Member Sellers. The vote was 3-0.

3. Minutes

Council Member Covington motioned to adopt the Minutes for the January 10, 2023 Council Meeting. The second was offered by Council Member Martin. The vote was 3-0.

4. Work Session

Mid-Year Update

City Manager Matt Christian stated the purpose of the meeting was to give an update on the previous half of the year, to determine how to proceed through the end of the fiscal year and start the conversation for the upcoming budget process. He provided updates on the 3 budget goals that were previously established: people, equipment, and infrastructure. The City implemented a market-based pay plan for employees, reinstated the police trainee program, adopted an organizational chart for outlining roles and reporting responsibilities, purchased much needed equipment to provide better services and maintain the infrastructure, launched the online payment portal, the WWTP expansion plan is underway, submitted grants for water distribution and have an engineering survey underway for the future needs of the City Lake Dam.

He reported the City has approximately \$1.1 million in ARPA funds and suggested Council prioritize projects to program the dollars and close out the project this year or next administratively.

Mr. Christian discussed some of the issues the City faces are the uncertainty of the County funding and the many services the City provides to the County that are funded by Hamlet only.

The Manager listed 3 key points to discuss in the City's infrastructure. He advised the engineers have stopped on the WWTP expansion, waiting on comments from NCDEQ for plans that were submitted 9 months ago. The second item of discussion is water meters and the final is IT infrastructure, making sure the City has a modern phone system and information sharing system to allow the employees to continue working in the future.

Mr. Christian asked Council to provide a better understanding and give direction on the items they want him and staff to focus on.

Mayor Bayless inquired on the City's standing with the State regarding the City Lake Dam. The Manager responded nothing has changed. The City received a Notice of Structural Deficiency. The action step the City has taken is to get a survey to get a better understanding of what is taking place below the surface to get cost estimates and engineering on the needed repairs. He has sent our State Legislatures requests for consideration in upcoming discretionary funds.

Water Meters

The Manager stated the discussion of an increase in water and wastewater rates was tabled last year. He said he could not recommend a rate increase if we don't know what is going on in the system. What is known is that the City has 300,000 – 400,000 gallons of water daily that is lost. Council Member Covington advised the City has the expense of treating the water, but no revenue is received for it. Robert Brown confirmed that was correct. Mr. Christian reported the City did send out a Request for Qualifications and received 1 response. The biggest question is what will it cost to do water meters, but we don't know until we consider the various options available. He suggested bringing the consultant back in to discuss the options and determine they are qualified to help us. Council Member Covington responded the City should get the one with the most efficiencies all through the process, not only reading the meters, especially with the short shelf life of the meters. The Manager responded the life span of a water meter is 10 – 20 years; the City has 4200 meters and are replacing 120 each year which puts the City on a 35-year replacement schedule for a 15-year asset. Council Member McQueen voiced his concerns that the City buildings, water used by the Fire Department and the City sprinkler systems are not metered. He added it is a fallacy to say the City is losing 300,000 gallons of water. He suggested metering the City properties to get the true number of gallons that are not being captured. Mr. McQueen stated he realized there were issues with the meters, but he would not be in favor of the new meters until he knows the water consumption used by the City. The City Manager suggested the City meter all buildings with any project and agreed it is a fallacy to say the water is lost; it is unaccounted for. He added the City has to do more than they are currently doing if they are going to run an effective enterprise. They will have to buy some type of meters. Council Member Covington asked if they could agree to get the largest City owned consumers metered before the end of the year. Robert Brown responded a 2" meter costs approximately \$1200.00 but some of the buildings do not have a meter box. He also explained the 300,000 – 400,000 gallons daily average comes from the number of gallons the Water Plant treats and the amount sold. It also includes an estimate of 80,000 gallons daily for the City's consumption. He added there was no way the City could use 400,000 gallons of water daily. Mr. Christian stated the City can have a plan for metering, but in the meantime we have to realize the meters are 30 – 40 years old and they are under

reading. He suggested a parallel plan of metering City buildings and having a plan on replacing the meters. Mrs. Covington said, to make a decision about the cost of the project, they have to know the efficiency it will achieve and the error it will correct. She suggested metering the City facilities to prove the loss of 300,000 gallons. The Manager's recommendation was to have the consultants come in, acknowledging they are working on the unmetered water consumption, and on a parallel track talk about other options for replacing meters in the ground and the efficiencies, whether replacing meters as they sit and what the cost is and the cost of a fully automated system. The Mayor said they should put a moratorium on buying meters in the meantime. Mr. Brown advised the City is only buying meters as they are replaced. Council Member Sellers inquired how much money the loss of 300,000 gallons daily equals in money. Robert Brown answered 350,000 gallons per day at the base rate, is \$700,000.00 - \$800,000.00 annually. Mr. Sellers responded, based on that information, the City cannot afford not to do something. Council discussed the process for billing contractors, water used by the fire department tankers and fire hydrants. Council Member Martin stated, at this point, the amount of unmetered water is all speculation. Some if it is legitimately used by the City. The Manager responded, until we have all new meters in the ground, it will remain speculation. Mr. Christian inquired if Council wanted the consultants to come. It was consensus of Council to not have the consultants come at this time and to have some of the City facilities metered. Council and Robert Brown discussed the billing and procedure for tankers getting water. Also discussed was the fact that the 4200 water meters in the ground have not been calibrated and are under reading the water consumption. The meters at the Water Treatment Plant that measure the water that comes into the plant and the treated water that goes out are calibrated annually. Mr. Christian asked for clarification that Council wanted to meter the unmetered facilities and asked where to go from there. Council Member Sellers said it is a tremendous loss and the City must do something. Council Member Covington stated it was important to understand the 80,000 gallons reported for City consumption is not included in the 300,000 – 400,000 gallons. She said the public would understand if Council could document the City is paying to treat water that is not being sold because the current meters are under reading. Council discussed an issue with Therafirm's industrial meter. Council Member McQueen inquired if Council would have an issue with him riding with Robert Brown to look at meters and asked if the Fire Chief could provide water usage from the Fire Department. No one voiced any concern. Mr. McQueen stated he felt much of the unaccounted water would be from human error in reading meters, theft, major fire events and leaks. He said it is all an estimate and there is no guarantee the revenue will increase with an automated system. Mr. McQueen suggested checking with other cities that have gone to the automated system to determine if their gap of unaccounted water loss closed.

Garbage Rates

The City Manager reported the Garbage Service annual budget, not including capital, is \$459,000.00. The annual revenue is \$335,000.00. This gives a deficit of \$124,000.00, not including a new garbage truck the City needs to buy this year. This means the tax rate is subsidizing the garbage service. He said it was up to Council if they wanted to leave things as they are, but if the existing rates continue, the taxpayers are paying for the service. Council Member Covington asked if there was a reason the loss was escalating. The Manager answered the City now has more accurate accounting. Some employees were in the wrong department; the Work Chart addressed the issue of having employees in the correct department and what they are doing each day. Mrs. Covington asked if the County landfill fees had increased. The Manager replied he did not think they had increased. Mayor Bayless asked if the City paid to dump residential garbage at the landfill. Mr. Christian answered he thought the City only pays for building materials. Last year the City did increase the fee for the trailer use. Mrs. Covington asked for the current garbage fees for customers. The Manager gave the current fee for 1 can for residential and commercial as \$10.00 per month with a surcharge for extra cans. The City currently bills for 2543 residential base charges and 179 commercial base charges. The additional number of cans billed is 150. Council Member Covington

asked what was necessary to recoup the \$124,000.00. Mr. Christian answered an increase in the base rate for residential from \$10.00 to \$15.00, commercial from \$10.00 to \$20.00, and the extra can from \$4.00 to \$5.00, would generate \$300,000.00. Mrs. Covington commented the City needed half that amount. Council Member McQueen asked Robert Brown if he could do an audit on the hours spent on non-trash related duties by the employees that work on the trash truck. Mr. Brown answered he would work on it. Council discussed the number of days garbage is collected. The Manager reported the budget includes the employees that drive the trash truck, ride on the back of the trash truck and a percentage of the Public Works Director's salary. To answer Council Member Covington's question of what was needed to make up the deficit, Mr. Christian answered an increase between \$3.00 and \$4.00 for both the residential and commercial base charge. This is information for Council to consider for budgeting.

Senior Center Services

Council Member Covington inquired if the Hamlet Senior Center received any reimbursement from the County. The Manager answered the City does receive some nominal contributions from the County; the Hamlet Senior Center's annual budget is \$174,000.00. Mrs. Covington asked why our Senior Center is different from the other centers; all others are funded by the County with County employees. They have nutritionists, social workers, psychologists, and directors. Mr. Christian stated that goes in the category of services provided to County residents funded by the City of Hamlet. He added he would welcome a conversation to discuss the matter. Council Member Covington was told by an employee with the Council on Aging that all centers, with the exception of Hamlet, were funded by the County and Hamlet is the largest area of need in the County. Mrs. Covington stated it was fair to ask the County to do for the Hamlet Senior Center what they are doing for all the other centers. Council Member Martin agreed but said the City had to be ready with an alternative if the County does not agree to funding Hamlet. Mayor Bayless reported the Hamlet Senior Center gets funding directly from the Lumber River COG. The Manager confirmed they receive \$10,000.00. Mr. Christian responded he could have a conversation with County Manager Bryan Land to discuss a partnership, but he would have to know the outcome if the County says no. Council Member Covington said first the City needs to know the funding that is going into the Rockingham Senior Center. She added there are a lot of services available to other centers that are not available to Hamlet. The Manager reported the County gives a monthly payment for \$3544.00 for recreation. The City has not received the money that was promised by the County Commissioners when the budget was adopted. Since that time, they have implemented a grant program, which he read about in the newspaper; he has not been contacted by anyone about it. Mr. Christian said, moving forward, there is uncertainty of support from the County. Council will have to make decisions based on what is known and what is best for Hamlet, and make the tough decisions, if needed. Mrs. Covington stated it was appropriate to send a letter to the County asking when the City can anticipate receiving the funds that were promised. The Manager answered the biggest uncertainty for the City is financial stability and the County's commitment and partnership are unclear. Council Member Covington added Dr. Watkins should be asked about his grant program.

Consultant for Fire Fees and Rescue Squad

The Manager advised Council that he and the Fire Chief are meeting with a consultant to discuss a rate study. The City has a unique fee structure in our fire service, where we have the fee per structure. We also have the issue of the Rescue Squad in what they are contributing to us versus the services we are providing, comparing that to what they are getting from FirstHealth. They have initial meetings this week to get their insight as a 3rd party professional opinion. The goal is to determine if the rates the City is receiving or charging are where they need to be, based on the services provided. He will keep Council informed.

Mr. Christian stated another thing to keep in mind is if they should go to the County to increase the fire tax; last time they doubled it. Council Member Covington stated that was on the recommendation of the County Manager. The Manager said before going back to them, we need to have good information to back the need for another increase in rates. Mrs. Covington suggested looking at what a fire tax district would do. The Manager agreed and said Commissioner Smart had mentioned it. Council Member Covington suggested doing comparisons of tax rates and tax districts for industrial users. Mayor Bayless stated when the Hamlet Fire Department goes outside of the City limits, the City is paying for the employees, fire trucks, wear and tear on the vehicles and water; the taxpayers are spending a lot of money on out-of-town fires. Mr. Christian answered that type of information is needed to make good decisions. Mrs. Covington commented the City is not trying to make a profit, only trying to break even.

The City Manager stated this year will be much leaner with the uncertainty of the budget. The last 2 years Council was aggressive with purchases to make up for some of the back log. He said they will do as much as possible. Council Member Covington commented, if appropriate, they could meet with the County to show the City's needs.

Mayor Bayless inquired if the \$1.1 million ARPA money would be spent in the next 6 months or next year. Mr. Christian responded that was up to Council. They have budgeted for a few things that have not been purchased yet, but \$1.1 million is a good figure of how much will be available after the purchases are made. It has to be spent by 2027.

5. Motion to Adjourn

At 6:57 pm, Council Members Covington and Sellers provided the motion and second to adjourn the meeting. The vote was 3-0.

Respectfully submitted,



Gail M. Strickland, City Clerk

