



Minutes of the Roanoke Rapids City Council

A regular meeting of the City Council of the City of Roanoke Rapids was held on **Tuesday, February 16, 2021 at 5:30 p.m.** in the Council Chambers at the Lloyd Andrews City Meeting Hall.

Present: Emery G. Doughtie, Mayor
Carl Ferebee, Mayor Pro Tem
Ernest C. Bobbitt)
Sandra W. Bryant)
Suetta S. Scarbrough)
Wayne Smith)

Council Members

Joseph Scherer, MPA, MS, City Manager
Geoffrey Davis, City Attorney
Traci Storey, City Clerk
Leigh Etheridge, Finance Director
Kathy Kearney, Deputy City Clerk/Human Resources Manager *
Bobby Martin, Police Chief
Christina Caudle, Main Street Director
John Simeon, Parks & Recreation Director *
Jason Patrick, Fire Chief *

Absent: Kelly Lasky, Planning & Development Director
Larry Chalker, Public Works Director

*Denotes joining the meeting via Zoom.

Mayor Doughtie called the meeting to order and opened with an invocation.

Adoption of Business Agenda

Mayor Doughtie asked Council members if there were any known conflicts of interest with respect to the matters before them this evening.

There being no conflicts, a motion was made by Councilwoman Scarbrough, seconded by Councilman Bobbitt and unanimously carried to adopt the agenda as presented.

Approval of City Council Minutes

Motion was made by Councilwoman Bryant, seconded by Mayor Pro Tem Ferebee and unanimously carried to approve the January 19, 2021 Regular City Council Meeting, February 2, 2021 Work Session and February 4, 2021 Special City Council Meeting minutes as drafted.

New Business

Presentation and Acceptance of Fiscal Year 2019-2020 Audit Report

Greg Redman, CPA presented and summarized the Fiscal Year 2019-2020 Financial Statements and Audit Report for the City of Roanoke Rapids. He stated as he goes through the report, he will try to compare some things to last year and they will see there is not much change. He highlighted the following items:

Pages 1 & 2: Independent Auditor's Report - Summarizes the auditor's responsibilities and the City's responsibilities and what they did on the audit. Under Opinions - It states the financial statements are presented fairly, in all material respects and in accordance with all accounting principles. It was an unmodified opinion which is what they want. No major qualifications or findings to report to the board.

Page 14: Balance Sheet as of June 30, 2020. General Fund - Cash and cash equivalents is \$3.1M (Unrestricted portion). Restricted Assets of \$201,900 which was some law enforcement funds that were restricted. The Unassigned Fund Balance is \$2.5M. That is the amount the City has available to spend to budget. That is just over 16% of the City's total expenditures for the year. They would like to see it a little higher.

Page 16: Revenues and Expenses for the year. Total revenues were \$15.6M. Last year it was about \$15.6M so revenues were basically even. Total expenditures were \$15.7M. Last year expenditures were a little more than that. The City did a good job with cost cutting. Debt Service is just over \$2M – principal and interest paid on debt. General Fund has a net loss of (\$96,044). Last year there was a (\$181,000) loss. With revenues being even, the City did a good job of cutting some expense to reduce the loss. Total Fund Balance at the end of the year was \$4.1M.

Page 47: Covers debt, pension liability and health insurance liability. At the beginning of the year the total liabilities was over \$28M. They will see they paid \$1.6M on debt. Pension liability increased to a little over \$200,000. That money is sitting at the State and has already been paid. The \$7M OPEB liability is not funded but is not something

the City will have to pay in the near future; it is over period of time for all the employees that get health insurance when they retire.

Pages 54-61: Breakdown of categories/same numbers as they looked at on income statement. \$15.6M in Revenues and \$15.7M in Expenses. On Page 61: (\$96,044) loss.

Page 73: Property Taxes –State sends out a letter every year saying the statewide collection rate is 99%. He said they do 20 towns and nobody is at 99%. The City's collection rate is 98.57% which is a very good collection rate.

Pages 74-75: When they do an audit, the first 73 pages is the financial part. They look to make sure bank statements are reconciled, the money coming in and going out and that it is being spent where it's supposed to be within the departments. In the next few pages because they receive grant funds from the State, they also look at internal control. This was also an unmodified opinion. If they had any concerns for internal control it would be here. Management has always done a good job of segregation of duties and internal control and doing the things they needed to be doing. Especially looking at the budget and making sure they do not overspend the budget.

Page 76: Letter about grant funds. The City received some COVID funds and they always receive Powell Bill funds. There are certain stipulations that go with these grants. If they violate any of the covenants then there would be findings. He reported there were no findings of any of those this year so this is also an unmodified opinion.

Page 82. Grand Funds. The City received a total of \$354,000 in federal funds; \$342,000 was coronavirus relief fund money. State funds totaled \$532,000 which most of that was Powell Bill money (money used for streets). Powell Bill is what they consider a major fund so they look at and document every transaction. Everything tied into compliance.

Mr. Redman stated overall financially, General Fund lost a little bit of money; a majority of it because of the debt service. Property tax collection is good. With a loss of (\$96,000) is a little closer to breaking even which is what a General Fund is supposed to do. Internal controls looks great.

Mayor Doughtie asked what the \$1.3M due from other governmental agencies on page 14 was. Mr. Redman replied it was sales tax and franchise tax.

Mayor Pro Tem Ferebee asked if the City was in good shape. Mr. Redman replied they could always be in better shape. The City has a 16% Unassigned Fund Balance and he thinks they would want 20-25%. Considering the hole they started in before any

of the Council members were here, General Funds were made to break even. The City has over a \$2M debt service payments and they almost broke even. He thinks they are operating well, but obviously they would like to see the numbers positive.

Mayor Pro Tem Ferebee asked Mr. Redman how the City compared to the other 20 or so cities/counties that he had. He replied most of those have Water/Sewer Funds or Electric Funds that can help out the General Fund. Very few General Funds support themselves because they are operating for the townspeople and the money they spend for police and sanitation.

Mayor Doughtie stated Mr. Redman gave them a compliment last year in reference to the \$2M debt service and how they still managed to have a good report. It would be a very good report if the City had that \$2M to spend elsewhere.

City Manager Scherer confirmed this report as far as internal controls was an unmodified report. Mr. Redman replied it was an unmodified opinion, no suggestions. Most of the towns they work with have a separate management letter where they suggest they may need to change this or that in their internal controls. They do not have one of those for the City and haven't for a few years; it has been at least five years in a row. That means they are operating like they feel the City is supposed to.

Mayor Doughtie thanked Mr. Redman for his report and thanked Finance Director Etheridge and the department for all their work.

Mayor Pro Tem Ferebee thanked Finance Director Etheridge and all the City departments for holding down their expenses and doing the things they needed to do during these times of need. Councilwoman Bryant seconded Mayor Pro Tem Ferebee's comments.

Motion was made by Mayor Pro Tem Ferebee, seconded by Councilwoman Bryant and unanimously carried to accept the Fiscal Year 2019-2020 Audit Report.

City Manager's Report

City Manager Scherer gave the following report:

The Becker Village Mall has been contracted for sale to a new owner. It is our understanding the new owner will expand the distribution and logistics functions there as well as try to attract new retail stores. The new owner has purchased other malls in the state and we hope this person will be able to improve the mall's condition as well as bring new jobs to the City.

I participated in a remote meeting last week regarding a program called PACE, or Property Assessed Clean Energy. This is an innovative mechanism for financing energy efficiency, renewable energy and resilience improvements on commercial property, especially major development projects. The program would be an incentive for developers by allowing a property owner to finance the up-front cost of energy or other eligible improvements and then pay the costs back over a long period of time through a voluntary assessment attached to a property tax bill. It could be used for commercial, industrial, agricultural, nonprofit, and multifamily properties. Local governments would be responsible for opting into the program and placing the initial lien on the property, but collection and remittance of payments would be done by the capital providers. The actual debt would be carried by private lenders (no public funding). Legislation for the program is being drafted to be introduced by 2 state senators. The State had a similar program in the past but allowed the legislation to expire in 2018. I will provide more specifics on this program as it becomes available, but it has the potential to be an attractive incentive program for commercial developments.

Ms. Lasky and I met with Cathy Scott last week to discuss possible zoning changes in some developable areas in our Extra Territorial Jurisdiction (ETJ) region. I believe Ms. Scott is planning another committee meeting next week to finalize the next steps for this and other issues such as infrastructure funding and land use planning.

The Police Department has been working on the rash of thefts of catalytic converters in the City. They are pursuing leads in this activity and have developed at least one person of interest for the crime who was arrested by another agency on a fugitive warrant.

Staff is still working with local private parties interested in upgrading the clock in Centennial Park and other possible upgrades, however no final decision has been reached yet on when and how to move forward on this project.

Senior Center holding annual Brunswick Stew Sale on Thursday at Kirkwood Adams. You can call the Jo Story Center tomorrow between 8:00 AM and 2:00 PM to place your order. Pick up only from 4:00-6:00 PM.

Volunteers from the Valley Community Church Outreach Group will be picking up debris and trash on March 21st in Chockoyotte, Emry, Rochelle, Smith and Long Parks and from the dam to River Road on the Canal Trail. Recently, a couple picked up trash from the dam to Weldon – collected 25 bags of trash. Mr. Simeon is trying to get other volunteer groups help to clean up the park areas.

The Police and Fire Departments will be assisting with Food Distribution with the John 3:16 Center on Friday at Kirkwood Adams from 8 a.m. – around 3 p.m. The Fire Department has applied for a Federal program grant to fund the purchase of a new fire truck. Thanks to Councilman Smith, we have been told both Senator Tillis' and Senator Burr's Offices will consider sending letters of support for our grant request.

Still no word on CDBG Neighborhood Revitalization Grant package from the Department of Commerce. We have the draft contract for consultant ready but we cannot sign contract with consultant until receipt of CDBG grant agreement from the State. We will continue to follow up with the DOC on this.

Councilwoman Scarbrough asked if it was a local person who purchased the mall. City Manager Scherer replied they were from out of town, Chapel Hill.

Mayor Pro Tem Ferebee asked if there were any set stages of development of the mall or were they just trying to attract any new retail sales. City Manager Scherer said to the best of his knowledge, the new owner does not have anything definite in mind. He thinks their development plan is to put some retail shops inside and use the exterior or large store areas to continue and expand the distribution and logistics operations already there.

Councilwoman Scarbrough asked if the Veterans Museum would still move to Littleton. City Manager Scherer replied right now he does not have any information on that.

Councilman Smith asked City Manager Scherer to explain the PACE program. City Manager Scherer said his understanding if they use different conservation or energy efficient activities such as solar panels or grow a garden on the roof of the building to help improve its insulation. It is things of that nature they are looking for; basically green improvements for development. Councilman Smith stated Texas was having a big problem with that green energy right now.

Mayor Pro Tem Ferebee asked City Manager Scherer to elaborate to the direction or types of changes being looked at concerning the zoning changes in the ETJ. City Manager Scherer said they were looking at trying to improve or change the zoning from residential to commercial along with some buffer zones to help with residential housing already in the area, but to make it more commercially friendly and commercially available.

Mayor Doughtie stated at the last meeting he asked City Manager Scherer what kind of time frame he would come back to City Council with some suggestions on the

budget and his comment was he would try to have them an update by this meeting.

He asked if he had anything on that. City Manager Scherer replied yes and no. There has been some improvements in the budget situation where some of their cash flows have improved. They are anticipating some savings in other areas. He is still working with Department Heads to look at some budget cuts, but does not want to give a “knee-jerk” reaction to recommendations on what they can do with the budget until he sees where they are with cash flow. When looking at budget reductions, you need to look the financial position, budget priorities, what their liabilities are along with what are the potential impact of the cuts and their political feasibility. He hopes to have something in the near term for City Council, but he was not ready to give them any recommendations until they do some more due diligence on their part.

Mayor Doughtie stated he was just thinking about what the auditor just said – they have a 16% fund balance. He thinks that was the end of the audit (June 30, 2020) and is down considerably since then. Finance Director Etheridge confirmed the 16% was as of June 30th and it would be down based on the \$190,000.

Mayor Pro Tem Ferebee stated he knows when they typically look at budget cuts, they will look at the largest part of that and that part is personnel. He would like if they would only look at that as a last resort. Let’s look at squeezing something somewhere else before considering that piece.

City Manager Scherer responded that personnel costs are the City’s largest expense as it is in almost every organization. However, he considers their personnel their most precious resource too. They are looking at cutting non-employee spending, reduce employee related costs, cut non-essential services or levels of services and try to leverage or sell some assets. Those are some things he was going to come back with recommendations on. As he said earlier, he did not want to give them a “knee-jerk” reaction tonight by saying they were going to close this and lay off “x” amount of people. He could do that very easily but he does not think that is the right thing to do.

Councilman Smith asked instead of talking about closing things, can they word that a little bit different about shutting it down for the budget year and think about when the next budget year comes up they can open things back up. City Manager Scherer replied yes, that is under consideration to go ahead and close things in the near term and look at having it back in operation July 1st. Councilman Smith stated they were going into March and asked what was the date he thought he would be able to make recommendations to City Council. City Manager Scherer asked Councilman Smith if he had a date in mind – two weeks.

Mayor Doughtie added that it had been over two months and they only have four months so they might as well can that idea and wait until the budget comes up. He said City Manager Scherer hasn't done anything on what he said he was going to do. City Manager Scherer said he was still trying to make the best recommendations he can at this point. Mayor Doughtie stated he told them that last month.

Finance Director's Report

Finance Director Etheridge presented the January 2021 Financial Report. General Fund year to date receipts totaled \$10,431,718. (The percentage of actual money collected of adopted budgeted figures is 67%). General Fund year to date expenditures totaled \$9,038,558. (The percentage of actual monies expended of adopted budgeted figures is 58.0%). After the month of January, 58.33% of the budget year has been completed. As a result, Year-To-Date Revenues exceeded Expenditures.

She said the collection of revenues and cash flow during the month of January:

- Ad Valorem Tax Revenue for December collections
- Sales & Use Tax Revenue (November Sales)
- Motor Vehicle Tax Revenue

She stated the month of January recognized higher Ad Valorem Tax collections, as a result of tax payers remitting payments in December before the assessment of penalties. It remains critical to hold as much year-to-date earnings as possible for operations; as this is one of our last substantial revenue sources for the fiscal year.

Finance Director Etheridge said financial staff continue working on all required regulatory reporting for the new calendar year, including annual TR-2 Tax Reporting report, LGC-203 Cash and Investments, and the new COVID-19 financial report.

Mayor Doughtie confirmed that they had \$1.4M in excess for last month and that she said this was the last substantial revenue for Ad Valorem Taxes. Finance Director Etheridge replied that was correct and the taxes will dwindle in the third and fourth quarters as they usually do.

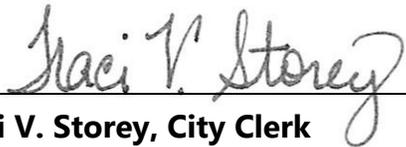
Mayor Doughtie asked about the City's expenses – were they going to be the same or higher. Finance Director Etheridge replied that was one of the things they were looking at. Their personnel expenditures have to be met as well as their liabilities and debt service payments. That is why she included the note that it is critical and does not need to be taken lightly because the excess revenue and cash flow is going to be

committed as they go through the third and fourth quarters. It is going to be committed for operations, debt service and personnel costs.

Councilman Smith asked how much debt service did they had to pay by the end of the year. Finance Director Etheridge replied she did not have that number off the top of her head with the schedule, but she could get that information to him in the morning.

Adjournment

There being no further business, motion was made by Mayor Pro Tem Ferebee, seconded by Councilman Bobbitt and unanimously carried to adjourn. The meeting adjourned at 6:02 p.m.



Traci V. Storey, City Clerk

Approved by Council Action on: March 16, 2021