



City Councilman Jim Guyton, left, Recreation Director Bruce Clark and Joe Smith, chairman of the mayor's new ad hoc committee, chat after the City Council's budget hearing Tuesday night at City Hall.

Former KM City Manager sends 13-page memo to public hearing

By Elizabeth Stewart
of The Herald staff

Former City Manager George Wood is challenging Interim City Manager Maxine Parsons' budget projections for fiscal year 1994-95, calling proposed tax and utility increases and city staff cutbacks unnecessary.

Wednesday, Parsons refuted her former bosses' allegations that the city doesn't have a cash flow problem.

"Mr. Wood is no longer the city manager and although we appreciate his suggestions in the memo, he is still trying to run the city," said Parsons.

Parsons says she has the backing of a majority of the seven Council members but not the mayor.

She said she was not informed of the letter from Mr. Wood until it was read verbatim in the public hearing.

In a 13-page faxed memorandum to City Council Tuesday, Wood said Parsons was trying to restore fund balances using Draconian measures when it is unnecessary.

"The city does not face a cash flow problem and its money reserves are already rebuilding," said Wood.

"You have crossed the hurdle after six years of rebuilding your utility systems and just don't realize it."

Wood did not appear in person at the public hearing on the budget but the 100 or more people in Council Chambers and a radio audience over WKMT listened to Mayor Scott Neisler as he took an hour to read every word in the 13-page memo in which Wood had prepared a summary and graphic breakdown using current city figures and the proposed budget's own figures he had obtained earlier from Parsons.

Wood requested budget information, copies of memos, bills and records of payments which had come to City Hall since his departure on March 21.

Wood claims it is unnecessary to build up reserves of the magnitude that Parsons is suggesting (\$416,730) in her proposed budget.

He maintains that employee raises can still be given and that no water/sewer hikes to residential customers or a tax increase is necessary. He attached budget worksheets to the letters which he said substantiated his claims and made several recommendations.

Wood said that "all three utility funds are operating in the black with a total working capital of \$225,839, a general fund balance of \$633,092 which is 15.5 percent of a general fund budget that would now be at \$4,093,863.

"And each year would get better from the over \$400,000 in reserves built into the 94-95 budget."

Wood said "the city's cash flow problem would have been solved in the current year had the city passed the 9 percent industrial customers only water and sewer rate increase with January bills adding \$118,190 to an improved cash position in the general fund of \$393,150."

"In response to Claude Suber's recent questions, Rick Murphy and Mrs. Parsons clarified that the city had about a \$500,000 cash flow problem at June 30, 1993. They did not state where the cash flow was at May 31, 1994, nor where they thought it would be at June 30, 1994," said Wood.

Parsons said that on May 31 the city owed \$316,000 in gas bills for April purchases, \$132,000 of which was lost through purchases last spring of gas on the commodi-

ties market.

Parsons said the city had \$200,000 in revenue over expenditures at May 31 and anticipates the budget for 1993-94 will be under-spent.

"I am very hesitant to make additional changes in the budget since the city has serious financial concerns which the Local Government Commission has directed to our attention in letters the past three years, and as early as 1991 when they told us we could not undertake additional debt until the financial concerns were addressed," said Parsons.

Parsons said the city's working capital had a deficit of \$147,000 in 1991 and \$79,562 in the available fund balance. She said that in 1990 the city showed 5.21 percent of available fund balance in the general fund of \$220,000. She said the LGC wrote the city on February 22, 1994 about a negative fund balance of \$86,287. The fund balance decreased in 1992, she said, and the positive figure was \$86,445.

"I presented a very conservative budget Tuesday based on many factors that affect our utility funds and strictly on the advice of the Local Government Commission which says we must reduce the amount of transfers from the utilities to the general fund," said Parsons.

"The only way to prepare for a reduction of these transfers is to cut expenses."

Parsons said she invited two representatives of the Local Government Commission to come to Kings Mountain recently at the urging of Councilman Phil Hager who asked her to check with the state about issuing revenue bonds to extend gas lines.

Parsons said she was told that the city could borrow no more until the fund balances were up to minimum and she invited the LGC to Kings Mountain to tell the board in person.

"We addressed the steps to take to solve the problem at the planning sessions and froze hiring and spending but we continue to have a cash flow problem," said Parsons.

In his memorandum dated June 14, Wood said he, as a taxpayer, objects to paying more taxes than necessary. He called "raising the residential water and sewer rate to

help industry unnecessary.

Wood said the city had already turned the corner financially before the severe measures proposed by Parsons, referring to the electric and gas rate hike of two percent last July and the industrial water and sewer rate hike of 2.7 percent last July.

Wood said the city implemented a flex rate in natural gas rates to protect profit margin or non-industrial customers last November and implemented a cost-cutting medical insurance plan last August. He said the city staff estimated revenues and expenditures conservatively for the 1993-94 budget and Kings Mountain was seeing the results of those actions and a normal winter heating season after battling a two year recession and several milder than normal winters that eroded the fund balances.

He charged that the Council had not been informed of the city's current financial situation, nor where it would be at June 30, 1994.

"The annual audits from 1980-81 through 1987-88 show that in that seven year period \$2,931,415 in electric and gas fund profits were transferred to the water and sewer fund to subsidize it. I think the citizens of Kings Mountain have subsidized heavy water using industries more than enough. The Kyle Smith administration and your administration have put a stop to that except in emergencies and I commend you for it," said Wood.

"I have spent the last six years cleaning up the mess that this city's utilities have been left in," said Wood.

"Tom Howard was an integral part of that clean up and saved the city literally tens of thousands of dollars. In my professional judgment it is absolutely ludicrous for any city, particularly one that lives off its utilities, to operate four utility systems and not have a single professional engineer on staff. His position was never geared to design, he was there to manage four highly complex utilities. The improvement in the systems under his direction has been obvious to anyone who can see.

"I'm glad I won't be there paying utility bills several years from now when the results of laying him off hit home for your customers."

Wood asked that his letter and the attached copies of city staff projections in the 1994-95 budget be spread on the minutes of the meeting and presented as information to the new city manager.

Former commissioner: Committee would be doing Council's job

Former city commissioner Jim Childers questioned Wednesday the legality of the appointment of an ad hoc committee Tuesday by Mayor Scott Neisler without a vote of Council.

"There is a question in my mind since City Attorney Mickey Corry called him down twice on motions that had been entertained, saying that no action could be taken during a public hearing," said Childers.

"How can you appoint a group of citizens who don't have the facts and figures," said Childers.

"This is the City Council's job, not a committee of local citizens," said an obviously displeased Councilman Jim Guyton, after the mayor appointed Joe Smith, chairman, Lou Ballew and Bob Maner to serve on a committee to help unravel the city's continuing budget headaches. Insuranceman Maner is the mayor's uncle and both Smith and Ballew are active on the city planning board and Smith is also active on the lake commission.

Guyton immediately volunteered to serve on the committee. "I will be there," he said.

The mayor's action apparently surprised Council.

The mayor said Wednesday that he has the authority to appoint committees without a vote of Council. He said the first meeting of the group will be held Friday at 3 p.m. at City Hall. Other members of the committee are Darrell Keller, city auditor, and Interim City Manager Maxine Parsons.

Neisler charged the committee with reviewing the city's budget proposals and to consider the recommendations of former manager George Wood which were presented in a letter and read by Neisler during the budget hearing.

The committee is to report findings and recommendations to City Council June 28, the date the Council would normally set the budget for fiscal year 1994-95.

It is likely, however, that an interim budget will be adopted until a new city manager can be hired.

"If what George Wood is recommending holds true why up taxes and water and sewer rates and why can't we pay an engineer's salary and raise employees?" asked Neisler, who publicly spoke against Parsons' budget.

Councilman Ralph Grindstaff asked if the three citizen members were inside-city residents.

"They are and I have also checked their utility records," said the mayor.

The mayor suggested that Parsons and the current auditor work closely with the new committee but Councilman Hager said he wasn't comfortable with Parsons preparing another budget.

Neisler said that he and council members Hager and Norma Bridges sought Wood's analysis after disputing figures in the proposed budget.

Neisler did not publicly name Wood as a member of the committee but he asked the committee to look closely at Wood's proposals and "call on him if you need him."

"Is the city sending checks to Tennessee?" asked Councilman Dean Spears, Neisler said Wood is not on the city payroll.

"He is offering these suggestions as a concerned taxpayer like you and me," said the mayor.

"The city's reputation has been damaged by a financial crisis that simply does not exist."

Maintaining that the city is operating in the black and not in the red.

See Childers, 14-A

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