

Salisbury, North Carolina  
May 23, 2023

## **SPECIAL MEETING**

**PRESENT:** Mayor Karen Alexander, Presiding; Mayor Pro Tem Tamara Sheffield, Council Members Harry McLaughlin, David Post, and Anthony Smith; City Manager Jim Greene, Jr., City Clerk Connie B. Snyder, and City Attorney Graham Corriher.

**ABSENT:** None

Salisbury City Council met in a Special session at City Hall located at 217 South Main Street. The meeting was called to order by Mayor Alexander at 5:00 p.m.

Mayor Alexander noted today is City Manager Jim Greene's one-year work anniversary. Council thanked Mr. Greene for all he has done for the City.

## **ADOPTION OF THE AGENDA**

Thereupon, Mayor Pro Tem Sheffield made a **motion** to adopt the Agenda as presented. Mayor Alexander, Mayor Pro Tem Sheffield, Councilmembers McLaughlin, Post, and Smith voted AYE. (5-0)

## **BUDGET PRESENTATION**

City Manager Jim Greene and Finance Director Wade Furches presented the FY2023-2024 recommended annual operating budget. Mr. Greene thanked staff for its work on the budget and for all it does for the City.

Mr. Greene stated the recommended budget is balanced, and he pointed out Council can make any changes to the proposed budget it deems necessary. He add the proposed budget reemphasizes the City's commitment to financial stewardship, service efficiency, strategic

investment, infrastructure maintenance, and planning for growth. He pointed out the City is growing, and it is important to plan for the growth. He noted the adopted FY2023-2024 Council Priorities developed at Council's 2023 retreat served as the guiding document for the recommended budget. He reviewed the priorities in action:

- Public Safety
  - \$75,000 for crime reduction initiatives, \$100,000 for cameras in City parks, \$20,000 for a mobile camera system, and \$82,700 for camera maintenance
  - A new Fire Station 3
- Infrastructure and Human Capital (employees)
  - Cost of Living Adjustment (COLA), merit and Police Department initiatives
  - Stormwater and water/sewer projects
  - \$353,000 for street lighting and traffic safety improvements
  - \$1 million in street paving - \$280,000 increase from FY2023
  - Support of Diversity, Equity, and Inclusion (DEI) initiatives
  - Additional training for staff
- Economic Prosperity and Mobility
  - Re-organization to prepare for and manage growth
  - \$175,000 for a comprehensive housing strategy
  - \$200,000 for neighborhood revitalization
  - \$30,000 for small business/entrepreneur development
- Community Partnerships and Programs
  - Funding for community groups at sustained level from current year
  - Increase Parks and Recreation programming support by funding a full-time Recreation Programmer

Mr. Greene noted the City-wide recommended budget is \$108,064,027. He reviewed key factors impacting the recommendation:

1. The City leverages conservative revenue estimates and works across departments to manage expenses and identify budget priorities to provide quality basic services
2. The City must calculate and disclose a Revenue Neutral Tax Rate (RNTR)
3. Sales tax revenues remains strong, but monthly growth levels are slowing
  - Sales tax growth during FY2022-23 averaged 14.26% growth but will likely fall to the 5% to 7% range in FY2023-24
4. Interest income will provide extra budgeted resources due to interest rate increases in the past year
5. Overall Inflation was at 5.5% in April compared to last year
  - Decrease from last year but still high
6. The City remains committed to our most important resource: our employees
  - Implemented a Pay Study in FY23 that is funded for a full year
  - Includes, Police Department salary and range increases, and increases in over time for Fire Department personnel
  - Includes retirement system increases and absorbs health insurance increases
  - Includes COLA and merit pay increase for employees

7. Even after the Pay Study, the City must continue to compensate its employees due to an increased workload, to remain competitive with surrounding communities, and to keep up with inflation.

Mr. Greene proposed a 2% COLA for employees and an average 2% merit increase for qualifying employees.

Mr. Greene reviewed the recommended General Fund Budget for FY2023-2024:

Recommended FY2023 Budget	\$ 52,296,635
Funds Requested by Departments	\$ 62,863,918
Recommended Cuts	\$ 8,761,512
Recommended FY2024 Budget	\$ 54,102,406

Mr. Greene stated the current tax rate is \$.7196 per \$100 valuation and the Revenue Neutral Tax Rate (RNTR) is \$.58 per \$100 valuation. He noted staff is recommending a tax rate of \$.61 per \$100 valuation, and he pointed out the \$.03 tax increase would help meet Council's public safety goals:

- \$.0143 for Fire Station 3
- \$.0157 for Police:
  - Pay range adjustments to compete with surrounding communities and retain and attract police personnel - \$250,000
  - Funds for new Police Chief to bring on needed positions - \$300,000
  - Funds for camera upgrades and maintenance-\$82,710

Mr. Furches reviewed General Fund revenues by source for the proposed \$54,102,406 budget:

- Fund Balance 0.7%
- Property taxes 47.1%
  - Property taxes increased 2.8% from FY2023
- Unrestricted intergovernmental 29.2%
- Restricted intergovernmental 3.5%
- Charges for services 16.9%
- Miscellaneous 2.7%

Mr. Furches stated a RNTR does not increase or decrease local government revenue and must be disclosed under NCGS 159-11(e). He noted the RNTR is calculated by taking the last four years average growth which is 1.23%:

- Projected Tax Valuation from Rowan County for FY24 -\$4,113,144,278 (25.67% increase)
- RNTR adjusted for 1.23% average growth is \$0.58 per \$100 valuation
- RNTR decreases tax rate from \$0.7196 to \$0.58

Mr. Furches reviewed examples of how the RNTR and the recommended tax rate would affect a \$150,000 home and a \$35,000 vehicle. He pointed out the vehicle tax savings will help offset higher property taxes on homes. He then reviewed the recommended tax rate comparison for Rowan County and Spencer which have been published, but not approved:

<u>Jurisdiction</u>	<u>FY23 Tax Rate</u>	<u>Revenue Neutral Tax Rate</u>	<u>Manager Recommended Tax Rate</u>	<u>Recommended Difference from RNTR</u>
Rowan County	\$0.6575	\$0.5259	\$0.58	\$0.0541
Spencer	\$0.655	\$0.4806	\$0.55	\$0.0694
<b>Salisbury</b>	<b>\$0.7196</b>	<b>\$0.58</b>	<b>\$0.61</b>	<b>\$0.0300</b>

Mr. Furches reviewed revenue projections, and he pointed out the General Fund revenue projections for FY2024 are \$24,588,376 with the proposed \$.03 tax rate increase and \$23,379,112 with a RNTR. He noted the value of \$.01 on the tax rate:

- Salisbury - \$315,442 (FY2023)
- Salisbury - \$403,000 (FY 2024)
- Statesville - \$465,000
- Kannapolis - \$600,000
- Mooresville - \$1,261,000
- Concord - \$1,584,000

Mr. Furches referenced local sales tax revenue projections, and he added staff is projecting the City will receive approximately \$12.45 million in sales tax revenue. He pointed out sales tax revenue can be difficult to predict and staff is making conservative projections. He stated interest income in all funds for FY2024 is projected to be \$2,032,594.

Mr. Furches stated Council must also adopt the Municipal Service District (MSD) tax rate, and he pointed out the RNTR is \$0.1461 and includes a 20.56% increase in valuation. He added the Downtown Salisbury Inc. (DSI) board is requesting a tax rate of \$0.156 to promote, encourage, and assist in the revitalization and economic health and stability of the downtown area.

Mr. Furches indicated staff recommends appropriating \$356,519 in Fund Balance to fund one-time projects. He added staff will also ask Council to consider appropriating \$1,634,815 for Fire Station 3 at its June 6, 2023 meeting. He explained the proposed Fund Balance appropriations would be slightly less than the \$2 million appropriated in the FY2023 budget. He commented the current Fund Balance is \$22,687,527, well above the Council policy of 24%. He explained the Fund Balance is calculated annually and last year the Fund Balance was at 48% and is expected to increase.

Mr. Furches commented the City has experienced strong revenue growth despite conservative estimates. He added revenue growth is helpful to the City, but it is not sustainable long-term, and he added an economic downturn is possible which lead staff to take a conservative approach. He noted sales tax growth was at 12% to 14% but has decreased to 5% to 7%. He indicated interest income is currently high, but will eventually decrease.

Mr. Furches referenced the City's 10-year Capital Improvement Plan (CIP) which forecasts and matches projected annual revenues with major capital needs over the next ten years. He pointed out capital planning is an important tool that strengthens the connection between the community's infrastructure needs and the financial capacity of the City. He commented the plan was put on hold due to COVID-19. He stated the FY2024 CIP for the General Fund and the Water and Sewer Fund was prepared in-house and staff also prepared a 15-year Stormwater CIP to project expenses and revenues.

Mr. Green stated General Fund expenditures are at \$54,102,406 and comprised of:

- Broadband 4.9%
- General government 23.9%
- Public safety 40.7%
  - Expenditures on public safety increased 1.9% from FY2023
- Transportation 11.3%
- Environmental protection 5.4%
- Culture and recreation 3.9%
- Community and economic development 6.2%
- Debt service 2.5%
- Mass transit 1.2%

Mr. Greene noted 23 positions were requested and seven new positions are included in the recommended budget. He stated a Code Services position will be funded by Stormwater and help address illegal dumping in streams, yard waste and other stormwater issues. He added Parks and Recreation eliminated two part-time positions to create a full-time Recreation Programmer position. He commented an Engineering Manager for Development Services will be funded by SRU and two nighttime operators are recommended for SRU to address safety concerns.

Mr. Greene pointed out the Empire Hotel, the Depot, City Branding, Microtransit, and sale of the Plaza were not included in the recommended budget.

Mr. Greene referenced FY2024 payroll projections, and he recommended 4% increase consisting of a 2% average merit and 2% COLA increase. He added based on a study by the North Carolina League of Municipalities similar organizations are providing a combined 5.1% merit and/or COLA increase statewide and organizations in the Piedmont region are averaging a combined 5.7% merit and/or COLA increases. He reviewed COLA and merits for Rowan County and surrounding municipalities:

- Kannapolis – 3% (COLA, + merit)
- Lexington - \$.75 (increase per hour per FTE or avg. 3%)
- Salisbury – 4% (2% merit + 2 % COLA)
- Rowan County – 4% (4% COLA + merit)
- Concord – 4% to 7% (3% COLA + 1% to 4% merit)
- Mooresville – 5.5% (2% COLA + 3.5% merit)
- Statesville – 8% (COLA, no merit)

Mr. Greene pointed out the cost of health insurance premiums has increased, but the City absorbed the cost and did not pass it along to employees. He indicated the City has a strong benefits package, and he reviewed expenditures City-wide:

<b>Expenditure</b>	<b>Costs</b>
Health Insurance Projected Costs Increase	\$596,866
FY2024 Retirement Impact (with COLA & merit all positions)	\$496,221
Continuation of 1% Longevity	\$206,822
Property & Liability Insurance Increase	\$100,000
Recycling increases (absorbed by City)	\$62,300
County Tax Collection Fee Increase	\$58,000
County Landfill Costs Increase	\$28,000
<b>Total:</b>	<b>\$1,548,209</b>

Budget Manager Tracey Keyes presented Department highlights:

- Administration
  - Deputy City Manager for FY2024 (begin search in June of 2023)
  - Organizational and executive development initiatives planned for FY2024
  - Ongoing development and implementation of DEI strategic goals, and work plan
- Human Resources
  - Signed Memorandums of Understanding for internships with local colleges including Livingstone, Catawba, Rowan-Cabarrus Community College, the University of North Carolina (UNC) at Charlotte, and Pfeiffer University
  - Continued challenges in recruitment but countering with retainment strategies
- Information Technology
  - Delay City-wide Office365 implementation savings of \$241,300
  - Actively recruiting positions to keep up with City initiatives
  - Continuation of IT hardware replacements - \$140,000 City-wide for FY2024

- Finance and Customer Service
  - Getting back to fully staffed
    - Hired a budget manager
    - Hired three customer service representatives – fully staffed at the Customer Service Center
    - Actively Interviewing for an Accountant
  - Participating in the UNC School of Government benchmarking program in FY2024 at no cost to City for the first year
- Community Planning, Code Enforcement and Development Services
  - Creation of Land and Development Services Department to manage growth
  - New planner and code enforcement positions recommended to keep up with growth
  - Continuation of Council Priorities:
    - \$150,000 in Downtown Development grants
    - \$30,000 in small business investments/entrepreneur development
    - \$175,000 for 10-Year Comprehensive Housing Strategy
- Transportation
  - \$353,000 for street lighting and traffic safety improvements
  - \$305,000 for sidewalk improvements
  - Creation of Transportation Department from Traffic Operations as part of City-reorganization
- Police
  - \$75,000 for crime reduction initiatives
  - \$100,000 for cameras in parks
  - \$20,000 for mobile camera system
  - Actively recruiting for vacant positions
  - \$632,710 for range and salary adjustments, positions, technology and City initiatives for FY2024
- Police minimum salary comparisons:
  - Concord: \$42,609
  - Statesville: \$44,464
  - Salisbury: \$45,190
  - China Grove: \$48,845
  - Kannapolis: \$48,935
  - Davidson: \$50,300
  - Mooresville: \$50,880
  - Burlington: \$55,411
  - Charlotte: \$62,911 \*With four-year degree\*
- Fire
  - Over \$3.8 million in new fire truck purchases set to arrive in FY2025/FY2026
    - Fire trucks will be financed with a bank loan
    - Fire trucks are included in this budget and offset by debt proceeds
  - Debt Service payments to begin next fiscal year
  - Planning for Fire Station 3 to replace the existing over 40-year old building
    - The project will cost approximately \$10 million
    - The City anticipates funding the balance of the project, approximately \$6.5 million, with debt proceeds, ARPA funding, and Fund Balance

- Public Works
  - Continued partnerships to complete building and ground maintenance and repairs in house to reduce costs
  - \$513,510 in building and grounds investments managed by Public Works for FY2024
- Public Works – Waste Management
  - No increase in recycling fees
  - To achieve this, Public Works absorbed \$62,300 by cutting:
    - \$2,000 in office and safety supplies
    - \$500 in uniform reductions
    - \$5,000 for educational advertising
    - \$1,600 in employee training
    - \$1,200 in miscellaneous expenses to continue key initiatives
    - \$21,000 in additional recycling can rollouts (from 624 to 312 cans)
    - \$7,000 (no addition to litter collection)
    - \$7,000 (no recycling education stickers)
    - And more cuts across the department to absorb recycling costs
- Fleet Maintenance
  - Managing \$2.1 million in fleet replacements/additions in FY2024
  - Fleetio software implementation scheduled for FY2024 City-wide
    - Substantial upgrade from Fleet Dynamics
- Parks and Recreation
  - Increase Parks and Recreation programming support by hiring a full time Recreation Programmer
  - Continued progress on appropriated \$1.2 million in ARPA funds to support projects including the Miller Center, Hall Gym, City Park, Fred M. Evans Pool, Wells Fargo, and much more
  - No recreation fee increases recommended for FY2024

Mr. Furches noted SRU has a \$37 million budget, and he pointed out 64% of the funds are for operation and maintenance, 14% of the funds are for debt service, and 22% are for capital. He noted the operation and maintenance includes:

- Personnel 33%
- Utilities 7%
- Chemicals 5%
- Contracted services 13%
- Parts supplies 4%
- Maintenance of equipment 7%
- General Fund transfer 16%
- Other 15%



Mr. Furches reviewed SRU key initiatives:

- Continue with project design activities to meet the proposed 2021BRIC grant project timeline for the River Pump Station Relocation Project
  - \$22.5 million grant
  - \$9 million local contribution from Cube Yadkin
- Increase investment in infrastructure by funding capital projects in the CIP using utility capital reserves
- Asset Lifecycle Modeling
- Continued master planning
  - Wastewater Treatment Master Plan
    - ARPA Pre-Construction Planning \$400,000 Grant
    - Scoping Phase
  - Collection System Master Plan (lift stations and interceptors)
  - Facilities and staffing
- Issuance of NPDES permit at the Water Treatment Plant
- Pursue appropriate expansion of the SRU system

Mr. Furches noted a rate increase is not recommended for FY2024, and he pointed out:

- The Consumer Price Index for urban consumers for the South Region has increased 6.4% in the last 12 months; however, projected growth to the customer base will help absorb these cost increases
- Utility rate increases may be needed in future years to fund capital projects and offset increases in operational costs if anticipated growth does not meet projections
- An average monthly residential water and sewer utility bill for a customer using 4,000 gallons will remain \$63.08
- SRU rates remain competitive compared to other utilities within our region

Mr. Furches referenced the Stormwater Fund, and he noted:

- Implementation of 15-Year CIP
  - Jackson Street watershed drainage improvement construction project - \$916,000
  - North Long Street watershed drainage improvement construction - \$2,281,000
  - Both projects address areas with significant flooding issues
  - \$4.81 rate per ERU, an increase of \$.40 per month to support the implementation of 15-year master plan
- New Code Enforcement Officer to support Stormwater's initiatives funded by the Stormwater Fund

Mr. Furches stated \$2.7 million from the General Fund will be transferred to the Fibrant Fund and will be used to cover the \$2,694,013 principal and interest payment for FY2024. He pointed out the funding from Hotwire Communications has been consistent and the recommendation is to increase the inter-fund debt principal payment to SRU to \$500,000 which is a \$200,000 increase from FY2023.

Mr. Furches noted the Mass Transit Fund does not include funds for microtransit, and he pointed out staff is working with consultants and state representatives to look for grant funding. He noted there will be a \$630,000 transfer from the General Fund for Mass Transit which could increase. He reviewed grant funding to be used for the FY2024 Mass Transit budget:

- \$220,000 in ARPA funds
- \$299,759 one-time allocation received via NCDOT-Integrated Mobility Division
- Electric buses and E-charging infrastructure supplemented by Volkswagen Grant

Mr. Greene explained the RNTR is \$0.58 and the recommended tax rate is \$0.61 which will be used to fund public safety initiatives and Council goals. He noted staff recommends an increase in Stormwater fees of \$.40 per month to address master plan implementation. He added a rate increase is not recommend for water and sewer, recycling and solid waste, or for park and recreation fees.

Councilmember Post noted approximately \$.06 of the tax rate is used to cover the Fibrant debt service, and he pointed out the rate has decreased from \$.12 due to increases in revenues and property values. He expressed concern about the recycling adjustment, and he cautioned recycling rates will continue to increase and will eventually require a rate increase for consumers.

Councilmember Post referenced open positions, and he asked if the budget is prepared as if the vacant positions were filled. Mr. Furches agreed. Mr. Post commented there is unexpended funding in vacant positions. He noted the proposed COLA and merit salary increases for staff are approximately 4%, and he pointed out surrounding municipalities are offering higher pay increases. He questioned if the City is at risk of losing employees to neighboring communities. Mr. Greene agreed the City is at risk of losing employees, and he noted the proposed increase is higher than last year's rate increase. He pointed out the City offers a competitive benefits package. He indicated there is concern regarding police officer salaries, and he pointed out neighboring communities have increased police officer's salaries.

Councilmember Post noted the Fund Balance continues to increase, and he questioned if Council should consider using \$1 million of its 48% Fund Balance to cover projects that have been cut from the budget. He pointed out \$1 million would reduce the Fund Balance to approximately 45%. Mr. Greene commented the City's Fund Balance is healthy. He stated staff can bring recommendations to Council regarding additional projects it could consider, and he recommended using additional Fund Balance for one-time maintenance items.

Councilmember Smith stated the proposed budget responds to issues the City is dealing with in destabilized communities by addressing public safety, economic development, infrastructure, and responding to Council priorities.

Councilmember McLaughlin asked about vacant positons in the Fire Department., and he asked if the Homeless Advocate position is included in the current budget. Mr. Greene noted the Homeless Advocate position is included in the proposed budget. He added the Fire Department has fewer vacancies than the Police Department, and he noted some of the Fire Department received salary adjustments as part of the pay study. He commented the Fire Department has

lost fire fighters to neighboring cities, and he indicated part-time firefighters go through training and are ready when a full-time position becomes available. He pointed out other cities are increasing salaries and it is a question of affordability for the City.

Mayor Pro Tem Sheffield noted overall the City has a 50% Fund Balance and it is required to have 24% Fund Balance. She agreed with Councilmember Post and questioned why a percentage of the Fund Balance could not be used to complete one-time projects. She noted the City is projected to receive approximately \$1.2 million in sales tax revenue over its projection, and she requested a prioritized list of projects Council could consider for the use of Fund Balance and additional sales tax revenue. She asked if any large project will roll off the books in the coming fiscal year that could be invested in other projects.

Mr. Greene noted staff will compile a list of projects that could be completed using Fund Balance to be brought back to Council for consideration. He explained any savings will be placed in Fund Balance, and he noted staff works throughout the year to look for savings and to create flexibility. He pointed out large projects such as the Depot and the Empire Hotel redevelopment are not included in the budget and may require the use of Fund Balance.


Mayor Alexander stated the City has a great record of receiving grants, and she pointed out there is a portion of a grant the City is required to match. She indicated she prefers to use caution because of larger projects that will have a great economic impact on the City. She added the City needs to have the funds to match potential grants such as a \$30 million grant for the Depot that would require a \$2 million to \$3 million match. She pointed out the development of the Empire Hotel could also take place and the City needs to be ready.

Mr. Greene noted staff can update Council during the year regarding sales tax revenue and possible project recommendations. He stated Council has prioritized the old Civic Center and its master plan. He commented the cost for the master plan is included in the budget, but staff does not know the cost for this new project. He asked if Council would like to have another budget workshop before the next Council meeting where staff could bring recommendations to Council regarding projects that could be funded.

By consensus, Council agreed to hold a budget work session special meeting on Tuesday, June 6, 2023 at 5:00 p.m.

## **ADJOURN**

Motion to adjourn the meeting was made by Councilmember Post. Mayor Alexander, Mayor Pro Tem Sheffield and Councilmembers McLaughlin, Post and Smith voted AYE. (5-0) The meeting was adjourned at 6:11 p.m.



Karen Alexander, Mayor

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Connie B. Snyder, City Clerk