

Salisbury, North Carolina
May 24, 2022

SPECIAL MEETING

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

ABSENT: None

Mayor Karen Alexander and members of City Council met in a Special session at the City Hall located at 217 South Main Street. The meeting began at 5:00 p.m. Mayor Alexander introduced new City Manager Jim Greene, Jr. and welcomed him to Salisbury.

BUDGET PRESENTATION

Interim City Manager Brian Hiatt and Finance Director Wade Furches presented the FY2022-2023 recommended annual operating budget. Mr. Hiatt noted the adopted FY2022-2023 Council Priorities developed at Council's 2022 retreat served as the guiding document for the recommended budget.

Mr. Hiatt noted the total city-wide recommended budget is \$93,371,414. He reviewed key factors impacting the recommendation:

1. Inflation and its impact on all funds. The Southern Region Consumer Price Index has increased 8.4% in the last 12 months. The City relies heavily on petroleum products and construction materials in addition to chemicals used by SRU.
2. Limited to no growth in operational and personnel line items in the past, particularly in General Fund and Stormwater.
3. Some deferred maintenance challenges.

4. While growth is coming our way, the tax base has not been greatly impacted yet. Revaluation is due FY24.
5. Sales tax revenues have been strong, but a recession could negatively impact those revenues.
6. The City expects the current fiscal year (FY22) to generate a healthy General Fund surplus due in part to strong sales tax revenues plus position vacancies.
7. Council has American Rescue Plan Act (ARPA) funds available to address many key needs that address Council's priorities, deferred maintenance, and transformational efforts to help the City prepare for growth that is here.
8. The City's employees are our most valued assets. The City's consultants have completed a comprehensive salary survey that is leading to recommendations impacting compensation. A Committee is also exploring other ways to help attract and retain coworkers.
9. This budget does a lot, but there is a lot to do.

Mr. Hiatt displayed examples of the impact of inflation:

- Asphalt = 23%
- Concrete = 8%
- Herbicide = 350%
- Grass Seed = 240%
- Stormwater pipe = 60%
- Stone/Gravel = 6%
- Electricity = 16%
- Water/Wastewater treatment chemicals = 88%
- Gas prices up over \$1.50 per gallon from last year at this time

Mr. Hiatt summarized the recommendation:

- No property tax increase (71.96 cents)
- Conservative projection of revenues
- \$10 increase in Municipal Vehicle Taxes to address street resurfacing needs
- Moderate increase in Water and Sewer rates (much less than latest Consumer Price Index)
- Small increase in Stormwater rates per the Master Plan recommendation

Mr. Furches reviewed the General Fund revenues and noted the recommendation is to maintain the current tax rate of .7196:

- Same tax rate since FY2019
- One cent on tax rate equals approximately \$315,442
- Projected a .5% increase in tax base using valuations from Rowan Tax Assessor
- Tax revaluation in FY2024 (January 1, 2023)
- Recommend eliminating the \$1 Animal Tax

He noted the value of one cent on the tax rate for Salisbury and surrounding communities:

- Salisbury - \$315,442
- Statesville - \$348,310
- Kannapolis - \$567,284
- Mooresville - \$871,844
- Concord - \$1,442,298

Mr. Furches pointed out the following for General Fund revenues:

- Sales tax revenues continue to be strong but sales tax revenue projected for FY2023 is below expected revenue for FY2022 as a hedge in case of a recession
- Utility Franchise taxes projected to remain stable
- \$10 increase in Motor Vehicle Taxes could generate up to \$120,000 in additional revenue projected to be used for street resurfacing
- Interest income will become a thing again as the Federal Reserve has increased rates from historic lows during the pandemic
- Sanitation revenues will be flat and no rate increase is recommended for FY2023

Mr. Furches indicated the Fund Balance available for appropriation will well exceed the 24% established by Council. He noted the recommended budget includes appropriation of \$2 million in Fund Balance from the general operating fund for one-time expenditures across General Fund departments except \$600,000 allocated for compensation purposes. He pointed out there is still \$5.6 million available in ARPA funds, and the recommendation is to use approximately \$4 million with the remaining funds available for future appropriation.

Mr. Furches reviewed revenues and expenditures by source and noted the largest percentage of revenues is from property taxes (44.3%), while the largest expenditures are public safety (39.1%) and General Government (29.2%).

Mr. Hiatt reviewed the projects proposed to be funded by ARPA funds:

- Facility improvements in Parks and Recreation (Council Priority)
 - Examples - Miller Center expansion, Hall Gym improvements, Fred Evans Pool short-term updates, City Park building renovations
- Civic Center replacement or improvements
- Fire Station 3 – completion of Architectural plans to bid-ready status (Council Priority)
- Construction level design for Main Street – necessary to apply for grant funding
- Update Uniform Construction Standards (Council Priority)

- Enterprise permitting software to prepare for coming growth (Council Priority)
- Supplement Neighborhood Revitalization Housing Program (Council Priority)
- Kesler Mill – pre-development/developer solicitation process (Council Priority)
- Develop comprehensive housing strategy recommendations (Council Priority)
- Enhance City-Wide camera system
- FirstNet cellphones for Police Department

Mr. Hiatt reviewed major initiatives from various departments included in the recommended budget:

Human Resources:

- Complete and Implement Compensation Study (Council Priority)
- Firefighters' Social Security
- Compensation "bucket" of \$1,147,201 in General Fund
- Like "buckets" in other Funds
- Increase in Local Government Employee Retirement System (LGERS) and Law Enforcement Officer (LEO) Retirement Contributions
- Maintenance of other employee benefits
- Positions funded at 100% in departments

Public Safety – Police

- Maintain funding for LEO positions
- Funding to expand the City-wide camera system to enhance Crime Center
- Purchase of FirstNet phones
- 8 new SUVs, including one hybrid, and an electric parking control vehicle with enforcement hardware and software
- \$49,000 for SPD Building upgrades

Public Safety – Fire

- Full-year funding of pay adjustments implemented in January 2022
- New ladder truck – on order, to be financed
- Over \$200,000 for turn-out gear
- Completion of Fire Station 3 design and construction documents to be bid-ready – ARPA
- Replacement of apparatus Knox Boxes
- Funds to address Social Security issue

Public Works

- New dump truck - \$277,506, Garbage truck - \$412,006, Limb truck - \$337,006
- Storage structure to shelter equipment from the weather

- Funds to repave sections of the Prescott and Memorial Park greenways and maintain Prescott bridge
- UPS for headend room at Customer Service
- Additional 624 rollouts for new housing
- Funds to purchase property for fueling site
- Downtown dumpster and recycling plans – Phase 1
- City Office Building (COB) repairs to address leaks
- Additional money to supplement street resurfacing efforts and to match Powell Bill funds (From \$10 Municipal Vehicle Tax)
- Electric pickup for Grounds Maintenance
- Electric E-Transit cargo van for Building Maintenance

Parks and Recreation

- \$2.2 million for needed facility upgrades – ARPA (Council Priority)
- Added 2 new full-time Recreation Aides (Council Priority)
- \$156,000 for Bell Tower Green programming

Diversity, Equity and Inclusion

- New Department – total budget of \$249,716 (Council Priority)
- Additional position for professional level assistant
- \$45,000 for City-wide training opportunities

Community Planning, Code Enforcement and Development Services

- Enterprise Permitting software necessitated by growth – ARPA
- Continued Downtown Revitalization Incentive program
- Continued Neighborhood Housing Revitalization Program
- 3 replacement vehicles for Code Enforcement officers
- Kesler Mill pre-development /developer solicitation (Council Priority)
- Comprehensive Housing Strategy (Council Priority)
- National Register Nomination studies
- Code Enforcement abatement and demolition

Engineering

- Construction level design for Main Street – necessary to secure project grants – ARPA
- City portion (20%) of 6 grant-funded projects (80%) for sidewalk and greenway projects
- Update Uniform Construction Codes – ARPA (Council Priority)
- Building Security Key Scan Upgrade

Downtown Development

- Continued funding for business promotion and downtown events
- Funding for another Cheerwine Festival
- Social District Implementation

Mr. Hiatt discussed changes to State Statutes that prohibit Council members from participating in making or administering a contract, including the award of money in the form of a grant, loan or other appropriation. He noted funding has been set aside in Council's budget for appropriations to external community agencies, but not specified for specific agencies.

Mr. Hiatt stated the recommended budget includes a transfer to the Broadband Fund in the amount of \$2,700,000 which is \$200,000 less than last year. He added there is also a transfer to the Transit Fund of \$630,000 which is the same as the prior year. He noted the transfer was supplemented by Transit ARPA funds to reduce the amount of the General Fund transfer.

Mr. Hiatt discussed potential projects to be funded if sales revenues continue to be strong and above the projections:

- Addition of Zoning and Code Enforcement Inspector and/or selected Firefighter, Public Works or part-time Police officer positions.
- Ballistic vests for Fire Department
- Portable crime center console
- Auxiliary generator connection at Customer Service Center
- Improvements to City facilities, including roof and HVAC needs
- Traffic Signal upgrades
- Replace Self Contained Breathing Apparatus (SCBA) air compressor at Fire Station 2
- New remote support/helpdesk software, including security management, anti-malware, virus protection
- Human Resources Power DMS software
- GIS software to support departments and citizens
- Compost site study and permitting
- Four video arcade game cabinets for Teen Center
- Salisbury Historic District upgrade

Mr. Furches reviewed the Water/Sewer Fund and revenues:

- Rate increases considerably less than Capital Improvement Plan (CIP) increase and increase cost of chemicals and other supplies
 - Average residential increase of \$2.49 per month
- Modest increase in tap fees to cover inflation
- Future consideration of the adoption of system development fees to reduce the impact of growth on existing rate payers

Mr. Hiatt also reviewed the current and proposed tap fees and meter packages. He reviewed the highlights of the SRU expenditures:

- \$714,219 for replacement vehicles and equipment, including two electric F-150s
- Funds to implement compensation recommendations

- Significant cost increases in chemical (88%) and electrical (16%) costs as well as gas and natural gas
- Completion of projects funded by most recent revenue bonds including Grants Creek Wastewater Treatment Facility and the Water Treatment Plan
- Rehabilitation of aging gravity sewer lines
- Continued work on Federal Energy Regulatory Commission (FERC) and funding issues related to Yadkin River pump station
- Distribution System Master Plan (Hydraulic Model Update)
- Collection System Master Plan (Lift Station & Interceptor Assessments)
- Utilities Instrumentation and Controls Technician position

Mr. Furches reviewed the Stormwater Fund:

- 25-cent increase in monthly rate from \$4.16 to \$4.41 per Equivalent Residential Unit (ERU) – as per 15-year CIP in new Master Plan
- Use of fund balance, as per 15-year CIP recommendations
- Major projects:
 - Jackson Street watershed drainage study and design
 - North Long Street watershed study and design
- 2 new leaf machines and new excavator

Mr. Hiatt discussed the Transit Fund:

- Total budget - \$3,037,938
- Funded primarily by federal and state grants, including \$425,853 ARPA funds for Transit systems
- Implementation of in-house micro-transit pilot program beginning in December
- Pilot would include Route 3 and ADA Para-transit service
- Potential for micro-transit grant through State. Need for further discussion with Council

Mayor Alexander suggested allowing time for Council to review the proposed budget and schedule a budget work session for further discussion. She asked about scheduling a workshop prior to the June 7, 2022 regular meeting and including a micro-transit discussion as a regular agenda item. By consensus, Council agreed to hold a work session at 5:00 p.m. on June 7, 2022.

Mayor Pro Tem Sheffield asked for a list of the property tax rates for surrounding communities.

Councilmember Post referred to the 8.1% inflation rate and the proposed increase to the water/sewer rates which is half of that rate, and he asked how the difference will be balanced. Mr. Hiatt noted capital and operating line items were cut to reduce the increase related to inflation.

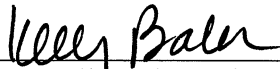
Mayor Alexander shared concerns with delaying needs and noted the impact of growth on the system that will need to be addressed. Mr. Post asked for a list of the items cut from the budget in order to reduce the needed rate. Mr. Hiatt indicated there is a need to discuss system impact fees which will help with revenues to maintain the water/sewer system. He added a recommendation on the proposed fees will be presented to Council in the near future.

Mr. Post noted approximately two-thirds of the system users are Salisbury residents and one-third are users outside the city limits. Mr. Behmer agreed and noted all users pay the same rate. He indicated he will bring the number of meters located within the City back to Council.

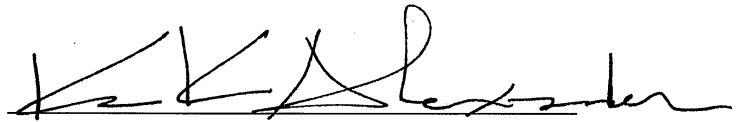
Thereupon, Councilmember Post made a **motion** to set a public hearing for June 7, 2022 to receive public input on the proposed budget. Mayor Alexander, Mayor Pro Tem Sheffield, Councilmembers McLaughlin, Post, and Smith voted AYE. (5-0)

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.



Kelly Baker, City Clerk



Karen Alexander, Mayor