

Salisbury, North Carolina
June 13, 2012

RECESSED MEETING OF JUNE 12, 2012

Continued
June 13, 2012
10:00 a.m.

The City Council of the City of Salisbury met at 10:00 a.m., Wednesday, June 13, 2012 in the Salisbury-Rowan Utilities Conference Room located at 1 Water Street pursuant to the recess of the Regular meeting of June 12, 2012, with the following members being present and absent:

PRESENT: Mayor Paul B. Woodson, Jr., Presiding; Mayor Pro Tem Susan W. Kluttz, Council Members Maggie A. Blackwell, William (Pete) Kennedy, and William (Brian) Miller; City Manager Doug Paris and City Clerk Myra B. Heard.

ABSENT: City Attorney F. Rivers Lawther, Jr.

Mayor Woodson and members of City Council met at 10:00 a.m. in the Salisbury-Rowan Utilities Conference Room located at 1 Water Street. City Clerk Myra Heard provided the invocation.

Mayor Woodson noted he had received a petition from the Sedgefield Acres neighborhood indicating they were against the proposed garbage fee and tax increase.

BUDGET REVIEW

City Manager Doug Paris reviewed the components of the proposed one cent increase for Public Safety. He noted the City is required to pay for the Community Oriented Policing (COPS) grant this year or it would be required to return funds from the

last three years which would total approximately \$800,000 to \$900,000. Mr. Paris then reviewed the distribution for the one cent:

Salaries/Fringes for 4 Officers	\$205,684
Less balance of COPS grant	<u>(\$70,000)</u>
Net Salaries/Fringes	\$135,684
Ballistic Vest Replacement	\$3,175
Tasers	\$17,600
Salaries/Fringes for 6 Firefighters	\$242,800
Less Year 2 of SAFER grant	<u>(\$228,583)</u>
Net Salaries/Fringes	\$14,217
Turnout Gear	\$12,500
Self-Contained Breathing Apparatus (SCBA)	\$66,000
Hurst Tools	\$18,765
Defibrillator	<u>\$6,000</u>
Total	\$273,941
	(\$265,117=Penny)

Penny for Paving

Mr. Paris reviewed street ratings to show the worst streets in the City and how the one cent for paving will be spent. He indicated he is hopeful between lower gas prices and competitive bidding there will be money left over for Council to consider a sidewalk enhancement project for Lash Drive. The streets to be paved are:

<u>Street</u>	<u>Rating</u>	<u>Total</u>
Reeves Street	Gravel	\$16,798.74
Earnhardt Avenue	Gravel	\$14,992.32
Florial Street	Gravel	\$16,537.92
Polo Drive	0/36	\$26,709.90
W. Fisher Street	90*	\$35,297.64
S. Link Street	11	\$84,042.00
Lash Drive	0/16	\$103,091.52

Mayor Woodson pointed out Council cut \$.0239 cents last year and the proposed \$.02 increase will still leave the rate below revenue neutral. Mr. Paris noted both Kannapolis and Concord are proposing to return to a revenue neutral rate, which would be 6 or 7 cents on their tax rates.

Mayor Pro Tem Kluttz reminded Council when the Governor withheld local funds 10 years ago, Council agreed to take money from the roads. She stated she remembers former Councilmember Bill Burgin stating then that the public would feel the pain in the

future. She commented she thinks after 10 years the public is feeling the pain because of the conditions of the streets.

Councilmember Blackwell noted going up \$.02 on the tax rate is still lower than 2011. Mr. Paris indicated it would still be below revenue neutral.

Councilmember Kennedy indicated he agrees with the \$.02 increase and can support it.

Councilmember Miller indicated the cost of the penny for public safety is a better option than the amount of money the City would have to return if it did not comply with the COPS grant. He added he understands people do not want to see an increase, but it would cost more not to do it.

Ms. Blackwell indicated she attended a Salisbury Neighborhood Action Group (SNAG) meeting last week, and she noted 80% of those attending were from lower income, high risk neighborhoods and they unanimously supported the increase.

Mr. Kennedy stated if the City had to repay the COPS grant Council would have to increase the tax rate \$.04 to cover the cost.

By Consensus, Council agreed to the \$.02 increase for the tax rate.

GARBAGE SERVICE

City Manager Doug Paris stated Council has indicated the fee initially proposed for garbage collection was too aggressive, and Council requested options for the service. Mr. Paris reviewed two options, one to match the lowest fee of a neighboring community, and one that would generate enough revenue to recover half the cost of the service. Mr. Paris reviewed the two options;

Option 1: Match Lowest Fee:

Unincorporated*	\$17
East Spencer	\$16
Spencer	\$15
Granite Quarry	\$10
Salisbury	\$10

**May 2012 quote from Waste Management for a single family residence in Faith area*

Option 2: Half Cost Recovery:

Unincorporated*	\$17
East Spencer	\$16
Spencer	\$15
Granite Quarry	\$10
Salisbury	\$7

Mr. Paris indicated lowering the fee will require cuts in the proposed budget, and he noted the option to match the lowest fee would require an additional \$500,000 in cuts, while the option for half cost recovery would require an additional \$800,000 in cuts.

Mr. Paris asked Council for feedback to identify the areas it would like to cut. He noted if there was no feedback, he will work with the budget team to prepare a list of recommended cuts.

Mayor Woodson noted increases in the budget for several of the departments. Mr. Paris indicated the increase in expenditures for Parks and Recreation and Information Technology is a reflection of the reorganization that took place after last year's budget had been adopted. He noted the increase shows the realignment of costs into that area.

Councilmember Blackwell stated garbage is the one item about which she has heard the most from citizens. She indicated the Solid Waste Division has been challenged to reach a level of economy in order to be competitive with outside vendors in a form of managed competition. She proposed the staff be trained with the Lean process, and she asked Council's thoughts on setting the garbage fee at \$10 in order to provide staff with this training to equip them to become competitive.

Mayor Woodson indicated he is open to the training but could not support a \$10 fee.

Councilmember Miller stated in looking at the efficiency measures in the budget, Salisbury's cost is higher than average. He asked if Salisbury is being compared to similar cities or if the comparison is meaningful.

Budget and Benchmarking Analyst Evans Ballard explained Salisbury is compared to other cities that participate in the Performance Measurement Project though UNC Chapel Hill, and they are not necessarily cities of similar size. He stated if Salisbury contracted its solid waste collection the cost would be higher than if it is done in house. He stated staff will be reviewing this service over the next two years in order to make recommendations.

Public Services Director Tony Cinquemani stated residents in the County pay \$17 for garbage pick-up and are charged more for things that are not considered residential garbage. He commented Salisbury treats its citizens better and gives a service that would cost two to three times more in the County.

Mr. Miller indicated in the past, property taxes covered all expenses instead of having certain fees for certain services. He stated he likes having a source and use of funds that match. He noted what has been demonstrated is that a cost has to be covered, either through a fee or property taxes. He commented when a cost is covered by property tax it is born by owners. He added there is a 60% home ownership rate and those who rent would not pay the garbage fee if they do not own the property. Mr. Miller stated people who use the service should pay for it, and he likes the fact the fee is separate from the property tax rate.

Mr. Miller stated covering the cost is one issue and controlling costs is another. He indicated he likes the \$7 option because it puts pressure on those running Solid Waste to do so more efficiently.

Mayor Pro Tem Kluttz indicated she would like to see what Mr. Paris proposes to cut before making a decision regarding which option she could support. She stated Council needs to know what it is giving up for the reduced fee because citizens expect high quality. She noted last year Council cut street lighting from the budget and it was devastating, and before cutting services she would like to know what Mr. Paris recommends since he has the expertise to tell Council what it can afford to cut.

Council requested Mr. Paris prepare information showing what would be cut if Council chose the \$10 fee or the \$7 fee.

Ms. Kluttz stated Council's responsibility is to make sure the services are what citizens expect.

By Consensus, Council agreed to come back tomorrow to review the cuts recommended for each fee level.

STORM WATER PROGRAM

City Manager Doug Paris indicated Stormwater Management is an unfunded Federal mandate that Salisbury must address. He noted the goal is to implement the program in a way that is the lowest burden to residents and businesses.

Mr. Paris stated he believes the proposed fee for residential properties is competitive to surrounding municipalities. He then reviewed the proposed residential rate and noted Kannapolis is proposing to go up by \$.40 and if that occurs, Salisbury would be the lowest:

Residential Stormwater Fee:

Kannapolis	\$4.00
Salisbury	\$4.25
Concord	\$4.30
Winston Salem	\$4.50
Landis	\$5.00
Archdale	\$5.00
Charlotte	\$8.22

Mr. Paris then reviewed the rates for the Business Program:

- Current proposal is \$4.25 per 2,500 square feet of impervious surface (ERU – Equivalent Runoff Units)
- More impervious surface equals higher monthly bill
- The impervious surface of parcels within Salisbury range from .0003 ERU to 962 (outlier) ERU's
- The median (typical) customer is 2.39 ERU's

	<u>ERU</u>	<u>FEE</u>
Low	1 or less	\$4.25/month
Median	2.3	\$9.77/month
Mean*	10.4	\$44.20

** Average skewed by several large impervious parcels*

Councilmember Blackwell asked who would be responsible if collection is through the water bill statement and not property tax. Assistant City Manager for Finance John Sofley stated the person who has the water service is billed, not the owner of the property, unless there is no water service and then the bill would go to the property owner.

Ms. Blackwell stated the stormwater program focuses on the fiscal aspect of the mandate, but there is also the physical aspect. She questioned if there should be an incentive to build pervious surfaces. She commented if there is a cap or discount there is not the incentive to build with anything other than concrete or asphalt. She asked Council if it was interested in an incentive to encourage pervious surfaces. Mr. Sofley noted most governments have implemented a credit program for using pervious surfaces after the stormwater program is implemented.

Mr. Paris indicated the Business Program, as budgeted, would result in the cost being covered 22% by residential and 78% by Commercial. He then reviewed two strategies to either Cap or discount the ERU's:

He explained the CAP option:

- This option would cap the amount of ERU's at 70
- 81 businesses would benefit: ranging from 70.84 to 962 ERU's
- Max amount capped at \$297.50/month
- This option benefits the owners of the largest areas of impervious surface
- This option offers no benefit to small and medium businesses

Mr. Paris then reviewed the option for a discount:

- Offer 25% discount to all businesses with a minimum of \$4.25 per month
- This option offers a benefit to most business owners in Salisbury
- This option results in larger bills for 81 parcels over 70 ERU's as compared to the cap option

Mr. Paris compared the cost of a 13,000 square foot building, which equals 5.2 ERU, with a Cap at 70 or with the discount. The charge for the building under the Cap would be \$22.08, while with the 25% discount it would be \$16.58. He noted for a 26,000 square foot building (10.4 ERU) the charge would be \$44.15 under the Cap and \$33.15 with the discount.

Mr. Paris asked Council if they preferred the Cap or discount.

Mayor Woodson commented he is concerned about the cost to larger buildings, and he thinks a Cap is important but he does not want to hurt anyone.

Mayor Pro Tem Kluttz stated she would like to see the impact of both because if it is reduced she does not want it to affect the residential rate.

Ms. Blackwell stated the discount is more beneficial to business owners, and she asked how many businesses would receive the benefit from a Cap of 70. Assistant City Manager John Sofley responded a Cap of 70 would affect 81 businesses.

Councilmember Miller asked if there could be a combination of both a Cap and discount. Mr. Sofley indicated there could be a combination, but the Cap would have to be higher and the discount smaller. Mr. Miller noted it is important that whatever format is used, it must be easy to understand.

Mr. Miller commented it is more costly for the City not to comply with the stormwater mandates because it could be given fines of \$37,000 per day. He stated it would cost more if the City did not implement the program and become compliant, which is a risk to the City's financial health. He indicated if the City had to pay fines it would have to use General Fund just to pay the fines, and then it would not have the Fund Balance to sustain the fines. Mr. Miller questioned if the stormwater program could be implemented using debt service to ease the burden to residents and businesses.

Ms. Kluttz stated this issue is not a surprise because Council has been warned about it for several years, but has not acted on it.

WATER/SEWER FUND

City Manager Doug Paris stated for the first time in 21 years no rate increase is proposed for the Water/Sewer Fund. He noted Salisbury-Rowan Utilities (SRU) has a

project it would like to present to Council, but it would require a 2% increase. Council agreed it would hear the presentation regarding the project, but noted it is doubtful an increase would be acceptable.

Mr. Paris indicated the project is the Highway 70 Project and would require a sizeable contribution from the City, along with other contributors' revenues. He stated staff will bring an update on the projected revenues.

Mayor Woodson asked Mr. Paris to review the garbage fees, different tiers and discounts for the stormwater utility, as well as considering using debt to implement the stormwater program.

Assistant City Manager John Sofley stated he is unsure if debt can be issued for stormwater because to issue debt there has to be security interest and there is no interest in stormwater and no assets.

Mayor Pro Tem Kluttz commented Mr. Paris became City Manager during a difficult time in the economy, and she is very impressed with what has been presented. She thanked him for his hard work to prepare the budget.

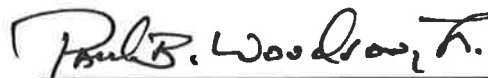
Councilmember Blackwell noted the Community Appearance Commission (CAC) has requested \$5,000 for the past three year to add more benches and trashcans downtown. She stated this is something the business owners want, and she would like to find a way to add this money to the budget.

Mr. Paris indicated the CAC has done a good job raising funds, and he thinks the request can be fulfilled using some of the money the CAC has received, which would not impact the budget.

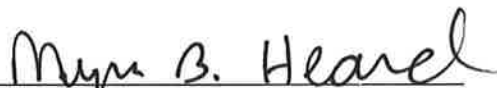
RECESS

Thereupon, Mr. Kennedy made a **motion** to recess the meeting until Thursday, June 14, 2012 at 9:00 a.m. in the Salisbury-Rowan Utilities Conference Room located at 1 Water Street. Ms. Kluttz seconded the motion. Messrs. Kennedy, Miller and Woodson and Mses. Blackwell and Kluttz voted AYE. (5-0)

The meeting was recessed at 12:01 p.m.



Paul B. Woodson, Jr., Mayor



Myra B. Heard, City Clerk