

Salisbury, North Carolina
June 1, 2020

SPECIAL MEETING

PRESENT: Mayor Karen Alexander, Presiding; Mayor Pro Tem Al Heggins; Council Members William Brian Miller, David Post and Tamara Sheffield; City Manager W. Lane Bailey; City Clerk Kelly Baker; and City Attorney J. Graham Corriher.

ABSENT: None.

In response to the State of Emergency declaration related to the spread of COVID-19 and to limit physical interactions and the potential spread of COVID-19 the Salisbury City Council met electronically. The meeting was called to order by Mayor Alexander at 1:00 p.m. A moment of silence was taken.

ADOPTION OF THE AGENDA

Thereupon, Councilmember Post made a **motion** to adopt the Agenda as presented. Upon a roll call vote Mayor Alexander voted AYE, Mayor Pro Tem Heggins voted AYE, Councilmember Miller voted AYE, Councilmember Post voted AYE and Councilmember Sheffield voted AYE. (5-0)

FY 2020-2021 PROPOSED BUDGET

City Manager Lane Bailey noted delta sheets requested by Councilmember Miller were sent to Council. He commented Councilmember Sheffield also requested staff address the budget by department.

Mr. Bailey asked Finance Manager Wade Furches to review and highlight the General Fund Property Tax and Sales Tax budgeted for FY 2020-2021. Mr. Furches explained the projected property tax base is submitted from the County and anticipates a slightly lower collection rate. He added staff is projecting a collection rate of 98.58%, and he noted:

- Collections are currently at 98.58%
 - Same as the FY 2018-2019 actual collection percentage
- County projected collecting 96.5% per *the Salisbury Post*
 - In FY 2018-2019 the City's collections were approximately one-half of a percent higher than the County's
 - If the collection percentage is reduced to 97% it would reduce budgeted collections by \$358,389
- FY 2020-2021 budgeted property tax collections are about \$100,000 higher than FY 2019-2020 projections due to a slight increase in the projected tax base and conservative projections for FY 2019-2020

Councilmember Post asked if staff reviewed collection projections for other municipalities. Mr. Furches noted staff has the County's projections, but it does not have information from other municipalities. Mayor Alexander asked Mr. Post if he is concerned the collection rate could be lower than the projections. Mr. Post asked how low collection rates were during the last recession. Mr. Furches noted in FY 2011-2012 the collection rate dipped to 95.31% which was the City's lowest collection rate. Mr. Post commented the projections appear to be aggressive.

Councilmember Miller stated revenues are budgeted on the amount that is billed. He added the actual tax rate is multiplied by the tax value, and he asked if the City has to budget at the higher collection rate and assume it will have a lower collection rate. He then asked how to reconcile the values. Mr. Bailey noted the City does not have to budget at the higher amount, and he explained the City cannot budget higher than the collection percentage of the previous year. He added revenues and expenditures will be monitored monthly and purchase order approval will be slower to allow staff time to review revenue collections.

Councilmember Post noted tax bills are due in December and the actual revenue will not be known until January 2021. Finance Director Shannon Moore commented some property tax bills are paid early. She added once the property tax bills are mailed staff would have the actual tax base verses what was used for budget. She indicated a contingency cannot be budgeted in the same year a Fund Balance appropriation is budgeted. Mr. Miller clarified a lower revenue number must be used. Mr. Bailey agreed.

Councilmember Post asked what will happen if there is a budget shortfall and if the difference would be taken from the Fund Balance. Mr. Bailey noted as the new fiscal year approaches staff will have a better idea of how the current fiscal year will end and how the Fund Balance will look. He added a Fund Balance appropriation has been made and a possible strategy depending on the health of the Fund Balance could be to appropriate additional Fund Balance to balance the budget or staff could make adjustments to the expenditures. He pointed out property taxes will be collected although it may be collected in a future year. He noted a loss in sales tax revenue will not be made up in future year's collections.

Mr. Bailey pointed out significant cuts have been made to the General Fund and additional cuts will be very difficult. Mr. Post asked how much Fund Balance is needed to balance the budget in the current fiscal year. Ms. Moore noted the current Fund Balance appropriation to the General Fund is over \$4 million, but it is projected that only approximately \$1 million to \$1.2 million will actually be used. She added the FY 2020-2021 projected Fund Balance appropriation is \$870,000. Mr. Post asked about the current Fund Balance percentage after the \$870,000 is appropriated. Mr. Furches noted during the FY 2018-2019 audit the Fund Balance was 33%. Mr. Post pointed out approximately \$1.2 million was used in the current fiscal year. Mr. Furches commented the projected Fund Balance is approximately 27% at the end of FY 2019-2020.

Councilmember Post pointed out the 8% Fund Balance required by the Local Government Commission (LGC) is equivalent to one month's working capital and a 33% to 35% Fund Balance is equivalent to four months working capital. He added the proposed use of Fund Balance will take the City down to three months of working capital. He commented the public should be aware if the budget is adopted there is an anticipated \$350,000 shortfall that will have to be addressed. Mr. Miller asked if Council can move forward with what has been presented or if changes are needed.

Councilmember Sheffield asked if the budget is based on the 97% collection rate. Mr. Furches noted the proposed budget is based on a 98.5% collection rate. Mayor Pro Tem Heggins stated she would rather be conservative than aggressive.

Mr. Furches referenced discounts, abatements and late listings, and he pointed out the amount listed is \$375,000 but actual numbers will probably be around \$335,000 providing some cushion to the 98.5% collection rate

Mayor Alexander noted the collection rate is based on tax projections for the current year's value, and she asked if the tax levy could increase. Ms. Moore commented increase is possible. She explained the projected \$3,152,143,472 tax base came from the County based on its latest estimates, and it is approximately \$20 million more than the current budget year. Mr. Furches agreed. Ms. Moore indicated a modest amount of growth is shown in the projection.

Mayor Alexander asked Council to provide direction for staff to either reduce the projected collection rate to 97% or find \$358,389 in additional cuts to the budget. Ms. Sheffield asked why Council was presented a proposed budget that includes a 98.58% collection rate. Mr. Bailey noted Mr. Post raised questions regarding the difference in the tax rate and the number was included in the delta sheets that were sent to Council. Mayor Alexander noted every city does its projected collection rate differently. She commented the data is presented to show the differences between the two projected collection rates and how the budget will be affected. She added staff made the decision based on a 98.58% projection, and it is Council's decision if it wants to move forward with the projection or to lower the collection rate. She added Council requested staff provide options for its consideration, and Council must determine the collection rate to be used.

Mayor Pro Tem Heggins asked if Councilmember Post is recommending the collection rate be reduced to 96%. Mr. Post noted 98.5% appears to be a high collection rate, and he added 97% appears to be more realistic. He commented staff may need to find the additional \$358,389 to

lower the rate. Mr. Bailey noted deeper cuts or additional Fund Balance appropriation may be required, and he suggested also considering sales tax.

Mr. Furches stated sales tax is projected to be 10% lower than the trends prior to COVID-19. He explained \$7,650,000 is the same amount budgeted in FY 2019-2020. He pointed out before the COVID-19 crisis the numbers were projected to be higher. He explained the projections are an estimate, and he added on June 15, 2020 the City will receive sales tax revenue that was paid in March. Mayor Alexander noted the 10% reduction was an early number received from the North Carolina League of Municipalities as a research number averaged across the state, and she asked if the City used this estimate. Mr. Bailey agreed, and he noted the City will have additional information on June 15, 2020. He pointed out the City was doing well before COVID-19

General Fund Expense Changes

Senior Management Analysis Anna Bumgarner addressed Council regarding General Fund expense changes. She reviewed the increases and decreases in the General Fund budget by department:

- City Council budget has a 21.884% decrease due to the elimination of a position and no election fees in the current budget
- Management/Administration had a 3.751% increase due to lobbyist and legal fees
- Communications had a decrease of 5.084% from advertising and professional services
- Human Resources had a 6.707% decrease by reducing training and the SWAY budget
- Information Technology (IT) had an increase of 11.622% due to software and contract services
- Finance had a 2.743% decrease due to performance measures and the indirect cost plan
- Customer Service had a 7.253% decrease due to the elimination of a full-time position and reduced hours for part-time employees
- Planning had a 66.398% decrease due to special projects
- Fiber transfer increased by 25% to balance the fund
- Development Services had a 12.717% decrease due to special projects
- Code Enforcement had a 19.316% decrease due to the elimination of a position and reducing minimum housing
- Downtown Salisbury Inc. (DSI) had a 5% decrease due to elimination of contract services and a reduction to special events
- Traffic had an increase of 19.608% due to needed maintenance, special projects and contract services
- Buildings had a 49.272% decrease due to the rehabilitation of City Lake
- Plaza had a decrease of 20.678% due to a decrease in professional services and maintenance and a roof project carry over
- Police Department had a 3.818% increase due to eliminating two sworn positions
- Fire Department had an increase of 2.308% due to salaries
 - The cost associated with Fire Station 3 was eliminated from the proposed budget
 - There will be increases for Fire Station 6

- Telecommunications had a 2.469% decrease due to maintenance of equipment and radios
- Transit Transfer decrease by 5.298%
- Engineer had a decrease of 14.317% by moving a position to the Water Sewer Fund and reductions in large special projects
- Public Works Admin had a decrease of 6.595% due to retirees
- Streets had a decrease of 3.806% due to the elimination of positions and a reduction in materials
- Yard and Limb had an increase of 8.308%
- Solid Waste had a 2.733% increase due to the recycling contract
- Grounds Maintenance had a 9.433% increase
- Parks and Recreation had a 14.276% increase related to the Bell Tower Green

Councilmember Sheffield pointed out contract services add value, and she asked if any of the contracts have been reviewed to see if services could be provided in house to save money. Ms. Bumgarner stated IT examines the contracts each year to make sure the City receives the best value for its investment. She added staff will continue to look for additional savings from the contracts.

City Manager Lane Bailey noted IT is changing its technology to keep up with trends and new technology as it emerges. He stated IT took a hit in 2008 due to Fibrant costs and staff is working to get the IT budget to the right size. Ms. Sheffield noted she wants to make sure the City is getting the best value for all of its contracts throughout the City. Finance Director Shannon Moore pointed out the majority of IT contracts require an annual software licensing fee and many of the contracts include maintenance to servers and equipment.

Councilmember Sheffield asked if the elimination of any position involved an employee losing their job. Mr. Bailey noted the City did not eliminate any full-time positions that were filled. Ms. Bumgarner added some part-time hours have been cut, and those positions are filled.

Mr. Post pointed out the City's budget year begins in July and ends in June. He asked if employees are on a January to December year so that when a Cost of Living Adjustment (COLA) is given it is buying into the next fiscal year. Ms. Moore agreed, and she indicated when a COLA and merit increase is budgeted it is for six months of the fiscal year to start in the later part of December, and it has a full impact on the following fiscal year. Mr. Post pointed out employee increases should follow budgets rather than calendar year. Mr. Bailey added a COLA or merit increase for employees is not included in the proposed budget.

Mayor Pro Tem Heggins asked if the eliminated positions will require another employee to pick up the duties or if the duties will they be shared by multiple employees. Ms. Moore noted in Customer Service employees are cross-trained to share duties.

Councilmember Post referenced the increase in the Fibrant transfer, and he asked if the City anticipates reduced lease payment from Hotwire Communications. Mr. Bailey noted given the uncertainty of the market, staff felt it needed to remain at \$3 million. He stated last year's budget included a settlement, but in the current economic situation staff was not comfortable reducing the transfer. Mr. Post asked if the payments to Fibrant are for debt service or if the City

must cover other related expenses. Mr. Bailey indicated drop charges are taken off of revenue submitted, but the debt service payment is the only real expense. Mr. Post noted the debt service payment is approximately \$3.3 million. Ms. Moore explained the actual Fibrant payment and repayment to the interfund loan with interest is just under \$3 million in the coming fiscal year.

Mr. Post asked if the interfund loan or a portion of it can be deferred in the coming fiscal year. Mr. Bailey noted the LGC issued letters regarding the repayment, and the City promised to pay back the funds. Ms. Moore added the interfund load has an outstanding debt of \$6.2 million based on the last financial audit, and she indicated the debt has decreased significantly in the last three years. Mayor Alexander asked if the City anticipates paying off the debt in 2029. Mr. Bailey agreed. Mr. Post questioned if it would be worth asking the LGC for permission to reduce the payment in this particular year. Mayor Alexander asked how reducing the payment would affect the City's credit rating. Mayor Pro Tem Heggins indicated the City should ask the LGC for special consideration as a last resort.

Councilmember Sheffield asked about the position for the Remedial Action Plan (RAP) which was approved by Council. Mr. Bailey stated the program has not been eliminated. He explained a part-time position has been eliminated and someone else will assume the duties and manage the program in a different way without impacting service.

Mayor Pro Tem Heggins referenced the Cheerwine Festival, and she asked if there were cost savings due to the festival being held virtually. Ms. Bumgarner explained the City budgets for revenues from the festival, and it did not have the level of revenues anticipated. Mr. Bailey stated the expenses for the festival included nonrefundable deposits for the bands. Parks and Recreation Director Nick Aceves agreed with Mr. Bailey, and he noted the budget for the festival is tied to revenue and expenditures that take place a year in advance including deposits for bands and to rent the stage. He explained for the virtual festival the bands honored the deposits and did an online performance. He added some of the deposits, such as for the stage, will be transferred to next year's budget. He explained staff had to return some sponsorship money since the physical festival did not take place.

Councilmember Sheffield referenced the Police Department budget, and she pointed out two positions were eliminated but the line item for salaries increased. Ms. Moore explained the Police Department budget must be considered as a whole of combined divisions, and she added other divisions may have decreased. Ms. Bumgarner added some of the increase would be merit and COLA that went into effect the prior year and increased the salary line. Ms. Moore noted the retirement contribution for the Police Department also increased.

Councilmember Post asked about the Parks and Recreation summer programs which are scheduled to begin soon and how staff plans to manage them with social distancing. Mr. Aceves noted staff is considering options such as opening the pool in June. He added staff is going through procedures and protocol to adhere to social distancing recommendations. He stated June summer camps have been cancelled, and staff is considering cancelling indoor camps during July. He commented mobile recreation programs and free family fun boxes will be added. He indicated the City received grant funding for the indoor camps and the grant organization allowed the City to use the funds in other ways. He stated staff will be getting the schedules out for summer programs

to be offered at no costs. He added the programs will adhere to COVID-19 protocol. Mr. Post asked if the events will be held outdoors. Mr. Aceves agreed.

Mayor Pro Tem Heggins referenced the full-time positions for the Bell Tower Green, and she asked if the City will add three full-time positions. Ms. Bumgarner agreed, and she pointed out the positions are budgeted for six months and will begin when the City assumes ownership of the park in January 2021. Mayor Pro Tem Heggins asked about the duties for the new positions. Public Works Director Craig Powers explained the park will operate seven days per week, and he added the duties will include trash collection, park maintenance, bathroom cleaning, landscaping and addressing events hosted in the park. He commented Public Works and Parks and Recreation staff have worked together to reduce the impact to the General Fund.

Mayor Pro Tem Heggins commented the proposed budget is difficult, and she added she is concerned about the RAP program continuing effectively without part-time staff. She asked if the park could operate with two full-time positions and one part-time position and leave a part-time position in the RAP. Planning Director Hannah Jacobson explained there are clearances needed for a non-civilian to operate the RAP program. Mr. Bailey stated staff can look at both.

Councilmember Post noted the Bell Tower Green has an additional \$98,000 for half of the year. He asked if it will be \$200,000 for the positions next year. Ms. Bumgarner stated the \$98,000 will include all benefits. Ms. Moore explained the benefits will vary depending on the health care plan chosen by employees, but City cost is between \$12,000 and \$17,000 annually per employee and the other benefits are a percentage of the employee's salary. Mr. Post clarified a \$45,000 employee would cost the City approximately \$68,000 with benefits. Ms. Moore agreed, and she added she is unsure of the hiring range but it would depend on the skillset. Mr. Powers stated the positions start at about \$11.70 per hour, but the City is not competitive at that rate. Ms. Moore noted one of the positions is a part-time pool position which can be filled by multiple people.

Mr. Powers noted salaries based on the projections would be budgeted at \$12.75 per hour for the three positions. He added staff also considered contracting out some pieces such as landscaping for long-term savings. Councilmember Miller clarified if the salaries for the positions are \$98,000 it should be an annual cost rather than a half-year cost. Mr. Powers stated the budget shows \$39,777 for the regular salaries of three positions for six months or approximately \$80,000 for the year. Ms. Moore clarified the \$98,000 includes four positions for half a year. Ms. Bumgarner added the \$98,000 includes salaries, overtime, FICA retirement, and worker's compensation for four positions for half a year.

Mayor Pro Tem Heggins clarified the \$98,000 is for personnel. Ms. Moore agreed, and she pointed out the health care cost is a large percentage of the total cost for each position. Mayor Pro Tem Heggins asked if the hourly wages is less than \$9 per hour. Mayor Alexander noted \$11.70 per hour is the lowest pay for the proposed positions.

Mayor Pro Tem Heggins requested Council recess, and return at 3:00 p.m. Upon a roll call vote Mayor Alexander voted AYE, Mayor Pro Tem Heggins voted AYE, Councilmember Miller voted AYE, Councilmember Post voted AYE and Councilmember Sheffield voted AYE. (5-0)

Thereupon, Councilmember Post made a **motion** to reconvene the meeting at 3:00 p.m. Upon a roll call vote Mayor Alexander voted AYE, Mayor Pro Tem Heggins voted AYE, Councilmember Miller voted AYE, Councilmember Post voted AYE and Councilmember Sheffield voted AYE. (5-0)

Ms. Bumgarner pointed out overall debt had a decrease of 2.445%. Mayor Alexander asked if the decrease has to do with any cuts or if it is due to the debt restructuring. Ms. Bumgarner indicated it is normal debt for the General Fund. Ms. Moore noted the City had reduced interest costs as loan debt is being repaid.

Councilmember Post referenced the contingency fund mentioned by Councilmember Miller. Ms. Bumgarner noted the money was one of the options used in FY 2019-2020 for economic development. Ms. Moore indicated Council added the contingency fund during its budget workshop last year. Mr. Baily explained the funds were for the Innovation Development Entrepreneurship Acceleration (IDEA) center and have not been expended. Mr. Post asked if the funds are returned to the Fund Balance if it is not used. Ms. Moore agreed.

Councilmember Sheffield referenced the funds allocated for Horizons Unlimited through education, and she asked if additional money was allocated in the past for the Science Technology Engineering Math (STEM) Program. Mr. Bailey agreed, and he noted in the in the past the STEM Program has been funded, but it was cut due to challenges from the pandemic. He added the request from the STEM Program was \$95,000 but the funds are not included in the proposed budget. Ms. Sheffield asked about the City's previous allocation. Mr. Bailey stated last year the City gave Rowan-Salisbury School System (RSSS) \$95,000, and he noted the contribution has varied from \$60,000 to \$100,000 since he began serving as City Manager. Mr. Post indicated the City's contribution began as \$75,000 with a match from Catawba College for a total of \$150,000, and the City has eventually increased its funding. He indicated last year the schools discussed using funds for resiliency programs and private funds were raised as well. He added funds are still available to cover the program and RSSS is getting what it needs without the City's contribution. Mayor Alexander noted there was a big increase in funding through a grant for the Community in Schools Program which has allowed the School System to do a lot in the resiliency area.

Councilmember Miller referenced a chart regarding full time employees over the past 20 years, and he pointed out the staffing levels have decreased. Mr. Bailey noted there is a clear downward trend regarding employees per capita, and he added the overall numbers will be reduced further next year due to a reduction in positions within the organization. He added the organization has been reducing its work force, and it has created challenges in some areas. Councilmember Post pointed out 20 years ago the City had 13 employees per 1,000 citizens and today it has 9.5 employees per 1,000 citizens. Mr. Miller added it is a continuous process of trying to be more efficient with leaner resources.

Mr. Bailey provided a recap of General Fund items:

- Change the tax collection rate to 97%
- Find \$358,000 in savings
 - May be potential for \$60,000 savings in Fibrant legal fees
- Discussion on RAP
- Looking at numbers for Bell Tower Green Park

Councilmember Miller referred to page VI Attachment B of the budget message from Mr. Bailey that references furloughs. He asked what type of matrix would be considered before asking for furloughs as an action step or if it is a worst case scenario. He pointed out if Council is asking staff to do this, Council should do the same regarding its monthly salary. Mr. Miller asked Mr. Bailey what would trigger this option.

Mr. Bailey indicated staff will be looking at revenues coming in and withholding purchase orders normally issued in July. He pointed out 401K reductions would be for non-sworn law enforcement. He added legally the City cannot reduce its 5% 401K contribution to sworn law enforcement officers. He noted the furloughs are broken up into different categories: furlough everyone or furlough only those employees that were deemed nonessential during the shutdown. He added part of the thought process is police officers, fire fighters, sanitation department workers, water plant operators, lab technicians and bus drivers have continued to work every day in some cases potentially being exposed to people who may have the virus. He explained those employees would be the last ones he would want to furlough every other pay period. He added before furloughs are recommended he would come back to Council and let them know the situation is much worse and this is the recommendation. He noted Council asked for options in case the situation worsens, and these are things to be considered. He stated there could be a delay on capital projects with the exception of some roof projects. Councilmember Miller noted furloughs would be a last resort but the ideas presented will give Council options.

Councilmember Post noted the City has a pension plan that is based on an employee's salary and years of service and in addition employees are offered a voluntary contribution 401k plan. He added the 401k is not a matching plan, but the City gives employees an additional 3% of their salary whether or not the employee contributes to the plan. Mr. Bailey agreed. Mr. Post asked if most employees participate in the 401k. Mr. Bailey stated he does not have the information, and he added there is a required employee match on the pension plan, but there is not a required match on the 401k. Mr. Post suggested considering the City only contributing if an employee contributes to the plan. Mr. Bailey stated staff could look at this.

Councilmember Miller pointed out retirement benefits help with recruitment. He added he hopes the City does not have to consider furloughs. He commented he does not want to change retirement benefits without a worst case scenario.

Councilmember Sheffield noted during the retreat Council visited Human Resource policies and Assistant City Manager Zack Kyle and Human Resources Director Ruth Kennerly stated not many employees participate in the 401k, but she pointed out it is not the time to take it away.

Transit Fund

City Manager Lane Bailey noted the transfer into the Transit Fund affects the General Fund. He stated staff spoke with the Federal Transit Authority (FTA) last Friday regarding CARES funds. He explained during an emergency declaration staff can use CARES funds to cover routes. He pointed out the FTA recommends using the CARE funding as quickly as possible. He noted staff projections use the match to cover costs since February 2020 and can expend the funds through the end of year. He stated if the City were to use the funds and not add new routes within the City limits it can continue to offer transit service to Spencer and East Spencer and possibly reduce the transfer from the General Fund.

Senior Management Analysis Anna Bumgarner noted staff will get clarification on how the CARES funds could and should be used. Mayor Alexander stated using CARES funds quicker could mean the City runs out of funds earlier than 2022. Ms. Moore agreed, and she noted the FTA recommends using the funds as quickly as possible. She commented it is likely the funds would be expended in the coming fiscal year. Mr. Miller asked for clarification. Ms. Moore noted the funds would be depleted in the FY 2020-2021 budget, most likely in fall or winter because the grant covers expenses starting February 2020. Transit Director Rodney Harrison explained all eligible expenses are reimbursed at 100%. Ms. Moore pointed out the City is currently in a fare free transit program that will utilize the funds.

Mayor Pro Tem Heggins asked how long the fare free program will last. Mr. Harrison noted the program is scheduled to end July 1, 2020. Mayor Alexander noted the City has not received transit fares since the beginning of the COVID-19 crisis. Mr. Harrison agreed, and he pointed out once Governor Roy Cooper issued an Executive Order the City went to fare free transit and rear door entry. Mayor Pro Tem Heggins asked how much this has cost the City. Mr. Harrison indicated he does not have the number. Ms. Moore commented ticket fares are between \$60,000 to \$80,000 in a fiscal year or \$5,000 to \$7,000 per month.

Councilmember Sheffield asked about the cost to run routes in Spencer and East Spencer. Mr. Bailey noted the Transit Master Plan lists the cost of the routes at \$105,000. Ms. Sheffield clarified \$105,000 is the total cost to run the transit routes for Spence and East Spencer. Mr. Bailey agreed. Ms. Sheffield pointed out the City received an operating assistance grant for \$761,000. Mr. Harrison stated \$761,000 was for operations, and he noted the entire grant was \$959,697. Ms. Sheffield commented the grant included \$198,697 for capital expenses. Mr. Harrison agreed, and he reminded Council capital expenses for the grant includes anything related to maintaining the buses, vehicles, facility and the mechanics and their salaries.

Councilmember Miller clarified staff recommends using CARES funds to cover routes for Spencer and East Spencer in order not to disrupt service. Mr. Bailey agreed, and he noted staff also recommends not adding additional routes at this time. He explained if the City were to continue service to Spencer and East Spencer and add additional routes the cost would be beyond the grant funding. He indicated using the money that is in the budget and possibly using COVID-19 money would reduce some of the General Fund contribution, and the City could possibly cover the \$358,000 difference in property tax projections.

Mayor Alexander asked how long the City can continue the routes to Spencer and East Spencer to give the towns the longest possible window to work together to come up with additional funds to continue transit service to their areas. Mr. Bailey noted the City can get through the end of the fiscal year.

Councilmember Sheffield stated the City is not looking at suspending service to Spencer or East Spencer because the City can appropriate a portion of the CARE grant to cover the costs. Mr. Bailey agreed. Mayor Alexander commented it would be ideal if the City could find the funding to extend the service to Spencer and East Spencer until the end of FY 2020-2021 to give an entire year for the communities to work together.

Mayor Pro Tem Heggins indicated she would like to see scenarios that go through January 2022 because the grant runs until that time. She added she has not seen those scenarios yet and wants to explore options regarding how to make that happen. She stated Council is talking about discontinuing transportation service for people who come to the City for healthcare, groceries and banking because those facilities are not provided in Spencer and East Spencer.

Councilmember Sheffield agreed with Mayor Pro Tem Heggins. She pointed out Salisbury, Spencer and East Spencer are all in the County, and she questioned if the County should help these towns to alleviate some of the City's burden.

Councilmember Post pointed out if the City continues transit service to Spencer and East Spencer through January 2020 the cost is increased from \$105,000 to approximately \$165,000. Mayor Alexander asked Mr. Harrison if the grant money runs out how the City should proceed. Mr. Harrison noted the City can use the CARES funding as quickly as possible to make sure Congress does not rescind the money. He indicated the projection is the funds could run out early fall to December 2020. He stated once funding is depleted the City would start using the Transit Fund which has money transferred from the General Fund.

Mr. Bailey stated he has had conversations with County Manager Aaron Church who was not inclined to enter into fixed route service. He indicated the County is looking to provide Americans with Disabilities Act (ADA) service. Ms. Sheffield commented perhaps the County would provide financial backing for the service. Mr. Harrison added the County might be open to taking on medical trips which would help, and he pointed out from March 2020 the majority of paratransit trips were medical related for Spencer and East Spencer.

Councilmember Miller commented it sounds like the short term is decided and the longer term is to be determined. He asked staff to continue to work on this so it is solved before the next deadline or vote is needed.

Stormwater Fund

City Manager Lane Bailey reviewed stormwater fee information. City Engineer Chris Tester pointed out upcoming projects for the Stormwater Fund include the McCoy Road Culvert Replacement, Sunset Drive Central, Sunset Drive South, North Ellis Street, Stormwater Capital Improvement Plant (CIP) Plan, and Novant Rowan projects.

Councilmember Sheffield commented she does not support the \$.08 increase in the stormwater fee. She noted concerns regarding project timeliness, and she asked if the CIP study or other projects such as the Sunset Drive projects could be postponed. She asked if both Sunset Drive projects have to be completed this year especially the one in the design phase. Mr. Tester commented projects can be put on hold, however there is a risk of residential flooding. He pointed out the homeowners would not want to postpone the projects.

Councilmember Sheffield noted the stormwater fee is more equitable to homeowners, but not all residents pay a stormwater fee. She pointed out the fee is passed to the renter's water bill causing an increase to them.

Councilmember Post commented property taxes increased this year because most property values increased due to inflation. He added the City is charging service fees and it has to keep up with inflation or will have to catch up the next year along with increasing costs, inflation adjustments, and caring for long term projects. Mayor Alexander agreed, and she added there is a state mandated requirement for the City to handle stormwater issues to keep citizens safe. She commented she does not think arguing over \$.08 would be prudent long term due to the cost increase if projects have to be redesigned by an engineering firm to meet all requirements of the state and mitigating danger for citizens.

Councilmember Sheffield clarified she cares about public safety, and she noted a \$.08 increase can add up. She added she did not understand inflation on rain water. Mr. Tester explained the stormwater fee is very similar to the water/sewer utility and is closely related to construction costs. He added the City has an aged stormwater infrastructure that is well past its life expectancy. He pointed out as construction costs increase, water and sewer rates increase each year and a stormwater rate increase is needed to keep up with and maintain the system. He noted it is not an increase on the cost of rain but getting the rain back to the rivers.

Utility Fund

Salisbury-Rowan Utilities (SRU) Director Jim Behmer reviewed the SRU budget summary including the trends and challenges. He added the big unknown is COVID-19 and potential loss of revenue with the Executive Order to suspend disconnections and penalties being extended an additional 60 days.

Mr. Behmer stated the new Chewy fulfillment center will be connected to sewer and is good for future growth in that area. He noted potential consolidations in the future with Rowan County and East Spencer as time is allowed.

Mr. Behmer noted the debt service cost is \$4.8 million and 8.46% of the SRU total operating budget including \$901,428 of new debt.

Mr. Behmer pointed out personnel costs are approximately 24% of the budget with 90 full time employee positions with the last position transferred from the Engineering Department. He noted there are a few vacancies. He added the total increase to the SRU budget is \$289,007.

Mr. Behmer stated the School of Government has modified its way of comparing utilities with 4,000 gallons per month. He noted the City conducted a 24-month study and found 3,800 gallons would measure closer to what the City has per residential customer.

Mr. Behmer reviewed rates and how the City compares to other utilities. He noted it is not a great time to have an increase due to the unknown, but there is debt service for the capital projects and the City has to keep up with inflation. He commented he has looked at every way to find efficiencies to reduce costs and gain partnerships.

Councilmember Post asked why other area rates were so low. Mr. Behmer noted those areas with lower rates are electric cities. City Manager Lane Bailey added some have inside and outside rates.

Mayor Pro Tem Heggins asked about the City of Salisbury being an electric city. Mr. Bailey commented the City cannot be an electric city because of the electric city boundaries set by power authorities.

Councilmember Post suggested sending utility bills electronically to save on time and cost. Finance Director Shannon Moore commented her understanding of statutory requirement is the service would have to be offered to all customers and some may be prohibited due to no email or internet access. She noted it can be looked into and that some customers currently receive their bills electronically.

Councilmember Miller asked if a fee is charged for paying online. Ms. Moore commented the credit card fee has been eliminated. Councilmember Miller pointed out the electronic bills or E-bills are a full copy of the statement. He added a cost may be involved to set up, but it could help cut cost and is worth considering.

Mayor Alexander asked how many customers pay and receive their bills online. Ms. Moore commented she is unsure.

Mr. Bailey reviewed the delta sheet:

- Look for ways to adjust the tax rate
- Legal fees in Fibrant as a contingency fund. Will look at numbers and make alternative suggestions
- SRU payment waiver from the Local Government Commission (LGC) will be delayed.
- Remedial Action Plan (RAP) will look at options and park salaries for Bell Tower Green
- 225 employees participating in 401k
- Will look at scenarios for COVID CARES funding for Transit

Mr. Bailey commented he will try to get this information to Council before tomorrow's presentation. He added the RAP will be done prior to the public hearing. He pointed out June 16, 2020 is the date to vote on the budget after the public hearing and if the Executive Order is in place Council can vote remotely.

Councilmember Post commented he wanted to give his paycheck back to the City and receive a monthly salary of \$1 for the rest of his term. He noted it may not be substantial but it could help somewhere. Mayor Alexander thanked Councilmember Post.

Councilmember Post noted people may speak during public comment regarding Fisher Street being closed for outside seating. He suggested Council discuss this soon since there is no meeting the first part of July. Mr. Bailey explained Planning Director Hannah Jacobson, Engineering Director Wendy Brindle, and Downtown Salisbury, Inc. Director Larissa Harper are working on this issue along with City Attorney Graham Corriher. He pointed out a concern is that it could be seen as the City is encouraging people not to socially distance if outdoor dining would allow more people in the area. He noted options have been discussed and can be presented to Council.

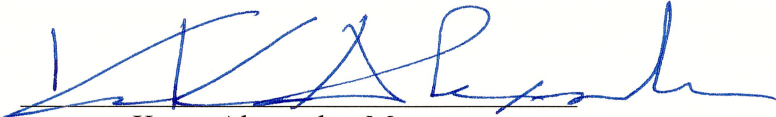
Councilmember Sheffield thanked Mr. Bailey and staff for its hard work on the budget, and she noted it has been a challenge. Mr. Bailey thanked Council and staff for their work on the budget. Mayor Alexander thanked Mr. Bailey and staff for all they do for the City.

ADJOURNMENT

Motion to adjourn the meeting was made by Councilmember Miller. All Council members in attendance agreed unanimously to adjourn. The meeting was adjourned at 4:40 p.m.



Tiffany Crook, Deputy City Clerk



Karen Alexander, Mayor