

Salisbury, North Carolina
June 8, 2015

RECESSED MEETING OF JUNE 2, 2015

Continued
June 8, 2015
9:00 a.m.

The City Council of the City of Salisbury met at 9:00 a.m., Monday, June 8, 2015 in the Salisbury-Rowan Utilities Conference Room located at 1 Water Street pursuant to the recess of the Regular meeting of June 2, 2015, with the following members being present:

PRESENT: Mayor Paul B. Woodson, Jr., Presiding; Council Members Mayor Pro Tem Maggie A. Blackwell, Karen Kirks Alexander, William (Pete) Kennedy, and William Brian Miller; City Manager W. Lane Bailey, City Clerk Myra B. Heard, and City Attorney F. Rivers Lawther, Jr.

ABSENT: None.

Mayor Woodson and members of City Council met at 9:00 a.m. in the Salisbury-Rowan Utilities Conference Room located at 1 Water Street. Mayor Pro Tem Blackwell provided the invocation.

FY2015-2016 BUDGET WORKSHOP

General Fund

City Manager Lane Bailey suggested a revised process for next year's budget to gain feedback from Council earlier in the process. He recommended meeting in January for a budget retreat in order to seek Council input and to develop a 10-year Capital Improvement Plan (CIP).

Mr. Bailey indicated since presenting the proposed budget he has been made aware that the budget for the Salisbury-Rowan Economic Development Commission (EDC) does not represent the funding formula developed for the EDC. He added he has also heard from representatives of Downtown Salisbury Inc. (DSI) who have asked for additional money, and he has been asked to include money for the Sculpture Show in order to leverage additional funds. He asked Council for their feedback on the proposed budget for the General Fund.

Councilmember Miller commented he thinks the CIP is a great idea and will give Council an opportunity to talk about needs while also helping prioritize them.

Councilmember Kennedy stated he would like to add back items that were cut from the budget, particularly body cameras. Mr. Bailey noted the cameras are being funded through a combination of private funds and asset forfeiture funds.

Mr. Kennedy indicated there are many disadvantaged students, and he would like to add \$5,000 back to the budget to help them.

Mayor Pro Tem Blackwell stated the Mini Funk Factory aligns with Council's goals, and she would also like to restore its funding. Mr. Kennedy recommended \$5,000 for the Mini Funk Factory.

Mayor Woodson noted funds have been set aside for gang prevention, and some of those funds could be reallocated for the Mini Funk Factory. He suggested taking \$2,500 from gang prevention which would leave \$3,000 for gang prevention initiatives.

Mr. Bailey pointed out there is also \$8,000 allocated in the Council discretionary line item that could be used. Mayor Woodson suggested taking \$1,500 from gang prevention and \$2,000 from the Council discretionary line items.

Mr. Bailey referred to funding for the Sculpture Show and noted the Tourism Development Authority (TDA) has agreed to a \$2,500 match if the City will fund its part. Ms. Blackwell noted the Sculpture Show has \$10,000 budgeted each year, and this year's show cost \$30,000. She stated staff does an excellent job seeking funds from other sources, but those sources are looking to fund other initiatives. She noted she spoke with TDA Director James Meacham who has agreed to match \$2,500.

Mr. Bailey indicated DSI has requested a slight increase in the Municipal Service District (MSD) tax rate in order to remain revenue neutral. Finance Director Teresa Harris stated it is difficult to determine what the increase would be for the MSD to remain revenue neutral because of the volatile nature of the downtown. She suggested it might be one-half of one cent or less, but she would like a chance to speak with the Rowan County Tax Assessor to determine how the figure she was given was reached. She added she anticipates the increase would be less than \$10,000.

Mr. Bailey asked Council if they were comfortable moving the MSD rate to revenue neutral. By Consensus, Council agreed.

Mayor Woodson asked about the appropriation for the Rowan Arts Council and if Lee Street Theater would be included in those funds. Mr. Bailey explained the original appropriation of \$43,000 will be divided between the Rowan Symphony, Piedmont Players, Waterworks Visual Arts Center and the Rowan Arts Council. He noted an additional \$3,875 has been appropriated for Lee Street Theater with the idea that the amount will be increased each year by \$3,875 until all of the groups are equally funded.

Mr. Bailey noted another part of the DSI request is for a slight increase in its funding in order to provide merit increases for its employees that are in line with City employees. He stated this would be an additional \$2,500 and would not be generated through the MSD tax but through a General Fund appropriation.

Ms. Blackwell asked if the Community Development Corporation (CDC) is handled in the same way. Community Planning Services Director Janet Gapen stated the City pays for one half of a CDC position through the Planning Department budget. She noted \$25,000 is allocated for half of the salary and benefits.

Mr. Bailey indicated he checked on the CDC, and it is funded at the requested level. Ms. Harris added to her knowledge, the CDC had never requested its salaries be commensurate with the City's.

Mr. Bailey stated in the past money has been appropriated to DSI, and how it chooses to use the funds is up to its board. Councilmember Alexander commented she thinks it is more appropriate to allocate the funds and allow DSI to determine how they are spent.

Ms. Blackwell referred to the New Year's Eve at the Bell Tower event and noted she preferred the City continue to host the event.

By Consensus, Council agreed to fund an additional \$2,500 for DSI.

There was discussion regarding the new position for Code Enforcement. Mr. Bailey noted the position will be a sworn law enforcement officer who will ultimately report to the Police Chief, but the position will be assigned to Code Enforcement. He noted most of the position's time would be spent in Code Enforcement, but the officer would be available should there be an extraordinary event. Mr. Bailey pointed out the position is new and Police will not be losing a police officer off of the street.

Ms. Alexander asked how this will affect implementation of the new neglected housing program. Ms. Gapen stated she is moving forward and hopes to have the Code Enforcement Manager position filled by August. Police Chief Rory Collins noted the new Police Code Enforcement Officer should be on duty June 15.

Mr. Miller stated the proposed revenue in the General Fund is to replace what the State Legislature took away, and address revaluation. Mr. Bailey stated he does not like to recommend tax raises, but staff has to deal with what the State Legislature has done, and he can support the increase based on these needs.

Ms. Alexander noted the neglected housing initiative has been reduced from \$300,000 to \$150,000. Mr. Bailey stated he talked with Ms. Gapen, and they believe this will be sufficient to begin work on the program in the first year.

Mayor Woodson commented he is concerned because taxes were raised last year and that is the recommendation for this year. He stated he is not supportive of a tax increase. Mr. Miller noted if the Legislature had not taken the privilege license tax, a tax increase would not have to be discussed. He added Council must either change the tax rate to replace the funds being taken away or make cuts in those items Council wants to support.

Mr. Kennedy stated Council also has the option of using Fund Balance. He noted the economy is improving, and he thinks the funds will be replaced next year.

Ms. Alexander commented the cost of doing business is not accurately reflected if the tax rate is not incrementally increased. She stated it just delays the need for the next Council. She noted Council can do it incrementally or have a larger cost in the future.

Mr. Bailey stated after presenting the proposed budget, staff learned the North Carolina Department of Transportation (NCDOT) plans to resurface Innes Street. He stated he asked staff to prepare figures for implementing the Innes and Long Complete Streets plan adopted by Council so the improvements could be made during the resurfacing. He noted this will most likely require the use of Fund Balance to implement the improvements during the next fiscal year.

City Engineer Wendy Brindle noted the Innes and Long Complete Streets study was adopted this year with particular concerns at Shaver and Clay Streets. She stated an estimate for all of the improvements between Long Street and Clay Street would be approximately \$550,000. She pointed out staff believes the City would be missing an opportunity if the improvements are not implemented while NCDOT is resurfacing, and it will cost more later. She stated she has discussed availability of Spot Safety funding, but there is not enough time to secure those funds since work will begin in the fall.

Council members Alexander and Kennedy expressed their support for the work and taking the funds from Fund Balance. Mr. Miller stated he can support using Fund Balance for one-time expenses, but if operational expenses are funded, it will require Council to find a way to fund them again next year.

Mayor Woodson stated he thinks the City will receive 5 percent more sales tax than anticipated. Ms. Harris noted projections for sales tax revenue did increase. She noted the North Carolina League of Municipalities has cautioned against raising the

projected revenue too much because the trend may not continue. Mayor Woodson stated he does not believe in stripping the Fund Balance, but he does not think Council can continue to increase taxes.

Mayor Woodson noted Council was asked to raise taxes two years ago to pay for paving, and the increased paving has not taken place.

Ms. Blackwell stated Council raised taxes one penny to pay for paving but the amount budgeted has not increased. She commented this is a quality of life issue, and paving needs more money.

Assistant City Manager John Sofley stated part of the issue with paving funds is related to a loss in Powell Bill funding.

Mr. Miller stated he thinks paving and the Innes and Long Street improvements are a good use of the General Fund, and he noted Council needs to find a long-term solution for paving.

Ms. Blackwell indicated she would like to add this to the list of items for staff to review for a recommendation on how it can be improved.

Mr. Kennedy pointed out if Council reduces Fund Balance by \$1 million, it will still have an approximate fund balance of \$14 million, which is double what Council had a couple of years ago.

Mr. Miller cautioned that if Council funds these items from Fund Balance, they will have to face the issue again next year.

Ms. Alexander stated she can support using Fund Balance and agreed there is a need for a 10-year CIP to help Council make decisions.

Ms. Blackwell commented she is not opposed to raising taxes, but she would like to reduce the amount to be raised and optimally have no increase.

Council reviewed the current additions to the budget:

EDC	\$11,044
DSI	\$2,500
Sculpture Show	\$2,500

Mr. Bailey noted he believes by using existing funds from professional services these items can be funded.

Mr. Bailey asked if Council wanted to use Fund Balance for the Innes and Long Street project and to increase paving.

Ms. Blackwell asked Public Services Director Tony Cinquemani how many lane miles could be paved without impacting staff. Mr. Cinquemani noted the City spends approximately \$80,000 for each lane mile and whatever dollar amount is appropriated for paving, staff will make work.

Mr. Bailey pointed out that if Council wishes to appropriate additional Fund Balance, it does not have to make a decision before July. He stated Council can wait until it receives the audit report to have a clear idea of how Fund Balance has grown, and it can then make the appropriation.

Mr. Miller stated he would like to see a schedule of what will be paid from Fund Balance.

Ms. Harris noted for audit purposes the General Fund and General Fund Capital Reserve are combined and the budget already includes approximately \$1 million from Fund Balance for the purchase of a Fire Truck.

Staff reviewed those items to be funded from Fund Balance:

Neglected Housing	\$150,000
Rowan Salisbury School System Construction Project	\$500,000
Police Safety Needs	\$78,000
Innes and Long Complete Streets Project	\$550,000
Loss of Privilege License Tax	\$320,000
Street Paving	Unknown
Downtown Incentives	\$275,000

It was noted that \$1,218,000 of Fund Balance will be used to pay for Capital Reserve items (fire truck, two garbage trucks and a swap load).

There was discussion regarding a limit of what can be used from Fund Balance. Mr. Sofley stated there is no limit, but the City has a policy that Fund Balance can only be used for one-time, non-reoccurring costs.

Mr. Bailey stated the Local Government Commission (LGC) will also look at significant drops in Fund Balance for one year. Mr. Miller noted the City's internal policy is for Fund Balance to be at 25 percent. Mayor Woodson stated that would be approximately \$10 million.

It was noted that with the proposed uses of Fund Balance and the Capital Reserve items, the total from Fund Balance will be approximately \$1,553,000.

Council discussed items that were one-time costs and those that might be of concern to the LGC. Mr. Miller asked if absorbing the loss of privilege license tax from Fund Balance is a one-time cost. Mr. Kenney noted he thinks sales tax will increase and make it a one-time use that will not be needed next year.

Mr. Miller asked if Council can support the .31 cent revenue neutral increase to reflect the revaluation. He noted he would like to have no tax increase, but he understands by using Fund Balance to overcome the issue, Council will have to address it in the future.

Ms. Blackwell stated the list seems to be comprised of expenditures that are for a specific expense with the exception of the loss of privilege license tax. Mr. Miller indicated he thinks staff could find one-time expense items included in the budget that can be switched for the privilege license tax so that the loss of the tax does not come from General Fund.

Ms. Blackwell clarified the \$320,000 for loss of privilege license tax will be removed and replaced with funds for the Newsome Road project, and the budget can be amended when there is a need so all of the allocations will be specified.

Mr. Miller suggested street paving come back to Council in the fall with a budget amendment to cover the expense. He recommended taking that item out and allowing staff to come back to Council with a plan.

Mr. Bailey indicated he will cut the 1.18 cents and send a revised budget for Council's consideration that has the additional appropriations from fund balance.

By consensus, Council agreed to a .31 cent revenue neutral tax rate increase.

Salisbury-Rowan Utilities

Salisbury-Rowan Utilities (SRU) Director Jim Behmer indicated he has heard concerns about the increase in tap fees. He stated there were approximately 90 new taps last year, and these are fee driven by the cost of the service. He added SRU has and several rule changes that have impacted the materials that can be used, and the rates are true cost recovery.

Mayor Pro Tem Blackwell asked how the tap fees compare with other utilities. Mr. Behmer noted SRU is in the middle and would still be in the middle after the increase. He indicated staff is anticipating 125 taps next year, and he thinks most of those will be from commercial development.

Councilmember Miller commented that no existing customer is impacted by the fee, only those who want a new tap.

Mr. Behmer pointed out it costs \$6,000 anytime SRU cuts into a North Carolina Department of Transportation (NCDOT) street. He added if the tap fees are not increased, it would affect all users through rate adjustments rather than just those with new taps. City Manager Lane Bailey indicated tap fees can also be used as an incentive for companies by allowing the City to waive the tap fee as part of an incentive package.

Councilmember Alexander stated she thinks the proposed rates are within the range of other municipalities. She added she likes the idea of using the fee as an incentive based on what will be built in the community and how much water the construction might use.

By consensus, Council agreed with the proposed tap fee increase in the utility fund.

Fibrant

City Manager Lane Bailey indicated the proposed increase in rates is due to increases in retransmission fees.

Assistant City Manager John Sofley commented the biggest challenge for Fibrant is video programming because fees continue to increase. He noted this year the contracts for local Charlotte stations were renegotiated and the retransmissions fees went from \$3 to \$7 per subscriber, per month. He added all of the other incumbents are facing the same issue.

Broadband Director Kent Winrich noted the model for programming is changing to an internet based model.

Councilmember Kennedy stated if the utility is self-sustaining, not using money from General Fund, and it needs an increase to continue to be self-sustaining, he can support the rate increase. Mr. Sofley pointed out the proposed budget also allocates \$25,000 to begin the loan repayment to SRU.

Councilmember Miller noted this is an elective that citizens can choose to use the service or not. He added the increase is industry-wide, and the enterprise has to be self-sustaining.

Mr. Sofley commented there has been a plateau of video users and many are now using Hulu, Netflix and similar services to stream shows. Councilmember Alexander stated this would be using broadband for the high speeds it was designed for. Mr. Sofley noted the challenge is how to develop these optional services that a customer would like to have.

Mr. Miller indicated the customer service staff has to be able to help customers find the best package for them.

By Consensus, Council agreed with the proposed Fibrant rates.

Stormwater

Councilmember Miller indicated the City was told it had to have a plan for Stormwater in place, but it has not been told if any requirements had to be met each year.

Public Services Director Tony Cinquemani stated right now staff is struggling to get water quality testing done in the manner it requires. He indicated there have been projects that have depleted the funds. He added staff is maintaining, but is not making headway toward meeting the guidelines.

Councilmember Alexander clarified this is a state mandate for which they provide no funding. Mr. Cinquemani agreed.

Mr. Miller noted the threat of daily fines was removed by establishing the fund three year ago, and he questioned if there is a reason the fund cannot continue at its current rate.

Mr. Cinquemani stated all water quality testing and mapping is done in-house using staff that is supposed to be in the field. He added there is a vacant position that needs to be filled in order to move forward with water quality testing.

Street Division Manager Craig Powers stated the fee increase is mainly for infrastructure needs. He noted there have been several project committed for next year and without the funds these projects would go backward in water quality.

Mr. Miller asked if the City is really going backward or if it is not moving forward as quickly. Mr. Powers stated the City is supposed to improve water quality and with each impervious surface installed, it causes the City to go backwards.

Mr. Miller pointed out the fund is three years old, and there have been no increases to date. He added he is comfortable being less aggressive with this fund since the City will not receive penalties if it is not funded.

Mr. Powers stated he reviewed the budget and what could be removed with no fee increase. He noted the contingency fund to contract work (\$40,000) and Stormwater grants (\$25,000) could be removed. Councilmember Alexander commented she thinks the grants are very important and were vital for the work at Soldiers Memorial AME Zion Church.

Councilmember Kennedy asked if the .75 cent increase is only for residents. Mr. Power indicated it was and no business increase was proposed.

By Consensus, Council agreed to the .75 cent Stormwater increase.

Transit

Assistant City Manager John Sofley informed Council that the City secured grantee status with the Federal Transportation Administration (FTA) and can submit for grant funding directly through the FTA. He noted Transit was recently assigned project numbers by the North Carolina Department of Transportation (NCDOT) and a firm commitment of when the grant requests will be on NCDOT's agenda for approval.

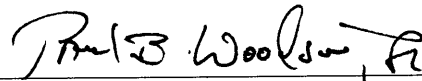
Councilmember Alexander asked if the new bus routes are included in the budget. Mr. Sofley indicated the new routes are included.

Councilmember Kennedy congratulated Mr. Bailey and staff for the tremendous amount of work that has been done on the budget.

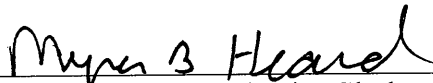
Ms. Alexander commented next year she would like to see a formal way that the community can have early input on these tough decisions. Mr. Bailey indicated he has seen different formats used in other communities and those formats can be explored.

ADJOURNMENT

Motion to adjourn the meeting was made by Ms. Blackwell seconded by Mr. Kennedy. All council members in attendance agreed unanimously to adjourn. The meeting was adjourned at 12:44 p.m.



Paul B. Woodson, Jr., Mayor



Myra B. Heard, City Clerk