

Salisbury, North Carolina
May 30, 2014

SPECIAL MEETING

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

ABSENT: None

Salisbury City Council met in Council Chambers in City Hall located at 217 South Main Street. The meeting was called to order by Mayor Woodson at 10:00 a.m. The invocation was given by Councilmember Miller.

PRESENTATION OF FY2013-2014 PROPOSED BUDGET

City Manager Doug Paris presented the proposed budget for the fiscal year beginning July 1, 2014 and ending June 30, 2015 to City Council in accordance with State Statute 159-11.

Mr. Paris stated the coming year's budget will be challenging as the City faces two contradictory pressures. He explained the City's revenues from the State will decrease due to the General Assembly not continuing the transitional sales tax hold harmless funding, and the community is requesting additional projects and services during the coming fiscal year.

Sales Tax Hold Harmless Funding

Mr. Paris explained during the last session of the General Assembly there was a concerted effort in the House of Representatives to extend the transitional sales tax hold harmless funding for a group of cities that included Salisbury. He noted the effort was assisted by local Representatives Harry Warren and Carl Ford, and Mocksville Representative Julia Howard. He indicated the House passed a bill to extend the funding which included approximately \$659,000 for the City, but the Senate decided to end the funding and use the revenue to help balance the State budget. He pointed out the distributions will end effective FY2014-2015.

Mr. Paris indicated the City depends on the funding to provide General Fund services. He stated the tax rate proposed for the coming fiscal year includes a \$.0245 property tax increase to replace the lost revenue. He noted without the proposed tax increase the City would need to cut services and reduce staffing.

Mayor Woodson asked about the amount of funding the State cut from the City. Mr. Paris noted \$659,000 was cut from the City's budget for FY2014-2015.

Community Improvements

Mr. Paris stated the proposed budget includes requested community improvements that are comprised of new projects and service expansions:

- Newsome Road widening and bicycle lane installation – new project
- Bringle Ferry Road side walk project – new project
- Transit expansion presented at Council's retreat – service expansion
- Enhanced street lighting in the West End – service expansion

Mr. Paris noted the proposed projects and service expansions will improve quality of life for City residents. He stated the proposed budget includes a \$.045 property tax increase to fund the new projects and service expansions.

Overall Impact

Mr. Paris pointed out the proposed budget includes a total property tax increase of \$.029. He explained if the Senate had passed the House version of the sales tax hold harmless funding bill, a \$.045 property tax increase would have been proposed to fund quality of life projects. He emphasized the Senate's action hurt the City financially.

Mr. Paris indicated citizens requested additional funding and projects, and staff requested expanded budgets, but in the current economic climate it was not appropriate to propose a property tax increase greater than \$.029.

Mr. Paris referenced surrounding areas and their proposed property tax increases:

- Kannapolis – \$.04 property tax increase
- Rowan County – \$.0375 property tax increase
- Granite Quarry – \$.02 to \$.025 cent property tax increase
- China Grove – \$.02 property tax increase

Solid Waste Efficiency

Mr. Paris noted during the last two years staff focused on the City's Solid Waste operation. He explained two years ago full cost recovery would have required a fee of \$14 per month. He stated Council set the monthly fee at \$7 per month, half of the full cost recovery, and challenged staff to improve efficiency. He explained the proposed budget includes continuing in-house solid waste service and recommends an \$8 monthly fee, an increase of \$1.

Mr. Paris stated the \$1 increase will cover the cost of an automated, single-arm, trash truck and new bins for the truck to use. He explained the current bins are dated and lack a lip that is required for the new truck. He noted when the automated truck dumps the current bin, it falls into the truck creating down time and safety issues.

Mr. Paris explained staff expects full cost recovery to stabilize around \$8 per month. He noted in comparison Granite Quarry charges \$11 per month and Spencer charges \$15 per month for solid waste service.

Employees

Mr. Paris stated this is the third year salary increases have been proposed for employees. He noted two years ago the budget included the first proposed salary adjustment in years, a \$1,000 increase added to the base salary for each employee who exceeded a satisfactory performance during their annual review. He indicated last year's budget included a proposed 2.25 percent salary increase added to the base salary for each employee who exceeded satisfactory performance during their review.

Mr. Paris noted the proposed budget includes a 2.5 percent merit pool for employees. He explained a merit pool allocates funding for each department worth 2.5 percent and the department managers and supervisors will give employee raises in a range of 1 to 3 percent based upon their performance.

Mr. Paris emphasized the 2.5 percent merit pool is funded through the elimination of vacant positions. He noted during the budget workshop he will point out the vacant positions used to fund the merit pool. He added he worked with each department head to ensure the elimination of vacant positions would not hinder operations.

Broadband

Mr. Paris noted the City continues to operate a broadband utility in challenging market conditions. He added during FY2013-2014 staff expects to break even without interfund loans, and he noted interfund loans are not included in the proposed budget.

Mr. Paris stated the City is working with programmers to conform to changing requirements. He noted existing video tiers will change in June to meet content provider requirements. He explained Fibrant has never increased its rates, but as the video tiers change, a small increase for video programming will offset increased programming costs. He added the City is required to pay local broadcasters \$2.84 to retransmit their programming. He pointed out staff recommends passing the re-transmission fee to the customer.

Mr. Paris emphasized if a customer is concerned about their video bill or new tier, Customer Service Representatives can help customers switch to a lower priced video tier.

Mr. Paris pointed out effective July 1, 2014 all residential internet customers will be upgraded to 50 megabytes per second up and down, free of charge. He explained the City can offer this benefit to its customer without a cost impact. He noted after the internet upgrade, the City will offer the highest base residential internet speed in the State.

Water and Sewer Fund

Mr. Paris stated Salisbury-Rowan Utilities (SRU) Management worked to control costs. He noted over the last 20 years the annual rate increase has averaged 7 percent. He pointed out during the last two years SRU customers did not experience a rate increase, but for FY2014-2015 staff is proposing a 2.9 percent increase to cover operational cost to:

- Replace broken/leaking sewer infrastructure
- Cover SRU employee healthcare
- Cover a 2.5 percent merit pool for SRU employees

Conclusion

Mr. Paris noted the goal of the proposed budget is to strike a balance between the cost of new projects and service expansions without burdening citizens with an excessive property tax increase. He emphasized the loss of sales tax hold harmless revenue is the largest impact to the proposed budget.

Mr. Paris stated staff is concerned the General Assembly took action that places cities in difficult financial positions. He noted earlier this year the Senate passed a bill to eliminate privilege license taxes (PLT) beginning in FY2015-2016, and the House will concur with the Senate's version of the bill. He pointed out if the General Assembly does not assist cities with replacement revenue for PLT, staff will be required to ask for an increase in property taxes or cut services in the amount of \$.015 during FY2015-2016. He noted staff has heard from Governor Pat McCrory and several leaders of the House and Senate who intend to work toward replacement revenue solutions.

Mayor Woodson asked if cutting the PLT tax has been approved or if it is being considered. Mr. Paris stated the PLT will be eliminated in FY2015-2016 and will equal \$.015 in cuts or revenue expansion. Mayor Woodson stated the loss of PLT and sales tax hold harmless funding will equal to almost \$.04 of the City's budget. Mr. Paris stated that is correct.

Councilmember Miller explained of the proposed \$.029 tax increase, \$.0245 is in response to elimination of sales tax hold harmless revenue. Mr. Paris agreed and noted the City is losing \$659,000 in revenue. Mr. Miller added the remaining \$.045 is for the four proposed projects. He asked about the cost of each project. Mr. Paris stated the detail will be provided at the budget workshop. He noted the local match for the coming fiscal year for the Bringle Ferry Road and Newsome Road projects is approximately \$88,000. He indicated for the following fiscal year the match will increase to \$280,000. He added the Transit expansion and enhanced street lighting will cost the City \$40,000 each.

Mayor Woodson asked if the Transit expansion will serve Wallace Commons. Mr. Paris stated it will. Mayor Pro Tem Blackwell pointed out the Transit expansion will also serve the Novant Health sites on Julian Road.

Mr. Miller emphasized the majority of the proposed tax increase is in response to lost revenue. He congratulated staff for its work to reduce solid waste full cost recovery from \$14 to \$8 per household. He noted Council and staff cannot control what the Legislature takes from the City, but previous cuts and efficiency recommendations have helped keep the property tax increase as low as possible.

Mr. Paris thanked the Solid Waste Department for its work to increase efficiency.

Councilmember Kennedy requested the amount of revenue the additional \$1 for solid waste will generate. Mr. Paris noted staff will present the information along with the cost of the new truck and the trash bins at the budget workshop.

Councilmember Alexander stated the new projects will require a \$.045 tax increase. She emphasized the State is paying 80 percent of the cost while the City funds 20 percent. Mr. Paris noted, even with the 80 percent match, over the next two years the City will spend over \$300,000 for the projects.

Mayor Woodson noted he spoke to a citizen today about his concerns regarding pedestrian safety on Newsome Road.

Mr. Miller emphasized the majority of the property tax increase will replace eliminated revenue. He encouraged citizens to let Council know if they support the proposed projects and the proposed property tax increase to fund them.

Mayor Pro Tem Blackwell stated she received calls from citizens thanking Council for moving forward with the new projects. She added many in the area feel they are underserved.

Ms. Alexander indicated it is important for citizens in the Newsome Road/Bringle Ferry Road area to let Council know if the projects will enhance their quality of life. She requested staff provide additional information regarding the State's costs for the projects. She emphasized it is important for the public to understand the total cost of the projects. She added if the projects are important to the community they must be approved while the funds are available.

Mr. Paris noted he reached out to Senator Andrew Brock to request assistance with replacement revenue but has not heard back from him.

Mayor Woodson stated on July 1, 2014 the cost of Fibrant's video package will increase. He pointed out the internet speed will more than double at no charge to the customer. He noted customers can avoid the rate increase by dropping to a lower tier. Mr. Paris pointed out the number of channels will change, and staff will work with the customers to make sure their needs are met.

Mr. Miller asked if the Customer Service Representatives are prepared to help customers with the changes. Mr. Paris stated the Customer Service Representatives are ready.

Mayor Woodson noted Council does not want to lose a single customer. Mr. Miller added staff must work with customers to find the right tier to meet their needs.

Mr. Kennedy asked how the customers will know about the rate increase. Mr. Paris stated the changes will take place in July, and customers will see the change on their August 1, 2014 bill. Mr. Kennedy pointed out staff will have time to notify customers of the change.

Ms. Blackwell indicted the utility is going from six tiers to five. She asked if every subscriber has to decide which tier they would like or if they will roll into the closest corresponding tier. Mr. Paris stated customers will roll into the closest corresponding tier and if they are unhappy they can contact Customer Service to make changes to their account. He added staff will explain the process to Council during the budget workshop.

Thereupon, Mr. Kennedy made a **motion** to set a public hearing for June 17, 2014 to receive public comment on the FY2014-2015 proposed budget. Ms. Alexander seconded the motion. Messrs. Kennedy, Miller, and Woodson, and Meses. Alexander and Blackwell voted AYE. (5-0)

MAYOR'S ANNOUNCEMENTS

(a) "Movies in the Park"

Mayor Woodson announced the Salisbury Parks and Recreation Department will host "Movies in the Park" at City Park Friday, May 30, 2014. Pre-movie activities begin at 8:00 p.m.

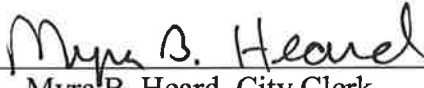
The movie will begin at approximately 9:00 p.m. Bring a blanket or chair to watch the featured movie "Frozen." This free event is sponsored by Fibrant and open to the public.

ADJOURNMENT

Motion to adjourn the meeting was made by Ms. Alexander seconded by Mr. Miller. All council members in attendance agreed unanimously to adjourn. The meeting was adjourned at 10.33 a.m.



Paul B. Woodson, Jr., Mayor



Myra B. Heard, City Clerk