

RECESSED MEETING OF JUNE 7, 2011

Continued
June 9, 2011
10:00 a.m.

The City Council of the City of Salisbury met at 10:00 a.m. Thursday, June 9, 2011, in Council Chambers at City Hall pursuant to the recess of the regular meeting of June 7, 2011, with the following members being present and absent:

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

ABSENT: City Attorney, F. Rivers Lawther.

Mayor Kluttz called the meeting to order. City Manager David Treme provided the invocation.

BUDGET WORKSHOP – GENERAL FUND

City Manager David Treme noted during Council's February Retreat staff projected a \$2.7 million shortfall in the current budget. He stated staff worked to present a balanced budget for FY2011-2012, which included a Reduction in Force for 36 full-time employees, and 11 part-time employees. He noted the proposed budget also recommends a 10% reduction in funding for Special Community Efforts Groups, no merit or cost of living for employees for the third consecutive year, and a 2.8% average water rate increase. He stated the budget also realigns the City government to better fit with revenues available in the General Fund.

Solid Waste Fees

Mr. Treme stated the revaluation undertaken by Rowan County has created a decrease in the tax value in the City, and to maintain a revenue neutral budget, he recommends a \$.052 rate increase. He commented Council expressed concern regarding the proposed tax rate increase to remain revenue neutral, so he asked staff to look at services on an enterprise basis.

Assistant City Manager Doug Paris presented information to Council regarding solid waste fees. He noted the last comprehensive state survey found 75.6% of cities with a population over 5,000 had collection user fees, with the average fee being \$10.53. He indicated Granite Quarry has a \$10.00 per month garbage collection fee, Spencer has a \$15.00 per month garbage fee, and East Spencer charges \$16.33 per month for solid waste collection.

Mr. Paris informed Council that a \$2.20 solid waste collection fee could lower the proposed tax rate increase \$.01. He stated a \$4.40 per month fee would allow the tax rate to be reduced \$.02, and a \$5.00 per month fee would drop the rate \$.022.

Mayor Pro Tem Blackwell noted one of the concerns of the revaluation was that higher priced homes would reduce in value, while the more modestly priced homes would not, and it would create a tax burden for those who could least afford it. She stated the proposed solid waste fee would cost a citizen \$24.00 to save \$12.50 on their tax bill.

Councilman Miller indicated he shares Ms. Blackwell's concern, but Council needs to consider the tax exempt properties that pay no taxes, but still receive the benefit.

Council discussed the pros and cons of instituting a solid waste collection fee:

Con – lower income will bear burden

Pro – user bears cost

Pro – pro-business

Pro – tax bill is one payment, the solid waste fee is spread over 12 months

Mr. Miller noted the current home ownership rate is approximately 60% which indicates 40% are not paying for residential solid waste service.

Councilman Kennedy commented he is not interested in increases, but would like to hear what services can be cut.

Special Community Efforts Groups/Special Projects

Council discussed the proposed 10% reduction for Special Community Efforts Groups.

Councilman Miller noted all of the community groups are important to Salisbury, but he thinks Downtown Salisbury, Inc. (DSI) should be considered differently. He noted DSI contributes to the tax base downtown and its Municipal Service District (MSD) tax revenue will also be affected by the revaluation. He stated DSI is linked to Salisbury, and he would like the DSI budget request to be in a different section of the budget rather than with the Special Community Efforts groups.

Mayor Kluttz agreed and noted DSI is uniquely Salisbury's.

Councilman Kennedy commented the Rufty-Holmes Senior Center takes pressure off of Parks and Recreation by providing services to seniors, and he would like to restore their full appropriation.

City Manager David Treme asked Council if it would like to leave the façade grants at the current level. Mayor Pro Tem Blackwell responded she would, and added she would like to see the grants integrated into the funded budget and not included as part of the Special Community Efforts group.

Mr. Treme asked if Council would like to fund DSI at its current level, rather than proposed 10% reduction level. By Consensus, Council agreed to fund DSI at its current level.

Ms. Blackwell discussed the Rowan Arts Council, and noted 75% of its funds are divided among the Salisbury Symphony, Waterworks Visual Arts Center, and Piedmont Players. She stated the remaining 25% is divided among smaller groups. She commented the Rowan Arts Council has suffered leadership issues and is in the process of reorganization. She indicated she would like to protect the grassroots funds Rowan Arts Council receives from the State, and she proposed Council holds its appropriation of \$40,500 in escrow until progress is made by the Arts Council.

Mayor Klutz commented there have been issues with the Rowan Arts Council in the past, but the grassroots grant money can only come through a designated organization. She stated she would like to see where and when the funds will be used, but she would not want to withhold the money for the top three groups who receive their funds from the City through the Arts Council.

Mr. Treme indicated the City can hold the funds for the Arts Council and find an equitable way to pay the allocations for the groups.

Mr. Treme asked Council if it wished to restore Rufty-Holmes Senior Center to its current funding level. By Consensus, Council agreed to fund Rufty-Holmes at its current level.

Other Services

City Manager David Treme pointed out the General Fund includes a 3% contribution to employees 401(k), and 5% for Police 401(k). He noted if this contribution for general employees was reduced 1% it would equal \$108,000. Council discussed the recent increase in the retirement rate mandated by the State for local government employees. Mr. Treme noted the rate remained steady for many years, but when the economy went down the Retirement Fund did as well, and increases were mandated the past two years. He noted this year the increase was smaller than the year before, because the fund is starting to slowly recovery.

Mr. Treme noted a 1% bonus is given to employees at Christmas, and this has been included in the budget for the last 30 years. He indicated the bonus equals \$157,352.

Councilman Miller asked how much one penny on the tax rate equals. Assistant City Manager John Sofley responded one penny equals \$259,296.

Mr. Sofley reviewed services, and noted the \$.052 increase in the tax rate equals \$1,348,339, which is what is required to be revenue neutral. He pointed out staff has already reduced personnel and cut \$2.7 million from the budget, and at this point further cuts might require the elimination of services entirely.

Mr. Sofley discussed services that are optional and pointed out limb and leaf pick-up is one of those services. He noted this service costs approximately \$212,000 for the limb pick-up, which is a year-round service. He stated the leaf pick-up usually takes place October through spring and costs approximately \$153,000. Public Services Director Tony Cinquemani indicated the cost of the services also includes processing the materials once they are picked-up and storage of the materials.

Councilman Kennedy asked how much of the limb and leaf debris is created by tree experts. Mr. Cinquemani responded that the debris created by tree experts is not significant, and the trees still come from citizen's property.

Mayor Pro Tem Blackwell asked if there is a market for the limbs once collected. Mr. Cinquemani noted the market is flooded with materials right now, and the City is not allowed to take the limbs and leaves to anyone who is not permitted by the North Carolina Department of Natural Resources, and there are only two in this area.

Mayor Klutz commented that Salisbury is a Tree City USA and citizens are concerned about appearance. She noted when Council tried to cut tree and limb service in the past citizens became upset. She added it was evident from the last citizen survey results that citizens are very proud of the City's Public Services.

Mr. Miller indicated he does not want to cut the service, but in order to understand the issue, would like to see how the user fee approach would work. Mr. Sofley stated the fee would take into account the number of households billed for residential garbage service.

Mr. Sofley stated Transit is another service area to consider. He noted the City contributes over \$400,000 for transit services, and added this amount does not include a match for the Lash Drive route if grant funds are received. He indicated many of the people who use transit are those who cannot afford a vehicle, and historically if the fee is raised ridership decreases.

Mr. Cinquemani stated a \$.20 increase in the rider fare would generate approximately \$19,000 worth of revenue. He pointed out there is a 50% reduction in the

fare for the elderly and those with special needs. Ms. Blackwell asked if the elderly population was higher for bus ridership. Transit Manager Rodney Harrison responded the elderly make up approximately 30% of the rider population.

Mr. Sofley informed Council Parks and Recreation was cut significantly with the realignment of staffing. Parks and Recreation Director Gail Elder White noted 2 full-time, and 11 part-time positions were lost, which has caused a change in the hours of operation for the centers, as well as staff options. She stated the centers are not open as many hours as their previous schedules, and a few of the summer camps were eliminated. Mr. Sofley pointed out if one of the park centers was closed, it would still have costs associated for maintenance of the facility.

Technology Replacement Schedule

Mayor Pro Tem Blackwell asked if the Technology Replacement Schedule could be deferred one year, from a three-year cycle to a four-year cycle. She noted the 32 Police laptops scheduled for replacement would still need to be replaced, and she asked Mr. Sofley how much a four-year replacement schedule would save this year. Mr. Sofley indicated it would save \$113,000 over the year. He explained the computers are purchased through a Capital Equipment Fund and then the cost is allocated back to the department.

Councilman Miller suggested trying a four-year cycle this year and then returning to a three-year cycle when funds are available.

Capital Reserve Fund

Councilman Kennedy commented the proposed tax increase of \$.052 equals \$1,340,399, and the Capital Reserve Fund has \$1.8 million budgeted for transfer from the General Fund to the Capital Reserve Fund. He asked if this could be deferred one more year. Mr. Sofley explained this fund was started 25 years ago, and he fears if it is deferred it will be hard to reinstate it. He noted funds are transferred from the General Fund to the Capital Reserve fund to pay for equipment such as police vehicles, which have already been purchased. He noted this money is allocated each year so there is not one large impact on the budget when a large purchase, such as a fire truck, needs to be made. He stated the City uses the fund as a means of self-financing the capital purchases. He indicated as the funds are allocated back from the departments, the funds are returned to the Capital Reserve Fund to help cover the next year's purchases.

Councilman Miller commented the City's audits indicate staff has done an excellent job of managing the budget, and part of this is putting money aside each year to make the budget manageable.

Mr. Kennedy suggested staff revisit the figures to see which areas can be deferred or cut, because he will not support a \$.052 tax rate increase.

Fats, Oils, Grease Grants

Mayor Pro Tem Blackwell noted \$25,000 has been allocated for Fats, Oils, and Grease (FOG) grants. She questioned if this is necessary when many businesses have not participated in the program.

Mr. Sofley indicated the funds from the FOG grants come out of the Water/Sewer fund, rather than the General Fund.

Civic Center Pool Project

Mayor Pro Tem Blackwell questioned the \$50,000 allocated for the Town Creek Park Development. Parks and Recreation Director Gail Elder White noted this is for the development of a pool at the Civic Center, but this project has been in the planning stages for many years and could be delayed.

Fisher Street Bridge Maintenance

Councilman Woodson asked about the funds allocated for Fisher Street Bridge maintenance. Engineering Director Dan Mikkelson stated the original estimate for the bridge repairs is \$303,000, and the repairs can be divided over 2 years. He noted the cost would be less for this particular year, but the overall cost could increase.

Mayor Kluttz asked if there is a chance the bridge would have to be closed if the repairs are delayed. She noted the Horah Street railroad crossing will soon be closed, and it would impact citizen's ability to cross this side of town if the Fisher Street Bridge is closed. Mr. Mikkelson stated there is a possibility the bridge would be closed if the repairs are not made.

General Discussion

Mayor Pro Tem Blackwell stated Council was presented with information regarding employee's 401(k) contributions and other employee-based items, but she does not want to lose the quality staff the City has or impact their quality of life any further.

City Manager David Treme asked Council if there is an interest in instituting a limb/leaf fee. He noted a \$3.74 per month fee would reduce the tax rate increase \$.017.

Councilman Miller commented the solid waste fees or limb/leaf fees would reduce the tax rate, but increase fees to remain revenue neutral. He asked if there is more that can be done to reduce costs so additional revenue is not needed.

Ms. Blackwell noted as staff prepares information for Council to continue the budget worksession tomorrow, she would like staff to quantify the discretionary fund and indicate how the funds have been used in the past.

Councilman Kennedy also asked staff for information regarding the City's percentage of Fund Balance. Mr. Treme noted the Council's policy is to retain 10% or more in Fund Balance.

Mr. Kennedy also requested information to show how the proposed water/sewer rate increase can be reduced.

Old Wilkesboro Road Sidewalks

Mr. Kennedy stated he has requested sidewalk between Old Wilkesboro Road and Brenner Avenue for 18 years. He noted staff has indicated it would cost \$71,000 to include the sidewalk, and he would like this to be included in the budget.

WATER/SEWER FUND

Utilities Director Jim Behmer indicated Salisbury-Rowan Utilities (SRU) has seen revenues decrease, and also lost 5 positions in the Reduction in Force restructuring. He noted one of the positions lost was in the lab, because it was changed from a commercial lab to a residential testing lab. He stated expenses have been deferred to help reduce costs, and the fund will absorb the China Grove water system operations. He indicated there has been a 32% increase in gas and oil which has impacted the budget. Mr. Behmer stated debt service equals 27% of the operational budget for SRU, and personnel 20%.

Mr. Behmer stated one of SRU's top priorities is the FOG program, and an estimated 50 businesses will complete the process this year. He commented the \$25,000 FOG grant could be reduced, but he thinks many businesses wait until the last minute to take action regarding the FOG mandates.

Mr. Behmer stated the 2.8% average increase will increase an average user's \$72.00 bill to \$74.00, and he noted there is no minimum usage charge. He pointed out this is the lowest rate increase requested in the past 8 years.

Councilman Woodson asked if water usage goes down as rates go up. SRU Management Analyst Shannon Moore stated staff has found the usage rate has remained flat over the past 5 years. Mr. Behmer indicated families still have essential water usage and needs.

Mayor Pro Tem Blackwell indicated she reviewed SRU's rate against cities of the same size, cities that use the same water source, and cities that serve the same number of customers, and SRU was not out line in its rates.

Mr. Behmer stated SRU uses a single rate system where each user pays the same rate, and he noted industries have indicated their appreciation that SRU has no impact fees.

Mr. Woodson questioned the tap fees for businesses locating downtown because the cost to install sprinklers in the older buildings is cost prohibitive. Councilman Miller stated this issue is being reviewed, and staff is looking at proactive solutions.

REVIEW OF IDENTIFIED ITEMS

Mr. Sofley reviewed the list of items identified by Council for possible deferments or cuts, and for additional information:

- Technology Replacement Cycle from 3 to 4 years - \$113,000
- Town Creek Park - \$50,000
- Discretionary Items – show detail
- Fund Balance Percentage
- Add Old Wilkesboro Road Sidewalks - \$71,000
- Add – Waste Collection Fee
- Add – Limb/Leaf Pick-up - \$3.74 per moth
- Transit
- Community Contributions
- Defer Maintenance/Capital Equipment Projects
- Facilities

Mr. Sofley reiterated the transfer from the General Fund to the Capital Reserve Funds pays for what has been purchased, not what is scheduled to be purchased.

Mr. Treme indicated staff will return with more information and see what can be addressed to reduce the proposed tax rate.

CLOSED SESSION

There being no further business, Mayor Kluttz requested a motion to go into closed session concerning a personnel matter as allowed by NCGS 143-318.11(a)(6).

Thereupon, Mr. Kennedy made a **motion** to go into closed session. Mr. Woodson seconded. Messrs. Kennedy, Miller, and Woodson, and Mses. Blackwell and Kluttz voted AYE. (5-0)

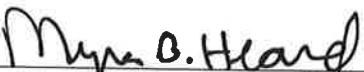
RETURN TO OPEN SESSION

Thereupon Mr. Woodson made a **motion** to return to open session. Mr. Miller seconded the motion. Messrs. Kennedy, Miller, and Woodson, and Mses. Blackwell and Kluttz voted AYE. (5-0)

Mayor Kluttz announced Council took no action in Closed Session.

RECESS

Thereupon, Mr. Woodson made a **motion** to recess the meeting until Friday, June 10, 2011 at 10:00 a.m. in Council Chambers at City Hall, 217 South Main Street. Ms. Blackwell seconded the motion. Messrs. Kennedy, Miller, and Woodson, and Mes. Blackwell and Kluttz voted AYE. (5-0) The meeting was recessed at 2:09 p.m.



Myra B. Heard, City Clerk



Susan W. Kluttz, Mayor