

RECESSED MEETING OF JUNE 1, 2004

Continued
June 9, 2004
9:00 a.m.

The City Council of the City of Salisbury met at 9:00 a.m. on Wednesday, June 9, 2004, in the Council Chambers at City Hall pursuant to the recess of the regular meeting on June 1, 2004, with the following members being present and absent:

PRESENT:	Mayor Susan W. Kluttz, Presiding; Mayor Pro Tem, Paul B. Woodson, Jr.; Councilmen William (Bill) Burgin; William (Pete) Kennedy; Mark N. Lewis; City Manager, David W. Treme; City Attorney, F. Rivers Lawther, Jr.; and City Clerk, Myra B. Heard.
ABSENT:	NONE

Mayor Kluttz called the meeting to order. Councilman Burgin provided the invocation.

BUDGET WORKSHOP

Salisbury-Rowan Utilities

Councilman Burgin noted that the City is in the middle range of costs with area utilities for residential rates and asked how the City compares on commercial and business rates. City Manager David Treme explained that Salisbury uses a single rate for all customers and uses a demand commodity approach. He discussed declining rate blocks and flat rates and noted that each community has their own twist on their rate schedules. Mr. Matt Bernhardt, Assistant City Manager for Utilities, recommended using a consultant if Council wished to modify its rate structure. He stated that the declining block rate structure is not used as often as in the past as more textile mills are closing.

Mr. Bernhardt distributed a chart showing water production and sales over the past several years. He commented that Salisbury-Rowan Utilities is competitive and will continue to look better in the future. Mr. Bernhardt told Council that the state of North Carolina advocates an inverted block rate schedule which is conservation oriented.

Mr. Treme stated that the water and sewer rates have not been a factor for businesses and feels that enticements for large users will be incentives through tax abatements, cost of land and state level incentives. He added that the City's rates are reasonable for this region.

Mayor Pro Tem Woodson stated that he felt a 9.77% increase was too high and he could not support it.

Councilman Lewis noted the following:

9.77%	Proposed Increase
1.36%	Percentage for Security
<u>2.00%</u>	Percentage for Economic Incentives
6.41%	Remaining Increase

He asked Council which portions of the rate increase should be cut if the rate is reduced. Mr. Lewis commented that the more items that are deferred the more they will cost in the future.

Mr. Burgin stated that he could support the 9.77% increase as the City will remain in the middle range for both residential and commercial for other utilities in the region.

Councilman Kennedy commented that the water system was built for the future and there is a great deal of fixed costs but he can not support a 9.77% increase. He stated many people can not afford the increase in this economy. He added that perhaps not all of the security or economic incentives will take place in one year and he stated that he could support a 6.41% rate increase.

Mayor Kluttz stated that the money that has been put into the utility is to prepare for the future and for growth and it is just not here yet because of the economy. She added that this is an investment for the future.

Mr. Kennedy said that Council should decide on a rate and allow Mr. Treme to decide how the money is used. Mr. Woodson stated that he could support a 6.41% rate increase.

Council discussed which parts of the recommendation will be included in the budget using a 6.41% rate increase. Mr. Treme informed Council that the reduction in the rate increase will most likely be taken from plant maintenance, inflow and infiltration and employees.

By consensus Council agreed for Mr. Treme to prepare a budget proposal using the revised rate.

General Fund

Mr. Tremé noted that one of the largest needs is to attract and retain employees and feels this is important before new people are added.

Ms. Melissa Taylor, Human Resources Director, reviewed information for revising and updating the compensation plan and the employee benefits program. She noted a market study which compared sixteen (16) other cities and counties and pointed out that this year a request is presented for an average seventeen percent (17%) salary adjustment. Ms. Taylor told Council that there have been no full salary adjustments since 1990.

Ms. Taylor reviewed the minimum, middle and maximum levels for implementation of the salary adjustments.

Minimum	\$375,000	\$487,500 with fringe benefits
*compression reduction	\$450,000	\$585,360 with fringe benefits

Medium
100% compression reduction \$660,000

Maximum
Range placement restoration \$1,400,000 (no fringe benefits)

Ms. Taylor asked Council to give consideration to the \$585,360 which was recommended in the budget. She noted that if adjustments are not made the City will have a hard time maintaining and attracting quality employees.

Mr. Tremé noted that \$585,360 for salary adjustments has been recommended in the budget, along with an average four percent (4%) merit increase. He told Council that one percent (1%) of merit equals \$87,000; two percent (2%) equals \$174,000; three percent (3%) equals \$261,000; and four percent (4%) equals \$348,000.

Mr. Kennedy stated that revenues have been recommended for a tax on vehicles, garbage collection for roll-outs and \$.02 in taxes. He said that while no one wants increases if there is an increase on property taxes it can at least be deducted on personal income taxes. He added that he felt he could support the \$.02 tax increase but not the other recommendations.

Mr. Tremé pointed out that cutting the \$10.00 vehicle tax will mean \$200,000 less for roads.

Mr. Kennedy stated that in the past few years citizens were told that the City can not pave because the Governor took funds away, but the Governor is not taking money this year. Mr. John Sofley, Finance Director, clarified that the Governor is still taking Powell Bill funds through the Highway trust fund. He added that the State took a greater portion of the funds to balance the State budget and the amount given to municipalities has been reduced.

Mr. Tremé offered for Council's consideration a plan to create a waste collection enterprise system for commercial and residential roll-out with a four (4) year or three (3) year phase-in.

Mr. Burgin stated he is concerned that the City has salary compression and he is willing to support a two percent (2%) merit and the minimum salary adjustment of \$487,500. He added that he did not like the garbage collection tax and would rather raise property tax than institute the garbage fee.

Mayor Kluttz stated that she could not support the garbage fees. Mr. Lewis agreed stating that although the flat fee will be more equitable it will adversely affect those who can not pay. By consensus Council agreed to take the garbage fee out of the budget.

Mr. Burgin said that he can support the vehicle tax because the roads have to be improved. Mayor Kluttz noted that this tax makes sense since the vehicles damage the roads.

Mr. Tremé noted that Council does not want a garbage collection fee which will reduce the money needed to balance the budget by \$693,000. He pointed out that if \$585,360 for salary adjustments and two percent (2%) merit is included in the budget it will require approximately a four and half cent (\$.045) tax increase. Mr. Burgin stated that he understood the minimum on salary adjustments to be \$487,500 and Mr. Tremé agreed noting that it did not address compression.

Mr. Lewis said that he would like to see how Salisbury's tax rate compares with other municipalities. Mr. Tremé stated that some of the cities are a bit lower because they have an electric utility which keeps the tax rate artificially low.

Mr. Tremé asked for Council's direction with the figures they can support. After discussing various rates Council asked Mr. Tremé to prepare a budget showing both a three cent (\$.03) and three and a half cent (\$.035) tax increase along with the \$10.00 vehicle tax before the budget public hearing.

ADJOURNMENT

Motion to adjourn the meeting was made by Mr. Burgin, seconded by Mr. Lewis. All council members agreed unanimously to adjourn. The meeting was adjourned at 11:25 a.m.

Mayor

City Clerk