

## RECESSED MEETING OF MAY 16, 2006

Continued  
May 23, 2006  
10:00 a.m.

The City Council of the City of Salisbury met at 10:00 a.m. Tuesday, May 23, 2006 in Council Chambers at City Hall pursuant to the recess of the regular meeting May 16, 2006, with the following members being present and absent:

PRESENT: Mayor Susan W. Klutz, Presiding; Mayor Pro Tem, Paul B. Woodson, Jr.; Councilmen William (Bill) Burgin; William (Pete) Kennedy; Mark N. Lewis; City Manager, David W. Treme; and City Clerk Myra B. Heard.

ABSENT: City Attorney, F. Rivers Lawther

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

### **BUDGET WORKSHOP**

City Manager David Treme proposed an order for discussion to cover some of the major issues affecting the proposed budget presented to Council. Staff presented information to Council in regards to each area.

#### Recycling Fees

Mr. Tony Cinquemani, Interim Public Services Director, informed Council that the City's current recycling contract will expire in October 2006. The current vendor increased rates 8.85% on January 1, 2006 and has proposed a sixty-eight (68) percent increase when the contract is renewed. He stated that staff recommends increasing the current rate from \$1.66 to \$1.82 for the remainder of the contract and soliciting bids from other vendors when the contract expires in October.

Mr. Cinquemani noted that staff evaluated other options to provide this service, including bringing the service in-house but found it was not financially feasible. He stated that other considerations Council could review are discontinuing curbside recycling, modifying the collection schedule or creating drop-off centers.

Council agreed to increase the fees for the remaining three (3) months of the contract in the new fiscal year and soliciting proposals for a new contract in October. Council also asked staff to solicit proposals that include once a week collection, bi-weekly collection and monthly collection in order to have the cost of each schedule.

Councilman Burgin noted that Rowan County has a drop-off facility at the County Fairgrounds and perhaps the County would be interested in a partnership for use of the center.

#### Front-End Collection

Mr. Cinquemani explained that front end collections are used strictly by businesses and was a service provided by the City until the mid 1980s. At that time it was determined that companies who specialized in this type of service could provide the service less expensively so the City began to contract it out. He informed Council that the current contract will expire October 2006 and the current vendor has proposed a thirty-six (36) percent increase in the contract price.

Mr. John Sofley, Management Services Director, explained that the current fee schedule is comprised of a collection fee of \$10.00 plus a volume fee of \$5.05 per container yard. He noted that the City currently pays a subsidy for this service of \$44,484 annually. He stated that staff recommends combining the fees into one single fee. Staff also recommends covering the existing contract until it expires in October 2006, with the same subsidy of \$44,484, and soliciting proposals for a new contract at that time. Council discussed reviewing the pick up schedule as with the recycling contract. Mr. Cinquemani stated that the City only picks up once per week and if any additional pick ups are needed the customer works directly with the contractor for the pick up and is billed by the contractor. Mr. Sofley pointed out that the current contract charges a flat fee per container regardless of size and when staff requests bids for a new contract they will ask that the proposals take container size into consideration. Council agreed to re-bid the contract, develop the single charge, and establish a container charge per size all with the existing subsidy provided by the City.

#### Fuel Usage

Mr. Sofley indicated that fuel usage for the City includes not only gas but also oil and biodiesel. He reviewed charts depicting the average monthly fuel usage by area, annual fuel purchases, total monthly cost versus average price per gallon, annual fuel costs, annual fuel budgets and an analysis of the impact. Deputy Police Chief Steve Whitley, Salisbury-Rowan Utilities Finance Manager Mike West, Interim Public Services Director Tony Cinquemani, and Fire Chief Bob Parnell each explained the efforts undertaken by their departments to conserve fuel and address the rising fuel costs.

Mr. Treme noted that there is a concern with the use of biodiesel as it is currently averaging ten (10) cents higher than regular diesel although the

benefit of better air quality is also an important consideration.

Councilman Kennedy noted that several citizens have suggested that City-owned vehicles, such as Police cars, not be allowed to be taken home. Mr. Treme stated that staff has studied this issue several times and found that there is no cost savings. He explained that the City keeps its Police vehicles for ten (10) years and has found that by assigning one (1) driver per vehicles rather than rotating drivers and keeping the car on the road reduces costs for vehicle replacement. He pointed out that a take home vehicle is also considered part of a Police Officer's compensation package and if an Officer lives more than five (5) or six (6) miles out of the City limits the cost of fuel beyond that distance is deducted from their pay.

Mayor Klutz noted that Deputy Chief Whitley referred to the Police response to false alarms being at eight (8) percent of their calls and noted that she feels it is time to look at the Alarm Ordinance to address this.

Mr. Kennedy commended staff for reducing their use of fuel and Councilman Lewis commented that the issue of connectivity also plays in the issue of fuel consumption.

Mr. Treme noted that he is recommending a one (1) cent property tax increase to cover the increased cost of fuel. He added that staff will also study the use of smaller vehicles, the City's take-home policy, economizing routes and the False Alarm Ordinance.

Mr. Lewis referred to the Transit System and how this might impact its necessity. Councilman Burgin commented that he feels the City has a responsibility to provide transportation for citizens who cannot afford cars and noted that the Federal and State governments carry the bulk of the expense. Mr. Cinquemani reviewed the Transit costs and the portions that are funded by the City. He stated that staff has studied ways to make the routes more efficient and noted that ridership has increased as fuel costs have increased. Mr. Kennedy commented that the subsidy by the City must be weighed with the benefits derived, not only of those who need transportation, but by local businesses who have customers and employees who use public transportation.

#### Fire Station 4

Fire Chief Bob Parnell informed Council that Fire Station 4 is anticipated to be complete by December 31, 2006. He noted that staff was hired in April to help man the station and reviewed the operational costs:

Budget for FY2006-07	
Employee Related	\$353,228
Office & Building	\$21,259
Utilities	\$8,293
Vehicle/Equipment	7,087
Total Annual Costs	\$389,867

It was noted that a one and one half (1.5) tax increase would generate \$350,286. Council discussed \$100,000 which is being proposed to come from fund balance to pay for capital to furnish and equip the station. Councilman Lewis asked if the current fund balance figure includes having paid for the Fire Station. Mr. Sofley responded that the City has entered into a contract for the construction and set aside a Capital Budget but the money has not been expended. Council discussed the amounts discussed during last year's budget session to be taken from the fund balance and requested a detail of the fund balance figure for this year.

#### Human Resources

Human Resources Director Melissa Taylor informed Council that the proposed budget includes funds for an average three (3) percent merit raise for employees, which totals \$255,587. Other impacts are five (5) new full-time employees and two (2) temporary part-time employees. She informed Council that health insurance costs have risen by eleven and nine tenths (11.9) percent and staff worked with the provider to change the co-pays in order to reduce the increase to nine and eight tenths (9.8) percent. She stated that staff hopes to develop a business plan to address medical insurance options in the future. She noted that there are also two positions being recommended in lieu of contracts which will result in a savings for the City.

#### Salisbury-Rowan Utilities

Mr. Mike West, Salisbury-Rowan Utilities Finance Manager, reviewed the proposed operating budget for Salisbury-Rowan Utilities (SRU). He stated that staff is recommending a rate increase of 7.45% and noted that the factors affecting the increase are debt service, increased operational costs and loss of sewer revenue.

Mr. West reviewed the debt service for SRU capital projects and noted that the City entered into an agreement for the I-85 Sewer Interceptor Project which will have an impact on the debt service. Other projects include the replacement of a plate-frame press with a belt filter press at the Town Creek Wastewater Treatment Plant, and Digester renovation at the Grant Creek Wastewater Treatment Plant.

Mr. West referred to a chart depicting those things attributing to the 7.45% rate increase.

- 3.45% Operation Impacts
  - Defending Water Rights – 1.45%
  - Wages and Benefits – 1.02%
  - Maintenance and Repairs – 1.02%
  - Gas and Fuel Increases .27%

- Other .09%
- 2.7% I-85 Debt Service
- 1.3% Reduced Wastewater Sales

Mr. West stated that in the past year two hundred thirty-two (232) water accounts were added equating to 1.45% growth and one hundred fifty-two (152) sewer accounts were added equating to 1.09% growth. He noted that the rate model is based on sixteen thousand two hundred twenty-eight (16,228) water accounts and fourteen thousand fifty-four (14,054) sewer accounts.

Mr. West reviewed staff conclusions for Council:

- Last year, SRU held back over \$600,000 in expense to meet year-end budget, yet still dipped into the red
- For this year's budget (2005-2006) SRU reduced the rate increase by over \$400,000 per Council's request – with the understanding that \$200,000 was possibly a temporary cut-back
- Legal services and chemicals were the two (2) line items that SRU tried to scale back
- Currently, SRU is under a spending freeze to make this year's budget
- SRU has doubled the capacity of its water system from twelve (12) to twenty-four (24) million gallons per day (MGD) and are well-positioned to handle Rowan County's growth needs
- SRU is still working towards the "economy-of-scale" which means increasing water sales through system expansion or growth of the customer base or both
- Continue exploring the diversification of revenues through new services

Councilman Burgin commented that he has looked closely at the SRU budget for the past several years and he feels the SRU staff has done a good job. He stated that Council voted to extend sewer on I-85 and must also defend its water rights, all of which has to be paid for. He added that he feels all the items shown are reasonable and as unhappy as he is with increases he is happy with what has been presented and sees no way to have done any better.

Councilman Kennedy stated that he does not like increases but compared to what the City provides and what consumers spend for bottled water he can agree with the increase.

Councilman Lewis asked if \$400,000 noted for the I-85 debt service will be the budgeted amount every year. Mr. Sofley responded that that this is the amount needed to get started with preliminary work so the project can be bid and bonds sold. Mr. Lewis asked if Council could anticipate an increase in subsequent years to continue its investment in the project. Mr. Sofley responded that there could potentially be an increase. Mr. Lewis commented that in looking at the core figure and not including the defense of the water rights and the I-85 project, the increase is only two (2) percent, which is less than the inflation rate.

#### Customer Resource Center

Ms. Merenda Overcash, Technology Services, provided an overview of Citizen Resource Management (CRM) software and noted that it will enable staff to handle a citizen request from any location no matter which department it relates to and will allow a request or work order to be tracked until completion. Councilman Lewis asked how many calls are received per week. It was noted that during FY2006 eighty one thousand (81,000) calls were received just by water/sewer billing. Mr. Lewis asked if other cities currently use the software. Mr. Mike Crowell, Technology Services Manager, stated that many cities use the software for one or two specific departments, but Salisbury would be one of the few to use it Citywide.

Councilman Burgin asked about the budgetary impact of the software. Mr. Sofley stated that it would have a \$27,000 impact in this year's budget and \$54,000 for the next four (4) years. Councilman Lewis pointed out that it is a total of \$500,000 for the software.

#### General Discussion

Council discussed the fund balance and Mr. Treme indicated that he felt the City's was low. He noted that the Local Government Commission requires an eight (8) percent fund balance and has actually recommended the City improve its fund balance. Council discussed one time revenues along with expenditures that are budgeted but not expended and their impact on the budget.

Councilman Lewis commented that many of the municipalities in the County, as well as Rowan County, are using money from their fund balance to help balance their budgets and added that he feels an obligation to the citizens of Salisbury to look at the same possibility. Mr. Treme reiterated that he feels the fund balance is low but Council, as elected officials, have the discretion of looking at its use.

Council agreed that they need more time to study the budget and indicated a need to meet with staff to have questions answered. Mayor Klutz commended staff for the budget that has been presented and for its high level of service and noted that Council now has to decide if it wants to raise taxes or if it can afford the level of service recommended. Council agreed to meet on May 24, 2006 with Mr. Treme and the Management Services Finance staff to review Council questions regarding the budget.

#### RECESS

A **Motion** to recess the meeting until Wednesday, May 24, 2006 at 9:00 a.m. in Council Chambers, 217 South Main Street was made by Mr. Burgin, seconded by Mr. Kennedy. All council members agreed unanimously to recess the meeting. The meeting was recessed at 2:10 p.m.

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Mayor

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City Clerk