

Salisbury, North Carolina
June 7, 2022

SPECIAL MEETING

PRESENT: Mayor Karen K. Alexander, Presiding; Mayor Pro Tem Tamara Sheffield, Council Members Harry McLaughlin, David Post, and Anthony Smith; City Manager Jim Greene, Jr., City Clerk Kelly Baker; and City Attorney J. Graham Corriher.

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 Alexander at 5:00 p.m. A moment of silence was taken.

ADOPTION OF THE AGENDA

Thereupon, Mayor Pro Tem Sheffield made a **motion** to adopt the Agenda as presented. Mayor Alexander, Mayor Pro Tem Sheffield, Councilmembers McLaughlin, Post, and Smith voted AYE. (5-0)

FY 2022-2023 BUDGET

City Manager Jim Greene, Jr. recognized Interim Manager Brian Hiatt and Finance Director Wade Furches who previously presented the FY2022-2023 proposed budget.

Mr. Hiatt noted the total City budget is \$93,381,414, which includes the General Fund and Enterprise Funds. He reviewed a summary of the proposed recommendation:

- No property tax increase
- \$10 increase in Municipal Vehicle Taxes to address street resurfacing needs
- No increase in sanitation fees
- \$.25 increase in Stormwater rates per the Master Plan recommendation to \$4.41 per monthly Equivalent Runoff Unit (ERU)

- 4.2% increase in Water and Sewer rates
 - An average residents increase of \$2.49 per month
- Modest increase in tap fees

Mr. Hiatt pointed out the sales tax projections were very conservative and there is potential later in the fiscal year to appropriate additional sales taxes if revenues continue to be strong. He added staff included a list of items that could be added if there was additional sales tax available.

Mr. Hiatt stated staff recommends a Fund Balance appropriation of \$2 million which is mainly for one-time expenditures, but also includes \$600,000 for compensation purposes.

Mr. Hiatt added the City has \$5.6 million still available in its American Rescue Plan Act (ARPA) funds. He indicated staff recommends using approximately \$4 million in ARPA funds for the following:

- \$1.2 million for Parks and Recreation
 - Miller Recreation Center expansion, Hall, Gym improvements, Fred Evans Pool short-term updates, and City Park building renovations
- \$1 million for Civic Center replacement or improvements
- Remaining funds are available for future appropriation
- \$425,853 in additional ARPA funds available for transit

Mr. Hiatt pointed out increased funding for programming is included in the Parks and Recreation budget to meet Council's priority. He reviewed examples of expenses:

- Appropriations in all funds for compensation and adjustments including the pay study
- \$5 million for vehicle and computer replacements
 - Including one fire truck that will be financed
- Two new recreation aids and a Professional Assistance for Diversity Equity and Inclusion (DEI)
- Comprehensive Housing Strategy and Uniform Construction Codes
- Microtransit pilot

Mr. Hiatt noted expenses that were updated due to inflation:

- Asphalt = 23%
- Concrete = 8%
- Herbicide = 350%
- Grass Seed = 240%
- Stormwater pipe = 60%
- Stone/Gravel = 6%
- Electricity = 16%
- Water/Wastewater treatment chemicals = 88%
- Gas prices up over \$1.50 per gallon from last year at this time

Mr. Hiatt noted due to changes in North Carolina law funding has been set aside in Council's budget for appropriations to external community agencies, but not specified for specific agencies.

Councilmember Post referenced the proposed vehicle tax increase, and he pointed out the state allows \$30 and the City is currently charging \$10. He added staff recommends an increase to \$20, and he asked why the recommendation was not \$30 to help meet the paving needs. Mr. Hiatt indicated the final amount is Council's decision, and he noted the increase in asphalt prices will affect the City's ability to complete more projects. He commented the City is experiencing growth which adds additional streets to the maintenance system. He stated it is important to make sure the older streets are in good shape because in 15 to 20 years they will need to be resurfaced. He pointed out the state will have the same problem with their streets and Powell Bill funds will not go as far as they have in the past due to the increased costs of asphalt.

Mayor Pro Tem Sheffield asked about the additional revenue from the increased vehicle tax. Mr. Furches noted the increase will generate approximately \$120,000.

Councilmember McLaughlin referenced the increase in asphalt cost, and he asked if the City will be able to pave the same or fewer streets. He added he received many calls from citizens regarding street conditions. Mr. Hiatt noted it would be difficult to determine, and he pointed out with the increase in asphalt costs it may just break even. Councilmember Post noted the proposed increase in vehicle tax will hopefully maintain the current level. Mr. Hiatt explained asphalt is a petroleum-based product and gas prices continue to increase.

Mayor Pro Tem Sheffield asked about the increased number of cell-phone stipends. Mr. Furches stated cell phone stipends are currently paid out of the salary line item, and he pointed out in the future the cell phone stipends will be posted to a separate line item.

Mayor Pro Tem Sheffield requested a comparison of the current and proposed fee schedules. She asked about a stipend or some type of consideration for those who volunteer to serve on City Boards and Commissions. She referenced the new chairs for Council Chambers and added she would forego the chairs for alley beautification and parking lots. She also pointed out a large increase in the environmental protection line item, and she requested clarification. Mr. Furches explained the increase is due to budgeted vehicles, including two garbage trucks at approximately \$400,000, price increases at the landfill, and fuel costs.

Mayor Pro Tem Sheffield pointed out the City has an increase in population, but the average income in the City decreased by approximately \$4,000. She asked about the drivers for the decrease in income, and she added Council is considering an increase in fees due to cost increases which could impact the marginalized who live in the City. Mr. Hiatt noted staff will pursue the source of the statistic.

Mayor Pro Tem Sheffield asked how a final decision can be made regarding the Fire Department budget when the pay study is not completed. Mr. Furches stated there is a special line item included in Human Resources for approximately \$1.4 million to address Fire Department salaries and Social Security, if the Fire Department votes to contribute to Social Security. Mr.

Hiatt pointed out all positions are budgeted at 100% with no turnover factor which creates a cushion for other increases.

Councilmember Smith noted staff tends to make conservative projections, and he asked about the process for the City if a recession takes place. Mr. Hiatt explained it would require cutting even more from the existing budget. He pointed out the personnel and operational line items in the General Fund for all departments are very tight and have been cut due to previous year's challenges. He commented if a recession hits in mid fiscal year, action must be taken. Mr. Greene noted he will work closely with Finance staff to review state and national trends to determine how the budget will be impacted.

Mr. Hiatt pointed out the City received \$5.6 million in ARPA funds which is less than \$10 million and can be used to pay salaries instead of projects. Mayor Alexander indicated the deferred list of projects has not been implemented and the ARPA funds could be allocated until the sales tax trend is more certain.

Mayor Pro Tem Sheffield asked about the status of the Fisher Street Bridge. Mr. Hiatt stated a public input process will take place regarding the bridge and then Council will make a decision based on the information it receives. He added if Council chooses to replace it with a bridge for vehicular traffic funds would need to be allocated. Mayor Alexander asked if the Fisher Street Bridge is included in the budget. Mr. Hiatt commented the bridge is not included in the budget.

Mayor Pro Tem Sheffield requested a Capital Improvement Plan (CIP) be presented to Council once the budget is completed. Mr. Greene agreed and noted there are opportunities to look at the CIP process.

Mayor Alexander noted at one point the City had many more employees than it has right now even though the work load has increased. She commended staff for all it does for the City. Mr. Hiatt commented City employees are doing a great job. Mr. Greene agreed, and he noted the community is growing and additional staff will be needed to provide the quality services customers expect. He added there is work to do regarding the pay study, and he added staff is committed to implementing the plan. Mr. Hiatt agreed there is a need for new personnel.

Mayor Alexander asked if a \$30 vehicle tax would help provide the match to receive the maximum amount of Powell Bill funding. She added she would support doing what surrounding communities are doing because remaining at the current rate would actually set the City back because of inflation.

Councilmember Post noted the increase would provide \$120,000 which is a small amount to make an impact on the roads.

Mayor Pro Tem referred to value of one cent of Salisbury's tax rate versus other communities and pointed out the City has the highest tax rate with lowest rate of return. She commented one of the most important things the City Manager can do is grow the tax base. She added growing the tax base will make a difference for the quality of life for residents.

Mayor Alexander agreed and added it is important to grow the commercial tax base because operational costs continue to increase.

Councilmember Post referred to the Fibrant debt which equals approximately 11 cents on the tax rate, and he noted if that 11 cents was removed the tax rate would be low.

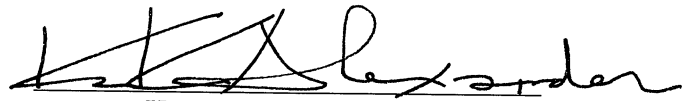
Mr. Greene referred to economic development and the need to make it a priority. He stated the City must work closely with Rowan County, the Economic Development Commission and the private sector to attract quality growth. He stated the growth that is good for Salisbury is also good for Rowan County.

Councilmember McLaughlin thanked everyone who worked on the Cheerwine Festival and asked if the impact of special events on departmental budgets has been considered. Mr. Hiatt indicated consideration was given in the proposed budget. He noted there is also a concern for the future because the number of events is growing and puts pressure on operational and personnel budgets. He stated as the City grows the tax base will expand, and he pointed out the major source of revenue for the City is property tax.

ADJOURNMENT

Motion to adjourn the meeting was made by Mayor Pro Tem Sheffield. Mayor Alexander, Mayor Pro Tem Sheffield and Councilmembers McLaughlin, Post and Smith voted AYE. (5-0)

The meeting was adjourned at 5:57 p.m.


Karen Alexander, Mayor


Kelly Baker, City Clerk