

Salisbury, North Carolina
June 6, 2023

SPECIAL MEETING

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

ABSENT: None

Salisbury City Council met in a Special session at City Hall located at 217 South Main Street. The meeting was called to order by Mayor Alexander at 5:00 p.m.

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)

BUDGET PRESENTATION

City Manager Jim Greene and Finance Director Wade Furches presented the FY2023-2024 recommended annual operating budget to Council for its budget work session. Mr. Greene stated staff presented the budget to Council during a Special Meeting on May 23, 2023, and Council requested additional information regarding the possible use of Fund Balance. He noted Council requested staff recommended projects not included in the proposed budget that could be completed with \$1 million of additional Fund Balance.

Mr. Greene stated the recommended budget is balanced, and he pointed out Council can make any changes it deems necessary. He explained the FY2023-2024 Council Priorities served as the guiding document for the recommended budget of \$108,064,027:

<u>Fund</u>	<u>Revenue</u>	<u>Expenses</u>
10 General Fund	\$ (54,102,406)	\$ 54,102,406
11 Cap Res General Fund	\$ (6,485,224)	\$ 6,485,224
20 Stormwater	\$ (2,337,601)	\$ 2,337,601
21 Cap Res Stormwater	\$ (517,972)	\$ 517,972
30 Water & Sewer	\$ (37,246,454)	\$ 37,246,454
31 Cap Res Water & Sewer	\$ (621,176)	\$ 621,176
35 Transit	\$ (3,100,600)	\$ 3,100,600
36 Fibrant	\$ (3,652,594)	\$ 3,652,594
Total:	\$ (108,064,027)	\$ 108,064,027

Mr. Greene noted Council has prioritized investment in the City's most important asset, its employees:

- Implemented the Pay Study in FY23 and funded it for a full year
- Police Department salary and range increases, and increases in over time for the Fire Department
- Retirement system increases as required by the state and the proposed budget absorbs health insurance increases
- Includes first merit pay for employees in several years along with a cost of living increase
- City Manager recommends a 2% Cost of Living Adjustment (COLA) for all City employees and an average 2% merit increase for qualifying employees

Mr. Greene stated the current tax rate is \$.7196 per \$100 valuation and the Revenue Neutral Tax Rate (RNTR) is \$.58 per \$100 valuation. He noted staff recommends a tax rate of \$.61 per \$100 valuation, and he pointed out the \$.03 tax increase would help meet Council priorities and its public safety goals:

- \$.0143 for the construction of Fire Station 3
- \$.0157 for Police:
 - Pay range adjustments to compete with surrounding communities and retain and attract police personnel - \$250,000
 - Funds for the new Police Chief to bring on needed positions - \$300,000
 - Funds for camera upgrades and maintenance-\$82,710

Mr. Furches indicated the projected tax valuation from Rowan County for FY2024 is \$4,113,144,278 which is a 25.67% increase, and he noted the average growth factor is 1.23%. He reviewed General Fund Balance, and he pointed out the state requires 8% minimum Fund Balance and City has a policy of maintaining 24% Fund Balance. He explained the City has a 48% Fund Balance as of June 30, 2022 which is \$10,263,704 over the 24% requirement, and staff believes the City will end FY2023 with a surplus.

Mr. Furches pointed out staff recommends using \$1.6 million of Fund Balance to reduce the debt on Fire Station 3 and using \$1 million of Fund Balance to pay for the rescue engine. He reviewed a list of projects that are not included in the recommend budget that could be completed with an additional \$1 million of Fund Balance:

Items to be Recommended

<u>Project</u>	<u>Department</u>	<u>Costs</u>
Non-CDL Garbage Truck	Waste Management - 561	\$ 164,806
New Doors and Windows 321 W. Franklin	Grounds Maintenance - 590	\$ 55,000
Greenway Repaving	Grounds Maintenance - 590	\$ 65,000
Window Replacement COB	COB - 501	\$ 325,000
Microsoft 365 Startup Costs	City-Wide	\$ 55,000
Microsoft 365 Annual Costs	City-Wide	\$ 186,000
Gateway Park fountain - Rebecca	Grounds Maintenance - 590	\$ 60,000
Fire Station 5 Window Replacement	Fire	\$ 64,000
Replace Wooden Cemetery Fence	Cemetery	\$ 15,000
Install exterior door in parts room office	Fleet - 561	\$ 4,000
Rescue Rotary Saws	Fire - 531	\$ 3,000
Portable Ground Lighting	Fire - 531	\$ 4,000
	Recommended:	\$ 1,000,806

Other Items to Consider

<u>Project</u>	<u>Department</u>	<u>Costs</u>
Park Shelters	Parks & Recreation - 621	\$ 150,000
City Bicycle Loop	Engineering - 555	\$ 20,900
Grants Creek Greenway	Engineering	\$ 30,000
Additional Sanitation Can Rollouts	Sanitation - 581	\$ 21,000
Public Works Parking Lot Repaving	Public Works - 561	\$ 215,000
new curbing and striping for parking lot	Fleet - 561	\$ 1,000
Firefighter Turnout Gear	Fire - 531	\$ 45,000
Ground Ladders	Fire - 531	\$ 7,624
Skate Park Study Per Sheffield	Parks & Recreation - 621	\$ 15,000
1% COLA Added	City-Wide	\$ 202,648
Modernize Elevator Plaza	Plaza	\$ 225,000
Downtown Development Grant Reductions	Community Planning Services	\$ 100,000
Replace Set of Tools	Fleet - 561	\$ 16,000

Mr. Furches reminded Council of future Fund Balance needs including the Depot, Empire Hotel, Downtown Streetscapes, the Wells Fargo Building and Event Center, Community Center/Pool/Senior Center Project, additional equipment, and grant matches.

Mr. Greene noted the proposed budget includes:

- Revenue Neutral Tax Rate of \$0.58
- Recommended tax rate of \$0.61 to fund public safety initiatives and Council goals
- Increase Stormwater fees by \$0.40 per month to address master plan implementation
- No rate increase for water and sewer rates
- No increase in recycling and solid waste fees
- No increase in Park and Recreation fees

Councilmember Post referenced the Microsoft Office 365 startup, and he asked if updating the software is included in the proposed budget. Mr. Furches noted the City needs to upgrade to Office 365, particularly for the Fire and Police Departments who use the software to access state-wide data. He added the Office 365 is not included in the proposed budget, and he pointed out the startup cost is \$55,000 and the annual cost to the City will be \$186,000. Councilmember Post commented Office 365 is critical for the Police Department. Mayor Alexander agreed. Mayor Pro Tem Sheffield asked how much the City is currently paying for its Microsoft software. Mr. Furches noted the \$186,000 will be in addition to the current Microsoft subscription which will eventually sunset, but a decision is not required at this time.

Mayor Pro Tem Sheffield requested clarification regarding possibly reducing the Fund Balance from 48% to 45%. Mr. Furches stated if the Fund Balance was reduced to 45% it would equate to approximately \$1.2 million. Mr. Greene pointed out \$1 million of Fund Balance is being proposed for the purchase of the rescue truck. He added if Council supports the use of \$1 million of Fund Balance for the rescue truck any other projects would be in addition to the initial \$1 million. Mr. Furches clarified \$3 million of Fund Balance is proposed to be spent including \$1.6 million to buy down the debt for Fire Station 3, \$1 million for the fire truck and \$300,000 already included in the budget. Mayor Alexander asked if the \$3 million proposed to be taken out of Fund Balance will take it to 45%. Mr. Furches stated the surplus for the current fiscal year has not been taken into consideration. He indicated after spending the proposed \$3 million if Council decided to spend an addition \$1 million Fund Balance would most likely remain at 45%.

Mayor Pro Tem Sheffield stated it is important to invest in employees, and she recommended Council consider increasing the COLA for employees to remain competitive in the job market. She questioned what it would cost to keep the merit and increase the COLA to 3%. Mr. Furches noted if the COLA is increased from 2% to 3% the cost to the General Fund would be \$154,000 and overall cost to the City would be \$202,000 which is not a full year cost. Mr. Greene explained three pay increases are scheduled in the upcoming fiscal year the COLA which will take effect in November, a 1% longevity bonus in December for employees that meet the requirements, and the 2% average merit increase would take place in January 2024. He stated the goal is to move the COLA increase to the beginning of the fiscal year. He pointed out last year employees received a 2.75% COLA increase, but did not receive a merit increase.

Mayor Pro Tem Sheffield asked what it would cost the City to have a 3% COLA. Mr. Furches noted it would cost approximately \$400,000. Councilmember Post noted \$400,000 is approximately \$.01 on the property tax rate. Mr. Furches noted \$247,000 of the pay increase is included in the proposed budget and the increased cost to go from 2% COLA to 3% COLA is \$200,000 for the General and Enterprise Funds. Mr. Greene noted if the additional 1% is taken

from Fund Balance for the General Fund the Enterprise Funds will have to look for the additional funding for its salary increases.

Mr. Greene noted every employee did not receive a pay increase from the pay study. He added the City has great employees and it is important to offer competitive pay along with a balanced budget. He commented if a pay increase is taken out of Fund Balance it must be accounted for in future budgets. He noted it is best to use Fund Balance for one-time expenditures.

Mayor Pro Tem Sheffield asked how many employees received pay rate increases as a result of the pay study. Mr. Furches indicated less than half of employees received pay increases as a result of the pay study. Mayor Alexander asked about the total number of employees working for the City. Mr. Furches indicated a few years ago the City had approximately 425 full-time employees and last year it had less than 400 full-time employees. He explained the City budgets as if all approved positions are filled but the actual number of employees continues to decrease. Mr. Greene added the City experienced increases to Fund Balance due to employment vacancies.

Councilmember Smith asked how often the parking lot at Public Works is repaved. Public Works Director Chris Tester noted the parking lot has never been repaved, but the pot holes are filled. Mr. Smith asked about the cost savings between repairing the Public Works parking lot and replacing the windows in the City Office Building. Mr. Tester stated it is important to replace the windows in the City Office Building due to leaking issues that have occurred. Mr. Greene pointed out there are mold issues at the City Office Building, and he explained Public Works helped prioritize the project list. Mayor Alexander asked if it is possible to put as a priority to repair the deep holes in the Public Works parking lot. Mr. Tester noted staff patches the deeper holes, and he added staff can get an estimate for repairing the parking lot intersection that contains the worst damage. He pointed out there are other parking lots in the City that are also in need of repair. Mayor Alexander asked if any parking lot repairs are included in the proposed budget. Mr. Tester indicated parking lot repairs are not included in the proposed budget.

Councilmember McLaughlin referenced the \$150,000 for park shelters, and he asked how many shelters could be constructed and the revenue generated. Parks and Recreation Director Nick Aceves explained \$150,000 would construct one large corporate shelter that could be used by 250 to 300 people and would bring in approximately \$125 per day.

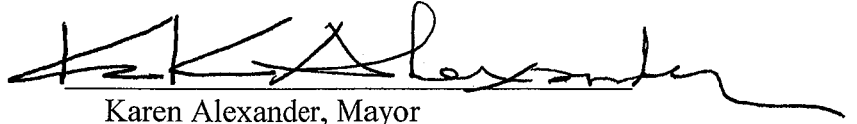
Mr. Greene pointed out the items before Council are for its consideration and the final budget will be brought to Council at its June 20, 2023 meeting.

Councilmember Smith commented if there is a surplus Council can reexamine the project list. Mr. Greene stated there will be an opportunity mid-year to consider revenues, expenditures, and Fund Balance and possibly adjust the budget at that time to take on additional projects.

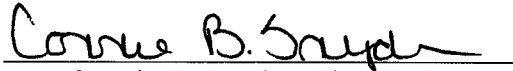
Councilmember Post noted if Council is going to consider increasing the COLA he would like to know the impact it would have on the property tax rate. Mr. Greene indicated staff will provide the information.

ADJOURN

Motion to adjourn the meeting was made by Councilmember Post. Mayor Alexander, Mayor Pro Tem Sheffield and Councilmembers McLaughlin, Post and Smith voted AYE. (5-0)
The meeting was adjourned at 6:02 p.m.

A handwritten signature in black ink, appearing to read 'Karen Alexander', written over a horizontal line.

Karen Alexander, Mayor

A handwritten signature in black ink, appearing to read 'Connie B. Snyder', written over a horizontal line.

Connie B. Snyder, City Clerk