

CITY OF EDEN, N. C.

A special budget work session of the City Council, City of Eden was held on Wednesday, April 18, 2012 at 5:00 p.m., in the Council Chambers, 308 East Stadium Drive. Those present for the meeting were as follows:

| | |
|------------------------------|---|
| Mayor: | John E. Grogan |
| Mayor Pro Tem: | Wayne Tuggle, Sr. |
| Council Members: | Gene Hagood Donna Turner Darryl Carter James Burnette Jerry Epps Jerry Ellis |
| City Manager: | Brad Corcoran |
| City Clerk: | Sheralene Thompson |
| City Attorney: | (absent) Erin Gilley |
| Department & Division Heads: | |
| News Media: | Latala Payne, Eden Daily News. |

MEETING CONVENED:

Mayor Grogan called the special budget work session of the City Council to order and welcomed those in attendance.

Before he turned the meeting over to the City Manager, Brad Corcoran, Mayor Grogan congratulated him and his staff for putting this information together.

Mr. Corcoran began by presenting a PowerPoint presentation that contained budget highlights. *Please note that a complete copy of the proposed budget is located in the office of the City Clerk.*

Council Member Darryl Carter arrived at 5:07 p.m.

City of Eden Budget Facts

- On February 25, 2012 the City Council met for its annual budget/planning retreat. According to the priorities submitted by the Mayor and members of City Council there were several items listed by a majority of the members and/or discussed during the course of the retreat for inclusion in the FY 2012-13 budget. These include:
 - A. Economic Development, Job Creation, Local Business Support & Mega Park Project
 - B. Water & Sewer Infrastructure Improvement Projects
 - C. Expansion of Greenway System
 - D. Continued Emphasis on Beautification and Litter Control
 - E. Entrance Sign Project
 - F. Creation of Youth Council

G. City Seal Project

- The combined budgets for fiscal year 2012-13 equal \$27,752,400 which is a reduction of \$2,302,700 or approximately 7.66% when compared to the current budget which equals \$30,055,100.

The reason for the decrease is due to three Capital Outlay Infrastructure Improvement Projects being financed and paid for over a period of years rather than as a lump-sum payment. Reductions in the budget as submitted include:

| | |
|--------------------------------------|--------------------|
| Northern Smith River Phases II & III | \$1,757,300 |
| Dry Creek Phase II Sewer Project | \$1,187,400 |
| Kuder Street Phase III Sewer Project | <u>\$1,000,000</u> |
| Total | \$3,944,700 |

- Included in the FY 2012-13 combined budgets of \$27,752,400 are the following:

| | |
|------------------------------------|------------------|
| Inter-fund Transfers | \$ 1,968,900 |
| Appropriated Fund Balances | \$ 3,373,900 |
| Grants/Principal Forgiveness Loans | \$ 896,700 |
| Pass Thru Funds – Ex. Runabout | <u>\$ 27,200</u> |
| Travel & MSD | |
| Total | \$6,266,700 |

- The FY 2012-13 budget as submitted includes the following:

- A. Does NOT raise the current tax rate of \$0.609 per \$100 assessed valuation.
- B. No cost-of-living allowance pay increase.
- C. No performance based merit pay increase.
- D. Net reduction of two full-time positions due to the elimination of two meter reading positions and one dispatching position. Offsetting these reductions is an increase in the number of full-time equivalent positions assigned to the Information Technology Department from one employee to two employees.
- E. Includes projected revenues from the previously adopted water and sewer rate increase by the City Council which will become effective on January 1, 2013.
- F. A \$250,000 contingency account in both the General Fund and the Water & Sewer Fund has been included for unforeseen declines in revenues and/or unanticipated expenditures.
- G. Increases the monthly health insurance contribution by the City for active full-time employees by \$100/month from \$525 per month to \$625 per month. This is the same strategy that was used in FY 2010-2011.

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

H. A total of \$166,000 has been included for performance/incentive agreement payments to Loparex (\$62,100), Gildan (\$91,661)and Weil McLain (\$12,197).

I. A total of \$28,700 has been included in payments for current water/sewer extension policy agreements for Osborne Company/Harris Point Apartments (\$14,466) and Osborne Company/Pierce Street & Shopping Center (\$14,157).

- The use of \$518,200 in reserve funds from the General Fund is due entirely to the costs associated with large capital outlay initiatives. These include:

| | |
|--|-----------------|
| Additional Street Resurfacing Projects | \$ 361,300 |
| Greenway Projects | \$ 81,000 |
| RCC Project | \$ 30,600 |
| Entrance Signs Project | \$ 27,900 |
| RCATS | \$ 14,000 |
| City Seal Project | <u>\$ 8,400</u> |
| Total | \$ 525,300 |

- Without the reserves our current General Fund revenue stream isn't sufficient enough to fund the various capital outlay initiatives as outlined above.
- There are four statewide revenues that Eden receives from the State of North Carolina (Beer and Wine Tax, Utilities Franchise Tax, Sales Tax, and Powell Bill):

| | |
|-----------------------|--------------------|
| FY 2007-08 Actual: | \$4,155,102 |
| FY 2008-09 Actual: | \$3,931,959 |
| FY 2009-10 Actual: | \$3,663,484 |
| FY 2010-11 Actual: | \$3,862,263 |
| FY 2011-12 Budgeted: | \$3,823,900 |
| FY 2012-13 Projected: | <u>\$3,985,400</u> |

- The good news is the FY 2012-13 projection is \$123,137 or 3.18% more than the actual collections during FY 2010-11 which is a sign that the economy has improved. The bad news is that the FY 2012-13 projection still represents a decrease of \$169,702 or 4.08% when compared with the FY 2007-08 actual revenues of \$4,155,102 when the economy was more robust.
- Interest Rates on investments have tanked over the course of the past few years. Currently earning only 0.10% - 0.60% on investments.

| | |
|--------------------|-----------|
| FY 2007-08 Actual: | \$744,987 |
| FY 2008-09 Actual: | \$354,529 |
| FY 2009-10 Actual: | \$179,950 |
| FY 2010-11 Actual: | \$ 91,239 |

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

FY 2011-12 Budgeted: \$ 60,000

FY 2012-2013 Projected: \$ 54,900

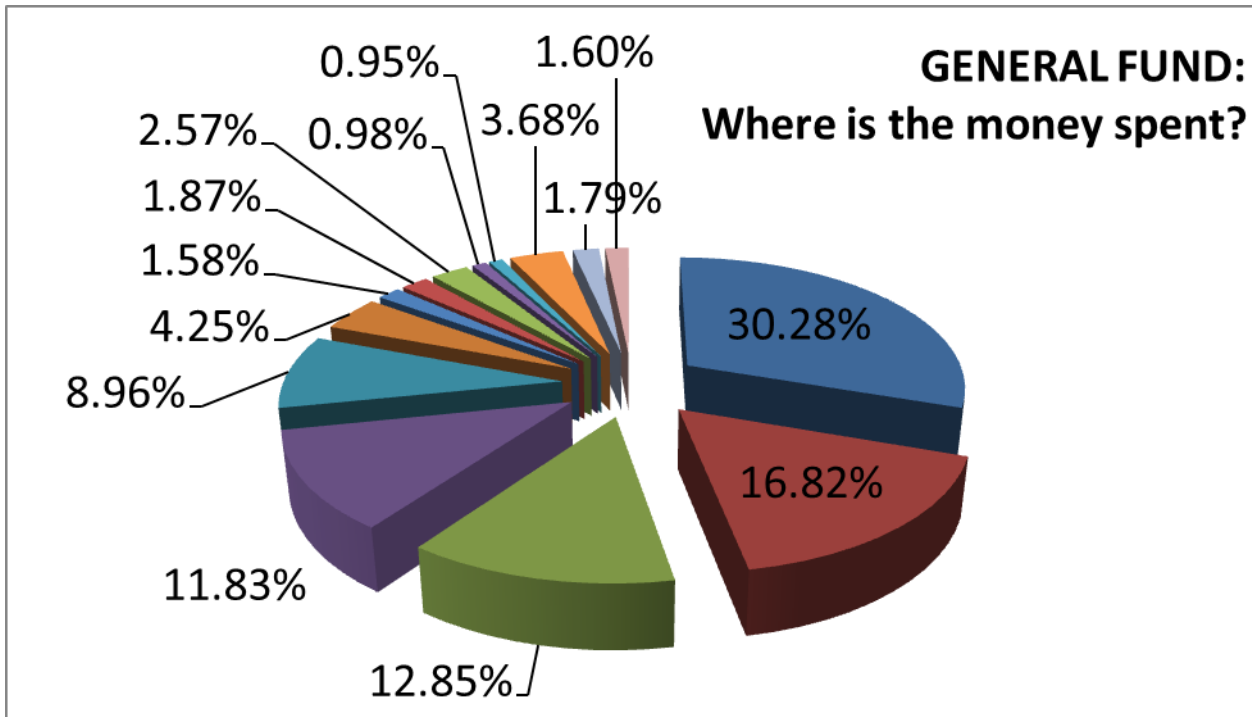
- The budget as submitted includes a combined reduction of \$27,400 or 10.51% (\$260,700 to \$233,300) in the amounts being allocated for Worker’s Compensation insurance. This reduction is clearly the result of an improved claims history and our ongoing commitment aimed at promoting a safe working environment.
- Gasoline prices continue to escalate on seemingly a daily basis. Mr. Tommy Carter, Superintendent of Fleet Maintenance is projecting an average FY 2012-13 gasoline price of \$4.03 per gallon for gasoline and \$4.02 per gallon for diesel fuel once you factor in the discounts we receive by making bulk purchases.
- A review of our costs related to gasoline and diesel fuel for the past several years indicates the following:

| | |
|---------------------------------|--------------------------------|
| FY 2002-03 Actual: \$156,162 | FY 2007-08 Actual: \$369,761 |
| FY 2003-04 Actual: \$180,441 | FY 2008-09 Actual: \$323,486 |
| FY 2004-05 Actual: \$210,584 | FY 2009-10 Actual: \$268,664 |
| FY 2005-06 Actual: \$279,609 | FY 2010-11 Actual: \$360,619 |
| FY 2006-06 Actual \$278,733 | FY 2011-12 Budgeted: \$395,100 |
| FY 2012-13 Projected: \$486,900 | |

County/Municipal Tax Rates

Existing Tax Rates

| | |
|-------------------|---------|
| Eden | \$0.609 |
| Madison | \$0.73 |
| Mayodan | \$0.58 |
| Reidsville | \$0.71 |
| Rockingham County | \$0.698 |
| Stoneville | \$0.67 |



- Public Safety – 30.28%
- Streets/Powell Bill – 16.82%
- Solid Waste – 12.85%
- Fire – 11.83%
- Recreation/Facility Maint. – 8.96%
- Planning/Inspection – 4.25%
- Finance/HR – 1.58%
- Fleet Maintenance – 1.87%
- Economic Development – 2.57%
- Administration – 0.98%
- Information Technology – 0.95%
- Special Appropriations – 3.68%
- Contingency – 1.79%
- Other – 1.60%

Capital Outlay Projects

General Fund

- Some of the capital outlay items that are in the General Fund budget include:
 1. City Entrance Signs – Economic/Tourism Dev.
 2. Virtual Server - IT
 3. 14 Vehicles & 7 Radars - Police

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

4. Training Tower@ Station 4 - Fire
5. Replace Squad Truck - Fire
6. Refurbish Engine 4 - Fire
7. Generator @ Station 2 - Fire
8. Generator @ Station 3 - Fire
9. Handheld GPS Unit - Engineering
10. Additional Street Resurfacing - Streets
11. Waste Oil Heater for Shed (1/2 Cost in C&D) - Streets
12. Asphalt Roller - Streets
13. Resurfacing Contract – Powell Bill
14. Block Retaining Wall Recycling Center on Mebane Bridge Rd. – Solid Waste
15. Replace 1994 Knuckleboom Truck – Solid Waste
16. Safety Netting @ 3 fields – Freedom Park – Recreation
17. Roof @ Boone Rd Community Center – Recreation/Facility Maintenance
18. Gym Doors @ Bridge Street Center – Recreation/Facility Maintenance
19. Compressed Air System for Shop – Fleet Maintenance
20. Greenway Enhancements – Special Appropriations

City of Eden Budget Facts

- The Water & Sewer Fund is an enterprise fund which means that our annual revenues must (at a minimum) equal our annual expenditures.
- Unfortunately, during the past several years Eden has lost nearly 1,000 jobs and approximately \$3,993,691 in net water/sewer revenue per year as a result of three industry closings: Parkdale Mills (11-01-06), Liberty Textiles (07-31-07), and HanesBrand International (02-05-09). Liberty Textiles and HanesBrand actually moved their operations out of the United States.

Let's take a close look at the proposed budget for FY 2012-13:

Revenues

\$11,099,000

- 2,544,400 (Appropriated Fund Balance)
 - 809,000 (Grants/Principal Forgiveness Loans)
- \$ 7,745,600

Expenditures

\$11,099,000

- 3,401,100 (Capital Outlay Projects in Sewer and Water Construction,

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

\$ 7,697,900 Water and Wastewater Plants)

Our Existing Revenues & Rate Structure With The Rate Increase Set For January 1, 2013 Barely Covers Our Operational Costs & Won't Be Sufficient Enough In The Future For Extensive Capital Outlay Projects!!!

Despite our take-or-pay agreement with HanesBrand, the City Council moved swiftly to adopt a policy that provided for incremental water/sewer rate increases over a period of years in an effort to make up for the revenue being lost by the closure of HanesBrand. The first increase (an average increase of \$7.38 per month on a residential customer living inside the city limits using 5,000 gallons per month) was implemented on January 1, 2010 during FY 2009-10.

On October 19, 2010, Mayor Pro-Tem Tuggle, Councilman Burnette and Councilman Carter submitted a proposal which the City Council voted to approve which delayed the implementation of the additional water/sewer rate increases for a period of two years.

As a result, the water and sewer rates remained unchanged in FY 2011-12 but the next scheduled increase is set to take place on January 1, 2013.

Average Water/Sewer Rates

- The current water and sewer rates being charged remain extremely competitive compared to rates being charged in other communities.

| <u>Community</u> | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|-------------------------|---------------------|---------------------|---------------------|
| Eden | \$20.76 | \$21.25 | \$42.01 |
| Madison | \$34.14 | \$35.12 | \$69.26 |
| Mayodan | \$18.10 | \$18.10 | \$36.20 |
| Reidsville | \$15.82 | \$38.66 | \$54.48 |
| Rock. County | \$46.90 | \$40.15 | \$87.05 |
| Stoneville | \$29.50 | \$29.50 | \$59.00 |
| Dan River Water | \$38.25 | \$----- | \$38.25 |
| N.C. State Average | \$28.02 | \$33.50 | \$61.52 |
| VA. State Average | \$25.70 | \$32.88 | \$58.58 |

* Based on 5,000 gallons of usage per month inside corporate limits and information gathered from NC Water and Wastewater Rates Dashboard.

* If the January 1, 2011 rate increase had been implemented Eden's combined total of \$49.39 would still have been lower than any of the other communities listed above with the exception of Mayodan and Dan River Water.

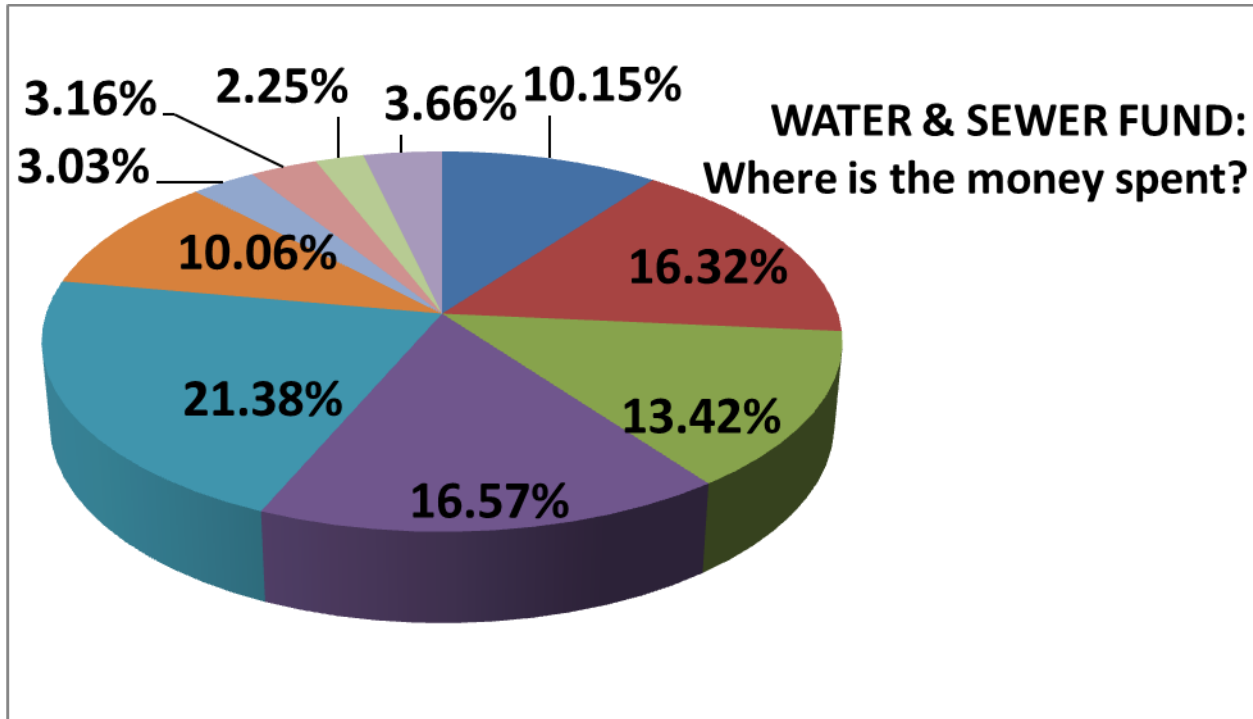
Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

- The use of \$2,544,400 in reserve funds from the Water & Sewer Fund is due entirely to the costs associated with large one-time capital outlay initiatives. These include:

| | |
|------------------------------------|------------------|
| PAX TRS System | \$ 818,000 |
| EPA Administrative Order | \$ 671,500 |
| Waterline Upgrade Projects | \$ 365,000 |
| Long-Term Disinfection Byproducts | \$ 291,000 |
| Mega Park Sewer Line Project | \$ 281,000 |
| Matrimony Creek Outfall Evaluation | \$ 50,200 |
| Other Capital Projects | <u>\$ 67,700</u> |

Total \$2,544,400

- Without the reserves our current water and sewer rate structure isn't sufficient enough to fund the various capital outlay initiatives being proposed for FY 2012-13



- Wastewater Treatment -10.15%
- Sewer Construction – 16.32%
- Collection & Distribution – 13.42%
- Debt Service – 16.57%
- Water Filtration – 21.38%
- Reimbursements to GF – 10.6%
- Billing & Collections – 3.03%
- Water Resources – 3.16%
- Contingency – 2.25%
- Other – 3.66%

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

Capital Outlay Projects

Water & Sewer Fund

Some of the capital outlay items that are in the Water & Sewer Fund budget include:

1. Compliance Study/Long-Term Disinfection Byproducts – Water Filtration
2. Installation of PAX TRS System – Water Filtration
3. Replace Caustic Storage Tank – Water Filtration
4. Chemical Feed Pump Replacement – Water Filtration
5. Rebuild Flocculater In Basin 2 – Water Filtration
6. Wash Out Clearwell – Water Filtration
7. Replace Window Frames and Glass – Water Filtration
8. Waste Oil Heater for Shed (1/2 Cost in Street Dept) – C&D
9. Meter Shop Roof Replacement – C&D
10. Gates and Fence for Matrimony Creek – C&D
11. RAS Pump – Wastewater Treatment
12. Lightnin Mixer – Wastewater Treatment
13. Install VFD – Wastewater Treatment
14. Price Street WL Upgrade – Water Construction
15. Danview Lane & Dodge Street WL Upgrade – Water Construction
16. Coleman Street WL Upgrade – Water Construction
17. Lawson Street WL Upgrade – Water Construction
18. Front St/Fieldcrest Rd WL Upgrade – Water Construction
19. Automatic Flushing Device Installations – Water Construction
20. Rose Street WL Upgrade – Water Construction
21. Water Model Study and Calibration – Water Construction
22. Dry Creek Sewer Basin Phase 2 – Sewer Appropriation
23. North Smith River Phase 2 & 3 – Sewer Appropriation
24. Kuder Street Phase 3 – Sewer Appropriation
25. Sewer Line – Mega Park – Sewer Construction
26. Tanyard Branch Outfall – Sewer Appropriation
27. Matrimony Creek Outfall – Sewer Construction

Long-Term Debt Service

The budget as submitted includes the following amounts for long-term (greater than five years) debt service:

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

| | Category | Principal | Interest | Total Payment |
|-------|-------------------------------|-------------------|------------------|------------------|
| 2007 | \$7,500,000 W/S Loan | \$456,900 | \$207,000 | \$663,900 |
| 2008 | \$6,875,755 W/S Loan | \$418,200 | \$168,900 | \$587,100 |
| 2008 | \$1,228,000 G/F Loan | \$ 82,600 | \$ 33,400 | \$107,700 |
| 2009 | \$ 357,151 Clean Water Loan | \$ 15,600 | \$ 0 | \$ 16,000 |
| 2012 | \$ 1,957,584 Northern Smith R | \$ 74,700 | \$ 53,800 | \$ 39,600 |
| 2012 | \$ 1,187,410 Dry Creek | \$ 45,300 | \$ 32,700 | \$ 49,800 |
| 2012 | \$ 2,545,342 Kuder Street | \$ 97,500 | \$ 70,000 | \$167,500 |
| 2012 | \$ 3,031,949 Tanyard Branch | <u>\$ 115,700</u> | <u>\$ 83,300</u> | <u>\$199,000</u> |
| Total | | \$1,306,500 | \$649,100 | \$1,955,600 |

Short-Term Debt Service

The budget as submitted includes the following amounts for short-term (less than five years) debt service:

| | Department | Principal | Interest | Total Payment |
|---------------------------|------------|-----------|----------|---------------|
| Police | | \$108,500 | \$15,900 | \$124,400 |
| Fire | | \$114,900 | \$12,200 | \$127,100 |
| Streets | | \$22,900 | \$1,600 | \$24,500 |
| Solid Waste | | \$107,000 | \$8,800 | \$115,800 |
| Collection & Distribution | | \$62,100 | \$4,200 | \$66,300 |
| Total | | \$415,400 | \$42,700 | \$458,100 |

The total debt service payments slated to be made during FY 2012-13 equals \$2,413,700 (Principal - \$1,721,900 and interest - \$691,800).

Conclusion

Although achieving a balanced budget continues to be a difficult task we have been blessed to make some significant strides over the course of the last eleven years and should be very pleased with our dedication and efforts aimed at improving the long-term financial condition of our City. Consider the following:

| Description | June 30, 2000 | June 30, 2011 |
|--------------------------------|---------------|---------------|
| Fund Balance – General Fund | \$4,157,472 | \$8,554,160 |
| Undesignated Fund Balance – GF | \$2,541,779 | \$6,800,565 |
| Water & Sewer Fund Equity | \$4,890,417 | \$11,333,437 |

Note of Thanks

I would like to wrap-up my remarks by extending my sincere thanks and appreciation to each of the department heads, division heads and their staff members for the excellent work they do for our community on a daily basis.

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

For the past few years, our staff has been called upon to reduce its operational costs, to seek more grants and to provide the same level of services with fewer people.

Despite staffing cutbacks and tough economic times- no city services have been eliminated!

During the past year city staff has secured \$6,401,200 in grants for various projects within the City of Eden.

These are funds that do not have to be paid back!

A special thanks to our staff for their initiative, dedication and a job well done!!!

Floor opened for discussion:

Mayor Grogan stated that he wanted to thank the Finance Department for doing those pie charts as that really shows within a short period of time where the money was going.

He then questioned how they stood as far as the streets and water line replacements. He added that he thought they had set up a list of streets and they were going to take them as a priority.

Mr. Terry Shelton, Director of Environmental Services, explained that they were working on the remaining ones that were in that top list and then the City Engineer has prioritized the next ones on the list that were in the budget for this coming year. They will keep working at it based on what they believed was the most in need until they work all the way through them. He added that they would deal with those particular situations that come up when they occur.

Council Member Burnette stated that the City Manager had done a fantastic job with this and he knew they have a fairly large contingency and there were a lot of hard decisions that will have to be made on what was going to be done and what was not going to be done. He asked if there was anything in his mind that was outstanding that could be a possible "gotcha".

Mr. Corcoran replied that the big thing, you never know what was going to come up. Three years ago they had no idea that all of a sudden the disinfection byproducts rule was going to come about from the EPA and there was going to be an October 1, 2013 deadline. This time last year they had no idea that the EPA was going to roll in and hit them with an administrative order doing a multitude of sewer work. So you never know from a regulatory standpoint what may be coming down the road. He added that the focus in this year's budget as far as the large items was to do the items that they had to do. They had no choice when it comes to the disinfection byproducts rule, the evaluation that was going on and then ultimately the recommendations that were made. Likewise they have no choice on the EPA administrative order. So the bigger ticket items that are new are related to those mandates that are being passed on to them by the EPA.

He continued that the other focus was to finish what they have started. They were already so far in with the Northern Smith River, Dry Creek and Kuder (projects). The other thing they have been successful in getting was grant money and doing those projects because they were projects that need

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

to be done. He added that obviously if Mr. Shelton and his team were to stand up there and talk with them he was sure that they could go on and on about a multitude of additional needs. He asked them to recall that back in 2003 when they had the comprehensive water and sewer master plan done he thought that it identified nearly \$100 million in needs based on 2003 dollars.

Mr. Corcoran stated that he thought there were things out there that need to be done. The City Engineer, Mr. Bev O'Dell had identified the 8-10 projects that have the greatest need in his mind at this point in terms of water line upgrades but there were plenty of other projects as he outlined during the retreat that will have to be done next year and the year after. He stated that he thought that honestly without additional revenue, they were going to be hard pressed to do much more capital outlay type work. They already know they were probably going to have to borrow funds to do whatever they have to with the disinfection byproducts rule. They now have the bromide issue that has developed and they did not know where that would take them and they did know they have the EPA administrative order so he would say that the focus going forward for the next couple of years was just trying to do what they were being required to do.

Council Member Burnette stated that he thought that the scary thing he saw in there was that it was not so much this year but the next several years out when they were looking at over \$3 million with the EPA administrative order and like the City Manager had said, the bromide, plus to catch up with the streets where they need to be, they were looking at probably over \$400,000 per year for the next 4 or 5 years so the next several years was going to be more, much more difficult than this year.

Mr. Corcoran added that a ball park estimate that WK Dixon did back in the fall, in terms of the EPA administrative order, was that the magnitude of those required improvements alone could be around \$12 to \$15 million and if they remembered during the retreat they sort of broke that down and the debt service on such a project was over \$800,000.

Council Member Tuggle stated that just as a follow up on those numbers was interesting. He had written down unfunded mandates and asked if he would be correct in saying just in this budget the PAX TRS System was \$818,000; the EPA administrative order was \$671,500 and long term disinfection byproducts was \$291,000. That was \$1,878,500 and those were all unfunded mandates.

Mr. Corcoran replied that was correct and those were all projects or components of projects that are connected to things that they were doing because they were being required to do them.

Council Member Tuggle added that he just hoped that came out and he hoped the paper would emphasize the unfunded mandates that was a part of where they were and what they have to deal with. Again, they were talking about almost \$15 million for the administrative order that they may be responsible for. The other thing he wanted to ask about was the annexation in lieu of agreement and from what he could tell it was \$683,400 of funding possibly because of new annexation legislation at the state level and they could actually lose almost \$700,000 from that was that also correct.

Mr. Corcoran replied yes and if they remember he had mentioned it was coming up each year. They were currently in the process of working with Miller-Coors as well as Duke Energy to try to get new agreements but there was no guarantee. The current agreements do expire in 2013 and if

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

new agreements are not secured the he was correct. You take that \$683,000 and you divide it by the 82/83 thousand that was created per penny on the tax rate and that basically will tell you on the tax rate what the equivalent was, which was significant.

Council Member Hagood stated that he had about nine items and depending on the answer to one or two it may not go that far. He added that he would try to segregate these between General Fund and Water & Sewer. He began with the General Fund and questioned the health care contributions at \$100 per month, 12 months, 180 employees, the roughly \$216,000 per year in General Fund.

Mr. Corcoran explained that the 180 employees were their Water & Sewer and their General Fund. He thought that in the General Fund there was probably about 140 employees but yes, the total cost would be \$100 x 12.

Council Member Hagood stated that in addition to that they did not have that number when they approved the 3% cost of living. Using a 2011 number the cost of living was \$235,000 and that did not count the additional benefits. He asked if that was in the neighborhood.

Mr. Corcoran replied that was about right. They gave the exact numbers at the retreat and he could pull those out if needed.

Council Member Hagood stated that the General Fund hit there was just, he would say that was half a million dollars for those two items together.

Mr. Corcoran replied that again as far as the health insurance, it was a serious hit.

Council Member Hagood stated that one way of looking at that, when they were talking about the fund balance, he guessed the General Fund, those two items pushed any other items into using the fund balance to which Mr. Corcoran replied that was correct. Council Member Hagood stated that if you took the other items and said that they were started first then these other 2 items would be using the fund balance.

Mr. Corcoran replied that was correct and if the Council wanted to do away with the health insurance contribution and the pay raise then they would not have to use the \$500,000 or that much to it that was a Council policy decision.

Council Member Hagood stated that whichever one throws it over the threshold that was just mix and match. He then moved on to the RCATS and questioned what the initial \$14,000 was for.

Mr. Corcoran explained that was for the bus transportation system. He explained that he had asked Mr. Dougherty to contact them and ask them if they anticipated a similar request next year and the reply was they were. They have also made a request to Rockingham County but he did not know how much and the status of that request. He indicated that he was going to need community support and that he certainly hoped that eventually it would pay for itself but that he did anticipate asking for money again next year although he did not know at this point in time how much it would be. He explained that the letter basically said it was for startup of the bus mass transit system.

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

Council Member Hagood stated that his next question was the prospects for year one, year two, three, four...to which Mr. Corcoran replied that he had asked that. His question was that there was a big difference if this was a one-time contribution and you never come back versus it going to be something year in and year out. All he could tell them, based on his answer was that it does seem like they are going to come back at least next year and ask for additional money.

Council Member Hagood pointed out that they see in the news today where other municipalities are fighting this transportation revenue issue. They go to sales tax increases, rental car subsidies and that sort of thing.

Mr. Corcoran agreed and stated that it bothered him but they came and made a presentation to the Council. It was announced in the newspaper that mass transportation was coming. He did not see it as his role to try to say there was not going to be a mass transportation system but Councilman Hagood was exactly right and that was why he had asked that question. In his opinion it did sound like this will not be the only year they will be asking for a contribution.

Council Member Hagood added that it was sitting in their reserve uses so....to which Council Member Tuggle commented that was a good point because he remembered specifically asking him during the presentation if they were going to come back and when would be the next time they would ask for any funding and he said it would be at least two years. He added that the transportation thing would not get any smaller; there was no doubt about that.

Mr. Corcoran added that he was surprised when he got the letter, but community groups will send letters during the budget time and he asked Mr. Dougherty to contact them and ask these very questions. In the end and in fact when he met with Mayor Pro Tem Tuggle and Councilman Burnette on Monday to go through the budget and answer their questions they had also talked about this. He explained that he had told them the same thing. He just did not think, after it was announced in the press and everything, that he should be the one that says there was not going to be a transportation system. They, as a Council, if they did not want to contribute that \$14,000, he did not know what will or won't happen with the system, he did not say if they did not contribute it would not happen. He also did not know the status with Rockingham County; he was just passing along his request.

Council Member Tuggle added that it was a good thing to do but once you ever let out the genie out of the bottle you cannot put it back in and Mr. Corcoran agreed.

Council Member Hagood pointed out that in Greensboro today, one of their (Eden's) former residents that serves on that board, that item was in their fund and was the single largest item over everything else. He then moved to the next item which was the Gildan agreement and asked if that had slid a year or was he off a year as he thought they were making a payment last year.

Mr. Corcoran replied that he could find that out. If they did not make a payment it was because Gildan did not meet their investment. If they did not ever make a payment it was because they did not meet what they said they were going to do. Basically the Rockingham County Partnership monitors that on behalf of the city and the county because typically where they have a performance agreement the county has one as well but he would check on that.

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

Council Member Hagood questioned the Greenway Project and if part of that was already done. He asked if Kings Highway was done.

Mr. Corcoran referred the question to Ms. Kelly Stultz; however Ms. Stultz was speaking from the audience. Her statements were inaudible. She did mention that the Street Department did in-house...and Mr. Corcoran asked if that was part of what was in the budget to which she replied yes and it was the only one they had done.

Council Member Hagood stated that he did not know if that was just one piece of it or whether some of the others had been done also.

Council Member Turner added that she had some real positive community feedback this week about hoping they were adding on to the Greenway so she was glad that they were going to try to do some more Greenway projects.

Council Member Hagood continued with Water & Sewer. The top line item of \$71,500 and this expenditure was in response to the EPA, if his memory served him correctly, he asked if there was a program in-house where they used their equipment, cameras, and that sort of thing, and he thought some of the verbiage at that time was that they were going to do 10% per year and fix what they could in-house...and then farm the other out.

Mr. Corcoran replied that was correct and it was the Sewer Fix-it Program.

Council Member Hagood questioned the status of that in relation to this to which Mr. Corcoran explained that he would let Mr. Shelton jump in, but they were really two separate things.

Mr. Shelton explained that as far as the Find and Fix-it Program, the last year or so they have just been inundated with work the C&D crews have had to do. If you look in the budget you will see that they had been putting about \$150,000 each year into the Find and Fix-it Program. They did not even put any into that this year because they had so much going on with the large projects. By the end of this budget cycle, they will have four major sewer rehabilitation projects underway and there will be a significant amount of effort put into that. They have been unable to actually get out and actively look for problems and most if it that they have now was on such a scale that it was almost something that will have to be contracted when found.

Mr. Corcoran added that also the \$621,000 that was in there this year was really not much work, it was mostly engineering costs. He asked if they would recall the PowerPoint during the retreat, the EPA order was quite extensive and it required a whole lot more than just televising some lines and cleaning them out and in fact he thought the total engineering over three years was like \$1.3 million so the work that was going to be done this year, there was going to be some flow monitoring and things like that but there was not a whole lot of physical changes to their system that was going to be made.

Council Member Hagood stated that with the rain event a few weeks ago, and he noticed in the newspaper they had quite a few things that had to be reported, did that make it even more important.

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

Mr. Shelton replied that it did because that was a significant rain event and in most places in the city they had varying amounts from the east side to the west side. Some places got 3.5 inches and some got 2.5 but as you can tell from the increased number of reports that amount of rainfall stresses the system and causes the overflows to come to light and most of them as they would suspect were in the areas where this EPA administrative order was concentrating on so the work that they would be doing to make those repairs in those areas will hopefully address all of the overflows they were having.

Council Member Hagood stated that it was not common knowledge as to where this influence happened, a break on the culvert or an exact location to which Mr. Corcoran replied that honestly, there were probably multiple locations. Council Member Hagood stated that he had noticed that the Water & Sewer to the General Fund, the transfer, was going up to almost \$100,000 or 9.12%.

Mr. Corcoran explained that one, all the percentages stayed the same in all the departments but you know if they spend \$50,000 in a department and the next year they were going to spend \$70,000 and it was a 50% share then 10 of that goes to Water & Sewer. Also, another thing that hit it was by adding the one person under Information Technology. He explained that a good portion of that individual's salary and benefits was being picked up by Water & Sewer.

Council Member Hagood moved to the Mega Park water and sewer line. He explained that the progress report he received from Pittsylvania County was not encouraging. He asked if there was a way to delay that project and there were a couple of scenarios. He suggested they delay it and keep the grant or delay the grant....ask for dispensation or something like that.

Mr. Corcoran replied that they could ask but he may recall that Rockingham County received a grant from Golden Leaf for the horse park when that was the big topic. In the end there was so much back and forth as to whether it was going to be done that it kept getting pushed back. The County actually submitted a formal request to Golden Leaf to ask that that money be protected and that they be allowed an extension on the time to spend the money and they were turned down. Basically Golden Leaf's philosophy was that they were awarding money to get things done today. So Rockingham County's request to keep that money was denied and in exchange, during the grant process, Golden Leaf took a portion of that money and added it to what they were going to initially give the Rockingham County School System. The mobile laptop initiative received over \$1 million. He added that they could check but based on what they have done in the past, he would say they would say no. Also, another thing was that they already awarded the project and it was already started so that would be very problematic as well.

Mr. Mike Dougherty, Director of Business & Economic Development, added that this was a Community Assistance Grant. This project was given the second priority by a group of Rockingham County citizens and it was to be dispensed last April and the goal was that they would increase employment by 10% by the end of 2013. There was actually some progress at the Mega Park. They were given a \$6.2 grant to clear 230 acres. They were doing a master plan for this now. The only thing that was delaying this was the environmental permitting process. He added that because that grant was given based on the people and the county that voted for this as a priority, he did not think there was any way to delay this.

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

Council Member Ellis questioned the reserve funds for Streets and if they could tell him more about that.

Mr. Corcoran explained that was their fund balance. Basically right now in the General Fund the fund balance at the end of June 2011 was \$8 million or so and basically the budget was proposing that they use the \$518,200 at this point. Now again, there was a \$250,000 contingency in the General Fund and if they have a good year and did not use that contingency then that decreases the amount they would need to use from the General Fund. Basically what that says is that they are going to take \$518,200 of the \$8 million plus that was in the bank for the General Fund and use it to fund projects. Also, as Councilman Hagood said they could say for whatever, that they would still the \$518,200. If they wanted to take away the raises or change the health insurances then they could do that but they give up those two things.

Council Member Burnette added that \$160,000 or so of that \$500,000 was for the Powell Bill Fund which cannot be used for anything else.

Mr. Corcoran replied that was right and when you look at the Street Department's budget in addition to the Powell Bill money you would see \$524,000 in the Powell Bill account fund balance. Say there was \$162,700. They are not earning anything on that money anyway so their our thought process was to use that money in the Powell Bill account that can only be spent on Powell Bill eligible initiatives which then reduces the amount of money from the General Fund that will be needed to fund that \$524,000. So to come up with the \$1 million that will be spent on the street resurfacing you take the revenue that is shown under Powell Bill which is about \$476,000. You take the \$361,300 that is shown right there and then you add the \$162,700 from the fund balance and that is their \$1 million.

Council Member Ellis asked Ms. Tammy Amos, Engineering, if they were going to be able to do their streets this year.

Mr. Corcoran explained that she was going to do the ones that she has identified. If they remember, in the write up, there was a great need beyond this year. Ms. Amos has estimated that in future years in additional to the annual Powell Bill allocation they will probably need at least about \$425,000 a year to catch up.

Ms. Amos replied that right now they have 101 street sections that are overdue.

Council Member Ellis asked for clarification.

Ms. Amos explained that they were 15 years old or older. They try to resurface everything before it gets 15 years old because by then the asphalt has dried out and they start deteriorating very quickly. She noted that about 3 or 4 years ago with the extra funding they had been using out of the fund balance they had gotten everything caught up but about 20 street sections and then after the increase the asphalt costs were 80%. They are getting less money from the state and the cost has gone up 80% so the \$475,000 they get from the state just simply will not do it anymore. She added that she and City Engineer Bev O'Dell have been saying for years that it was getting very close to a time

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

when they are going to have to start putting additional funding in or they were going to get way behind just like they did with water and sewer.

She explained that they had 50 street sections that are poor or very poor. She was focusing on those with this money. She added that she felt like they could get all of those done but it will depend upon asphalt prices two months from now and it goes up every month.

Council Member Turner questioned if that was 50 of the 101 or 101 more.

Ms. Amos replied 50 of the 101 and some of them were not even 15 years old. She had some that are only 11 or 12 years old. She explained that after she did the 50 that was projected there are 68 more street sections that are 15 years or older.

Council Member Burnette asked if she was going to take the same strategy that she did the other year as far as splitting it up, as far as the contract bid.

Ms. Amos replied that she had not decided that yet. She just started this week once she saw the budget information. She explained that it sounds like it will be a very large contract, but when you compare it to what they used to do, which was 60 street sections a year with \$500,000. Even with the \$900,000 or so she was still only going to be doing 48 to 50 street sections. She added that she was thinking that if this additional funding was approved she was going to go ahead and do a contract this summer. She was not planning to do that but her Powell Bill funding does not come in until October and that was only half of it. The other half does not come until January so she was probably going to have to do half of the contract now and the other half in the spring.

Council Member Burnette stated that he understood that the fuel prices normally go down in the winter months and he just wondered if that made a difference.

Ms. Amos replied that they used to. This past winter they were higher and this was the first time she had ever seen that. What concerns her and the reason she put it in the report to the City Manager was that she felt they were getting to a critical level because they have 378 street sections that are in fair condition and that was a large percentage. She pointed out that when they get to that fair condition those streets can deteriorate very quickly. She stated that she had been out one year to check and the next year they have gone from fair to very poor. It just depends upon the asphalt.

Council Member Burnette stated that if this funding stays the same, he knew it was projected out for 5 years. He asked if she thought she could get it caught up in five years.

Ms. Amos replied no. The extra money that she was requesting and what she felt like they were going to need over the next five years was all going to depend upon the price of asphalt and she did not see it continuing to do anything but go up.

Council Member Tuggle pointed out that it was just like the water and sewer problems. Every aspect of it goes up and up and he remembered them going through a period of time talking about oil prices and every time they had a meeting it would just jump sky high, what it costs to pave streets and that was not going to get any better any time soon.

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

Ms. Amos added that when you go back and look at the cost of the asphalt and the fact that they are getting less money than they have ever got, they have to do something.

Mayor Grogan commented that it would not surprise him to see the state continue to take money from the Powell Bill Fund.

Council Member Hagood stated that this question was to his fellow members rather than the City Manager. He asked if there were any items that they have asked for that might be in the General Fund that they would rather spend on their streets as a higher priority.

Mayor Grogan replied that he for one had not looked at it that way.

Council Member Ellis asked if he had another \$100,000 he could find for Ms. Amos.

Mr. Corcoran replied that they have \$8.5 million in fund balance and \$6 million was undesignated but again their approach was that \$1 million was a chunk of change for streets for one year and they realized there was no way to get it all done in one year so they just picked a nice round number of \$1 million. He added that they could get \$100,000 and she may be able to do a couple more street sections but it was not going to change the problem that much and what it does it just lowers their remaining fund balance by another \$100,000 unless they want to cut other things that are in the budget to make up that \$100,000.

Council Member Tuggle commented that the way the economy was going right now he did not see how you would ever catch up. If it continued to go like this whether it was water and sewer or streets or any other part, he did not know how they would ever catch up and the \$10,000 or \$20,000 would not really amount to that much overall.

Council Member Burnette added that there has been an approach laid out and they need to try that approach for at least a year and to see if it gets worse. He questioned who could say two more streets would be better than not doing two more streets.

Council Member Ellis explained that he just thinking about what people in their city thought. What made their nice and as people ride through here they say that the roads are well taken care of compared to other places.

Council Member Epps agreed and stated that he was just in Florida and compared to what he saw there, Eden's were a lot better.

Mayor Grogan commented that they have all danced around the question. He thought that what they have heard was that it was probably the consensus to leave things alone. They are going to have a public hearing on May 15 to adopt a budget. If there was anything between now and then that they want to talk about he thought it would be appropriate to talk to the City Manager and bring it back to Council if they need to get together to prior to the public hearing.

Council Member Epps agreed and added that they should not make a big surprise at the next

April 18, 2012

Minutes of the April 18, 2012 meeting of the Eden City Council, Continued:

meeting. If they have a little something they can talk to the manager and get it together before the meeting.

Mayor Grogan added that at the same time he hoped this budget can be adopted. There were going to be sacrifices this year and for the next several years. He noted that they should look at the tax base of their community.

Mr. Corcoran commented that honestly on the General Fund the most critical thing during the next 12 months was their annexation in lieu of agreements. You take \$680,000 or whatever it was and divide it by \$83,000 whatever each cent creates and if you lose it that was the equivalent tax rate increase you would need just to get back to even. So in the General Fund going forward the thing to watch in the next year were those agreements. On the Water & Sewer Fund it was to watch the mandates that they do not know they will be hit with. He added that they had no idea last year that this year they would be discussing an EPA administrative order that could cost up to \$15 million.

As there were no other questions or concerns, Mayor Grogan asked for a motion to adjourn.

ADJOURNMENT:

A motion was made by Council Member Tuggle seconded by Council Member Ellis to adjourn. All Council Members voted in favor of this motion. This motion carried.

Respectfully submitted,

Sheralene S. Thompson City Clerk

ATTEST:

John E. Grogan, Mayor