

CITY OF EDEN, N. C.

A special meeting of the City Council, City of Eden, was held on Monday, May 6, 2002 at 4:00 p.m. in the Council Chambers, 308 East Stadium Drive. Those present for the meeting were as follows:

Mayor:		Philip K. Price
Mayor Pro Tem:		John E. Grogan
Council Members:		Ronald H. Reynolds
		Billy Vestal
		Christine H. Myott
		Garry Tudor
		Jerry Epps
		C. H. Gover, Sr.
City Manager:		Brad Corcoran
City Attorney:	(absent)	Tom Medlin, Jr.
City Clerk:		Kim J. Scott
Deputy City Clerk:		Sheralene Thompson
Representatives from staff		
Representatives from News Media:		Leslie Brown, <u>Greensboro News & Record</u> , Erick Kinnaird, The Daily News

MEETING CONVENED:

Mayor Price called the special meeting of the City Council to order and welcomed those in attendance. He then asked the City Manager to proceed with the budget message presentation.

Mr. Corcoran began with the budget message as follows:

Introduction

On behalf of the City of Eden staff, the City Manager stated that he was pleased to present to the Council the fiscal plan for FY 2002-2003. The budget was in balance and has been prepared in accordance with the guidelines set forth in the Local Government Budget and Fiscal Control Act (N.C.G.S. Chapter 159, Article III).

Budget Highlights

The budget as presented equaled \$23,273,100 or once they account for the inter-fund transfers, \$21,401,200. This was \$2.4 million more than the current FY 2001-2002 budget as adopted after the inter-fund transfers were accounted for or \$1.7 million more than the current FY 2001-2002 amended budget after inter-fund transfers were accounted for.

Although the budget was comprised of many components, there were three main reasons for this difference. First of all, the budget included \$1.2 million dollars for a new Single Family Rehabilitation Project Fund for work in the Flint Hill area and a new Flint Hill Community Development Block Grant Project Fund. Those funds were not included in the current budget, nor were they included in the current budget as amended. Secondly, a total of \$1,257,800 was allocated for the Community Park Project Fund for the next phase of development within Freedom Park during some point after January 2003. Those funds were also not included in the current budget as adopted or as amended. Finally, the City Council created new revenue in excess of \$2,381,079 for FY 2002-2003 by raising water and sewer rates and solid waste collection fees.

He noted that the current budget included a total of \$1,798,500 in fund balance to help balance the budget. This was a net difference of approximately \$582,597 in additional funds as a result of the rate increases. In fact, there was an increase of \$480,400 in proposed spending within the Water Construction and Sewer Construction Departments for FY 2002-2003. When they take those three factors

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into consideration, that more than explains the reason for the increase and the allocation plan proposed for next year versus this year.

Mr. Corcoran explained that initial departmental requests for expenditures equaled \$ 25,246,300. A total of \$ 1,973,200 or 7.82% has already been cut by the City Manager from what was initially requested for next year. During the FY 2001-02 budget process the initial departmental requests for expenditures equaled \$ 30,764,900 for a difference of \$ 5,518,600 when compared to the requests for FY 2002-03. Obviously, this was a good sign and demonstrates that the message of concentrating on absolute needs versus wants was being heard and practiced.

He reported that there was no proposed increase in the present property tax rate of fifty-seven cents per one hundred dollars of property valuation. Tax revenue projections for ad valorem taxes were based upon a total property valuation of \$ 572,068,357 at a collection rate of 98 percent or \$ 3,195,500. He noted that a collection rate of 96.5 percent was utilized in the FY 2000-2001 budget and a collection rate of 97 percent was utilized in the current FY 2001-02 budget.

It was hard to recall any other year where accurately estimating revenues has been so difficult. Their economy was still in a recession, and recovery, when it begins, may be slow. The City of Eden will not know until mid – to late – May, or perhaps later, whether or not Governor Easley will release any of this municipality's revenues now being held in escrow. In addition, the 2002 session of the General Assembly, which convenes May 28th, may not have finished adjustments to balance the state's FY 2002-03 budget. Right now, the state faces a budget shortfall of at least \$1.2 billion. He noted that this past weekend it was reported that the projected shortfall had now increased to \$1.5 billion. How the state balances its budget may well affect the city's budget, both directly and indirectly. State programs may be cut that will affect municipal programs; municipal revenue sources may be affected; or fees and charges for permits and required state inspections may rise.

These reimbursement revenues and state-collected local taxes, including the funds that Governor Easley was withholding, belong to the taxpayers of Eden. Respectfully, they must insist that Governor Easley release those essential revenues for the current year, that the General Assembly assure full, timely distribution of all of those funds next year, and that Governor Easley not withhold funds that belong to the citizens of Eden next fiscal year. The municipalities across North Carolina must stay united in this effort and need to communicate to their constituencies that the Governor and possibly the General Assembly (if they refuse to take action) were placing the economic woes of the state on the shoulders of the State's localities and the backs of each taxpayer.

When the Governor declared a fiscal emergency in February he decided to withhold certain long-standing municipal revenues to help balance the state's budget. The amount withheld from the City of Eden equals \$ 562,844 or 10.04 cents on the real estate tax. To date, none of those funds have been released. Despite the uncertainties that continue to exist on the State level the inventory tax reimbursements and other municipal revenues which were distributed by the State of North Carolina have been included in the adopted budget. Those were local funds and the City should be able to count on them. After discussing this with many other administrators it was felt that excluding them from the budget would send the wrong signal to the Governor and State legislature. In the event the Governor and/or State legislature reduces and/or eliminates the municipal revenues it was anticipated that a budget amendment will be recommended to deal with the revenue shortfall. Specifically, it would be recommended that each departmental budget within the General Fund be reduced by an adequate percentage to help cover the anticipated shortfall.

He noted that FY 2002-03 will be the final year for the reimbursements for

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previously repealed local taxes. The General Assembly, during the 2001 session, passed legislation to end those reimbursements, effective June 30, 2003. The General Assembly provided authority for county boards of commissioners to convert the most recent one-half cent state sales tax to a local option sales tax, effective July 1, 2003. If a board of commissioners does so, the statute provides that each municipality and county will get at least as much from the one-half cent tax as it did from the reimbursements. Over time, revenues from the one-half cent sales tax should exceed the amount of reimbursements for most cities and towns. Local option sales taxes were not subject to withholding by the Governor. According to figures provided by the Finance/Human Resource Department, Eden receives \$ 343,036 annually in reimbursements, an amount equivalent to 6.12 cents on the property tax rate. This revenue source will end on June 30, 2003. Whether there is a long-term alternative revenue source will depend on action of the Rockingham County Board of Commissioners. This was an area the City needs to pursue during the upcoming year. Mr. Corcoran noted that he had spoken with Mr. Robinson, the County's Administrator, who assured him that he was aware of this fact and that he felt action would be taken, prior to next June.

He continued in that GASB (Governmental Accounting Standards Board) 34 mandates that Internal Service funds be reflected in the fund that it primarily supports. This means because Eden has more vehicles and equipment assigned to the General Fund, the Fleet Maintenance Fund will be reflected under the General Fund for audit purposes. By budgeting this as a department under the general fund instead of a separate fund the City's budget will more closely resemble its audited statements. This change has been incorporated into the budget as proposed. The Fleet Maintenance Department will be "reimbursed" for expenses associated with personnel costs and normal operating costs from the Water and Sewer Fund. The reimbursement will be based on an allocation of vehicles and equipment maintained within the water and sewer fund. In addition, the garage will become a cost center, thereby eliminating the need for it to charge a "premium" to other departments. Another benefit of placing fleet maintenance as a department within the General Fund is that it can hold its inventory and assets in its department, thereby eliminating the need to distribute its related holdings upon the closure of fleet maintenance as a separate fund.

He noted that in the City's financial statements the auditors' reflect the Water Construction Fund and Sewer Construction Fund under the heading Enterprise Fund, thereby showing the culmination of these two funds with the Water and Sewer Fund as one fund. Moving the Water Construction Fund and Sewer Construction Fund into the Water and Sewer Fund as individual departments will help their organization by making its budget document comparative to its audit document. In researching the history of the Water and Sewer Construction Funds, it was discovered that these funds were set-up years ago as a way for the then City Council and City Manager to "put away" funds specifically for construction purposes. Today, those funds were supported almost entirely by transfers from the Water and Sewer Fund so it makes sense to show those funds as individual departments within the Water and Sewer Fund rather than as different funds. Afterall, each of these funds were ultimately used to support the efficient operations of the water and sewer operations. The budget as presented includes these changes.

The annual appropriation for the debt service payment on the 1990 revenue bond referendum for water and sewer improvements was listed within the special appropriations portion of the Water and Sewer Fund. Those funds were then moved into the debt service fund and paid. The City's auditor, Director of Finance and Personnel, and City Manager were in unanimous agreement that this practice no longer made sense. Today, the debt service fund was completely supported by transfers from the Water and Sewer Fund. The budget as proposed eliminates the debt service fund and maintains the annual appropriation for the debt service payment on the 1990 revenue bond referendum within the special

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appropriations portion of the Water and Sewer fund.

The City Council voted to implement the Pay As You Throw solid waste collection program and a solid waste rate increase on March 19, 2002. This increase was designed to recover a percentage of the cost associated with operating the City's comprehensive solid waste system. A 60% cost recovery system will be implemented as of July 1, 2002. A 70% cost recovery system will be implemented effective January 1, 2003 and an 80% cost recovery system will be implemented effective July 1, 2003. In FY 2002-03 the City expects to generate approximately \$ 400,000 above the revenues generated in the present year as a result of the rate increase. The Rockingham County landfill disposal fee was expected to remain unchanged next year at \$ 38.00 per ton.

On February 28, 2002 the City Council met for its annual budget/planning retreat. According to the goals submitted by the Mayor and members of City Council there were five items listed by at least four members (majority) of the Council and two additional items that were discussed and agreed upon by a majority of the Council and members present. They included the following:

- A. Continue development of Eden Industrial Park
- B. Specific recommendations on necessary rate increases
- C. Water/Sewer improvements and restoration of 2" waterline replacement program
- D. Comprehensive annexation effort
- E. Complete Phase II of the new City (Freedom) park
- F. Implement Pay-As-You-Throw solid waste collection program
- G. Increased emphasis on code enforcement/condemnations and junk cars

It should be noted that these goals helped to serve as a financial blueprint during the preparation of the proposed budget for FY 2002-03. Funding has been included to address each of the items listed above and specific recommendations on necessary rate increases have (for the most part) already been submitted and acted upon by the City Council. Additional recommendations concerning increases in a variety of fees associated with privilege licenses, planning and inspection fees, recreation fees, parking tickets etc... are highlighted in the Tax and Service Rates section of this budget document.

Mr. Corcoran stated that on January 19, 2001 Mr. T. Vance Holloman, Director, Fiscal Management Section for the North Carolina State and Local Government Finance Division and the Local Government Commission sent a letter to the Mayor stating that they had completed their analysis of the City's audited statement for the fiscal year ending June 30, 2000. Mr. Holloman noted that *"the Water and Sewer Operating Fund reported expenditures in excess of revenue on the modified accrual budgetary basis of accounting and a net loss on the full accrual basis."* He went on to state, *"We noted that your auditor's management letter also indicated that the water and sewer rates should be adjusted. The City Council should review the water and sewer user fees and expenditures to determine if fees should be increased . . ."*

On February 26, 2002 the City Council responded to those calls and voted to raise water and sewer user fees to a point sufficient enough to eliminate the need for an allocation from existing fund balance to meet annual operating, capital and debt related expenses. The City Manager, Director of Finance and Personnel and Director of Public Utilities submitted a series of both short-term and long-term objectives, which were approved by the City Council. Specifically, it was recommended that a multi-step process be pursued as follows:

First, "stop the bleeding" by proceeding with an immediate increase in water and sewer rates. It was noted that an absolute bare minimum of \$ 1,981,097 (barring

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any additional unanticipated circumstances such as future plant closings and/or large usage reductions) will be needed to eliminate the City's dependency on reserves in the upcoming FY 2002-03 budget and provide funding for a limited amount of capital outlay related projects.

Second, a long-range strategic plan was desperately needed when it comes to water and sewer related improvements and a competitive rate structure. It was recommended that the City proceed with a comprehensive master strategic plan. This strategic plan will concentrate solely on water and sewer issues, needs and rates facing the City of Eden over the next 20 to 25 years. The City Council voted to accept this recommendation and an engineering firm was currently in the process of initiating this effort and expects to be finished prior to the conclusion of the FY 2003-04 budget process.

Third, the City will need to implement the recommendations that will be set forth in the long-range strategic plan. Once completed it was envisioned that the recommendations will be implemented in two steps. First, it was felt that the City will need to look at a bond issue to cover those capital outlay needs facing the City between FY 2003-04 and FY 2008-09. Secondly, once the current debt service associated with the 1990 revenue bond referendum was retired in FY 2008-09 it was felt that a second bond issue will likely be needed to address those capital outlay needs facing the City after FY 2008-09.

Due to the Governor's mandated withholdings and the overall lag in the economy it was very difficult to determine estimated fund balances as of June 30, 2002. Based on the information available (thru March 31, 2002) the estimated fund balances as submitted by the Director of Finance and Personnel were set forth in their budget document. He noted that they totaled \$8,495,429.

Obviously those estimates will vary and will be different when compared to the final audited numbers. It was difficult to anticipate what will happen with the funds being withheld by the Governor as well as the actual flow of revenues collected and expenditures over the last few months of FY 2001-02.

The available fund balances budgeted to be utilized during FY 2002-03 includes a total of \$ 0.00. This compares extremely well with the fact that the current FY 2001-02 budget was balanced via the allocation of \$ 1,798,500 in available fund balances. Obviously, this was a much more desirable situation and indicates the willingness and commitment of the City Council and staff to make the tough decisions and do what was necessary to improve the financial condition of the City. As pointed out in last year's budget message, the City can not intend, as a common practice, to use existing fund balances to finance current operations. Those balances have been built over the years from savings to provide the City with working capital, which will enable the City to finance unforeseen emergencies and declines in revenue without borrowing. The continued financial viability of the City depends upon this effort.

On April 11, 2002 the Environmental Management Commission (EMC) approved the latest draft Phase II rule language, for implementing the NPDES Phase II program in North Carolina. In addition, they approved moving forward with the required public notice and public hearing. He noted that the \$ 100,000 that was included in the current FY 2001-02 budget for the Phase II stormwater permit application process was not spent due to delays in the designation process. Those delays were expected to push back Eden's compliance date into FY 2003-04. As such, no money has been allocated for this purpose during FY 2002-03. He added that the reason this was mentioned was to let them know that this was something that will still be facing Eden, however it would not be in the next year.

Based on the latest rule language change, the City of Eden will likely be designated sometime in 2004 and then must submit a Phase II stormwater permit

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application within 18 months of the designation publication. Based on this latest information, they would need to be prepared to budget funds for this mandate in FY 2003-04. According to the five year CIP it was estimated that this mandate would cost the City a total of \$ 400,000 over a period of four years with the first year including an allocation of approximately \$ 125,000.

The budget includes \$ 1,764,000 to pay for the debt service related to the 1990 \$23,000,000 revenue bond referendum. The total amount of bonds sold was \$ 19,605,744. Payments on this debt are required in December and June of each year with the December payment being interest only and the June payment being principal and interest.

The City was currently in the process of refinancing part of these bonds. The series A bonds were refinanced in 2000 and the series B bonds were currently being refinanced. Moody's Investors, Inc., rated the City Aaa and Standard and Poors rated the City AAA. Both of those ratings were of the highest rank possible and were the same ratings the City received in 2000 during the refinancing of the series A bonds. Although the City will not know actual savings until after this document was produced, it was expected that the City will save between \$200,000 and \$ 300,000 over the remaining life of the bonds. A conservative estimate of the annual savings would be approximately \$ 25,000 per year. The current (estimated) amount outstanding on those bonds, as of July 1, 2002 would be \$ 8,230,000. According to the offering statement prepared by their bond counsel, the City has the capacity to incur an additional \$50,000,000 in comparable debt.

He noted that the budget as presented included \$ 105,000 for the Flint Hill Community Development Block Grant (CDBG). A total of \$ 52,500 was allocated in the current FY 2001-02 budget but was not spent due to some timing issues. As such, the two required "local match" payments of \$ 52,500 will need to be paid in the upcoming budget, which was why they saw an allocation of \$ 105,000. The remaining \$ 595,000 in funding will be received in the form of a grant that was awarded to the City during FY 2001-02. He explained that the Flint Hill Community Development Block Grant Program was a program designed as a part of the overall revitalization plan for the Flint Hill Mill Village. The \$ 700,000 was aimed at housing rehabilitation.

In addition, the budget also indicates the creation of a Single Family Rehabilitation Grant Fund, which was also a part of the overall revitalization plan for the Flint Hill Mill Village. A total of \$ 500,000 has been allocated and will be aimed at low and moderate-income individuals in the census tract that includes Flint Hill. Specifically, the City will receive a Single Family Rehabilitation Grant in the amount of \$ 300,000, a Duke Energy Grant in the amount of \$ 25,000 and a Urgent Repair Grant in the amount of \$ 75,000. Notification concerning each of those grant awards was received by the City during the current fiscal year.

The budget includes \$ 55,600 of the \$ 73,500 requested by various department/division heads for small capital outlay items typically costing under \$ 5,000.

In addition, the budget includes \$ 4,119,400 of the \$ 5,511,700 requested by various department/division heads for large capital outlay items typically costing in excess of \$ 5,000.

He noted that \$ 100,000 was included in the General Fund as an unappropriated contingency and \$ 100,000 in the Water & Sewer Fund as an unappropriated contingency. Those were for unforeseen declines in revenue and/or unanticipated expenditures. This \$ 200,000 will be added to the appropriate fund balances if not utilized during the upcoming fiscal year.

He noted that they have allocated a total of \$ 159,100 under the Powell Bill

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Department to cover costs associated with the Monroe Street/Washington Street drainage project. This will be a joint project with the North Carolina Department of Transportation (NCDOT) and will be contingent upon NCDOT providing adequate funding for their portion of the project.

The budget includes \$ 25,000 to pay for the City's obligations in reference to performance agreements with local industries. Like most cities and counties in North Carolina, the City of Eden has undertaken several performance agreements with local industries. N.C.G.S. 158-7.1 sets out the type of activities that cities and counties can engage in as it relates to economic development. Existing incentive payments based upon specific performance criteria that were due to be paid during FY 2002-03 include:

The budget includes \$ 25,900 to pay for the City's obligations in reference to the water and sewer extension policy. The policy provides that the City will participate in the extension of those services for up to 100% of the cost for industrial development, up to 75% of the cost for commercial development and up to 50% of the cost for residential development. There were three active agreements that were due to be paid during FY 2002-03 and they total \$25,833.20.

The budget includes a total of \$ 73,000 for economic development costs. Of this, \$64,000.00 was associated with the Eden Industrial Park and \$9,000.00 was associated with the French Farm.

Rockingham County will contribute an additional \$ 64,000.00 on the work associated with the Eden Industrial Park, since that was a 50/50 project.

The budget includes an allocation of \$ 39,800 to the Partnership For Economic Development in order to join the public/private-sector investor team in support of enhanced marketing and new industry recruitment efforts. As noted previously in one of his documents, representatives for the Partnership would be present for the May 15th Budget Meeting, where they would make their formal presentation.

As noted in the October 10, 1999 and November 22, 2000 audit management letters by the City's independent auditing firm of Rouse, Rouse, Penn and Rouse LLP, the Self Insurance Fund was in need of immediate attention. The fixed costs and claims were continuing to exceed appropriated revenues by a significant level. As such, appropriations from the appropriate fund balances were required in each year in order to balance out the fund. In an effort to address this problem the current FY 2001-02 budget included an increase in the insurance premium for the employer contribution to the fund for each employee. This has led to an adequately funded program. In order to make sure the City continues to provide adequate funding the proposed budget includes an incremental increase of \$ 30 in the "enrollee only" monthly health insurance premium contribution. In addition, the proposed budget includes an incremental increase of \$ 5 in the "enrollee only" monthly dental insurance premium. Although the Self Insurance Fund will still be short of fully funding the maximum exposure level the effort currently being proposed will exceed the expected exposure level and will go a long way towards ensuring the self insurance fund's continued financial viability and will reduce the risk of a return to fund balance dependency.

On February 21, 2002 the City Council adopted a comprehensive staffing assessment presented by the City Manager and the Director of Finance and Personnel. This assessment looked at every level of every department and made recommendations that will assist the City in remaining cost-effective in terms of personnel costs. A review of available data for the last eleven years indicates that the total number of full-time equivalent positions has fluctuated from a low of 183 positions in FY 1991-92 to a high of 203 positions in FY 1995-96. Upon the appointment of the current City Manager the City of Eden had a total of 188 full-

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time positions. The City Manager previously recommended the elimination of one upper management level position (Director of Human Resources) during last year's budget process. On February 21, 2002 the City of Eden had a total of 187 full-time positions as well as a total of 94 part-time positions. With the recommendations adopted by the City Council those numbers will be reduced to 180 full-time positions and 64 part-time positions. This represents a reduction of 4.25% in the number of full-time positions (eight positions) that have been recommended for reduction since the arrival of the current City Manager as well as the reduction of 31.91% in the number of part-time positions (thirty positions). Overall, this will represent a reduction of 13.48% in the number of full-time/part-time positions (282 to 244).

It was also noteworthy to point out that an additional sixteen full-time positions have already been eliminated since FY 1995-96. Those reductions combined with the ones approved on February 21, 2002 will reduce the number of the City's full-time positions by a total of twenty-three positions or 11.33% since FY 1995-96. Once all of the specific recommendations have been implemented the City of Eden will be at its lowest level of staffing, without compromising quality of services, in more than at least fifteen years and probably much longer.

The net savings (based on current dollars) once each of the recommendations has been implemented was approximately \$ 441,022.53 per year or the equivalent of 7.5 cents on their existing tax rate. The recommendations contained in the comprehensive staffing assessment and adopted by the City Council will translate into a tremendous savings on an annualized basis to the taxpayers of the City. Those actions in response to the weakening economy demonstrates again that the City Council and staff were taking a proactive position in terms of "managing the change" rather than letting the "change manage us".

Due to the slowing economy, the need to raise water, sewer and solid waste rates during the past year, the significant improvements made to the personnel ordinance, the rate of inflation and the need to be fiscally responsible it was the recommendation of the City Manager that the adopted budget for FY 2002-03 include the following:

1. A cost-of-living allowance increase of 1.5%
2. An average merit (performance based) increase of 1.5%

A cost-of-living allowance increase of 1.5% (effective July 1, 2002) was consistent with the 1.6% rate of inflation for calendar year 2001. The proposed merit (performance based) increase (effective with annual performance review) would allow the departments the flexibility to give a merit increase in the 1% - 2% range. With this plan employees would have the opportunity of receiving an annual increase anywhere from a minimum of 1.5% (1.5% COLA and 0% Merit) up to a maximum of 3.5% (1.5% COLA and 2% Merit).

Those employees earning a rating of "proficient" would be entitled to receive an increase of 1.0%. Those employees earning a rating of "highly proficient" would be entitled to receive an increase of 2.0%. Those employees earning a rating somewhere in-between would receive an increase somewhere between the minimum and maximum (1.5% typically). Employees earning a rating below proficient were not entitled to any merit (performance based) increase and would be subjected to continuous observation to make sure they improve their job performance or become separated from the organization.

The City of Eden implemented an updated pay plan in November, 2000 in an effort to pay its employees a wage commensurate with similar positions in similar organizations within the same geographic area. The pay plan has not been updated since that point in time. In order to make sure the pay and classification

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plan stays current they have recommended an increase of 2% to the minimum and maximum of each pay grade salary range. This was consistent with the rate of inflation since the plan's implementation in November, 2000. In addition, they have reviewed each of the classes of positions to make sure they have been placed in the proper salary range and that the designated salary range was reflective of each position's duties and responsibilities.

On January 17, 2002 the City Council adopted a variety of changes to the benefits package that was made available to all full-time employees. This budget document reflects one of those actions by replacing Longevity Pay with a Christmas Bonus. This translates into an estimated savings of \$ 28,400 from \$ 56,700 (allocated for Longevity) in FY 2001-02 to \$ 28,300 (allocated for Christmas Bonuses) in FY 2002-03.

The financial reporting standards required by the state and other agencies direct that the \$724,800 transferred from the Water and Sewer Fund to the General Fund be allocated as an administrative charge to the department providing the service to the Water and Sewer Fund.

He noted that the Governing Board, Administration, Municipal Services, Finance/Human Resources, Legal, Engineering and Fleet Maintenance were all reimbursed a portion of their cost, based on a percentage of the time that they spend on water and sewer related activities.

The budget includes \$ 25,000 for ongoing efforts associated with the annexation feasibility study and plan of action.

The budget closes out the current Single Family Rehabilitation Project Fund, the current Flood Mitigation & Community Development Fund, and the Capital Reserve Fund. In addition, the budget eliminates the use of a Fleet Maintenance Fund, Debt Service Fund, Water Construction Fund and Sewer Construction Fund. The Capital Projects Municipal Park Fund was previously created and will continue to function under funds previously allocated.

The budget includes \$ 106,200 for lease payments associated with system upgrades to the 911/RMS/CAD emergency communications system within the Eden Police Department. The Police Department was currently in the process of relocating to the lower level of the Eden Municipal Building. This move was expected to be completed by early May, 2002. In addition, the budget includes \$ 29,700 for monthly line maintenance fees associated with the telephone lines used by the 911 system as well as various supplies that the dispatchers may need in order to operate the system effectively. In FY 1999-2000, the City collected \$ 140,983 in wireless 911 funds and regular 911 surcharges and in FY 2000-01 the City collected \$ 141,758. As of March 31, 2002 the City's collections related to surcharge funds equaled \$ 99,717 or approximately \$11,100 per month. He pointed out that the revenues coming in were sufficient enough to offset the lease payments and expenditures going out.

Similar to last year, this year's budget document includes a Five Year Capital Outlay Program totaling in an effort to facilitate improvements in the City's long-term budgeting and planning process as well as to improve the flow of communication concerning those projects and equipment needs that will be facing the City over the next five years. The five year \$ 24,143,249 program has been based on the "physical needs" of the City as identified by the appropriate department/division head. This money was not allocated or approved by the Council, it was merely there as a snap shot of what each Department/Division Head sees for the next five years for their department.

A revised fixed asset policy was approved by the City Council on February 19, 2002. The only difference in the revised policy was that any item over \$ 1,000.00

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will continue to be tracked using the City's fixed asset system, however, only those items in excess of \$ 5,000.00 will be depreciated. Those threshold requirements were recommended by the City's auditors, the Institute of Government, the Local Government Commission, and the Governmental Finance Officer's Association.

He noted that their budget had changed a little this year and they would see Capital Outlay Depreciated and Capital Outlay Non-Depreciated. In the past they would have seen Capital Outlay Equipment, Capital Outlay Vehicles, but now in accordance with the Fixed Asset Policy, they would note Capital Outlay Depreciated and Capital Outlay Non-Depreciated.

With the relocation of the Eden Police Department and the Division of Motor Vehicles the City Council will be in a position to sell its various pieces of property along Stadium Drive. According to figures received from Rockingham County the current assessed values for each parcel equaled \$612,153.

The proposed budget does not include the receipt of any funds for the sale of these properties. If the properties were sold the revenue received will be added to the General Fund fund balance and available for use as desired by the City Council. The City Council could use the proceeds or a portion of the proceeds to delay the need to borrow funds for the Eden Industrial Park or could just let the funds sit in the fund balance without designating their use for a specific purpose. In addition, any revenues received, as a result of the sale of those properties would also serve as a "back-up" in the event the Governor decides to withhold additional funds due to the City of Eden during FY 2002-03.

The budget includes an allocation of \$ 556,400 to the Water Construction Department for a variety of capital outlay projects including but not limited to an allocation of \$ 328,400 for the restoration of the 2" waterline replacement program. Specific areas to be addressed within this program during FY 2002-03 include Cascade Avenue, Main Street, Thomas Street and Burton Street. Additional 2" waterline replacement projects have been identified and may be requested at a later point in time during FY 2002-03 subject to the availability of revenue and sufficient time for city forces to ensure that the work can be completed prior to June 30, 2003.

The budget includes an allocation of \$ 1,175,000 to the Sewer Construction department for a variety of capital outlay projects. Those include but were not limited to an allocation of \$475,000 for the Bio-Solids Treatment Upgrade, \$ 195,000 for engineering and design fees associated with the Railroad Pump Station Upgrade and \$ 250,000 for emergency repairs as needed to the City's pump stations.

The budget includes a project fund of \$ 855,900 from the current fiscal year for the ongoing sewer outfall rehabilitation projects. Specifically, those include Meadow Greens, Merriman and Long Street. It was expected that the project fund would be established during the May 21, 2002 meeting of the Eden City Council. They anticipate spending approximately \$ 155,900 of this total prior to June 30, 2002, with the remainder prior to the end of September.

The budget as presented indicates new funding in the amount of \$ 1,257,800 for the ongoing development of Freedom Park. The budget sheets indicate a total of \$ 1,627,400 but he noted that \$ 369,600 of this total has been allocated by previous action of the City Council. The new funding consists of the \$ 50,000 annual contribution received from the City Council, \$ 1,200,000 in new loan proceeds (no earlier than January, 2003) and the remaining \$ 7,800 consists of anticipated citizen/industry donations and investment income. The allocation of \$ 1,257,800 will allow the City to complete the next phase of the park development. Specifically, this will include complete construction of a four-field

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baseball/softball complex with lights, pressbox, concession area, bathrooms and additional parking. This was consistent with the comments that were made during the annual budget/planning retreat on February 28, 2002. During that discussion it was agreed to include this money in next year's funding plan for possible implementation after January, 2003.

The budget includes \$ 53,000 which will cover year one of a seven year lease-purchase agreement on two new pumpers for use by the Eden Fire Department. The new pumpers would replace the 1963 model and the 1976 model.

The budget includes \$ 42,000 which will cover year one of a five year lease-purchase agreement on a new street sweeper and \$ 28,000 for the replacement of a leaf machine.

The budget includes \$ 66,000 for the replacement of three police cruisers and \$ 15,500 for the replacement of an animal control truck. In addition, a total of four additional vehicles will be designated as surplus and sold as a result of the staffing reductions.

The budget includes an allocation of \$ 68,100 to the Special Services Fund. The bulk of this money (\$ 66,900) was revenues received and expenses related to the Runabout Travel Club. The remaining funds (\$ 1,200) were related to book sales for the Historic Preservation Commission and miscellaneous expenditures of the Historic Preservation Commission.

Mr. Corcoran explained that finally, he wanted to take a closer look at the proposed expenditures within the General Fund as well as the Water & Sewer Fund.

General Fund

He noted that in taking a closer look at the General Fund, ten departments were proposed to receive less money in FY 2002-03 than in FY 2001-02. They include Council, a reduction of \$1,400; Administration, a reduction of \$11,600; Finance/Human Resources, a reduction of \$14,600; Legal, a reduction of \$2,500; Police, a reduction of \$141,038; Engineering, a reduction of \$23,500; Streets, a reduction of \$158,500; Solid Waste, a reduction of \$11,900; Fleet Maintenance, a reduction of \$497,700. He noted that was a little misleading, this number was higher last year due to the inter-fund transfers that were necessary for gas, labor, parts and tires, and this year, the only items charged to this department were for personnel and operational expenditures. The expenditures associated to gas, parts and tires, would now be associated in the departments in which they were charged, such as Streets and Solid Waste. In addition, the figure in the General Fund also did not account for the fact that it would be receiving a reimbursement from Water & Sewer to the tune of about \$104,000, so again that reduction of \$497,700 did need to come with an explanation. The last department slated for a decrease next year was Special Appropriations by a reduction of \$30,800. There was one department in the General Fund that remained unchanged, the Contingency Department, which was recommended to stay at \$100,000.

There were six departments in the General Fund that were proposed to receive more funding. The first was Municipal Services, for an increase of \$25,200. He noted that the Secretary at the City Shop was previously charged to Solid Waste, but was serving all divisions under the direction of the Municipal Services Director. As such, the proposed budget reflects this position now being charged to the Municipal Services Department.

The second department with an increase was the department of Business Development. This was an increase of \$77,900 because this position and this department were not in existence last year.

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The third department was Fire, for an increase of \$133,400. First, there was an additional employee as recommended in the comprehensive staffing assessment and approved by the City Council. Secondly, he noted that there were funds allocated for part-time labor, which would allow them to help meet the NFPA 1710 Standards during the weekday working hours, when their part-time firefighters were typically gone, working at their own full-time jobs. There were also funds included for the replacement of two tankers.

The fourth department was the Powell Bill Department, by an increase of \$184,100. He explained that the numbers that they have used reflect the figures given to them by the North Carolina League of Municipalities as well as investment income earned on the existing fund balance within the Powell Bill. As noted earlier, \$159,100 have been earmarked for drainage improvements on Monroe and Washington. This was a joint project with the Department of Transportation.

The next department seeing an increase was the Parks, Recreation & Facility Maintenance for an increase of \$65,900. The main reason for this increase was due to the fact that utilities for the City Hall (telephone, electric, gas, dumpster), were now being charged here versus the Finance Department.

Finally, the Planning Department would see an increase of \$60,900. First, there was an addition of one full-time position as recommended in the comprehensive staffing assessment and approved by the City Council. Secondly, it includes funds for the replacement of the 1991 pickup truck and finally, there was an increase of \$6,000 or 42.86% for code enforcement efforts.

Water & Sewer Fund

He noted that three departments were proposed to receive less money than in the current FY 2001-02 budget. First, Water Resources, a reduction of \$149,400, then Collection & Distribution, a reduction of \$64,100, and Special Appropriations, a reduction of \$869,000. He noted that again, this was a bit misleading. First, they did have less outstanding debt service than last year, but the big thing was the elimination of the need to transfer funds to the Water Construction Fund and the Sewer Construction Fund since they were now part of the Water & Sewer Department. One department, that was slated to stay unchanged was Contingency, at \$100,000.

Finally there were five departments that were slated to receive more funding in FY 2002-03 than in the current budget. They include Billing & Collections, for an increase of \$36,528. He noted that one of the employees, the Warehouse Clerk, was previously assigned to C&D, but would now be charged here as a component of the central purchasing function within the Water & Sewer Fund.

Secondly, the Water Plant would see an increase of \$117,600. First, he noted an increase of approximately \$23,000 in Capital Outlay spending. Secondly, there was an increase of \$25,000 in chemicals, thirdly, the Superintendent of the Water Department was now being charged here, as he should be in lieu of Water Resources, and finally there was an increase of \$15,000 in funds being allocated to MR/Equipment.

Thirdly, the Wastewater Treatment Plant would increase of \$43,600. The main reason for this was an increase of \$95,000 being allocated to sludge disposal for the first phase of the solids management plan as submitted by Anderson & Associates, P.E.

Finally they would see an increase of \$305,400 in Water Construction and \$175,000 in Sewer Construction. He stated that when they presented the analysis

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on the Water & Sewer Study, they projected that they would like to have a minimum of \$1.5 million budgeted for Capital Outlays in Water & Sewer. He also noted that basically this budget provides about \$1.7 million for that purpose.

Conclusions & Recommendations

Mr. Corcoran stated that in conclusion, they have made significant strides over the course of the last twelve months and everyone should be pleased with our efforts aimed at improving the long-term financial condition of their City.

He noted that the current budget was balanced, but only due to its reliance on \$ 1,798,500 in available fund balances within the General Fund, Capital Reserve Fund, Water & Sewer Fund, and Sewer Construction Fund. The FY 2002-03 budget as proposed does not include the use of any fund balances and was balanced.

The adoption of the comprehensive staffing assessment will reduce their staffing levels to figures that have not been seen for at least 15 years. This was being done without compromising their ability to offer quality service and services to the citizens of Eden. This workforce reduction will result in a net savings (based on current dollars) once each of the recommendations has been implemented of approximately \$ 441,022.53 per year or the equivalent of 7.5 cents on their existing tax rate.

The Self Insurance Fund was now self-sufficient and was no longer depending upon year-end allocations from various fund balances in order to break even. In fact, it was estimated that the Self Insurance Fund will end the current fiscal year with a positive fund balance of \$ 209,203.

The Series B bonds of the 1990 revenue bond referendum for water and sewer improvements were refinanced during FY 2001-02. Although the City will not know actual savings until after this process was completed, it was expected that the City will save between \$ 200,000 and \$ 300,000 over the remaining life of the bonds. A conservative estimate of the annual savings would be approximately \$ 25,000 per year.

The proposed budget for FY 2002-03 includes additional funds for much needed capital outlay improvement projects including some that have been delayed for several years due to the lack of revenues. This was due in large part to the City Council's willingness to make the tough decisions in relation to much needed rate increases. Without additional revenue the City would have continued to see its financial condition deteriorate.

The budget as presented continues to provide funding for the comprehensive annexation feasibility study and effort. There were areas within Rockingham County that should become a part of Eden. The annexation of additional territory will be important to the City's continued growth.

Initial departmental requests for FY 2002-03 expenditures (\$ 25,246,300) were \$ 5,518,600 less than initial departmental requests for FY 2001-02 expenditures (\$ 30,764,900). Obviously, this was a good sign and was indicative of the efforts being made by the various department/division heads and their willingness to do their part in this era of cutback management.

Despite those facts, they continue to be in an era dominated by diminishing resources. Make no mistake – they were still in a period of hard times!

He stated that they continue to be in a period of time that will be driven by cutback management. It will require them to manage necessary cutbacks in an effort to maintain current service levels with fewer resources. They continue to

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have a high level of unemployment and have experienced erosion of their economic base on both the State and local level. Many of their citizens have lost their jobs and were desperately searching for employment alternatives. Many of their citizens were retired and living on a fixed income. Their infrastructure has reached a point of no return. They have no choice but to address the many capital improvement needs facing their community. Normal operating expenses were continuing to climb as a result of inflation and availability versus customer demand.

He explained that anytime you enter into an environment of leveling or declining economic growth, something has to give. Their goal over the past year has been to manage and plan organizational change towards lower levels of resource consumption. Cutting back and planning for the future has involved making some tough decisions about what positions will be phased out, what programs will be scaled down or terminated, what revenue sources will be increased and what sacrifices the citizens will be called upon to accept.

Now that they have taken that first big step he stated that he believed they should move swiftly to adopt an incremental approach to budgeting, planning and rate increases. He stated that he felt it would be much more desirable to raise one or two rates a year in an effort to keep pace with inflation and the escalating demands citizens have for increased services than to sit back and take action all at one time, and only when a community's financial condition has deteriorated. This was what they were forced to deal with during the last year. Unfortunately, rates were not raised incrementally over the last ten years and thus, the reason why the City Council was faced with adopting and the staff was faced with recommending higher than desired rate increases. By planning properly for the increased anticipated costs that lie ahead, they will be able to keep their reserves in tact and maintain the excellent financial solvency the City has enjoyed in the past.

Acknowledgements

Mr. Corcoran expressed his sincere appreciation and thanks to Ms. Lori Ford, CPA, Director of Finance and Personnel and Ms. Dala Stanley, Accounting Coordinator for their dedicated efforts, many hours of study and hard work related to the preparation of the proposed budget. He also thanked Ms. Kim Scott, City Clerk, Ms. Sheralene Thompson, Deputy City Clerk, Ms. Margie Blackstock, Personnel Specialist and Ms. Teri Clifton, Personnel Assistant for their support and assistance throughout the entire budget preparation process. Additionally, it was appropriate to express credit and appreciation to each department/division head for their dedication and constructive efforts which contributed greatly to the preparation of this document. Finally, he thanked the Mayor and each member of Council for their patience, words of encouragement and guidance during the budget process.

Closing

The budget as submitted, includes the various activities and functions which represent some of the major needs currently facing the City of Eden. He assured them that the management team will continue to monitor and review all operations on a continuous basis to ensure that they were as efficient and effective in their service delivery programs as possible. This budget was respectfully presented for their favorable consideration and was subject to any changes that they deemed appropriate.

He then pointed out that the next budget meeting was tentatively was scheduled for Wednesday, May 15th, at 4:00 p.m. He noted that the first item on the agenda would be the funding request from the Partnership for Economic Development. Secondly, each department head would be present to answer any questions that the Council may have concerning any outlay items that they have requested.

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After that meeting, it was anticipated that the public hearing for the budget would be scheduled for the regular June 18th meeting. He then noted the following budget meetings, which include: May 23, May 28, and June 4th, if needed.

Comments from the City Council regarding the budget message:

Council Member Tudor asked the City Manager to reiterate that they were better off today than they were one year ago.

Mr. Corcoran replied that there was no doubt. He explained that unfortunately one year ago the Council was faced with the task of having to allocate \$1.7 million of their savings account just to get by and this year they were not using a penny.

Recess:

A motion was made by Council Member Grogan seconded by Council Member Reynolds to recess the special budget meeting until Wednesday, May 15th at 4:00 p.m. All Council Members voted in favor of this motion. This motion carried.

Respectfully submitted,

Kim J. Scott, CMC
City Clerk

ATTEST:

Philip K. Price
Mayor