

CITY OF EDEN, N. C.

A special meeting of the City Council, City of Eden, was held on Wednesday, May 14, 2003 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:	Tom Medlin, Jr.
City Clerk:	Kim J. Scott
Deputy City Clerk:	Sheralene Thompson
Representatives from staff	
Representatives from News Media:	Scott Michaels, <u>Greensboro News & Record</u> , Steve Lawson, The Daily News, Lisa Doss, <u>Eden's Own</u>

MEETING CONVENED:

Mayor Price called the special meeting of the City Council to order and welcomed those in attendance. He noted that the City Attorney was not present.

He explained that the order of business would be the consideration of approval of annexation report and service plan and a presentation of budget overview and budget work session on proposed budget for FY 2003-04.

Before beginning the meeting, Mayor Price read the following press release:

“The City of Eden has announced that it has reached a tentative agreement with Parkdale America, LLC on a “payment in lieu of annexation” for the next 10 years. The dialogue between the parties concerning such an agreement has been on-going since late 2002. The City of Eden has similar agreements with Miller Brewing Co. and Duke Power Co., and had one previously with Parkdale America, LLC that was negotiated when Unifi owned the facility in 1993.

In a “payment in lieu of annexation”, the City of Eden normally allows the company to pay 50 percent of the taxable income per year based on the first year’s evaluation. Details of the new agreement with Parkdale America LLC are still being finalized and have not been released. The City Eden has now dropped its plan for involuntary annexation of Parkdale America, LLC and the surrounding areas.

“We want to do everything we can to help the Eden facility of Parkdale America, LLC remain financially viable and employ as many of our residents as possible,” said Brad Corcoran, Eden

City Manager. “We are pleased to reach this agreement with Parkdale, as we have been pleased to reach agreements with Miller and Duke Power in the past. It’s a win-win situation for everyone, because the City of Eden continues to receive much needed revenue, and Parkdale America, LLC can be rewarded for its corporate citizenship.”

Parkdale America, LLC, a Gastonia, N.C. based, joint venture between Parkdale Mills, Inc., and Unifi, Inc., was formed in 1997 and currently operates 16 plants in the Carolinas and Virginia, including one on N.C. Highway 87 in Eden. Parkdale America and Parkdale Mills, the world’s largest independent producer of cotton and cotton blend yarns, operates a total of 31 plants and employs more than 3,000 including 160 at the facility in Eden. Parkdale also operates fiber distribution centers, including one at the plant in Eden, where all incoming fibers are tested at a fiber research center.

“We think this is a good step for Eden and Rockingham County,” said Don Moss, President of Rockingham County Partnership for Economic and Tourism Development. “We are constantly working with our existing industry to help them in any way that we can in this challenging economy, and I look for Parkdale to contribute to our county’s tax and employment base for many years to come.”

Mayor Price thanked the City Manager and Mr. Don Moss for their negotiations with Parkdale. He noted that the negotiations had been going on for a number of months and it was good to have this company and the city come together with a mutual agreement.

Mayor Price then asked Mr. Corcoran and Mrs. Kelly Stultz, Director of Planning and Inspections, to come forward with their report.

Consideration of Annexation Report and Service Plan:

Mrs. Stultz explained that over the course of the past year the city has had many discussions concerning growth, development and the availability of funding for the needs of the community. A significant part of those discussions have been about areas being considered for annexation.

Initially, the City Council asked that several large areas be studied for their feasibility for annexation. There were statutory standards that must be met as well as the costs and benefits analyzed. It was the expectation of both staff and the City Council that as they proceed through the process that the areas would likely be paired down.

Today, the City Manager made the announcement that the discussion begun late last year with Parkdale Mills has resulted in a tentative payment in lieu of annexation agreement between the company and the city. The agreement will be similar in scope to the agreements already in place between the city and Miller Brewing Company and Duke Power. An agreement of this nature with Parkdale will be complete this June and the new one is a continuation of that relationship.

Based upon that information, they would like to recommend that the City Council remove the Parkdale Area from consideration for annexation at this time.

Additionally, she stated, as both Staff and City Council proceed with the budget process, it has become evident that other changes might be necessary. While the current financial situation remains, staff would like to recommend that the City Council make the policy decision to

consider annexing only one (1) area this year for an effective date of July 10, 2004. The most costly of the two (2) areas still being considered is the Glenn Farm area. Staff would like to recommend that the annexation for the Glenn Farm area be delayed for one (1) year and that the process for the Indian Hills area continue such that this area would be annexed effective July 10, 2004.

There have been a number of questions asked and issues raised as annexation has been considered. One of them involves the Insurance Services Organization (ISO) rating and insurance premiums. The Leaksville Volunteer Fire Department has an ISO rating of 9S. The city Fire Department has a rating of 4. The lower the rating number the better rating is received. The rating number impacts insurance premiums for property (see annexation report). In order to insure that new residents of Eden get the benefit as soon as possible they have checked with ISO, local insurance companies, and the City Attorney and they plan for the city department to run calls in the area even as the contract as required by the NC General Statutes is in effect. Volunteer Chief White was also contacted about the plan for coverage. They would still send a letter to each property owner next year so that they could share it with their insurance agent letting them know of the fire coverage change. In that way, they do not negatively impact either the property owners or the volunteer fire department. Last year, figures received from Dink White, Chief of the Leaksville Volunteers, indicate only a one call per year average in the area to be undertaken. The volunteer would be paid their normal rate of \$200 per call despite the fact that the city will also be running the call.

Annexation was a vital part of the orderly growth of any community. Staff was of the opinion that it should be considered on an annual basis by the city. However, the pursuit of growth must be paired with attention to financial issues.

Mayor Price opened the floor for questions.

Council Member Vestal stated that he understood that the Fire Department Board had not met and voted on this issue to which Mrs. Stultz replied that was right.

A motion was made by Council Member Grogan seconded by Council Member Tudor to accept the recommendation of Mrs. Stultz (with the only annexation being to proceed with Indian Hills).

Council Member Vestal stated that on the intent of annexation, this was a legal question and as their attorney had not arrived, maybe Mrs. Stultz could answer it, they voted on an intent of annexation on a package deal of three areas. He asked if they had to go back and change that.

Mrs. Stultz replied, no they could just pull those out but she did need them to vote on this plan, the final report and services plan.

Council Member Grogan asked if they could include that on the same motion.

Mayor Price replied that he was sure there would be some questions. He also noted that the City Attorney had arrived.

Action on the motion was as follows: Council Members Tudor, Grogan, Myott and Epps voted in favor of this motion. Council Members Vestal, Gover and Reynolds voted in opposition. This motion carried.

A motion was made by Council Member Grogan seconded by Council Member Tudor to approve the report (Annexation Report and Service Plan) on the Indian Hills area.

Mayor Price noted that when they changed the information it looked like they had a change, when they talked about the summary of annexation criteria, that they went from 92 parcels to 102.

Mrs. Stultz replied that they did because the tax office updated their data and last week as she and the Piedmont Triad Council of Governments office were preparing to finish the plan up they found they had updated it and there were eight (8) more households. What that amounted to was that eight (8) houses were under construction in that whole annexation area, or that the county had not picked up the total value by the day they checked on them last in late April.

Mayor Price also noted in the calculation for the Powell Bill that they had included Shady Grove Road. He asked if they were going to accept Shady Grove.

Mrs. Stultz replied no; the miles were right, but that should not have been there and she did not catch it.

Mayor Price pointed out that the miles were 2.69 and he thought she had put it to 1.37.

Mrs. Stultz explained that there was a part of Shady Grove Road that will be (added), located past the Winn Dixie, there to the intersection of Stoneville Road (Highway 770) and Shady Grove, if you take a left at the mobile home, that was Shady Grove back to Harrington Highway.

Mayor Price replied, so that was correct to which Mrs. Stultz responded in the affirmative.

Mayor Price questioned the interest cost and asked if they were included in any of those calculations. He noted they were going to fund this by borrowing.

Mrs. Stultz replied no, the (City) Manager told her they were going to pay as you go for this small area.

Mayor Price asked if they were going to take it out of fund balance.

Mr. Corcoran replied that they were going to take it out of the Water and Sewer Fund when it comes to it, the total project was only \$500,000 and that was if every single person that could have water and sewer said they wanted it which was very unlikely.

Mayor Price asked if all the lots were going to be served by sewer.

Mrs. Stultz replied that everything would have that option. As they have talked about before, there was a window of time after the public hearing that people could come in and make a request beyond that, any sewer lines that were run down the street, now the city has to put in the collector lines, the main lines, the trunk lines, anything like he was talking about down along for example, River Chase, they already have it, but if they did not, those would have to be run based upon a petition and meet the standard requirement, if they did not petition then the city would not

put it in there and they would not be assessed. That was why the numbers they have given were making the worst case assumption that anybody that could want it wants it.

Mayor Price stated that when they get down to the individual house, say on Brammer Road, he asked if they had to pay for the sewer tap.

Mrs. Stultz replied that if 50% of them want to do the sewer, beyond that, then everybody on the street would get assessed, it would go in the normal policy for assessment.

Mayor Price asked how the folks who already have sewer hook up would be affected.

Mrs. Stultz replied that they would be paying a cheaper rate because they will go from outside sewer to inside sewer, they already have a tap.

Mayor Price asked if there were any other questions.

Council Member Vestal commented that on the waterline extensions and associated costs they have listed \$78,000.

Mrs. Stultz replied that was for fire hydrants.

Council Member Vestal pointed out that those waterlines did not belong to us. He asked if the city could put fire hydrants in those lines.

Mrs. Stultz replied that Dan River was aware that they were going to have to put them in.

Mayor Price noted that they mentioned \$500,000 awhile ago and it was actually going to be \$755,000. He asked if that was correct.

Mr. Corcoran replied that it was actually going to be \$833,000 and when you take out the assessment and collection fees, it would be \$508,000.

Action on the motion was as follows: Council Members Grogan, Tudor, Reynolds, Myott and Epps voted in favor of this motion. Council Members Vestal and Gover voted in opposition. This motion carried.

Presentation of Budget Overview and Budget Work Session on Proposed Budget for FY 2003-04:

Mr. Corcoran used power point to present the budget message:

Introduction

- A look at the city's financial statements for the year ending June 30, 2003 indicates that the City Council has made significant improvements to the financial condition of the city when compared to where we were just two years ago. Although this is an indisputable fact, it is now the past!

- Unfortunately, we are now in a period of economic decline. We are in a period of time that is being driven by the need for cutback management.
- The proposed budget for FY 2003-04 represents a reduction in terms of new spending when compared to the adopted budget for FY 2002-03 (- \$980,100) as well as the amended budget for FY 2002-03 (- \$1,029,565).
- The budget as submitted:
 - * Maintains the current level of public services the citizens have come to expect;
 - * Maintains a strong fund balance for unanticipated needs & emergencies;
 - * Provides funding for some much needed capital improvement & equipment replacement projects;
 - * Retains existing employees; and
 - * Addresses those goals that were submitted and listed at least three times by the Mayor and Members of City Council during the annual budget/planning retreat on 02-27-03.

Highlights of Proposed Budget for FY 2003-04

- Combined budgets for FY 2003-04 equal \$ 24,249,100.
- Includes \$2,828,700 in Inter-fund Transfers, \$998,500 in Existing Project Fund Balances, and \$400,000 in Existing Loan Proceeds.
- Total FY 2003-04 budget in terms of new spending equals \$20,021,900.
- Compares favorably to FY 2002-03 adopted and amended budgets of \$21,002,000 and \$21,051,465 respectively.
- Every department/division within the General Fund with the exception of Streets and Special Appropriations is being funded at a level that is lower than the FY 2002-03 adopted and amended budgets.
- Every department/division within the Water & Sewer Fund with the exception of C&D (Collection and Distribution) and Special Appropriations is being funded at a level that is lower than the FY 2002-03 adopted and amended budgets.
- Initial departmental requests for expenditures equaled a total of \$41,391,900.
- A total of \$17,142,800 or 41.42% has been cut by the City Manager.
- Includes \$3,799,300 of the \$13,358,000 requested by various department/division heads for Large Capital Outlay Items and Projects. \$1,220,800 of this total has already been allocated in previous budgets and represents funds being carried forward.

Projects Carried Over From FY 2002-03:

- Flint Hill/CDBG - \$632,500 – (\$102,700)
- Railroad Pump Station Upgrade - \$650,000 – (\$185,000)
- Waterlines Upgrade - \$428,200 – (\$307,600)
- Bio-Solids Treatment - \$395,800 – (\$158,200)
- Industrial Park - \$191,000 – (\$20,000)
- Single Family Rehabilitation - \$162,500 – (\$75,000)
- Municipal Park - \$787,000 – (\$550,000)
- Sewer Rehabilitation - \$350,000 (\$0.00)

Other Significant Projects Proposed for FY 2003-04:

- Monroe Street/Washington Street Drainage Project.
- Sidewalk Installation Project for Pierce Street.
- Leak Detection Study for City.
- Vulnerability Assessment and Emergency Response Plan.
- Engineering/Design of Infrastructure Improvements for Annexation Areas.
- Engineering/Design – New Raw Water Intake.
- Engineering/Design – Kuder Street Pump Station Upgrade.
- Inflow/Infiltration Abatement Efforts.
- Street Re-surfacing Projects.
- Replace Roof at Fire Station 100.

Highlights of Proposed Budget FY 2003-04:

- Maintains the present property tax rate of \$0.57.
- Includes \$1,740,000 to pay for the debt service related to the 1990 \$23,000,000 Revenue Bond Referendum for Water & Sewer Improvements.

- Includes \$50,000 in both the General Fund and Water/Sewer Fund as a Contingency for Emergencies.
- Includes the use of \$171,000 from the General Fund Balance to help pay for on-going expenses associated with the new industrial park off of Harrington Highway.
- Does not increase any user fees, water/sewer rates, refuse collection rates or other fees and service charges.
- Includes a reduction in revenue from Annexation in Lieu of Agreements.
- Includes the elimination of revenue from State reimbursements.
- Includes new revenue from the recently adopted ½ cent Option Sales Tax & State Hold Harmless Agreement.
- Includes a reduction in revenue from interest income due to a weakened economy.
- Includes \$72,300 to pay for the city's obligations in reference to Performance & Incentive Agreements with Gildan and Natural Care Labs.
- Includes \$39,800 for the Partnership for Economic & Tourism Development.
- Includes \$25,900 to pay for the city's obligations in reference to the Water/Sewer Extension Policy.
- Includes an increase in employer's contribution to the Self-Insurance Fund in the amount of \$25.00 per month per enrollee.
- There was 188 full-time employees when the City Manager was hired in early 2001. By June, 2004 this number will be reduced to 179 full-time positions upon the retirement of three additional people. Currently, there are 182 full-time positions. This will translate into a net savings of approximately \$476,736 per year based on 2002 dollars.
- Includes a cost-of-living raise of 2.0% and temporarily suspends annual merit increases.
- Increases the minimum and maximum of each pay grade within the city's compensation plan by 2.4% in order to keep pace with inflation.
- Includes several new project funds (to be created in June 2003) for projects being carried forward into FY 2003-04. These include: Railroad Pump Station Upgrade, Bio-Solids Treatment, Waterlines Upgrade and Industrial Park.
- Includes additional funding for increased nuisance abatement efforts.
- Includes additional funding for the Police Pension Trust Fund as recommended by the independent auditing firm of Rouse, Rouse, Penn & Rouse, L.L.P.

- Includes the re-allocation of several cost centers within the Water/Sewer Fund in an effort to reflect the change of responsibilities mandated by State certification and reporting requirements.
- Does not create any new positions.
- Includes funding for year one of a five year lease-purchase deal on a new dump truck (Streets) and a new knuckle crane loader (Solid Waste).
- Includes \$70,000 of revenue coming in and expenditures going out for the Runabout Travel Club.

Concluding Remarks:

- A significant amount of money was requested by various department/division heads for various Capital Improvement & Equipment Replacement items. Many of these items have been delayed for several years now and are in serious need of being addressed sooner rather than later.
- It is apparent that the City Council will need to explore the feasibility of borrowing funds in both the General Fund as well as the Water & Sewer Fund during the course of the upcoming fiscal year in order to address the multitude of Capital Improvement Projects & Equipment Replacement Projects facing the city.
- Make no mistake – the City Council will be faced with some tough decisions over the course of the next twelve months. This is the same message that I delivered during the annual budget/planning retreat in February.

Concluding Remarks:

- Items such as the construction of a new raw water intake, the development of Phase I at the new industrial park, the construction of the Water/Sewer Infrastructure Needs that will be enumerated in the 20 year Water/Sewer Master Plan and the replacement of vehicles and equipment that have been delayed now for many years will all need funding.
- Borrowing the funds necessary to address these needs will not be difficult. The challenge will be identifying the funds necessary to pay for the annualized debt obligations that will be attached to the borrowing of these funds.
- The challenge going forward will be the develop.
 - * A financial blueprint that will maintain the current level of services the citizens have come to expect;
 - * A blueprint that maintains a strong fund balance for unanticipated needs and emergencies;

- * A blueprint that will provide adequate funding in a timely fashion for a wide array of Capital Improvements and Equipment Replacement Projects;
 - * A blueprint that remains sensitive to the level of taxation and charges being passed on to our citizens;
 - * A blueprint that will retain employees and will continue to invest in the maintenance of employee skills, knowledge and abilities as a key community resource; and
 - * A blueprint that will seek to promote growth and expansion within our community.
- Much has been accomplished but much remains to be done!

Mayor Price thanked Mr. Corcoran for his presentation and the time that he and his staff had put into this budget.

He asked the City Manager outline the budget and exactly what the Council would be charged to do so that everyone would have a clear understanding.

Mr. Corcoran asked the Council to recall that last year they did the bulk of their work during the budget message. A second meeting was had and he thought that within 30 minutes the budget was finalized. There really was no timeline; it was really up to them. They have all the department/division heads there today and they were ready to get into the budget. If additional time was needed, the calendar shows tomorrow as a follow up meeting where this meeting could be recessed. It may be that they may be done today or they may be not. There were additional meetings that have been put down in their budget notebooks if needed. It was really up to the Council as to the pace they would take.

Mayor Price opened the floor for comments.

Council Member Grogan mentioned the compensation plan and that it was increasing by 2.4%. He questioned if there were any dollars that was going to go into this coming year or was this just to increase pay grade, where if they have to hire someone new, then they would have new minimum and maximum salaries.

Mr. Corcoran replied that was exactly what it was, there would not be any new dollars.

Mayor Price asked if this was solely for hiring purposes to which Mr. Corcoran replied correct, what was proposed for the employees was 2% and then it was proposed to take the minimum and maximum of each grade to 2.4% so that the pay plan stays consistent with inflation. There was nobody right now that was within that 0.4% difference of the 2% they were going to get of the 2.4% that this was going to be increased that would require additional money. What it would do, as they hired additional street laborers, policemen, or firemen in the future, it would just raise that minimum they would start at.

Council Member Vestal asked if the 2% included all employees, supervisors, and department heads.

Mr. Corcoran replied that it was all full-time employees, not part-time.

Council Member Gover explained that the reason he did not vote for annexation was due to the millions of backlogged antiquated water and sewer lines that were mentioned in the newspaper a while back as well as in the City Manager's message. They were so far behind, how could they take on anyone else at this time until they get their ship in order. He mentioned the new water intake, and that was priority one. He stated that he hoped it would be the city's priority. So much depended on the water intake of this city, they could not continue to be crippled. He stated that he was not trying to make a statement that they did not have water, they do have water, but they must get their equipment in order to provide that water.

Council Member Gover explained that his decision on annexation was made due to all these expenses. He noted that Mr. Corcoran upped the budget right at \$500,000. The figure that he gave out for twenty million did not match the nineteen million.

Mr. Corcoran replied that the big thing, the page there that included the inter-fund transfers and things was a page that was prepared by the Finance Department. When he went through it this year, one of the things that they had shown in the past that he did not feel should be shown in there were the administrative charges. He explained that when he talked about an inter-fund transfer he was talking about something that was shown twice in the budget. In the past, the \$706,000 or the money in the Water & Sewer Fund that has gone from the Water & Sewer Fund back to the General Fund has been included as an inter-fund transfer. That money should not be included as an inter-fund transfer because in their General Fund they would note in each department such as Governing Body, Administration, Engineering, or Legal, that that number was actually a negative, so it was not shown twice. When he went back and recalculated and then got with Mrs. Stanley, the Accounting Coordinator, and showed her his methodology, and also ran it by several others, that was why the change was made.

Council Member Epps commented that he reflected the raw water intake in his budget.

Mr. Corcoran stated that raw water intake was in there. He asked them to note and he thought Council Member Gover was correct, there were a lot of needs out there. For instance, they wanted to put \$850,000 to the raw water intake, but he could only come up with \$200,000. The Railroad Pump Station Project to finish it was \$2.2 million, but he could only come up with \$632,000. The Kuder Street Pump Station was approximately a \$400,000 project and all he could come up with was enough money to start engineering, so yes, those projects were in the budget. He added that very few of those, in fact the only one that was funded in its entirety just to get through Phase I was the Bio-Solids Treatment.

He stated that to address the annexation issue that was the very reason they made the recommendation today, to trim the annexation area from the two areas that remain, Glenn Farm and Indian Hills, down to one. Given the other needs, as they may remember, the capital costs in relation to the Glenn Farms area was well in excess of \$2 ½ million and the pay back on that individual area, when they separate it from the rest of the annexation area, was much longer, whereas in the Indian Hills area, in the financial information, they see that the pay back was 3.88 years, and that was assuming a worse case scenario that everybody wants sewer lines day one. He stated that was the very reason that they made the recommendation to remove Glenn Farm at this time.

Council Member Gover commented that he put a 15-year payback on even the 3 year.

Mr. Corcoran replied that he thought what they had in front of them was the document that they used before and he thought that was just something that was not picked up. He explained that he thought that probably with the previous document the same language was there but there obviously would not be a 15-year payback. With that type of money, there was no reason why those improvements could not be paid for, they have two years to do it and one year to plan it so that was three years. They did not have to go out and do everything in year one and he would think over a three-year period they should be able to pay that from existing revenue.

Council Member Grogan commented that in regard to water service, they had plenty of water. The only problem was that at one time there was a problem getting water out of the river. That was overcome and was being overcome and as far as water was concerned, Eden was in outstanding shape and would continue to be in outstanding shape to meet the needs of the industry and the growth in their community. He pointed out that the infrastructure they have was falling apart and those things would have to be upgraded.

He stated that the only other thing he had to say was about looking at the jobs and requests for jobs in certain areas that were really desperate. He explained that he was thinking about Collection & Distribution (C&D). That was a true need. He suggested to the City Manager that if there was any way that he could look and see if there were any job positions or classifications, that could be switched to where those funds could be put into the C&D with employees that were going to help pay their way and help make this city better, not that all of them did not, but he thought they could look at some and put values to [them] and he thought the Manager was doing that. He added that he would encourage him to continue to do that.

Council Member Grogan added that another thing was that they were spending \$120,000 in advertising. He stated that Fortune 500 companies did it every day, and it was tough to measure how much it pays off, but the monies that they were paying the County Partnership or their own Business Development person or the Chamber of Commerce, they were paying a lot of money and hopefully he thought that in the very near future they would start seeing some good positive results to help the tax base as well as jobs. He stated that jobs were going to be the secret to whatever the growth and the future of this town was going to be. Council Member Grogan closed by expressing thanks to the City Manager and his staff for the work they have done.

Council Member Epps also commended the staff and City Manager for their work. He noted that they have again given a budget without any taxes. He added that it was very good for the citizens. He noted that they knew they were going to have a slow process but they have bettered themselves as has been shown to them in the last two years. They may not be moving like a jet but at least they were still moving fast as a turtle to get something done. Reflecting back to what Council Member Grogan said, he thought they already have solid things happening in Eden with those agencies. He noted that he was at the show at the old Kmart building and was really impressed by the show of people that showed up and had their stuff out for people to see and know about, vendors. The eateries that, they understand, were coming and the other forthcoming things that were in the making and for the plant that they have now out there, Care Labs, he commended everyone for their hard work.

Council Member Vestal commented that on the contrary to what Council Member Epps had said, he begged to differ on his opinion. He pointed out that they did not have a rate increase but definitely have had a tax increase. The County was looking at maybe reducing their rate up to 4

cent and he agreed with Mr. Corcoran's blueprint on the last page that he was talking that remains sensitive to the level of taxation and charges being passed onto their citizens. He stated that he thought the County said it would take 4 cents to do a neutral tax increase. He stated that he had not heard anything about anyone here wanting to drop any rate at all. He stated that he for one would like to hear some comments on that. He added that he knew all those projections right there were spend, spend, spend and get big, big, big.

Council Member Grogan left the meeting at this time.

Mayor Price asked the City Manager if he had comments. He had looked at the income levels with regard to the requests that had been made from him, he had worked diligently for the last three years with every program that has come to this city and reviewed every one of them. He had also talked to the Manager's from across the State and some of the things they were involved in. He added that he did know that while they have really had a hard time in the last ten years, a lot of other communities throughout North Carolina, particularly the textile oriented cities like Eden had a hard time as well. He asked if in his conversations with those people, what was the state of the world with those things going on as reflected in what Council Member Vestal was talking about, the appraisal, how were their expenses and revenues holding up.

Mr. Corcoran explained that first of all he thought that everybody was facing the same financial crunch that they were facing, whether it was in this community, or whether it was in North Carolina, Virginia or another state, it was just the state of the economy. He added that he did think that Eden, over the last few years, has done an excellent job. He noted many places that have already raised their taxes and some of them did not wait for revaluation, they just out of necessity had to raise them. He noted several places have eliminated people and there were communities right here in Rockingham County that had to do that last year.

He pointed out that they have been able to retain employees and not raise the taxes. He added that when they looked at it with the loss of revenue that they were seeing from the Annexation in Lieu of payments of which now they stand to get a portion of that back, he reminded them that it would not be nearly as much as their previous agreement. He explained that their previous agreement was 10%, it was just a ten year agreement at 50%, so all those companies that have paid 100% this year of that value at that time were going to be paying 50% next year, and that did have an impact on the amount of money that was coming in.

He explained that they looked at it and felt there was no other way than to recommend a budget that included the property tax remaining at its current level and as he had mentioned or answered a question from Council Member Vestal before, there had really been no discussion from anyone that he was aware of, until this evening that looked to produce that, but the staff's recommendation was to leave the tax rate at 57 cents.

Council Member Epps commented that was what he was making reference when he mentioned taxes, that the proposed budget showed 0.57.

Mayor Price explained that what Council Member Vestal had referred to was the reappraisal of the property, which the last time it was done the city did lower that. He noted that it was interesting just how easy things could change in four years. He stated that he preached, as he was sure they all did, that a government should be operating as a business and it should have return on investment and should have clear direction, but also they should be in a position to do

those things during the times when things were rough that they knew needed to be done to put things into place to capitalize on the good times when they come. Now there were certain levels they had to provide, certain things such as fire and police service, which make up well over half of the General Fund budgets. He stated that he certainly supported keeping the tax rate where it was as they go along.

Council Member Gover commented that his tax rate went to 46%, it did not go that 11-½ % as projected on an average. He added that he was sure there were hundreds of them out there like that. He pointed out that he thought it was worth mentioning on this tax rate and everybody should give it a good sound thinking and see what they could come up with.

Mr. Corcoran stated that one thing about the tax rate, he was very uncomfortable and he had heard all sorts of projections and talked to people whose value went up to 40 some odd percent and he had talked to people whose value did not go up at all. He explained that they then requested that the tax administrator (Rockingham County), Mr. Charles Thomas, write a letter. He noted that the numbers that were in the budget were the exact numbers that Mr. Thomas gave them and basically that was all they had to go on. He added that his gut feeling, as he had told Council Member Vestal, was that he thought he was being conservative, but that was the only documentation he had to go on in terms of estimating valuation and taxes.

Council Member Gover commented that he would like to go back to [discussing] the agencies. He stated that he had mentioned it earlier and he asked what they were getting for that \$120,000. He noted that within one year they were supposed to come up with a measurement so they could measure what they were getting. He pointed out that they were paying out good money. He asked if they were up front with the business world, with the business developers. He stated that this was a lot of money to be paying out without any return.

Mr. Corcoran replied that he had talked to several of the Council Members individually and he had tried to avoid getting into policy. He added that his recommendation would be that what they would really need to do was separate the three areas and look at them individually, and ask what they were getting for their contribution into each of those areas. He added that they were probably getting more for their money that was being spent right there in Eden than the money that was going out of Eden.

He stated that if he were going to recommend or be put on the spot to recommend a place to reduce spending, it would not be with the Chamber of Commerce and it would not be with the Director of Business Development. He added that he thought that at \$2.50 per capita, if they were to check on that figure as a comparative analysis of what other communities were paying to participate, that that was probably a little bit high. He added that again, he thought they really needed to look at each item separately.

Council Member Vestal pointed out that \$2.56 per capita was not including the whole group that was just one division and asked if that was not correct.

Mr. Corcoran replied that he was absolutely correct, that also one of the other divisions was funded through transient occupancy taxes that they receive from the motels.

Council Member Tudor commented that to continue the conversation, he thought that time would prove that the creation of the economic development director's position for the city would prove

to be a stroke of genius and beyond that the citizens of Eden have been very fortunate with the hires that have been made in the last couple of years. He pointed out that when they hired the current City Manager they were very fortunate to find a very outstanding person. When they hired their Finance Director they were extremely fortunate to find a very outstanding person, and when they created the economic development director's position he thought that it was something that they needed to do. He added that he knew it was controversial and then they hired the person that they hired for that position and all he had heard were accolades for the job that that individual does. He added they could cut what they may cut, he might vote for it or not, but one position they did not need to cut was the economic development director's position. That was a needed position and they have an excellent person in that position.

Council Member Myott asked if he was talking about the County's EDC to which Council Member Tudor replied, no he was talking about the city's economic development director. Council Member Myott pointed out that this person was called the Business Development Director.

Council Member Gover noted that in all of his figures he had left out Ford Street.

Mr. Corcoran replied that Ford Street would be finished prior to June 30th. He explained that he had discussed Ford Street with the Director of Public Utilities a number of times and he had been assured that Ford Street would be taken care of. That was why it was not in the budget. For clarification they were talking about the Ford Street waterline.

Council Member Gover noted in the Capital Outlay sheet, down next to the bottom on Main Street Waterline and Upgrade, the 6,000 lineal feet of waterline, there was a different figure in his message.

Mr. Corcoran replied that was just a typo.

Council Member Gover added that he wanted to make a motion to leave the \$850,000 in there for this water intake that was on the Capital Outlay. He noted that he had brought it down to \$200,000 and to move the bio (Bio-Solids) project to that line item and move the pump since he had cut the Railroad Pump Station from \$2,200,000 down to \$650,000. He stated that he would like to know what the \$650,000 would be. He asked if they could possibly move one of those other pumps down to that to bring it up to \$850,000. He stressed the importance of putting money in there for their raw water intake.

For clarification, Council Member Gover explained that his motion was to leave the \$850,000 in there as requested by the Department Head, instead of the \$200,000 recommended by the City Manager. Also, to move the pump station money up into that money, that was one way of getting some money. He noted this was very vital to this city. Council Member Vestal seconded the motion.

Mayor Price pointed out that by discussing the Bio-Solids, they went through this last year and split the project up.

Mr. Corcoran added that he thought that it would be good if Mr. Dennis Asbury, Public Utilities Director, could address it. He noted that first of all they needed to remember that the Bio-Solids Project and the Railroad Pump Station project were already in progress. They have already

allocated and spent money on those projects. In fact, they have a \$400,000 grant application in front of the Rural Center for funding for the Railroad Pump Station project. He added that he thought that Mr. Asbury could address what would happen if they did not do those two projects. He also noted that the \$850,000 was actually what he and Mr. Asbury wanted to put into the raw water intake, but that was not money that was going to be spent this year. He stated that they just wanted to go ahead and start creating a fund balance for that project. The engineering and design was going to take 18 months. The most important thing was not to fall behind on the project, and while they would have liked to have the \$850,000, funding at \$200,000 would not slow that project.

Council Member Gover interjected that the Water & Sewer Committee had their meeting and they knew that the design cost was greater than \$200,000 and it was not \$200,000. That was what he was getting at, they did not want to hinder it.

Mr. Corcoran replied that was correct and reminded him that was over 18 months ago, which was two budgets.

Council Member Gover pointed out that they said it could have been within a year to which Mr. Corcoran replied that was not the information that was coming to them.

Mr. Asbury explained that the question of the Bio-Solids, it was something that the Council pretty much put them on the track for in previous budgets. He explained that they did have an engineering firm that was doing design work in order to eliminate the alum sludge that was coming into the head of the wastewater plant and move that to the tail end of there to take those solids out of the biological process. He added that he thought it was important to continue in that direction. They also needed to continue with removing the solids that have built up over a period of years and handling those inert solids into the aeration bases, and again that was a part of this. He added that they have an engineer doing design work for them and he really believed they needed to move ahead with that. He explained that they were not trying to spend all of the money that was put in there. They have amended their approach to the project to take things stepwise so that they did not get the cart before the horse. They were removing those inert solids and he asked them to recall the original program that was presented which was to remove the solids and what happens there, if they did not remove the alum sludge from the water plant first it would just fill back up. So, he stated that they tweaked on that program to try to do things in the most economical manner possible and to stop spending when they get to the point they were in balance with the management of the solids.

Council Member Gover stated that \$185,000 was already allocated. He explained that he did not want to stop the project. He only wanted to move the money.

Mr. Corcoran commented that if he would remember what they did last year was to include all the money in last year's budget for the Phase I of the Bio-Solids Project. In August they amended the budget when it rolled back on the rate increases and the motion included cutting that project in half and they only allocated half of the money for Phase I during 02-03 and suggested allocating the other half in 03-04. So, the \$158,000 that was left in the Bio-Solids was what was left in that first half. If the cost estimates were correct from the engineering firm, if they spend all of that \$158,000 and did not allocate any new money, they would only finish 50% of Phase I of that project.

Council Member Vestal commented that the total cost of that project was not but \$400,000 and he was allocating that he already had \$158,000...to which Mr. Corcoran replied that they were allocating \$395,000 and of that \$158,000 was already on hand so they were only allocating \$395,000 of new money. It was still \$395,000 minus the \$158,000 to get their new allocation.

Council Member Gover stated that if they were not going to finish this project, he asked how much of that money could be moved to cover a design if needed into that intake.

Mr. Asbury replied that the point he was trying to make, they did not know where the projects blend. They have looked at it and realized the solids as it moves through the plant was a problem and they needed to remove it. He added that to stand there and tell them that they did not intend to do any more of the project than they have to do he could not tell them right now where that balance point will be. He explained that he really could not answer that question.

Mayor Price added that after they had the changing of that plan last fall, they decided it would be a two-year plan to which Mr. Asbury agreed it was a two year budgeting plan.

Mayor Price pointed out that they did not have the option of not doing this.

Mr. Asbury added that this was not being driven by the State telling them they have to do this. This was being driven internally by the city, trying to run the plant with best management practices. So, that was his concern, if they continue to have solids build up and run solids at the levels they were having to run them now then what they would end up with is violations to which then the State would come in and mandate that they spend the money and spend it very quickly. That was really not the city's best interest. He stated that he thought they could handle it better going at it a piece at a time.

Council Member Gover asked if there was no money that they could move up into that. He stated that he just did not think that \$200,000 would cover that.

Mr. Corcoran agreed. He explained that what he envisioned was that there was only \$650,000 in there for a \$2.2 million Railroad Pump Station upgrade. There was only a small portion of what was needed for Kuder Street. He stated that what he anticipated was that when the Water & Sewer Master Plan comes in, the Council would look at it. He stated that he thought that as they discussed last year probably in January or February, he thought the Council would be in a position to make a decision on a bond issue for the Water & Sewer Fund that will take them through 2009-2010. He explained that what he was thinking, that in that bond issue would be [enough] to finish the rest of Railroad Pump Station, the money necessary to finish the raw water intake and any other projects that Council may identify. He stated that in his mind, the fact that there was \$200,000 today did not mean that was all that was ever going to be there. If they were all going to come up with \$650,000 for Railroad Pump Station and it was a \$2.2 million project, it was never going to get done. That was why he was trying to say they were going to have to borrow funds.

Mayor Price noted that the Railroad Pump Station was not something they could back off of.

Mr. Corcoran agreed. He noted that in the budget message when he talked about the Railroad Pump Station they would note that \$400,000 of that \$650,00 was contingent on receiving the grant. He explained that on the revenue side of the Water & Sewer Fund he showed that grant.

If that grant was not received in August, then that was \$400,000 less. The reality was that they did not have enough new cash coming in to pay for all those projects on a pay as you go basis. So once they get the master plan in and the Council makes a decision on that, once they make a decision on the Industrial Park, which all of that was water and sewer related items as well, then they would have a figure of a bond issue or amount to be borrowed and then they needed to see how they were going to pay for that. He added that he thought he was right, from the staff's perspective, they were right with him. The raw water intake was very critical and the goal here was to not miss a beat. They still anticipated, hopefully if this was included, to award an engineering contract as close to July 1st as possible so they could immediately get started. He stated that he really felt that in January or February of 2004 they were going to have to vote one way or another in reference to borrowing money.

Council Member Vestal asked if his figures were based contingent to a bond.

Mr. Corcoran replied that the writing was on the wall. There was no way those projects were going to get done without borrowing money. This was just keeping them running until they could make those tough decisions and until he could have all the information available to them on the potential methods of financing and then they could make those decisions and go forward. He added that he could assure their recommendations in terms of borrowing would include all of the money necessary for the raw water intake.

Council Member Gover withdrew his motion.

Mayor Price commented that if the Council was not aware, this was the proposed pump station that the committee had been working on.

A motion was made by Council Member Vestal seconded by Council Member Gover to table the \$191,000 in Capital Projects for the development of the Industrial Park. He explained that this was due to the figures that the City Manager had been telling them about how they were going to have to borrow money to do a bond issue and everything.

Council Member Epps commented that he would not be in favor of that.

Mayor Price pointed out that he mentioned a few minutes ago about where they were in the world and what was going on and the ebb and flow of business activity. He stated that there were a lot of things going on, thinking of the future and trying to work back. He added that they all wished they had the jobs coming in now, but they have looked at this community for the last ten years having to confront a situation of not enough jobs here and these jobs equate to housing for their people, services for their people, equate to a standard of living that frankly this community has enjoyed for many years back in the 50's, 60's and 70's; it was taken for granted. If they wanted a job they could get a job.

He stated that it was a sad, sad state in their community now when they have people who will tell him their unemployment was running out. He noted that when they have children who have to do without from school programs and when people were just absolutely not living the life that they wanted to live and they talk about promise for people. He stated that what they want was a job, they want to give those skills and turn those skills into things for their family and to prepare for the future.

Mayor Price stated that they have had ten years of this and they were going to go on a couple of more years as they were in a down economy. But, people buy stock when the stock market is down, and they need to make this investment in this industrial park.

He stated that this would not be an overnight thing, it would be a long-term park. They have an opportunity through the work of the people who have worked on that park; they have identified an owner and land that would be attractive to communities all over the Piedmont. Yes, it would strain them and yes they need to put this money in other areas, but they need to go forward with this industrial park, as this was not a backup situation.

He stated that nobody likes to say, yes we are going to do this. He pointed out that they needed to think about those people who crank that car up at 6:30 every morning and drive to Greensboro or High Point, Martinsville or Danville. They needed to think about those children who probably never thought about having to worry about going to a trade school or to a college and to look in that mother's eyes who was a single parent, who was probably having to work two jobs and twelve hour shifts trying to keep her family together. He stated that they could do better and he wanted to encourage them to keep that money together for the industrial park.

Council Member Vestal commented that he could not have said it better. He agreed 100%. He explained that was why they did not furnish this money for that particular location. This vote would lead to allocation next year in the excess of over \$2 million. This was just so the Department of Commerce could advertise that piece of land. He pointed out that they had a piece of property that he brought up last January, that they could go down and spend this money on it and start advertising it tomorrow with the Department of Commerce. It already had water and sewer and it was a beautiful location, yet they have to spend \$2 million before they could advertise that place.

Mayor Price explained, just to give them some background about the proposal. It started about six years ago and there were a lot of feelers put out to people who owned large tracts of land to see who would be interested in selling their land to develop an industrial park. From that, those people who were interested a lot of studies were done and completed to see if their land would be suitable. An area was chosen of what would be best. They have been expert(ed) to death with this type of thing and he was right, they could probably put something together, but it has been said and proved by a lot of people who have been involved in this a long time that that park was the right place for them to be. It was the right place for them to be in the future. He pointed out that down in Alamance County, right now, there was a proposition to put possibly 900 plus acres together and everybody was auctioning their property trying to squeeze this thing to make a park. He asked them to realize that right in their backyard they have that right here. He added that they did not know about the FedEx Project, but they have to be forward thinking. He agreed with what Council Member Vestal was saying and really admired his effort, but this project was a forward thinking thing to be big for this community and something they could work out of many years to come.

Council Member Vestal agreed, but this was just the wrong location. He noted that he had a pamphlet put out to CEO's all over the nation and the first thing on it was, "do not build near a flood zone" and they have 264 acres in a flood zone.

Mayor Price pointed out that they have had the experts in, early on before it was ever started, hydrologists and environmental people have come in and they met with folks who would be

affected by this and they have supported it. He asked them to recall in this community when the rivers were pink and green and things were into the water and that was a day of the past. He noted that the project has been engineered and looked at, reengineered and looked at some more, the first phase will be expensive, the second phase will get the price down to well in line, and the possibility of a third phase, but again it was something that this community could work out for many years to come. He added that they would not have to go through these studies again.

Council Member Epps added that they have already started work on that project. He stated that he would be in favor to leave this in the budget.

Council Member Tudor commented that one thing he tried to keep in mind was that he did what he said he would do when he was elected to City Council. He explained that his campaign for office was to support the industrial park on the west side of town. The City Manager said something a moment ago about not missing a step. He asked the City Manager if they were to table this money until February would they miss a step.

Mr. Corcoran replied that if they were to take this money out between now and February, basically what they would do, it would put on hold the remainder of the engineering design, permitting and surveying. The \$191,000 was the figure that was received from Stimmel & Associates. If that money was removed for however long they take it out that was the delay they have in finishing that portion of the project.

Council Member Tudor stated that they have the money in there, it would get them to where they needed to get to in February, where the City Manager has told them what they need to do at that time. He added that he had told everybody when he ran for office that he supported this. He stated that he thought that it was very important. He stated that he recommended that they leave it in.

Council Member Epps agreed and added that he was elected under the same pretense.

Council Members Vestal and Gover voted in favor of this motion. Council Members Reynolds, Myott, Tudor and Epps voted in opposition.

Council Member Vestal pointed out that they would have three "I's" as Council Member Grogan left the meeting unexcused so he would be counted as a yes.

Action on the motion was as follows: Council Members Vestal, Gover and Grogan voted in favor of this motion. Council Members Reynolds, Tudor, Epps and Myott voted in opposition. This motion did not pass.

A motion was made by Council Member Epps seconded by Council Member Tudor to accept the budget as presented and go forward.

Mr. Corcoran added that one group of changes that he had made under the Manager's Recommends column was that in the Fire Department section of the General Fund budget, initially he had included \$30,000 for turn out gear and in discussing that matter further with the Fire Chief, the Manager's column has now been changed from \$30,000 to \$15,000. He explained that basically that was just a reallocation of priorities. The Manager's column underneath that fire hose would go from \$5,000 to \$9,000. The air and heat unit for Station 200

which was zero would be \$5100 and the roof at Station 100 which was \$18,000 would be \$23,900. There was no difference in the bottom line total within the Fire Department and there was no difference in the General Fund it just reallocates that \$15,000. It was just felt that the additional fire hose, the air and heating unit and some additional allocations for the roof was more important.

Council Member Epps added this information to his motion, which would read: A motion to accept the budget as presented with reallocations made. Council Member Tudor seconded this motion.

Action on the motion was as follows: Council Members Epps, Tudor, Myott, and Reynolds voted in favor of this motion. Council Members Vestal and Gover voted in opposition.

May 20, 2005: