

CITY OF EDEN, N. C.

A special budget work session of the City Council, City of Eden, was held on Wednesday, May 19, 2004 at 4:00 p.m. in the Council Chambers, 308 E. Stadium Drive. Those present for the meeting were as follows:

Mayor:	Philip K. Price
Mayor Pro Tem:	Christine H. Myott
Council Members:	Donna Turner
	Billy Vestal
	Jerry Epps
	C.H. Gover, Sr.
	Bruce Nooe
	Wayne Tuggle
City Manager:	Brad Corcoran
City Clerk:	Kim J. Scott
Deputy City Clerk:	Sheralene Thompson
City Attorney:	Tom Medlin
Representatives from Departments:	
Representatives from News Media:	Kim Mitchell, <u>Eden Daily News</u>
	Lanita Withers, <u>News and Record</u>

MEETING CONVENED:

Mayor Price called the special meeting of the Eden City Council to order and welcomed those in attendance. He noted that it was obvious that discussions could not be limited to today and noted that the City Manager has scheduled Wednesday, May 26 at 7:00 p.m. and June 2<sup>nd</sup> at 7:00 p.m. He then turned the meeting over to City Manager, Brad Corcoran.

Mr. Corcoran stated that before the Council was the proposed budget for FY 2004-2005. He noted that the FY 2004-05 budget includes new spending equal to \$19,130,600 which is a reduction of \$891,300 or 4.451% when compared to the adopted budget for FY 2003-04 (\$20,021,900) and a reduction of \$1,871,400 or 8.910% when compared to the adopted budget for FY 2002-03 (\$21,002,000).

The budget also includes \$11,000,000 in new loan proceeds, \$8,412,400 in inter-fund transfers, and \$2,737,600 in appropriated fund balances.

The budget maintains the present property tax rate of \$.57 per one hundred dollars of property valuation as well as the current service fees associated with solid waste collection, water service and sewer service.

The budget includes additional funds for a variety of initiatives including nuisance abatement, greenways development, streetscape plan, sidewalk rehabilitation, downtown

facade improvements and continued support for various community organizations and events including the Eden Rescue Squad, Eden Chamber of Commerce, Eden Library, Senior Citizens Shuttle Service, Apple Festival and July 4<sup>th</sup> Celebration to name a few.

The budget includes a 3% pay raise for those full-time employees currently earning \$40,000 or more per year and a lump sum increase of \$1,200 for those full-time employees currently earning less than \$40,000.

Mr. Corcoran then ask that the following budget message be entered into the minutes in its entirety as if it had been read in full.

Budget Message For Fiscal Year 2004-2005

***Introduction***

On behalf of the City of Eden staff, I am pleased to present to you the fiscal plan for FY 2004-2005. The budget is 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). Balancing this budget has been a long and arduous task which has resulted in a document which continues to meet the City’s basic needs in the critical service areas and addresses some of the various capital improvement needs currently facing the City. The budget does not, however, provide all of the funds necessary for the capital needs within the City of Eden.

***Budget Highlights***

- The combined budgets for fiscal year 2004-05 equal \$ 41,280,600. Included in this total is \$ 11,000,000 in loan proceeds for various capital outlay needs, \$8,412,400 in inter-fund transfers and \$ 2,737,600 in existing project fund balances previously budgeted and being carried forward from projects already in progress. Once these new loan proceeds, inter-fund transfers and fund balance appropriations are taken into account the combined budgets for fiscal year 2004-05 equal \$ 19,130,600 which is a reduction of \$ 891,300 or 4.451% when compared to the adopted budget for FY 2003-04 (\$ 20,021,900) and a reduction of \$ 1,871,400 or 8.910% when compared to the adopted budget for FY 2002-03 (\$ 21,002,000). A further breakdown indicates the following:

Summary (Funds)	FY 2002-03 Adopted	FY 2003-04 Adopted	FY 2004-05 Proposed
General	\$ 10,349,200	\$ 10,240,100	\$ 11,483,400 (A)
Self Insurance	1,180,600	1,264,500	1,327,500
Special Services	68,100	70,100	-----
Runabout Travel	-----	-----	52,000
Historic Preservation	-----	-----	100
Water & Sewer	8,980,700	8,837,800	16,926,200 (B)

Police Pension	53,100	103,100	102,400
Emergency Communications	135,900	136,500	165,900
SFR Project	500,000	162,500	-----
Flint Hill CDBG	700,000	632,500	41,000
Abatement Projects	-----	-----	250,000
Promotional Activities	-----	-----	6,000
Facade Improvements	-----	----- 6,000	
Municipal Park	863,200	787,000	498,800
Sewer Outfall Rehabilitation	855,900	350,000	3,327,300
Railroad Pump Station Upgrade	-----	650,000	2,048,300
Bio-Solids Upgrade	-----	395,800	2,388,100
Waterline Upgrades	-----	428,200	371,500
Raw Water Intake	-----	-----	517,600
Economic Development	-----	191,000	1,768,500 (C)
	<u>\$ 23,686,700</u>	<u>\$ 24,249,100</u>	<u>\$ 41,280,600</u>
Less:			
New Loan Proceeds	-----	-----	\$ 11,000,000
Inter-fund Transfers	\$ 1,536,400	\$ 2,828,700	\$ 8,412,400
Appropriated Fund Balances	\$ 1,148,300	\$ 998,500	\$ 2,737,600
Previously Secured Loan Proceeds	-----	\$ 400,000	\$ -----
<b>TOTAL</b>	<u>\$ 21,002,000</u>	<u>\$ 20,021,900</u>	<u>\$ 19,130,600</u>

(A) Includes \$ 1,000,000 in new loan proceeds for various capital outlay needs as discussed during the annual budget/planning retreat on March 8th and March 12th, 2004.

(B) Includes \$ 8,500,000 in new loan proceeds for various capital outlay needs. This is \$1,000,000 more than the total (\$ 7,500,000) that was discussed during the annual budget/planning retreat on March 8th and March 12th, 2004.

(C) Includes \$ 1,500,000 in new loan proceeds for various capital outlay needs as discussed during the annual budget/planning retreat on March 8th and March 12th, 2004.

- Initial departmental requests for expenditures within the General Fund equaled \$2,395,000. Of this amount a total of \$ 1,354,300 represented inter-fund transfers that had to be funded or the use of available fund balance. A total of \$ 911,600 or 8.26% was cut by the City Manager from the remaining \$ 11,040,700 that was initially requested by

the department heads for FY 2004-05. The total amount allocated to the General Fund equals \$ 11,483,400 (\$ 11,040,700 – \$ 911,600 + \$ 1,354,300). Initial departmental requests for expenditures within the Water and Sewer Fund equaled \$ 17,583,600. Of this amount a total of \$ 8,881,600 represented inter-fund transfers that had to be funded or the use of available fund balance. A total of \$ 657,400 or 7.55% was cut by the City Manager from the remaining \$ 8,702,000 that was initially requested by the department heads for FY 2004-2005. The total amount allocated to the Water and Sewer Fund equals \$16,926,200 (\$ 8,702,000 – \$ 657,400 + \$ 8,881,600).

- The actual breakdown for the various departments/divisions within the General Fund are as follows:

Department/Division	FY 2002-03	FY 2003-04	FY 2004-05
	Adopted	Adopted	Proposed
Governing Board	\$ 33,000	\$ 31,100	\$ 31,100
Administration	166,700	165,200	165,100
Municipal Services	71,700	68,200	75,700
Finance/Human Resources	211,300	211,000	199,200
Business Development	75,200	74,600	88,000
Legal	40,400	37,300	47,600
Police	3,308,100	3,253,600	3,790,400
Fire	1,258,800	1,257,200	1,259,300
Engineering	52,600	50,700	61,000
Streets	1,018,100	1,139,400	1,303,300
Powell Bill	584,100	556,500	540,500
Solid Waste	1,547,700	1,442,800	1,750,800
Planning	430,800	428,400	489,200
Parks/Recreation/Facility M.	908,700	908,500	979,100
Public Building Services	-----	-----	91,200
Fleet Maintenance	192,900	191,200	205,900
Special Appropriation	349,100	374,400	356,000
Contingency	100,000	50,000	50,000
	<u>\$ 10,349,200</u>	<u>\$ 10,240,100</u>	<u>\$ 11,483,400</u>

### **Governing Board**

The reimbursement percentage from the Water and Sewer Fund was increased from 36% to 40% to more accurately reflect the distribution of the work load being handled by the Governing Board. Without the change in the reimbursement percentage this department would have seen an increase of \$ 1,500 or 4.82%. The change in the reimbursement percentage resulted in the department of Governing Board remaining unchanged at \$31,100 when compared to the adopted budget for FY 2003-04.

### **Administration**

The reimbursement percentage from the Water and Sewer Fund was increased from 39% to 42% to more accurately reflect the distribution of the work load being handled by the department of Administration. Without the change in the reimbursement percentage this department would have seen an increase of \$ 8,400 or 5.08%. The change in the reimbursement percentage resulted in an overall reduction of \$ 100 or .060% to \$165,100 when compared to the adopted budget for FY 2003-04.

### **Municipal Services**

The reimbursement percentage from the Water and Sewer Fund was decreased from 40.3% to 40% to more accurately reflect the distribution of the work load being handled by the department of Municipal Services. The Municipal Services department (\$ 75,700) indicates an increase in spending equal to \$ 7,500 or 10.99% when compared to the adopted budget for FY 2003-04. The most significant reason for the increase is the full funding of a Secretary position. The FY 2003-04 budget included only partial funding for the Secretary position due to the pending retirement of the person in that position. The FY 2004-05 spending plan includes a full twelve months of funding. The Municipal Services Department also includes \$ 6,600 for the replacement of windows, doors, chairs and tables at the Public Works Facility. Most of these items have not been replaced since the building was first occupied in 1979.

### **Finance/Human Resources**

The department of Finance/Human Resources (\$ 199,200) indicates a decrease in spending equal to \$ 11,800 or 5.59% when compared to the adopted budget for FY 2003-04. The reimbursement percentage from the Water and Sewer Fund remains unchanged at 55%. The most significant change was the overall reduction of personnel within the Human Resources division of the department. One of the two full-time employees retired during FY 2003-04 and that position was eliminated from the listing of approved positions.

### **Business Development**

The department of Business Development (\$ 88,000) includes an increased level of spending equal to \$ 13,400 or 17.96% when compared to the adopted budget for FY 2003-04. Some of the reasons for the increase beyond normal personnel and operating related expenditures include a new allocation and line-item of \$ 3,500 for the Main Street Advisory Board and a combined increase of \$ 3,800 for costs associated with printing and advertising.

### **Legal**

The Legal department (\$ 47,600) includes an increase of \$ 10,300 or 27.61% when compared to the adopted budget for FY 2003-04. The reimbursement percentage from the Water and Sewer Fund remains unchanged at 40%. The most significant change involves the professional service line-item which is being increased by \$ 20,000 to offset the

additional funds being paid to our City Attorney for services rendered. Due to the increased efforts in terms of overall nuisance abatement as well as the on-going litigation associated with annexation it is anticipated that additional expenses will be incurred during FY 2004-05. Offsetting a portion of this increase was a reduction in funds allocated for temporary help.

### **Police**

The Police department (\$ 3,790,400) includes an increased level of spending equal to \$536,800 or 16.50% when compared to the adopted budget for FY 2003-04. First, the budget includes \$ 365,400 for the replacement of eighteen (18) patrol cars. Second, the budget includes an increase of \$ 50,000 in funds being allocated for workers compensation premiums. Third, an increase of \$ 35,300 is included for group insurance premiums due to normal increases and an increase in the number of retirees being covered by the City of Eden. Finally, the budget includes normal increases associated with personnel and general operating expenditures.

### **Fire**

The Fire department (\$ 1,259,300) includes an increase of only \$ 2,100 or .16% when compared to the adopted budget for FY 2003-04. First, the debt service payments associated with a previous truck purchase was closed out during FY 2003-04. This resulted in a combined savings of \$ 36,900. Second, the line-item capital outlay – building improvements was reduced by \$ 24,000. During FY 2003-04 funds were included in this line-item for the replacement of the air and heating unit at Station 200 as well as the replacement of the roof at Station 100. Significant increases in funding other than normal personnel and operating expenditures include \$ 30,000 for workers compensation premiums, \$ 7,000 for a Personnel Deployment Assessment Study, \$ 8,300 for the purchase of eight (8) new air bottles and \$ 3,000 for the purchase of some replacement carpeting and furniture at the various fire stations.

### **Engineering**

The Engineering department (\$ 61,000) includes an increase of \$ 10,300 or 20.32% when compared to the adopted budget for FY 2003-04. The budget includes \$ 19,500 for the replacement of vehicle 5E and \$ 22,000 for the purchase of a Color Map Printer that will replace the current HP 750C 36" Plotter and the Xerox 3001 Large Document Copier. The reimbursement percentage from the Water and Sewer Fund has been stable at 75% for the last several years to accurately reflect the distribution of the work being handled by the department of Engineering. Thus, the majority of these two items will actually be paid for by the Water and Sewer Fund.

### **Streets**

The Streets department (\$ 1,303,300) includes an increase of \$ 163,900 or 14.38% when compared to the adopted budget for FY 2003-04. The budget includes funding for some

much needed capital outlay items including: replacement of 18S dump truck (\$ 70,000), refurbishing of parking lot behind Draper Village (\$ 30,000), replacement of 15S backhoe (\$ 65,000), replacement of 31S leaf machine (\$ 28,000), two (2) tailgate salt spreaders (\$ 15,000), two (2) snow plows (\$ 14,000), and a backhoe attachment for the skid steer loader (\$ 10,000). The budget also includes an increase of \$ 16,000 for the replacement of deteriorated sidewalks.

### **Powell Bill**

The annual allocation for Powell Bill (\$ 540,500) is being decreased by \$ 16,000 or 2.88% when compared to the adopted budget for FY 2003-04. The decrease is the direct result of less funds being received from the State of North Carolina. The Powell Bill funds scheduled to be spent during FY 2004-05 will be used to pay for the annual street paving contract as well as the Monroe Street/Washington Street drainage project which is a joint effort between the City of Eden and the North Carolina Department of Transportation.

### **Solid Waste**

The department of Solid Waste (\$ 1,750,800) includes an increased level of spending equal to \$ 308,000 or 21.35% when compared to the adopted budget for FY 2003-04. The budget includes funding for some much needed capital outlay items including: replacement of 5G knuckle loader (\$ 160,000), replacement of 31G compactor trailer(\$20,000), finish development of a permanent compost site (\$ 37,200), and refurbishing of the transfer station compactor and floors (\$ 30,000). The budget also includes an increase of \$ 15,000 in the contracted services line-item to help offset the costs associated with providing solid waste collection service to the areas designated for annexation.

### **Planning**

The Planning department (\$ 489,200) includes an increase of \$ 60,800 or 14.19% when compared to the adopted budget for FY 2003-04. In addition to normal increases associated with personnel and operating expenditures the budget includes \$ 18,000 for the replacement of truck P2. This truck was previously approved for replacement but was delayed due to a budget freeze at mid-year. The budget also includes an increase of \$ 10,000 in the contracted services line-item to continue our efforts in relation to nuisance abatement initiatives.

### **Parks/Recreation/Facility Maintenance**

The Parks, Recreation & Facility Maintenance department (\$ 979,100) includes an increase of \$ 70,600 or 7.77% when compared to the adopted budget for FY 2003-04. The budget includes an increase of \$ 52,000 in the capital-outlay building improvement line-item for the replacement of the roof at the Public Works facility (\$ 40,000) and the replacement of the roof at the Draper Nutrition Site (\$ 12,000). The budget includes

\$ 20,000 for the resurfacing of the west side of the City Hall parking lot. The budget also includes funds for the replacement of truck R26 (\$ 22,000) and an increase of \$ 13,500 for various items contained within the capital-outlay non-depreciated line-item. Offsetting a portion of these increases are reductions in the telephone, utilities-electric and utilities-gas line-items (combined reduction of \$ 77,600). These are costs associated with the City Hall facility and were removed at the request of the City's independent auditing firm of Rouse, Rouse, Penn and Rouse, L.L.P..

### **Public Building Services**

This department was created at the request of the City's independent auditing firm of Rouse, Rouse, Penn and Rouse, L.L.P.. The costs within this department are those costs that are associated with the provision of telephone, electric and gas services to the City Hall. The level of funding within this department (\$ 91,200) is higher than the amount of funds cut from the Parks, Recreation & Facility Maintenance Department (\$ 77,600) due to the fact that additional funds had to be budgeted under the utilities-electric lineitem within the Parks, Recreation & Facility Maintenance department for lighting at Freedom Park.

### **Fleet Maintenance**

The Fleet Maintenance department (\$ 205,900) includes an increase of \$ 14,700 or 7.69% when compared to the adopted budget for FY 2003-04. The reimbursement percentage from the Water and Sewer Fund remains unchanged at 35%. In addition to normal increases associated with personnel and operating expenditures the budget includes an increase of \$ 7,000 in funds allocated to the capital-outlay equipment depreciated line item for the purchase of a 15,000 lb. floor lift (\$ 13,500), \$ 2,000 for the purchase of an all data system which provides detailed information on vehicle repairs with technical information and service bulletins and an increase of \$ 2,500 in workers compensation premiums.

### **Special Appropriations**

The Special Appropriations allocation (\$ 356,000) decreased by \$ 18,400 or 4.91%. There are a number of changes within this department worth noting. First, a total of \$27,800 is included as a contribution to the Emergency Communications Fund to help offset the costs associated with paying for and maintaining the emergency communications apparatus within the Police department. Second, \$ 70,800 has been included as a contribution to the Economic Development Initiatives Fund to pay the debt service payment attributable to the General Fund for the \$ 1,500,000 loan for economic development projects. Third, \$ 44,500 has been included to pay for the debt service payment attributable to the General Fund for the \$ 1,000,000 loan for various capital outlay needs within the General Fund. Fourth, \$ 46,500 has been allocated for the greenways development initiative and \$ 45,000 has been set aside for the downtown streetscape study. Finally, the payments associated with performance/incentive



agreements have now been moved and expensed within the Economic Development Initiatives Fund.

### Contingency

The amount allocated as a contingency within the General Fund is remaining unchanged at \$ 50,000.

- The actual breakdown for the various departments/divisions within the Water & Sewer Fund are as follows:

Department/Division	FY 2002-03	FY 2003-04	FY 2004-05
	Adopted	Adopted	Proposed
Water Resources	\$ 693,200	\$ 413,000	\$ 458,000
Billing & Collections	257,000	252,900	268,400
Water Plant	1,206,500	1,083,600	1,130,100
Collection & Distribution	653,300	1,034,200	1,415,800
Wastewater Treatment	1,828,500	1,735,400	1,866,500
Water Construction	556,400	355,000	1,202,000
Sewer Construction	1,175,000	218,000	330,000
Special Appropriation	2,510,800	3,695,700	10,205,400
Contingency	100,000	50,000	50,000
	<b>\$ 8,980,700</b>	<b>\$ 8,837,800</b>	<b>\$ 16,926,200</b>

### Water Resources

The Water Resources department (\$ 458,000) includes an increase of \$ 45,000 or 10.90% when compared to the adopted budget for FY 2003-04. In addition to normal increases associated with personnel and operating expenditures the budget includes an increase of \$20,000 for workers compensation premiums and an increase of \$ 1,300 in property insurance/bonds based upon calculations from the Director of Finance & Personnel.

### Billing & Collections

The Billing & Collections department (\$ 268,400) includes an increase of \$ 15,500 or 6.13% when compared to the adopted budget for FY 2003-04. In addition to normal increases associated with personnel and operating expenditures the budget includes an increase of \$ 2,000 in the contracted services line-item to pay for its share of software maintenance agreements and an increase of \$ 1,300 in the bank service charges line-item.

### Water Filtration Plant

The Water Filtration Plant department (\$ 1,130,100) includes an increased level of spending equal to \$ 46,500 or 4.29% when compared to the adopted budget for FY 2003-04. Most of this increase can be attributed to the normal increases associated with personnel and operating expenditures. In addition, the budget includes an increase of \$ 7,800 for departmental supplies to more accurately reflect actual expenditures from the past as well as anticipated costs in the future. The budget also includes an increase of \$ 38,000 in the capital-outlay equipment depreciated line-item for the replacement of a chemical feed pump (\$10,000) and the replacement of eleven (11) slide gates on the basin at the Water Plant (\$ 39,000). Finally, the budget includes \$10,000 for a structural engineering evaluation of the cracks and settling of load bearing walls at the Water Plant.

### **Collection & Distribution**

The Collection & Distribution department (\$ 1,415,800) includes an increased level of spending equal to \$ 381,600 or 36.90% when compared to the adopted budget for FY 2003-04. In addition to normal increases associated with personnel and operating expenditures the budget includes funding for a new inflow-infiltration crew (three people). This crew will work to help identify sources of inflow-infiltration, repair identified problem areas and perform routine maintenance and cleaning services. The budget includes \$ 160,000 for a Pearpoint P400 Series Television Pipeline Inspection System that will be incorporated into a new van. The budget also includes \$ 65,000 for the replacement of backhoe 8W, \$ 19,000 for the purchase of a compact truck to be used by the new inflow-infiltration crew, an increase of \$ 10,500 in the department supplies line-item to help outfit the new vehicles and personnel and an increase of \$ 17,200 in the utilities-electric line-item to help offset anticipated costs. In addition, the budget includes an increase of \$ 23,000 in the maintenance/repair taps line-item for new tap installations and repairs to existing service laterals and an increase of \$ 47,000 in the maintenance/repair collection line-item for inflow and infiltration abatement repair efforts. Those line items indicating a significant reduction include professional service (reduction of \$ 38,800) due to the fact that the leak detection study has now been completed and maintenance/repair building (reduction of \$ 30,000) due to actual expenditure history.

### **Wastewater Treatment**

The Wastewater Treatment department (\$ 1,866,500) includes an increase of \$ 131,000 or 7.55% when compared to the adopted budget for FY 2003-04. In addition to normal increases associated with personnel and operating expenditures the budget includes a variety of both increases as well as decreases. First, the budget includes an increase of \$82,500 in the contracted services line-item for costs associated with the disposal of sludge. Second, the budget includes an increase of \$ 11,000 in the utilities-electric line item for costs associated with anticipated electric costs. Third, the budget includes a combined increase of \$ 47,200 in the capital-outlay vehicle line-item and the capital outlay equipment depreciated line-item. Specific items included for funding include: replacement of vehicle M1 (\$ 12,000), replacement of four (4) clarifier splitter gates

(\$ 40,000), replacement of the sodium bisulfite tank (\$ 18,500), replacement of the Mebane Bridge WWTP grit collector, (\$86,700) and replacement of the old Auto-Con Drive System pump controls at the Dry Creek WWTP Influent Pump Station. Reductions in funding include \$ 13,400 in the chemicals line-item and \$ 20,000 in the chemicals-polymer line-item.

### **Water Construction**

The Water Construction department (\$ 1,202,000) includes an increase of \$ 824,100 or 218.07% when compared to the adopted budget for FY 2003-04. The most significant changes involve the allocation of \$ 1,072,000 for the enhancement of high service pumping and the allocation of \$ 25,000 for the removal of inline check valves from the distribution system.

### **Sewer Construction**

The Sewer Construction department (\$ 330,000) includes an increase of \$ 102,000 or 30.91% when compared to the adopted budget for FY 2003-04. The most significant change involves the allocation of \$ 180,000 for telemetry improvements. The project will involve upgrading the City's existing SCADA (supervisory control and data acquisition) system which experiences frequent lapses in data transmission.

### **Special Appropriation**

The Special Appropriations allocation (\$ 10,205,400) increased by \$ 6,592,600 or 182.47%. There are a number of changes within this department worth noting. First, a total of \$ 1,568,400 has been earmarked for payment on the debt service associated with the 1990 Water and Sewer Bonds. This is a decrease of \$ 88,700 from the \$ 1,657,100 that was allocated in FY 2003-04. A new line-item entitled "holding account – future debt service" has been created and includes an initial contribution of \$ 88,700. This is consistent with an earlier recommendation whereby these funds would be preserved for use in the future rather than being absorbed in the annual budget. Second, the contribution to General Fund – administrative charges line-item has been increased by \$53,800 to \$ 760,400 in accordance with the reimbursement percentage formulas for various departments within the General Fund. Third, a total of \$ 629,500 has been included to pay for the debt service payment attributable to the Water and Sewer Fund for the \$ 8,500,000 loan for various capital outlay needs within the area of Water and Sewer. The allocation of \$ 629,500 represents ten (10) months worth of debt service payments since it is not anticipated that the funds will be received prior to September 1, 2004. Fourth, a total of \$ 23,700 has been included as a contribution to the Economic Development Initiatives Fund to pay the debt service payment attributable to the Water and Sewer Fund for the \$ 1,500,000 loan for economic development projects. Finally, a series of contributions equaling \$ 7,058,800 have been made to various project funds to help finance the various capital outlay needs that were discussed at the annual budget/planning retreat on March 8<sup>th</sup> and March 12<sup>th</sup>, 2004. These include the Sewer Rehabilitation Project Fund, Bio-Solids Management Project Fund, Railroad Pump

Station Project Fund, Waterline Upgrades Project Fund and the Raw Water Intake Project Fund.

### **Contingency**

The amount allocated as a contingency within the Water & Sewer Fund has decreased from a total of \$ 100,000 to a total of \$ 50,000.

- Last year was a revaluation year for the City of Eden and Rockingham County. It is recommended that the present property tax rate of fifty-seven cents per one hundred dollars of property valuation remain in place without any change. Tax revenue projections for ad valorem taxes are based upon estimates provided by Ms. Anne Murray, Assistant Tax Administrator, Rockingham County. In her letter dated April 21, 2004 she cautioned that the Board of Equalization and Review has convened and will meet through May to consider valuation appeals of industrial and commercial properties throughout the County. In addition, she noted that when comparing current business values for twenty (20) companies (within the City of Eden) compared to 2003, the values were down on seventeen (17) of those companies. It is evident that the trend is down for business personal property values. The tax revenue projections outlined below are based upon a total property valuation of \$ 663,166,248 (an increase of approximately 3.92% when compared to the previous year total of \$ 638,159,372) at a two-year average collection rate of 97.67 percent (percent actually collected for year ending June 30, 2002 was 98.19% and the percent actually collected for year ending June 30, 2003 was 97.15%) or \$ 3,691,973.

The \$ 3,691,973 is calculated as follows:

Real Property Value:	\$ 585,713,323
Personal Property Value:	50,728,671
Public Service Value:	<u>26,724,254</u>
 Total Value:	 \$ 663,166,248
 Tax Rate/\$ 100 Value:	 \$ 0.57
Total Revenue Estimate:	\$ 3,780,048
 Assumed Collection Rate @ 98.19%:	 \$ 3,691,973
 Revenue Per One Cent Of Tax Rate:	 \$ 64,771

- The budget includes a reduction of \$ 374,423 in the amount of revenue that will be received from the annexation in-lieu-of payments within the General Fund (\$ 560,000 – FY 2004-05) when compared to the actual collections in FY 2002-03 (\$934,423) and a reduction of \$ 29,200 in the amount of revenue that was anticipated for FY 2003-04 (\$589,200). The ten-year agreements with Miller Brewing Company, Duke Power, Pillowtex and Parkdale all came to an end during FY 2002-03. New ten-year agreements

were executed with Miller Brewing Company, Duke Power and Parkdale. The bankruptcy filing by Pillowtex eliminated their continued participation in the annual payments.

- The revenues within the General Fund are growing at a pace that is not consistent with expenses and have often diminished from one year to the next. The current FY 2003-04 budget included a total of \$ 10,240,100 in General Fund Revenues. Included in this figure is the allocation of \$ 171,000 in Fund Balance to help keep the fund balanced. Once the Fund Balance is subtracted from the total it reveals \$ 10,069,100 in new revenue for FY 2003-04. The FY 2004-05 budget includes an estimate of \$ 11,483,400 in General Fund Revenues. Included in this figure is the allocation of \$1,000,000 in loan proceeds for the acquisition of much needed capital outlay items and \$ 272,000 in Fund Balance to help keep the fund balanced. Once the loan and Fund Balance are subtracted from the total it reveals \$ 10,211,400 in new revenue for FY 2004-05 which represents an overall increase of only \$ 142,300 or a mere 1.41% when compared to the amount estimated to be received (minus Fund Balance) for FY 2003-04. It is noteworthy to point out that the amount estimated to be received in FY 2004-05 (minus the loan and Fund Balance allocation) is actually \$904,393 less (8.86%) than the \$ 11,115,793 that was actually received in FY 2000-01 when the economy was flourishing. The annual revenue within the City's General Fund since FY 2000-01 has remained stagnant and has placed a severe strain on the City's ability to meet its annual operating needs as well as much needed capital outlay initiatives.

- Legislation passed in 2002 replaced the State reimbursements for repealed local taxes with a new one-half cent local option sales tax. Hence, for FY 2004-05 there will be four statewide revenues that Eden receives from the State whose estimates depend on economic forces: the Beer and Wine Tax, the Utility Franchise Tax on Electric Service, the Local Option Sales Taxes, and the Powell Bill. In FY 2003-04 it was estimated that these four sources of revenue would equal \$ 3,527,100. The FY 2004-05 budget anticipates receiving a total of \$ 3,453,400 which is a reduction of \$ 73,700 or 2.09%. Increases in both residential and commercial development will translate into more revenue for the City in FY 2004-05. The revenue received from Building Permits, Plumbing Permits, Mechanical Permits, Sign Permits and Electrical Permits was estimated to total \$ 65,800 during FY 2003-04. The FY 2004-05 budget includes a combined estimate of \$ 98,600 which is an increase of \$ 32,800 or 49.85%.

- The FY 2004-05 budget anticipates a sale of fixed assets at some point during the upcoming year. It has been a couple of years since the last sale of fixed assets auction. It is estimated that a minimum of \$ 50,000 will be realized within the General Fund and a minimum of \$ 12,000 will be realized within the Water and Sewer Fund.

- The FY 2004-05 includes the necessary funding to continue supporting the City's membership in a variety of organizations including: National League of Cities (\$ 1,300), North Carolina League of Municipalities (\$ 8,600), Institute of Government (\$1,300), Piedmont Triad Council of Governments (\$ 3,400), and Piedmont Triad Council of Governments Cable T.V. Program Services (\$ 6,000).

- The FY 2004-05 includes the necessary funding to continue supporting a number of community-wide organizations and events including: Rockingham County Arts Council (\$ 2,000), Eden Library (\$ 2,600), Eden Chamber of Commerce (\$ 6,000), Eden Rescue Squad (\$ 12,000), Senior Citizen Shuttle Service (\$ 1,500), Rockingham County Partnership For Economic & Tourism Development (\$ 39,800), Apple Festival (\$ 5,000), and July 4<sup>th</sup> Celebration (\$ 3,000).

- On March 12, 2004 the City Council met for its 2<sup>nd</sup> session of the annual budget/planning retreat. During that meeting the City Council approved appropriating \$15,000 for a matching fund in a grant application that would provide funding for a Greenway master plan for the City. Additionally, it was agreed to allocate up to \$ 31,500 for the installation of an initial Greenway along the Smith River. The Department of Planning and Inspections is handling this project and has already submitted the proposed grant application. The FY 2004-05 budget includes an allocation of \$46,500 for these efforts.

- The weakened economy means lower interest rates on temporary investments. The budget as submitted includes a combined reduction of \$ 60,700 (\$ 185,200 to \$ 124,500) in interest income on funds invested from the General Fund and the Water & Sewer Fund. The City has continued to see its interest income drop on an annual basis since FY 2000-01 despite the fact it has had substantial increases to both the General Fund Fund Balance as well as the Water and Sewer Fund Balance since FY 2000-01.

Actual FY 2000-01	\$ 446,533
Actual FY 2001-02	\$ 243,319
Actual FY 2002-03	\$ 183,002
Adopted Budget FY 2003-04	\$ 185,200
Budgeted For FY 2004-05	\$ 124,500

- On March 8<sup>th</sup> and 12<sup>th</sup>, 2004 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 three items listed by at least five members (majority) of the Council and three additional items that were discussed and listed by at least three members of the Council. These include:

- A. Continue Water/Sewer Infrastructure Improvements (Listed 8 Times)
- B. Industrial Recruitment, Development & Retention Efforts (Listed 8 Times)
- C. Nuisance Abatement & Condemnation Initiatives (Listed 5 Times)
- D. Business Development & Recruitment Initiatives (Listed 4 Times)
- E. Continued Development Of Freedom Park (Listed 3 Times)
- F. Develop & Promote Eden's Natural Resources – Rivers, Trails, Greenways Etc...(Listed 3 Times)

It should be noted that these goals helped to serve as a financial blueprint during the preparation of the budget for FY 2004-05. Funding has been included in the FY 2004-05 budget to address each of the six (6) items listed above.

- Included in the FY 2004-05 budget is an allocation of \$ 37,200 to complete the development of a permanent composting facility on City owned property that is located at the Mebane Bridge Road Waste Treatment Facility. The site location is ideal for a composting operation and has been approved by the State. The site development process was initiated in FY 2000-01 as a result of having to vacate the drying beds at the waste treatment facility. Further development of this site has been requested on an annual basis but financial limitations have prevented this project from being completed. The facility is needed in order for the City of Eden to handle the yearly volume of fine yard waste that is collected. It is essential that a permanent site be developed due to the inadequate farm land in the area to place leaves. The State of North Carolina requires that fine yard waste be properly managed in accordance with state regulations governing such waste. Permanent site pads are needed to maintain stability of the site from year to year. At the present time, major rehabilitation work is being required on an annual basis as a result of not having the permanent concrete pads in place.

- On April 20, 2004 the City Council requested that a streetscape study be completed for the various downtown areas within the City of Eden. The study will help to identify a plan of action and will determine the estimated cost of improvements. Specifically, decorative lighting, curb and gutter, landscaping and sidewalk improvement costs are to be assessed. After consulting with Mr. Rodney Swink, Director – North Carolina Main Street Program contact was made with Uptown Lexington, Inc., the corporation that manages the Main Street Program for the City of Lexington, N.C.. They conducted a streetscape study in 1995 and provided some beneficial information in terms of strategy and pricing. The FY 2004-05 budget includes an allocation of \$ 45,000 for the preparation of a streetscape study.

- 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 these 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. On August 15, 2002 the City Council voted to reduce a portion of the rate increases previously imposed in an effort to ease the burden on the average taxpayer. It was determined that although rates had not been raised consistently and on an incremental basis it would be better to implement proposed rate increases incrementally rather than all at once. On March 12, 2004 I reminded everyone concerning the need to raise rates in an incremental manner and has recommended that the existing rates be examined for a possible adjustment during the first quarter of 2005.

On February 26, 2002 the Director of Finance and Personnel, Director of Public Utilities and I set forth a vision concerning the best way to approach the overwhelming situation facing the City in relation to its aging Water and Sewer system. A series of both short term and long-term objectives were submitted which were approved by the City Council on February 26, 2002. Specifically, it was recommended and agreed that a multi-step process would 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 any additional unanticipated circumstances such as future plant closings and/or large usage reductions) would be needed to eliminate the City’s dependency on reserves during the FY 2002-03 budget and provide funding for a limited amount of capital outlay related projects. This first step was completed during the last quarter of FY 2001-02.0

Second, it was pointed out that a long-range strategic plan was desperately needed when it comes to water and sewer related improvements and the development of a competitive rate structure. It was recommended that the City proceed with a comprehensive water/sewer master strategic plan. The City Council voted to accept this recommendation and the master plan was completed during the first part of FY 2003-04. The planning document concentrated solely on water and sewer issues, needs and rates facing the City of Eden over the course of the next twenty (20) years. The Rural Center provided the City with a total of \$ 80,000 in grant funds to help pay for the master strategic plan. The plan was presented to the City Council during the first quarter of 2004 and discussed further at the annual budget/planning retreat on March 8<sup>th</sup> and March 12<sup>th</sup>, 2004.

Third, it was pointed out that the City will need to implement the recommendations that would be set forth in the long-range strategic plan. It was noted that once completed it was envisioned that the recommendations would be implemented in two steps. First, it was felt that the City will need to look at a bond issue or other method of financing to cover those capital outlay needs facing the City between FY 2004-05 and FY 2009-10. Secondly, once the current debt service associated with the 1990 revenue bond referendum is retired in FY 2008-09 it was felt that a second bond issue would likely be needed to address those capital outlay needs facing the City after FY 2009-10. During the March 12, 2004 session of the annual budget/planning retreat the City Council agreed to move forward with borrowing some funds for a portion of the projects that need to be addressed prior to FY 2009-10. In addition, it is still anticipated that an additional bond issue or loan will be needed to address additional capital outlay needs once the debt service associated with the 1990 revenue bond referendum has been retired in FY 2008-09.

This entire effort is an excellent example of the vision and foresight that was exhibited by both the City Council and members of staff. The City Council and staff have remained dedicated to the overall implementation of this effort and are definitely on the right track as evidenced by the number of projects currently underway or soon to be underway.



- The budget includes \$ 1,568,400 to pay for the debt service related to the 1990 \$23,000,000 revenue bond referendum for water and sewer improvements. The total amount of bonds sold was \$19,605,744. Payments on this debt are required in December and June of each year. The December payment is interest only and the June payment is principal and interest. The City recently finished refinancing part of these bonds. The series A bonds were refinanced in 2000 and the series B bonds were refinanced during 2002. In 2002, Moody’s Investors, Inc. rated the City AAA and Standard and Poors rated the City AAA. Both of these ratings are of the highest rank possible and are the same ratings the City received in 2000 during the refinancing of the series A bonds.

- The \$ 1,568,400 that has been set aside to pay for the debt service related to the 1990 \$23,000,000 revenue bond referendum for water and sewer improvements is actually \$88,700 less than the \$1,657,100 that was allocated in FY 2003-04. A new line-item entitled, “holding account – future debt service” has been created within the Special Appropriations section of the Water and Sewer Fund and includes an initial contribution of \$ 88,700. This is consistent with a previous recommendation that I made whereby these funds would be preserved for use in the future for additional debt service payments rather than being absorbed in the annual budget and used to help offset annual operating expenses.

- The budget includes \$ 41,000 for the Flint Hill Community Development Block Grant (CDBG) Program. The Flint Hill Community Development Block Grant Program is a program designed as a part of the overall revitalization plan for the Flint Hill Mill Village. The project is aimed at housing rehabilitation.

- The FY 2004-05 budget includes \$ 1,500,00 in new loan proceeds for a variety of capital outlay needs within the Economic Development Initiatives Fund. The rules governing the borrowing of funds provides some flexibility to add and subtract sums of money and specific projects/purchases as long as the funds are used for capital outlay improvements related to various economic development initiatives. Currently, it is anticipated that the \$1,500,000 would be utilized as follows:

<b>Description</b>	<b>Cost</b>
Engineering & Design, Land Acquisition, Certified Site Costs, Construction Costs & Virtual Shell Building Costs	<u>\$ 1,500,000</u>
Total	\$ 1,500,000

- The FY 2004-05 budget includes \$ 8,500,00 in new loan proceeds for a variety of capital outlay needs within the Water and Sewer Fund. The rules governing the borrowing of funds provides some flexibility to add and subtract sums of money and specific projects/purchases as long as the funds are used for capital outlay improvements related to water and sewer. Currently, it is anticipated that the \$ 8,500,000 would be utilized as follows:

<b>Description</b>	<b>Amount</b>
Meadow Greens Pump Station Upgrade	\$ 552,000
WWTP Bio-Solids Management	\$ 1,999,100
Enhancement Of High Service Pumping	\$ 1,072,000
Railroad Pump Station Upgrade	\$ 1,400,400
Telemetry Improvements	\$ 180,000
Raw Water Intake – Permitting & Design	\$ 427,400
Covenant Branch Pump Station Upgrade	\$ 691,000
Dan River Pump Station Upgrade	\$ 490,000
Kuder Street Pump Station Upgrade	\$ 415,000
Bridge Street Pump Station Upgrade	\$ 231,000
Sewer System-Wide Cleaning – Camera Truck	\$ 160,000
Waterline Upgrade Projects	\$ 321,900
Vitrified Clay Pipe Replacement Projects	\$ 100,000
Reinforced Concrete Pipe Replacement Projects	\$ 100,000
Check Valve Removal	\$ 19,200
Junction Pump Station Upgrade	<u>\$ 341,000</u>
Total	\$ 8,500,000

• The FY 2004-05 budget includes \$ 1,000,00 in new loan proceeds for a variety of capital outlay needs within the General Fund. The rules governing the borrowing of funds provides some flexibility to add and subtract sums of money and specific projects/purchases as long as the funds are used for capital outlay improvements related to the General Fund. Currently, it is anticipated that the \$ ,000,000 would be utilized as follows:

<b>Description</b>	<b>Cost</b>
Patrol Cars 18 @ \$ 20,300	\$ 365,400
Replace Vehicle – Engineering Department	\$ 19,500
Printer/Plotter – Engineering Department	\$ 22,000
Dump Truck – Street Department	\$ 70,000
Parking Lot – Draper Village	\$ 30,000
Salt Spreaders 2 @ \$ 7,500 – Street Department	\$ 15,000
Snow Plows 2 @ \$ 7,000 – Street Department	\$ 14,000
Replace Backhoe – Street Department	\$ 65,000
Backhoe Attachment – Street Department	\$ 10,000
Replace Leaf Machine – Street Department	\$ 28,000
Replace Automated Garbage Truck – Solid Waste Department	\$ 155,000
Replace Compactor Trailer – Solid Waste Department	\$ 20,000
Refurbish Transfer Station – Solid Waste Department	\$ 30,000
Compost Site – Solid Waste Department	\$ 30,600
Replace Pick-Up Truck – Planning Department	\$ 18,000
Replace Pick-Up Truck – Recreation Department	\$ 22,000
Replace Roof @ Public Works Building	\$ 40,000

Replace Roof @ Draper Nutritional Site	\$ 12,000
Re-Pave Parking Lot @ City Hall	\$ 20,000
15,000 lb. Floor Lift – Fleet Maintenance Department	<u>\$ 13,500</u>
Total	\$ 1,000,000

• The available fund balances budgeted to be utilized during FY 2004-05 includes a total of \$ 272,000 in the General Fund. In addition, there are several project funds which are already in progress that are being carried over from FY 2003-04 to FY 2004-05 or will be created prior to the end of FY 2003-04. Many of these project funds will have existing fund balances that have been re-allocated for use during FY 2004-05. These include:

Abatement Projects	\$ 250,000
Flint Hill/CDBG	\$ 41,000
Promotional Activities	\$ 3,500
Facade Improvements	\$ 6,000
Municipal Park – Freedom Park	\$ 432,400
Economic Development Initiatives	\$ 157,500
Raw Water Intake	\$ 90,200
Bio-Solids Management	\$ 388,800
Sewer Rehabilitation	\$ 399,300
Railroad Pump Station Upgrade	\$ 647,500
Waterline Upgrade Projects	\$ 49,400
General Fund	<u>\$ 272,000</u>
Total	\$ 2,737,600

• On October 10, 2002 the North Carolina Environmental Management Commission adopted a set of temporary rules for implementing the NPDES Phase II program in North Carolina. This is a long term project that must be implemented in anticipation of the new EPA and State Phase II Stormwater Regulations to be mandated for designated municipalities. The City of Eden has been identified by the EPA for review and possible state designation. The Division of Water Quality was suppose to initiate state reviews, on the basin-wide planning schedule, starting in January, 2004. The City of Eden is in the Roanoke River Basin, which is currently scheduled for review in April, 2005. The review process is expected to take several months, including a public comment period. It is expected that a list of the designated communities will be finalized at some point during the 4<sup>th</sup> quarter of FY 2004-05. Previously, the state has said that potentially designated communities will have eighteen (18) months from the date of designation to submit their Phase II application. These new regulations for stormwater elimination will come into effect through Phase II of the National Pollution Discharge Elimination System (NPDES) and will be regulated from the state level by the Division of Water Quality of the Department of Environment and Natural Resources (NCDENR). The City of Eden is potentially designated as a small MS4, which means the City is proposed for designation. The basic criteria for small MS4 designation are that the population of the municipality be greater than 10,000 people and a population density of 1,000 people per square mile within the municipality. Currently, Eden meets both of these criteria. Additionally, the state has specified additional designation criteria, many of which apply to the City,

including stormwater run-off from new development within the City. Another issue supporting the City's eventual designation is the location of an impaired water body within the corporate limits of the City – the Smith River. As noted above, the North Carolina Environmental Management Commission adopted the temporary rules for the Phase II Stormwater Program on October 10, 2002. The language associated with these rules are currently being reconsidered since they are in contradiction to the United States Environmental Protection Agency (USEPA) language that expressly states that a community, once designated, has only sixty (60) days within which to submit its application. How the State of North Carolina resolves this issue with the USEPA remains to be seen. Regardless, the City of Eden needs to be ready to move forward. The exact timing on when the City of Eden will be designated as a Phase II community is not known at this time although it appears to be most likely in the last quarter of FY 2004-05 or the first quarter of FY 2005-06. In the best case, the State will successfully negotiate an eighteen (18) month application deadline for the communities it designates. In the worst case, Eden will only have sixty (60) days from the date of designation in order to submit its application, according to existing USEPA language. Based on the designation criteria of population size, density, providing sanitary sewer service, and being the location of an impaired water body within the corporate limits it appears as if it is very likely that the City will need to be prepared to move forward with hiring a consultant and be prepared to submit the Phase II Stormwater Permit Application during FY 2005-06. Based on the latest information, we will need to be prepared to budget funds for this mandate beginning in FY 2005-06. According to the five year CIP it is estimated that a total of \$ 364,000 will be needed for this effort over a period of four years with the first year including an allocation of approximately \$ 130,000. It is important to keep this mandate in mind as we go forward since it will have a significant financial impact on the City's budget.

- The budget includes \$ 50,000 in the Water & Sewer Fund for the initiation of engineering and design fees related to the areas identified for annexation. The annexation area currently includes 149 parcels covering 239.90 acres. It has been estimated that the annexation area contains 87 households and 203 people. The engineering firm of Arcadis Inc. (formerly - Finkbeiner, Pettis and Strout, Inc.) has indicated that the total cost for extending mains, major trunk lines, fire hydrants and local distribution and collection lines throughout each annexation area if requested by everyone within the annexation areas would equal approximately \$833,000. Anticipated assessments and connection fees would reduce this amount by \$ 324,100 to a net cost of \$ 508,900. The N.C. General Statutes require the construction of all major mains, trunk lines and any requested distribution/collection lines to be completed within two (2) years of the date of annexation. As such, a significant amount of work will have to be completed by no later than September 22, 2006. The \$ 50,000 allocated in the current budget will allow the city to proceed with the initiation of engineering and design on water/sewer infrastructure improvements sooner rather than later. The budget also includes funds within the Solid Waste department for the collection of solid waste within the areas slated for annexation.

- The budget includes \$ 50,000 in the General Fund as an unappropriated contingency and \$ 50,000 in the Water & Sewer Fund as an un-appropriated contingency for unforeseen declines in revenue and/or unanticipated expenditures. This \$ 100,000 will be added to the appropriate fund balances if not utilized during the upcoming fiscal year.

- A total of \$ 143,700 has been allocated under the Powell Bill Department to cover costs associated with the Monroe Street/Washington Street drainage project. This is a joint project with the North Carolina Department of Transportation (NCDOT). The engineering firm of Dewberry & Davis is currently in the process of performing the necessary engineering work. Actual construction is anticipated during FY 2004-05.

- The FY 2004-05 budget includes \$ 250,000 in an Abatement Projects Fund as discussed during the City Council's annual budget/planning retreat on March 8<sup>th</sup> and March 12<sup>th</sup>, 2004. The idea behind the creation of the fund is to develop a revolving type loan program whereby the initial deposit of \$ 250,000 would be established by an allocation from existing Fund Balance within the General Fund. Once various properties have been removed for nuisance abatement issues the collection of the funds will be turned over to the City Attorney who will aggressively pursue the collection of costs incurred by the City so that once the funds have been retrieved they can be reallocated for additional abatement initiatives. The projects that are scheduled to be undertaken during the course of FY 2004-05 include the Lemons Building – Boulevard (\$ 110,000), Hickory Square/School – Draper (\$50,000), Bob Wilson – Gilley Road (\$30,000) and Monroe Street Post Office (\$ 60,000). Additional abatement projects that will need to be considered in the future include the Grand Theater, Boarding House on Henry Street, former barber shop on Fieldcrest Road, Central Hotel/John B. Ray/Realty Building, and Nantucket Mill on Morgan Road.

- The FY 2004-05 budget includes funding for a Promotional Activities Fund. This fund is being created so that it can be rolled over from year to year for ongoing expenses and revenue collection efforts associated with special promotional activities such as the annual Pottery Festival, Ribfest and the Shopping Brochure. It is anticipated that \$ 3,500 of existing fund balance will be available and already on hand prior to June 30, 2004 from donations and revenue already received for these special promotional activities and that an additional \$ 2,500 will be received in the form of donations during FY 2004-05. This fund is essentially a “pass-through” fund whereby the revenues come from actual donations and contributions and not a specific budgetary allocation from the City of Eden revenue accounts.

- The budget includes an allocation of \$ 39,800 to the Partnership For Economic Development in order to continue the City's support of enhanced marketing, tourism development and industrial recruitment/retention efforts. Based upon a 2000 census population number of 15,908 this equates to a per capita contribution of \$ 2.50.

- The FY 2004-05 spending plan includes funding for a Facades Improvement Fund. This fund is being created at the request of Mr. Mike Dougherty, Director of Business Development and the Main Street Advisory Board who wanted to see an account created

to fund a facade improvement grant program for the downtown areas. This will be a matching grant program administered by the Business Development department and Main Street Advisory Board as a part of the Main Street Program. Specific guidelines have been prepared and will be put into place prior to the allocation of any grant awards. The guidelines call for a 50 – 50 matching basis with a maximum grant available of \$1,000 per facade and/or storefront. A total of \$ 6,000 has been set aside for this purpose.

- The Economic Development Initiatives Fund within the FY 2004-05 budget includes \$129,100 to pay for the City’s obligations in reference to performance agreements with local industries. This is an increase of \$ 56,000 from the amount (\$72,300) that was allocated for FY 2003-04. 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 are due to be paid during FY 2004-05 include:

<b>Company</b>	<b>Amount Due In FY 2004-05</b>
Gildan - Phase II	\$ 105,100.00
Natural Care Labs	\$ 24,000.00
<b>Total</b>	<b>\$ 129,100.00</b>

- The budget includes \$ 25,900 to pay for the City’s obligations in reference to the water and sewer extension policy. This is the same amount that was allocated during FY 2003-04. The water and sewer extension policy provides that the City will participate in the extension of these 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 are three active agreements that are due to be paid during FY 2004-05. They include:

<b>Company</b>	<b>Amount Due In FY 2004-05</b>
Wright Company	\$ 16,293.20
Wright Company	\$ 4,200.00
Wright Company	\$ 5,340.00
<b>Total</b>	<b>\$ 25,833.20</b>

- On July 1, 1995, the City of Eden began its self-insured insurance coverage program. The City carries a reinsurance policy for payment on all specific claims in excess of \$35,000. The excess above \$ 35,000 claimed on any individual is reimbursed to the City by the reinsurance carrier. As noted in the October 10, 1999, November 22, 2000, November 21, 2001 and November 7, 2002 audit management letters by the City’s independent auditing firm of Rouse, Rouse, Penn and Rouse L.L.P., the Self Insurance Fund has been in need of continued attention. The fixed costs and claims consistently exceeded appropriated revenues despite annual increases in the amount being contributed to the Self Insurance Fund. For the period ending June 30, 2000 the Self Insurance Fund reported a net loss of \$ 278,659. For the period ending June 30, 2001 that amount had been reduced to \$ 25,250 and for the period ending June 30, 2002 that amount has been

reduced even further to \$ 13,767. For the period ending June 30, 2003 the City realized a gain of \$ 124,482. This was the first year without an operating loss in many years. Revenues received for the period ending June 30, 2003 equaled \$ 1,218,005 compared to expenses for the same period of \$ 1,093,523. In an effort to make sure this fund remains solvent the FY 2004-05 budget includes an incremental increase of \$ 25.00 per month in the “enrollee only” (paid by employer) monthly health insurance premium contribution. Anticipated revenue for FY 2004-05 equals \$1,327,500. Although the Self Insurance Fund will still be short of fully funding the maximum exposure level of \$ 1,699,869 and the expected (according to the third party administrator) exposure level of \$ 1,420,206 the \$ 1,327,500 that is anticipated to be collected should be sufficient enough to cover actual expenditures barring a catastrophic year of claims. In that event, fund balance would be utilized to cover the difference.

• During the last two years the City of Eden has awarded the following pay increases for all full-time equivalent employees:

FY 2003-04                      2.0% Cost-Of-Living Increase despite 2.4% rate of inflation  
0.0% Performance Based Increase

FY 2002-03                      1.5% Cost-Of-Living Increase  
1.0% Performance Based Increase For Those That Qualify

The budget as submitted includes a Cost-Of-Living Increase of 3.0 % for all full-time equivalent employees currently earning \$40,000 or more and a flat increase of \$1,200 for all employees earning under \$40,000. The 3.0 % for employees earning in excess of \$40,000 covers the rate of inflation for the past year as well as the .4% that was not covered during FY 2003-04. This leaves only a difference of .6 % more than the actual rate of inflation for the last two years. The flat increase of \$ 1,200 for those employees earning less than \$ 40,000 allows the City to give some additional consideration to those employees currently earning less money. If this plan is adopted employees would receive their cost-of-living increase effective with the new fiscal year on July 1, 2004.

Due to limited resources it is recommended that we **not** have a performance based (merit) increase during FY 2004-05.

• The City of Eden implemented an updated pay plan in November, 2000 based on information that was gathered during 1999 (five years ago) in an effort to pay its employees a wage commensurate with similar positions in similar organizations within the same geographic area. In order to make sure the pay and classification plan stays

current an increase of 2.0% to the minimum and maximum of each pay grade salary range has been included with the budget. This is consistent with the rate of inflation over the course of the last year. In addition, each of the classes of positions has been reviewed to make sure they have been placed in the proper salary range and that the designated salary range is reflective of each position's duties and responsibilities. There will be some recommended changes to the job and classification pay plan which will be presented to the City Council's Personnel Committee and City Council at a later date and time.

- The department requests for FY 2004-05 included funding for twenty-one (21) new full-time equivalent positions. These included:

Municipal Services:	Reinstatement Of The Secretary Position That Was Vacated In December, 2003
Police:	One Relief Communications Officer
Fire:	Ten Firefighter/Drivers
Recreation:	One Groundskeeper
C & D:	Three Collection System Employees & Five Distribution System Employees

### **Municipal Services**

The FY 2004-05 budget includes funding for a Secretary I, II, or III position (Grade 8, 9, or 10 depending upon experience and qualifications) at the Public Works facility. This position was recommended for re-instatement after the recent retirement of the previous employee by Mr. Benny Sexton, Director of Municipal Services, Mr. Jerome Adams, Superintendent of Solid Waste, Mr. Billy Shipwash, Superintendent of Streets and Mr. Tommy Carter, Superintendent of Fleet Maintenance. The City Council's Personnel Committee has discussed this recommendation and is unanimous in their support for funding of this position.

### **Police**

The FY 2004-05 budget includes funding for an additional Communications Officer (Grade 10) that will help to serve in a relief capacity. This position will not require any additional funding and merely involves a re-allocation of resources. First, the budget includes the elimination of the part-time temporary dispatchers who were working a combined 20 hours per week. This will save a total of \$ 11,509 on an annual basis. These part-time employees all have full-time jobs and according to Mr. Danny Gillespie, Administrative Lieutenant there has been a proliferation of temporary employees telling him when they are available to work versus the ability to work when needed. In addition, the training requirements for this position are such that there is not a significant amount of people searching for temporary employment as a Communications Officer. Due to the amount of leave each full-time employee is entitled to take (holiday, annual, sick, compensatory time) a significant amount of money will be saved on overtime. It has been estimated that we will be able to save at least \$ 19,600 in overtime on an annual



basis. The savings that will be realized by the elimination of the part-time temporary dispatchers and current overtime being worked by sworn law enforcement officers will more than offset the costs associated with salary and benefits for the new Communications Officer and will provide us with the reliability we need in terms of having someone available to work as needed.

## **Recreation**

The FY 2004-05 budget **does not** include any funds for the new position that was requested by Mr. Joey Conner, Director of Parks, Recreation & Facility Maintenance. A significant portion of the justification for this new position was the additional work that is being required at all of the City's facilities including Freedom Park and the new ballfields. A significant portion of Freedom Park still remains to be developed and completed and it was felt that there was not sufficient need for this position for FY 2004-05.

## **Fire**

The FY 2004-05 budget **does not** include any funds for the new positions that were requested by Mr. Ronnie Overby, Fire Chief. However, the budget as submitted does include a total of \$ 7,000 for a Fire Department Personnel Deployment Assessment that would be conducted by Mr. Sherman Pickard who is under a contractual agreement with the North Carolina League Of Municipalities. Mr. Pickard was Fire Chief for the City of Raleigh for many years and previous to this assignment, he served on the staff of the North Carolina League of Municipalities as the League's fire service administrator. I have met with Mr. Pickard and the scope of services for this study we agreed upon for Council's consideration would include:

- To determine if the current method of assignment results in the most effective and efficient use of our current personnel in terms of firefighting operations and costs;
- The review the current method of personnel assignment in relation to nationally recognized and mandated standards and practices for firefighter safety as provided for in the federal and state Occupational Safety and Health Administration (OSHA) regulations;
- To examine the current utilization of the four volunteer companies in relation to firefighting services provided within the corporate limits. The focus of this component is to determine if the volunteers can be more effectively utilized than is possible under the current system of deployment; and to develop suggestions for improvements within the context of preserving the City's current fire insurance grading classification.

## **Collection & Distribution**

The FY 2004-05 budget includes funding for three (3) additional employees within the City's C&D department for Inflow/Infiltration Identification and Rehabilitation efforts. The budget as presented **does not** include funding for the other five (5) positions that

were requested for the Distribution portion of the C&D department as discussed during the City Council's annual budget/planning retreat on March 12, 2004 and a subsequent meeting of the City Council's Personnel Committee. It is my intention to utilize members of the Fire Department for the flushing of fire hydrants. In addition, I plan on pursuing the possibility of out-sourcing some of the other required work as well as outsourcing the installation of various 2" waterline upgrade projects. The desire is to pursue these alternative approaches to the necessary work within the distribution system prior to making a final determination on the need for these remaining employees. The requirements being promulgated by the State of North Carolina are not optional and will have to be attended to on an annual basis.

- The FY 2004-05 budget as presented changes the way Eden compensates its volunteer firefighters. Currently, each volunteer is paid a monthly "lump sum" payment regardless of the number of calls they run or the number of training hours they obtain. As each of you are aware, we have seen a significant drop in our fire call attendance figures and this is one of the reasons Mr. Ronnie Overby, Fire Chief submitted a request for additional full-time personnel. The Fire Chief and I feel that the best course of action is to switch to a Pay-Per-Call system similar to the City of Reidsville and other communities. Staff recently contacted four different areas that utilize the "Pay-Per-Call" system and discovered the following:

Reidsville:	Regular Firefighter - \$ 8.00 per call and per hour of training Certified Firefighter - \$ 9.00 per call and per hour of training EMT Firefighter - \$ 10.00 per call and per hour of training
Hope Mills:	Regular Firefighter - \$ 3.00 per call and \$ 1.00 per hour of training
Black Mtn:	Regular Firefighter - \$ 3.00 per call and \$ 0.00 per hour of training
Emerald Isle:	Regular Firefighter - \$ 10.00 per call and \$ 0.00 per hour of training

The FY 2004-05 budget includes the same level of compensation currently being paid by the City of Reidsville. This would be based on qualifications and may encourage more volunteers to obtain their certification. Currently, Eden does not have any EMT Firefighters who are volunteers so it is recommended that we pay our volunteer officers the \$ 10.00 per call and per hour of training rate. The volunteer firefighters without certification would receive \$ 8.00 per call and per hour of training. The volunteers with their certification would receive \$ 9.00 per call and per hour of training. The volunteer firefighters who are officers or who become EMT certified would receive \$ 10.00 per call and per hour of training. The payments per hour of training for our part-time volunteer firefighters would be limited to those hours that are needed in order to maintain required training standards pursuant to state certification guidelines for the various position(s) held by the specific volunteer and those hours that are needed to become a certified firefighter or are desired by the Fire Chief for the City of Eden with prior permission from the City Manager. Obviously, there will be a need to implement some additional rules and

procedures concerning this new form of compensation but it is felt that this is definitely an improvement over the current system. This new form of compensation rewards those volunteers who are participating in the fire calls and training and those firefighters that obtain their certification.

- A total of fifteen (15) communities were surveyed by Ms. Lori Ford, CPA, Director of Finance and Personnel and Ms. Teri Clifton, Personnel Specialist during February & March, 2004 in an effort to compare various job classifications within the City of Eden with the market averages. In addition, I conducted a detailed analysis of each employee's salary history to see if additional adjustments were needed and or warranted. In some instances I had intended to recommend that a job classification be reclassified to a higher pay grade. In other instances, I had intended to recommend that an individual salary be adjusted but that the job classification remain at its current pay grade. Due to limited financial resources it was not possible to find the funds that would be necessary to make all of the additional salary adjustments without making severe cuts to other portions of the annual spending plan. Due to the time that will be necessary to reconsider each recommendation the budget as presented does **not** include any funds for additional salary adjustments. However, a great deal of time and effort has gone into the preparation of this material and it needs to be addressed. If we fail to take any action we will see our compensation plan become less competitive than its current condition. In addition, we run the real risk of losing some key employees if we don't address this sooner rather than later. I am cognizant of various employees who are looking for other employment opportunities due to the City's current wage structure which is becoming increasingly non-competitive. It is recommended that the City Manager meet with the members of the City Council's Personnel Committee over the course of the next several months in an effort to consider the salary adjustment information over a period of time rather than attempting to rush through all of this information during the course of reviewing the rest of the proposed budget. Any recommendations formulated by the Personnel Committee would then be submitted to the entire City Council for final review and consideration.

- The budget includes several new project funds due to the fact that several projects were initiated or will be initiated during FY 2003-04 but will not be completed until some point in FY 2004-05 or beyond. These include: Abatement Projects, Promotional Activities, Facade Improvements, Runabout Travel Club, Historic Preservation and Raw Water Intake Project Fund. The Flint Hill/CDBG Project Fund, the Municipal Park Project Fund, the Economic Development Initiatives Project Fund, the Railroad Pump Station Project Fund, The Bio-Solids Management Project Fund, the Sewer Rehabilitation Project Fund, the Waterline Upgrades Project Fund, the Self Insurance Fund, the Police Pension Trust Fund, and the Emergency Communications Fund were previously created and will continue to function under funds previously allocated as well as additional funds that will be allocated during FY 2004-05. The SFR Project Fund and Special Services Fund were closed during FY 2003-04.

- 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 moved into the lower level of the Eden Municipal Building during May, 2002. In addition, the budget includes \$ 59,700 for monthly line maintenance fees associated with the telephone lines used by the 911 system as well as the various computers that the dispatchers utilize on a daily basis. In FY 2001-02, the City collected \$ 139,603 in wireless 911 funds and regular 911 surcharges and in FY 2002-03 the City collected \$147,843. As of March 31, 2004 the City's collections related to surcharge funds equaled \$ 102,923 or approximately \$ 11,436 per month. It is anticipated that the City will collect a total of \$138,100 in wireless 911 funds and regular 911 funds during FY 2004-05. In order to keep this fund balanced a total of \$ 27,800 will be transferred into the Emergency Communications Fund from the General Fund.

- The financial reporting standards required by the state and other agencies direct that the \$ 760,400 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. The administrative charges are allocated to the following departments:

<b>Department</b>	<b>Amount To Be Received</b>
Governing Board	\$ 20,700
Administration	\$ 119,500
Municipal Services	\$ 51,100
Finance/Human Resources	\$ 243,500
Legal	\$ 31,700
Engineering	\$ 183,000
Fleet Maintenance	\$ 110,900
<b>Total</b>	<b>\$ 760,400</b>

- Similar to previous year's, the FY 2004-05 budget document includes a Five Year Capital Outlay Program 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 \$ 41,621,029 program has been based on the "physical needs" of the City as identified by the appropriate department/division head. A detailed justification sheet on each item contained within the Five Year Capital Outlay Program is being maintained by the Director of Finance and Personnel and is in a separate notebook.

- The budget includes an allocation of \$ 1,202,000 to the Water Construction Department for some capital outlay needs. The two most significant projects are as follows: First, the Enhancement Of High Service Pumping (\$ 1,072,000). This project will involve transforming the constant high speed service pumps to adjustable speed pumps and will include installation of adjustable frequency drive controllers, reconfiguration of the existing electrical distribution system of the high service pumps, upgrade of the SCADA (Supervisory Control And Data Acquisition) and control instrumentation, bypass of the variable frequency drives in order to return to constant speed pumping in the event one or both drives fail, and installation of an enclosure suitable for the new drives and service pumps. Second, a total of \$ 25,000 has been allocated for the removal of inline check valves from the distribution system.

- The budget includes an allocation of \$ 330,000 to the Sewer Construction Department for a variety of capital outlay projects. The two most significant projects are as follows: First, a total of \$180,000 has been allocated for Telemetry Improvements. Specifically, this project involves upgrading the City's SCADA (Supervisory Control And Data Acquisition) system which experiences frequent lapses in data transmission. The new system will have the following components: Motorola 450 MHz radios with ten (10) watts of output power. Yagi directional antenna with 10dB+ and a 50 ft. antenna at the WWTP and 20 ft. antennas at each pump station. The improved radio system will significantly enhance the reliability of the SCADA and therefore the City's ability to monitor all aspects of the water/wastewater operation. Second, a total of \$ 75,000 has been allocated for the City's ongoing inflow and infiltration abatement program.
- The budget includes \$ 3,327,300 within the Sewer Rehabilitation Project Fund for the ongoing sewer outfall rehabilitation projects. Specifically, these include the Meadow Greens Pump Station (\$552,000), Junction Pump Station (\$ 341,000), Bridge Street Pump Station (\$ 231, 000), Dan River Pump Station (\$ 490,000), Covenant Branch Pump Station (\$ 691,000), Kuder Street Pump Station (\$ 415,000), Smith River Sewer Outfall Rehabilitation (\$134,000), Pipe Renewal – Problematic Vitrified Clay Pipe (\$100,000), Pipe Renewal – Reinforced Concrete Pipe (\$ 100,000), Long Street Sewer Outfall Rehabilitation (\$ 76,100), Merriman Street Sewer Outfall Rehabilitation (\$ 34,700) and Meadow Greens Sewer Outfall Rehabilitation (\$ 162,500).
- The budget includes \$ 2,388,100 within the Bio-Solids Management Upgrade Project Fund. The City's bio-solids handling facilities are inadequate for the volume of solids being generated at the current hydraulic and organic loading rates and under currently employed operational controls. This problem must be resolved before the Mebane Bridge Wastewater Treatment Plant can accept and treat the \$ 13.5 million gallons per day (MGD) flow rate that its unit processes are permitted for. An analysis of this situation along with recommendations was conducted by Anderson & Associates, Inc. and accepted by the City Council during FY 2001-02. The project and recommendations were structured into three phases; Phase 1 (immediate), Phase 2 (short term) and Phase 3 (long term). The City Council previously approved proceeding with phase 1 of the work during FY 2002-03 and it is anticipated that phase 1 will be completed in the near future.
- The budget includes new funding in the amount of \$ 66,500 for the ongoing development of Freedom Park. The budget sheets indicate a total of \$ 498,800 but \$432,300 of this total has been previously allocated by the City Council. The new funding consists of the \$ 50,000 annual contribution received from the City Council to make payment on the municipal park loan, \$ 10,000 consists of anticipated citizen/industry donations, \$ 2,800 consists of park shelter revenue and \$ 3,700 is anticipated in investment/interest income. The work being pursued at the present time includes completing the construction of a three field baseball/softball complex with lights, and additional parking. It is estimated that the fields will be ready for play during the fall of 2004. In addition, a PARTF (Parks And Recreation Trust Fund) grant has been submitted seeking additional funds for the next phase of development which will include

a concession stand/pressbox/restrooms facility, an outdoor amphitheater, a skateboard park and a walking nature trail.

- The budget includes \$ 2,048,300 for the ongoing upgrade project at the Railroad Pump Station. The Railroad Pump Station has experienced numerous operational problems since its construction in 1987. These have included sewer system overflows, excessive wear of pump impellers, excessive vibration, and a reduction in operating efficiency. The improvements currently anticipated by the engineering firm of Davis-Martin-Powell & Associates, Inc. include construction of a new wet well, installation of new submersible pumps, control systems, automatic air and vacuum relief valves, flow meter and backup power supply.

- The budget includes \$ 517,600 for the ongoing Raw Water Intake Project. A total of \$125,000 has been allocated for the permitting phase of this project and \$ 392,000 has been set aside for the design phase of the project. Dewberry and Davis is serving as the City's engineering firm on this project and is currently working on the permitting aspects of this project.

- The budget includes \$ 371,500 for the ongoing waterline upgrade projects. The specific projects slated to be completed or initiated during FY 2004-05 include Thomas Street (390' of 6" WL), Burton Street (750' of 6" WL), Maryland Street (3,290' of 6" WL), Lewis Street (950' of 6" WL), Elam Street (1,365' of 8" WL), Beech Street (690' of 6" WL), Lake Drive (930' of 8" WL), Pervie Bolick Street & CreekrIDGE Upgrade (2,050' of 6" WL), and Ellet Avenue and Green Street Upgrade (725' of 6" WL).

- The City of Eden has thirty-two (32) sections (3.14 miles) of paved roadways that do not meet Powell Bill requirements. These streets do not meet the minimum width of 16 feet, therefore; Powell Bill monies are in-eligible to be used for routine maintenance or the resurfacing of these roadways. There are currently twelve (12) of the thirty-two (32) sections that have been evaluated as being in poor or very poor condition. The goal is to include enough funding over the course of the next five (5) years in order to complete the necessary maintenance and resurfacing of two (2) to three (3) street sections per budget year until the needed improvements have been completed. The budget for FY 2003-04 included a total of \$ 15,000 for this purpose. Henry Street, Hazilip Street and Hollingsworth Street were completed in FY 2003-04. The FY 2004-05 budget includes \$15,000 for the resurfacing of Buck Lane, Stovall Street and Hazel Lane.

- During the annual budget/planning retreat held on February 27, 2003 the City Council discussed the continued viability of the one man one car breakdown within the Police Department. As a result of those discussions the Director of Finance and Personnel was requested to study the issue and come back with a recommendation concerning the future of this program. On May 6, 2003 the Director of Finance and Personnel prepared a memorandum which stated that "...it would appear from a monetary standpoint that the City's one man one car policy is still beneficial to the city's operation". During the budget preparation process for FY 2004-05 the Director of Finance and Personnel was requested to re-visit this issue in conjunction with the budget formulation process. On

May 7, 2004 Ms. Lori Ford, CPA, Director of Finance and Personnel prepared a memorandum which stated, *“As you can see from the attached one man one car report, the City is still in a beneficial position by having this type of scenario”*. According to figures set forth in the report the average cost to operate one piece of machinery (i.e. vehicle) in FY 1993-94 was \$ 2,845.88 per year. The report goes on to state that the cost to operate a vehicle in 2003 was \$ 2,750.32, thus slightly less than it was ten years ago. The Director of Finance and Personnel states, *“This includes insurance on each car of \$ 221 a piece. Considering the rate of inflation the cost to service those same cars from 1993 would be \$3,614.27 and the cost to service the same cars from 2003 carried back to 1993 would be \$ 2,165.61.”* The Director of Finance and Personnel noted that in conjunction with this study contact was made with thirteen (13) communities. Seven (7) have implemented the one man one car policy, one (1) community failed to respond and the remaining five (5) indicated *“they had a pooled system but were trying to move to a one man one car situation as fast as possible.”* The report concludes by saying, *“I feel we should stay with the one man one car policy for the following reasons: Better use out of warranties; Better response time when officers are called in from home in times of emergency; The average cost per car in terms of service has remained relatively stable over the past 10 years; The cars are taken care of when they are assigned to one officer; and Can be used as a tool for recruitment and retention of trained officers – other municipalities do this as a part of their hiring incentives”*. Finally, we obtained a copy of a very detailed report dated May 19, 2003 and entitled, *“Take Home Squad Car Program Cost-Benefit Analysis”* prepared by Sergeant J.D. Schmechel, East Peoria Police Department for the Northwestern University Center For Public Safety. In that study his research question was *“What are the costs and benefits of a Take Home Squad Car Program in comparison to a Rotating Fleet Program”*. His conclusions and research encouraged and supported the use of a Take Home Squad Car Program similar to the program that is now in place within the City of Eden.

The FY 2004-05 budget includes \$ 365,400 for the replacement of eighteen (18) of the fifty-two (52) vehicles currently assigned to the Police department. If you consider the fact that the City has not purchased a new patrol car (except for cars replaced due to an insurance settlement as a result of an accident) since FY 2000-01 these will be the first cars that have been purchased in over four years. As such, the eighteen (18) patrol cars averages out to a total of 4.5 vehicles per year. In an effort to save money it is further recommended that we purchase medium-sized Impala's versus the larger Crown Victoria.

- The Pension Trust Fund accounts for the Law Enforcement Officers Special Separation Allowance. This is a public employee retiree system pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The separation allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The City conducted its annual actuarial study this past year and it once again indicated a shortfall in funding equal to \$ 607,619. However, it is very important to note that most municipalities fund the separation allowance on a pay as you go system which is what we are now doing. The City of Eden is much better off than just funding the program on a pay as you go basis in that the annual audit for the period ending June 30, 2003 indicated

a fund balance within this fund of \$ 350,425. The FY 2004-05 budget continues our commitment to this program and includes an allocation of \$ 100,000 for the Police Pension Trust Fund. This is the same level of funding that was provided for during FY 2003-04. In FY 2001-02 the actual amount allocated was \$ 30,000 and in FY 2002-03 the level of funding equaled \$ 72,000. The increases in funding have been necessary due to the number of police officers who have recently retired or are getting very close to being eligible for retirement.

- The audit management letter dated November 7, 2003 from the City's independent auditing firm of Rouse, Rouse, Penn and Rouse, L.L.P. recommended that the Special Service Fund be eliminated and separate funds established for the Historic Preservation Commission and the Runabout Travel Club. They pointed out that a special revenue fund and an agency fund should not be combined in the general ledger. This has been done and the FY 2004-05 budget includes \$ 52,000 for the Runabout Travel Fund and \$ 100 for the Historic Preservation Commission Fund.

- On February 11, 2004 representatives from W.K. Dickson, Inc. appeared before the City Council and made a presentation on the twenty (20) year Comprehensive Water & Wastewater Master Plan. They identified twenty-six (26) different projects equaling a projected cost of \$ 29,376,000 that needed to be addressed between FY 2004-05 and FY 2007-08 (four years). In addition, there were fourteen (14) other projects that were identified that will need to be completed at some point between FY 2008-09 and FY 2019-20. The estimated cost for these projects equals \$ 62,746,000 in present day dollars. This is a total need of \$ 92,122,00 within just the City's water and sewer system. The \$8,500,000 loan that has been included in the FY 2004-05 budget will allow the City to begin addressing these needs but there are still an additional \$ 83,622,000 worth of needs that will ultimately have to be addressed.

- On March 8, 2004 the City Council convened for their 1<sup>st</sup> session of the annual budget/planning retreat. During that meeting I made a power point presentation entitled, "City of Eden: A Vision Into The Future". Included in that presentation were a series of recommendations related to economic development initiatives which were ultimately accepted by the City Council. The budget as submitted includes all of the funds necessary to pursue to various recommendations that were set forth by the City Manager and accepted by the City Council. These included initiatives dealing with existing buildings, existing industries, Hopkins Lumber Site, Eden Industrial Center Site, Nelson Farm Site and the implementation of a virtual shell building program and ready-go sites for marketing.

### ***Concluding Remarks***

During the City Council's annual budget/planning retreat on March 8<sup>th</sup> and March 12, 2004 I informed the City Council that our existing financial condition could be summarized as follows:

- Limited financial resources;



- A genuine desire to maintain current tax and service rates; and
- Significant infrastructure projects needing immediate attention within the General Fund, Economic Development Initiatives Fund, and Water & Sewer Fund

I summarized our existing condition by saying we were facing “A Very Problematic Situation”.

I continued by noting that despite our present-day situation we have made some significant strides over the course of the last twelve months continuing a trend we started three years ago and should be very pleased with our efforts aimed at improving the longterm financial condition of our City. According to the audited financial statements (prepared by Rouse, Rouse, Penn and Rouse, L.L.P.) for the period ending June 30, 2003 the City of Eden realized the following changes:

- The fund balance in the General Fund increased from \$ 6,006,496 to \$6,278,504 an increase of \$ 272,008.
- The fund balance in the General Fund as of June 30, 2000 was \$4,157,472. This represents a total increase of \$ 2,121,032 or 51.02% in just the past three years. In addition, the fund balance available for appropriation (called the undesignated fund balance) was equal to \$4,364,871 on June 30, 2003 which compares very favorably with the June 30, 2002 figure of \$ 4,209,648, the June 30, 2001 figure of \$ 3,033,515 and the June 30, 2000 figure of \$ 2,541,779. In just the past three years this has grown by a total of \$ 1,823,092 or 71.73%.
- The fund balance within the Water & Sewer Fund increased from \$6,475,216 to \$6,568,042 an increase of \$ 92,826. The fund balance in the Water & Sewer Fund as of June 30, 2000 was \$ 4,345,594. This represents a total increase of \$ 2,222,448 or 51.14% in just the past three years. Another important factor to note is that the total liabilities decreased from \$ 8,699,886 as of June 30, 2002 to \$ 7,281,676 as of June 30, 2003. The total liabilities as of June 30, 2001 was \$ 9,709,734 and \$10,992,154 on June 30, 2000.
- The Self Insurance Fund has continued to improve in each of the last three years. For the period ending June 30, 2000 the Self Insurance Fund reported a net loss of \$ 278,659. By June 30, 2001 the net shortfall for the year had been reduced to \$ 25,250 and for the period ending June 30, 2002 that amount was reduced even further to \$ 13,767. For the year ending June 30, 2003 the fund realized a net gain of \$ 124,482. This represents a significant turn around in just three short years.
- The City’s long term debt includes the general obligation bonds (water and sewer bonds), capitalized leases and installment purchases. The total long term principal debt at June 30, 2003 was \$ 7,972,844 down from \$ 8,942,861 the previous year, \$ 9,972,202 for the year ending June 30, 2001 and \$ 11,245,827 for the year ending June 30, 2000. An additional \$1,285,000 in long term principal debt is scheduled to be retired during FY 2004-05 on the 1990 \$ 23,000,000 revenue bonds for water and sewer improvements.

The legal debt margin for the City as of June 30, 2003 equaled \$ 54,273,404 up from \$ 52,982,803 on June 30, 2002.

Despite these long-term financial improvements, it was noted that we are confronting a very problematic situation due to the continued period of economic downturn and a point in time dominated by diminishing and or stagnant financial resources. Make no mistake – we are still in a period of tough times! We continue to be in a period of time that is being driven by a weak economy and limited financial resources. This will require us to be proactive in managing our City so that current service delivery levels can be maintained despite diminishing resources. We continue to have a high level of unemployment and have experienced an erosion of our economic base on the federal, state and local level. Many of our citizens have lost their jobs and are continuing to search for employment alternatives. In addition, many of our citizens are retired and living on a fixed income. Our infrastructure has reached a point of no return and we have no choice but to address the many capital improvement needs facing our community while recognizing that normal operating expenses will continue to climb as a result of inflation and customer demand for basic service delivery.

Anytime you find yourself in an environment of leveling or declining economic growth, something has to give. Our 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 eliminated, delayed or not funded, what programs/initiatives will be scaled back or delayed, what revenue sources will need to be increased and what sacrifices the citizens will be called upon to accept.

The Mayor, City Council and staff for the City of Eden is cognizant of the economic challenges facing our community and citizens and the budget for FY 2004-05 recognizes this fact and reflects a level of spending that is commensurate with the current economic climate as well as the overall needs facing the City.

Over the past three plus years we have worked diligently to improve the long term financial condition of our City. The challenge going forward however, is to develop a financial blueprint that will maintain the basic 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 improvement and equipment replacement projects that are already facing the City and 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.

Much has been accomplished but much remains to be done!

#### Acknowledgements

I would like to take this opportunity to express my sincere appreciation and heartfelt thanks to Ms. Lori Ford, CPA, Director of Finance and Personnel, Ms. Dala Stanley,

Accounting Coordinator and Ms. Teri Clifton, Personnel Specialist for their dedicated efforts and many hours of study and hard work related to the preparation of the budget. I would also like to thank Ms. Kim Scott, City Clerk, Ms. Sheralene Thompson, Deputy City Clerk, and Ms. Deanna Hunt, Customer Service Coordinator for their support and assistance throughout the entire budget preparation process. Additionally, it is 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, I would like to thank the Mayor and each member of Council for your 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. I want to assure each of you, that the management team will continue to monitor and review all operations on a continuous basis to ensure that we are as efficient and effective in our service delivery programs as possible.

Mayor Price explained that the floor was open for questions in regard to the budget. He asked that Mr. Corcoran define the amount of the loan that they were attempting to borrow.

Mr. Corcoran stated in the budget message it was noted on Page 22-24, there is a detailed itemization of each line as proposed. In addition, information was at each Council Member’s seat regarding some alternative approaches to the loan for water and sewer improvements and the loan for economic development initiatives for Council’s consideration.

Mayor Price asked if they were proposing to borrow 8.5 million for water and sewer, 1.5 for basically public works and 1 million for public works again.

Mr. Corcoran stated that was what was initially in there, but after hearing some feedback from various members and re-exploring some of the numbers, one of the items the Council has in front of them was “Alternative Plan of Action – Water and Sewer Capital Outlay Projects” and it refers to page 23 in the budget message. He stated he met with Mr. Asbury, Director of Public Utilities, and they attempted to identify those projects that could definitely be completed within the next year or they felt had a good chance of being completed in the next year. Those include:

Description	Fund Balance Allocation	New Loan
Meadow Greens Pump Station Upgrade		\$552,000
WWTP Bio-Solids Management	\$1,999,100(A)	
Enhancement of High Service Pumping		\$302,900

Railroad Pump Station Upgrade	\$ 1,400,400(A)	
Telemetry Improvements		\$180,000
Raw Water Intake – Permitting		\$200,000
Covenant branch Pump Station Upgrade		\$691,000
Dan River Pump Station Upgrade		\$490,000
Kuder Street Pump Station Upgrade		\$ 83,000
Sewer System – Camera Truck		\$160,000
Waterline Upgrade Projects		\$321,900
Check Valve Removal		\$ 19,200
Total	\$ 3,399,500(B)	\$3,000,000(C)
	<u>399,500(B)</u>	
	\$3,000,000	

Mr. Corcoran noted that several things that were cut out that were initially in the 8.5 million were things like the Junction Pump Station Upgrade, Bridge Street Pump Station Upgrade, projects that were going to take more than one year to finish. The thinking being that if they borrow just what they need for the next twelve (12) months, yes, they will have to revisit the borrowing issue in the future to finish several projects, but at least they are not paying interest on money that is not working for them right away. In addition, they have pulled off to the side the \$1,999,100 million Bio-Solids project and the Railroad Pump Station Upgrade project. Mr. Corcoran then called attention to note A as follows:

A. These projects involve a substantial amount of money and will be the subject of additional consideration and discussion by both the City Council’s Water & Sewer Committee as well as the City Council. Neither of these projects will proceed without being discussed further and approved by the City Council. Since the actual funding of these projects is not absolutely certain it is recommended that we utilize an allocation from fund balance for funding purposes rather than borrowing the funds. This allows us to save on interest related payments until a final decision is made.

Mr. Corcoran explained that this allows then to go ahead and allocate the funds from Fund Balance for this purpose. If they decide to proceed with the Bio-Solids Project and the Railroad Pump Station Upgrade, then they have allocated the funds necessary to continue with the work. On the other hand, if the chose to defer on one or both of those projects, or to modify those, then they can do so without knowing that they have borrowed the money and paying interest on it to the bank. He also noted that from going from a loan of \$ 8,500,000 to a loan of \$3,000,000 they will be saving approximately \$399,500 in debt service related payments next year, both principal and interest. By taking that \$399,500 and subtracting that against the two projects for fund balance allocation, that tells you then that they will need an actual fund balance allocation of \$3,000,000. So what he would submit, was changing the listing of projects that they see on page 23 to the listing they have in front of them entitled, “Alternative Plan of Action”,

that would mean going from a loan of \$8.5 million to a loan of \$3 million along with a fund balance of \$3,000,000. He also noted that the June 30, 2004 fund balance was in excess of \$6.5 million so even if they were to use the entire \$3 million, they would have ample money in the fund balance to do this.

Mayor Price asked if he were talking about the Water and Sewer Fund Balance to which Mr. Corcoran replied, yes sir.

Council Member Gover asked which were mandated by DENR to which Mr. Corcoran noted that when they met with DENR, the Meadow Greens Pump Station, the Covenant Branch and the Dan River were absolutes. Everything else on the list were items that were on the water and sewer master plan that was presented to the Council that totaled over \$90 million of needs that were prioritized by the staff. But the ones that DENR is specifically interest in right now and that the Council adopted the SOC Resolution on last night was the Meadow Greens, the Covenant Branch and Dan River.

Council Member Gover asked if they were looking at \$1.6 million to which Mr. Corcoran replied for those three, he thought it was \$1.7 million or whatever it comes out to.

Mr. Corcoran then referred the Council to page 22 of his budget message, and noted that they would have seen a proposal in relation to economic development initiatives. This corresponded with the recommendations that were submitted to the Council on March 8th and 12th during the annual budget retreat. He called attention to note A (from the hand out entitled Alternatives Plan for Action – Economic Development Capital Outlay Projects – referring to Page 22 in the Budget Message) that the soil boring work on the Nelson Site has now been completed and the geotechnical engineering analysis is being reviewed by an engineer. The soil boring work on the Eden Industrial Center Site is expected to be completed by June 1st.

Mr. Corcoran added that under Note B, since the actual funding of these projects is not absolutely certain, it is recommended that they utilize an allocation from fund balance for funding purposes rather than borrowing the funds. This allows them to save on interest related payments until a final decision is made.

Mr. Corcoran noted that under Item C that this represents enough funds to carry out the work proposed for the Eden Industrial Center Site including site preparation, an allowance for undercut and off-site fill and funds for the development of a virtual shell building program. This also provides some initial funds for work related to the Nelson Farm Site or other economic development initiatives set forth by the City Council. Again, Mr. Corcoran noted that they were concerned about the fact that they do not have the soil boring tests back and borrowing the entire \$1.5 million until they absolutely sure what they have. They felt that by borrowing \$500,000 they were relatively sure that they will be able to proceed with the Eden Industrial Center Site, and this will give ample funds to do that. He stated that they could allocate the other million to fund balance appropriation, and again, if a project comes along that the Council feels is worthy, then they have allocated the money and they can proceed. On the other hand, if it doesn't then

they would not be bothering the fund balance. He stated that they would recommend that the loan amount initially set forth at \$1.5 million be changed to \$500,000.

Mayor Price asked, instead of \$8.5 million, they would be borrowing \$3 million, to which Mr. Corcoran replied that was correct.

Mayor Price replied that the public works issues and economic development would be how much total borrowing? Mr. Corcoran replied the economic development is \$500,000 and the General Fund, right now is right at one million dollars, unless the Council makes changes to that.

Mayor Price asked if they could be borrowing \$2 million to which Mr. Corcoran replied \$3 million for water and sewer, plus \$1.5 million - \$4.5 as it sets right now.

Mayor Price asked if there was a quarter of a million taken from Fund Balance already to balance the General Fund, and asked if that was correct.

Mr. Corcoran replied that it was actually \$272,000. There is also, if they would remember from their budget retreat on March 12<sup>th</sup>, they recommended utilizing, basically setting up a revolving loan type program for large abatement projects. He stated that they had recommended taking \$250,000 from the fund balance and setting up a large abatement type fund. The way that would work is that they would draw down against that \$250,000 to work on large abatement projects on structures that cost a substantial amount of money. They would then turn collection procedures over to the attorney and once the attorney recoups the money that was invested, it would roll back into the fund and could be used on additional abatement projects. Mr. Corcoran added that had been included as well.

Mayor Price asked if that money would come from Fund Balance rather than be borrowed now to which Mr. Corcoran replied, correct.

Mr. Corcoran replied, that concerning the \$250,000 Mrs. Ford intends to submit a budget amendment. He explained that any of the new funds that they were creating, like they did last year, in June right before the budget is adopted, they essentially adopt those new funds. The Council did that last year when they created the Bio-Solids Management Fund and several of those. So, Mr. Corcoran stated, one of the first pieces of action in June would be the creation of the abatement project fund and it would be done that evening. \$250,000 would come from the General Fund, Fund Balance and would be put in to that fund for that purpose.

In response to a question by Mayor Price as to the balance of that fund balance, Mr. Corcoran replied at June 30<sup>th</sup>, the General Fund, Fund Balance was in excess of \$6.2 million. Exactly, the General Fund was \$6,278,504 and the Water and Sewer Fund was \$6,568,042 according to the audited statements for June 30<sup>th</sup> last year.

Mayor Price then asked if there was anything the Council would like to discuss.

Council Member Gover asked for the breakdown on the \$8.5 million inter-transfer.

Mr. Corcoran then referred the Council to another handout and stated that it was very confusing the way budgeting is done in North Carolina. Essentially, whenever they have a project that is going to extend beyond one year, they have to establish what is called a project fund. An example of that was Freedom Park. In a budgeting prospective, interfund transfer means money that is counted twice. Referring to the list he gave Council, under every department within the General Fund and the Water and Sewer Fund, they would see a line item entitled Group Insurance. That is where it is expensed out, the City's contribution for group insurance for the employees in that department. Then by turning to the self-insurance fund, they would see that money again because they have to have a separate self-insurance fund for the insurance. Mr. Corcoran further explained that by looking at the inter-fund transfers, all \$8,412,400 million are in the budget twice.

For example, under the Police Department in the General Fund, they would see a contribution to the Police Pension Trust Fund of \$100,000 and turning to the Police Pension Trust Fund, they would see that \$100,000 expensed again. Another way to look at it is that revenue only comes in two ways, it comes in to the General Fund and it comes in to the Water and Sewer Fund and then it is dispersed out. For instance, for Special Appropriations, General Fund, there is a contribution of \$50,000 to the Municipal Park Fund to pay for the loan. So, here it comes in, in tax money, General Fund, and there it goes out to the Park Fund. All of a sudden, here it comes back in the Park Fund and there it goes out to pay the bank. An inter-fund transfer from a budgeting standpoint is money that is show twice. So it inflates the budget and it makes you look like you have a higher budget than they actually do. The other item he broke down was how the Fund Balance breaks down. He stated they could see above there the Fund Balance that is slated to be used this year. Everything with the exception of the General Fund figure and the abatement projects are projects the City already has underway. That raw water intake \$90,200 is what is estimated that will be left over at June 30<sup>th</sup> in terms of money they have already appropriated, but it is shown again starting next year, it is not new money, just a carryover. For instance, the railroad pump station, that is the largest one at \$647,500. The Council has already done that in previous budgets. So that is money that is being carried over that hasn't been spent and it is not a new allocation. Mr. Corcoran explained that was why he started off by pointing out that the budget in terms of new spending was approximately \$19.1 million which was a reduction compared to last year. The other things that were included in the total are set forth here.

Mayor Price then asked to go over the loan proceeds which was \$11 million which is not valid now. The General Fund is a million, economic development would be \$500,000 and the rest be coming from Fund Balance, and the Water and Sewer would be \$3 million.

Mr. Corcoran noted that right now, the way it sets is \$5 million instead of the \$11 million. The Fund Balance would essentially remain unchanged because with the exception of the General Fund and the Abatement Project, those are funds that have

already been allocated and they are already in existence and they do not represent new amount that they are taking out of their Fund Balance.

Mr. Corcoran further explained that everything from abatement projects down is new Fund Balance and abatement projects is Fund Balance. Mayor Price asked if they would be taking \$522,000 to which Mr. Corcoran replied that was correct and Mayor Price added - will be new money to which Mr. Corcoran replied from the Fund Balance.

Mayor Price then asked if there were any changed in revenues substantially, no fee increases, anything in place. Mr. Corcoran replied there was no fee increases. Mr. Corcoran explained that they looked under the Emergency Communications Fund that there is a contribution from the General Fund to the Emergency Communications Fund in the amount of \$27,800. They looked at increasing the surcharge on the 911 and that basically comes from wireless as well as local 911. State Statutes allow you to increase one but not the other. Then when they looked at what the surcharge was in other places, we felt it was better just to make up that difference with a contribution to the General Fund and try to raise that surcharge – so they did look at that, but did not recommend it. Mr. Corcoran added that other than that, there were none.

The big adjustments in terms of the revenue were all outlined in the budget message. He stated he would mention a couple of them. First, he stated he thought it was important, on Page 16, the second bullet, this really helps to point out the challenge they have been facing over the last couple of years with their General Fund. He then read the following:

The revenues within the General Fund are growing at a pace that is not consistent with expenses and have often diminished from one year to the next. The current FY 2003-04 budget included a total of \$10,240,100 in General Fund Revenues. Included in this figure is the allocation of \$171,000 in Fund Balance to help keep the fund balanced. Once the Fund Balance is subtracted from the total it reveals \$10,069,100 in new revenue to FY 2003-04. The FY 2004-05 budget includes an estimate of \$11,483,400 in General Fund Revenues. Included in this figure is the allocation of \$1,000,000 in loan proceeds for the acquisition of much needed capital outlay items and \$272,000 in Fund Balance to help keep the fund balanced. Once the loan and Fund Balance are subtracted from the total it reveals \$10,211,400 in new revenue for FY 2004-05 which represents an overall increase of only \$ 142,300 or a mere 1.41% when compared to the amount estimated to be received (minus Fund Balance) for FY 2003-04. It is noteworthy to point out that the amount estimated to be received in FY 2004-05 (minus the loan and Fund Balance allocation) is actually \$904,393 less (8.86%) than the \$11,115,793 that was actually received in FY 2000-01 when the economy was flourishing.

Mr. Corcoran further added that in the last four budgets, they have seen their General Fund Revenue, new money, dip from \$11.1 million to just right at \$10,211,000 and this is a result of several things. First was the annexation in lieu of agreements. Those were initially based on a formula that started at 10%, then 20% taking it all of the way to 100%. He explained that obviously in 2001, they were at 80% then 90% and 100%. That was about \$900,000. Then they renegotiated the annexation in lieu of agreements which



they did and rather than set them up on an escalating 10%, 20%, 30%, etc. deal, everyone agreed to do them at 50%. That way, Miller Brewing and the others would know what to expect and the city would not go from 100% year of what the taxes would be down to 10%. The other thing is that Pillowtex declared bankruptcy and they no longer have an agreement. The net result is over the last few years they have seen a reduction in their annexation in lieu of agreement revenue of over \$400,000. They also have seen a reduction as there were several state revenues such as wine and beer tax, sales tax, franchise utility taxes and when they compile all of those state revenues, that was down about \$70 - \$80,000. So, when looking at the revenue page on the General Fund side, they would see a trend where the revenues have been very stagnant over the last four years. On the other hand, the cost for everything continues to go up and that is what put them in a bind on the General Fund.

Mr. Corcoran stated having said that, imagine what the General Revenue Funds would be right now with re-evaluation from last year. They are \$900,000 off what they were four years ago with a re-evaluation. If they had not had that re-evaluation, and they look at what the property tax revenues, the revenue situation would have been much worse. On the Water and Sewer Fund obviously the Council raised the rates a couple of years ago and that rate increase did exactly what the Council intended it to do. First, it allowed them to finally have some money to start addressing some of the capital outlay needs. Second, it now puts the city in a position to go out and borrow the monies to do the much needed projects and use the revenue generated with the rate increase to pay for the debt service without having to raise rates again at this point in time.

Mr. Corcoran further explained that as far as water and revenue trend, they see one business that is using less water than they were in the past, but thankfully the contract rates continue to go up and the take or pay payment has continued to go up and they have offsets where that dropped. So they did not see a significant in water and sewer revenue, they see a leveling off. That is where the revenues are, they are pretty much leveling off and barely hanging on, but they are not keeping pace with inflation and costs.

Mayor Price noted that he was on record last year to support that re-evaluation and still maintains that was the right thing to do, but that should have been a wake up call for them to be looking at expenses. This business of providing services is like every other business, things have to be looked at and adjusted for the times. He noted that Eden was in hard times and added that he thought that every other community our size, in fact Eden is very fortunate to have some major industries that are very well here. In so far as his thinking, they need to look at every expense they have very closely. Eden is not immune from any bottom dropping out of anything that could happen. Eden could have anything catastrophic happen to this community and by not preparing and getting in good financial shape, Eden could be in bad shape.

Mayor Price added that, consequently, any time someone is borrowing the amount of money that the city is, and the time when money is taken out of fund balance, it is time to take a real close look as he was sure the Council would be doing as they go through this (budget).

Council Member Gover stated that he came to the budget meeting negatively until the City Manager cut the \$4.5 as he was not about the support the \$11 million. He added that he felt better about the adjustment on the amount of the loan. He added that he had hoped that the Water and Sewer Committee had time to meet as they have not had time to meet in the past. Council Member Gover added that they had those enormous amounts of money, and the water and sewer committee had not met yet.

Mr. Corcoran noted on Pages 22, 23, and 24 (of the budget message) under each bullet, it states as follows: The rules governing the borrowing of funds provides some flexibility to add and subtract sums of money and specific projects/purchases as long as the funds are used for capital outlay improvements related to water and sewer. Mr. Corcoran noted that a proposed list was shown and what staff intends to do is not only on water and sewer, but also the economic development things is to have the committees meet and discuss each and every project. Just because the Council says they are going to borrow the \$3 million and it is for those projects, does not tie them to it. For instance, if the Water and Sewer Committee were to decide for some reason that it did not want to do the Telemetry improvements, but maybe they wanted to spend some money on the reinforced concrete pipe replacement, they could do that. He stated he could assure the Council that before any of that money is borrowed, not just the water and sewer fund, but also economic development, because they do not have the soil boring tests, that each item will be discussed through the committee and also brought back to the Council. Mr. Corcoran noted that because they have to get the budget done, they could agree upon the amount and the projects that are tentatively set and the Committee can discuss it. Several of those, for instance, the Railroad Pump Station and the Bio Solids may actually be two separate meetings, just for those two items.

Mayor Price stated he wanted to make sure the Council understood that as they were talking about a substantial amount of taxpayer money and plan of action as well for next year. He stated the Council as a whole need to have all of this out in front of them so they can make decisions based on things they will have to be charged with making the final vote on.

Mayor Price then asked about the payroll issue, referring the Council to Page 31. He stated they were arbitrarily choosing a 3% cost of living increase and asked if that was based on anything.

Mr. Corcoran replied, yes, as it was noted in the budget message, and there is also a personnel section in the budget document, this was based on the cost of living which is 2% for this past year.

Mayor Price then asked Ms. Ford is she was using the Fed. Rates to which she replied it was (inaudible) 1.8 (inaudible) and Mayor Price replied 1.8.

Mr. Corcoran also noted that last year the Council awarded a 2 percent increase despite a rate of 2.4 so when they looked at the 3% as noted in the budget message, that covered the 2% for this year. He also noted that a survey was on the listserv of what the other

communities across the state were doing.

Mayor Price stated that was \$100 per month increase plus about 33% benefits. He asked Mr. Corcoran in talking with the department heads how they felt about that. He explained that the way he looked at it was, the person doing a wonderful job and who is making under that figure (\$40,000) and there was a person next door who was not doing that much, both would receive the same thing.

Mr. Corcoran noted that was discussed this morning at the staff meeting and there were no comments pro or con.

Mayor Price then asked Mr. Corcoran for his feelings to which Mr. Corcoran stated he felt the Council should do what he recommended or he would not have recommended it.

Mayor Price then asked for justification on the \$100 (per month) increase and Mr. Corcoran replied that he did an evaluation of every employee. There are employees who have worked with the city for five years that are still barely making \$19,000. He stated he understood that some people made different choices and may not have taken the same career path as others, but he knew that a 3% increase on someone making \$17,000 to \$19,000 per year is nothing. He stated he thought those people need some additional consideration and that was why he made that recommendation.

Council Member Tuggle stated that anyone below \$40,000 at 3% would make less than \$1200 to which Mr. Corcoran replied that was correct and it gets proportionally worse the less an employee makes. Council Member Tuggle stated it helps those on the lower end to which Mr. Corcoran replied that was correct.

Mr. Corcoran explained that they have 25 employees in excess of \$40,000 and the remainder of the employees which are under that, it tries to help those employees.

Referring to Page 32, the 2% on the pay and classification plan, Council Member Nooe asked how that works together.

Mr. Corcoran explained that the pay and classification plan was just the salary range and it does not affect the individuals at all. For instance, a police officer 1 may be in a range of \$24,000 to \$33,000 and it raises the \$24,000 by 2% and the \$33,000 by 2% so the salary ranges stay consistent with inflation which is what has been done each year. That 2% does not impact an individual at all. The maximum in there that any employee would get is 3% or \$1200.

Mayor Price told Mr. Corcoran he thought he used good judgment on that, but he did not know if he completely agreed with the amount. He asked what he would do as they go on and this unfolds several years into the future.

Mr. Corcoran noted that the big thing was when he did the individual analysis of salaries. He really felt there were some and are some adjustments that need to be made. For

example, an employee may have been hired four years ago and entry level at that time was here, and in the last four years the economy has been such that they have been limited in what they have been able to give in pay raises, so that employee may have received 2% one year, 1 1/2 another year. Now with the market, when they need to hire a new employee, the market has adjusted so much that they cannot hire that employee that they could hire four years ago here, you have to hire them here. So the problem is, the city is hiring people at the exact same salary or almost the same salary as employees who have been here five or six years or longer, and eventually that becomes a real moral problem.

Council Member Tuggle replied, they would lose people to which Mr. Corcoran replied, exactly. Mr. Corcoran also noted that he has had several employees come to him and he has told them that they were doing the best they could, the employee has to do what they have to do, and that there are limited resources and they are trying to do the best they can.

Mr. Corcoran further added that the salary survey that was conducted by Ms. Ford and Ms. Clifton revealed some very serious concerns. There is no doubt that the beginning wages for some positions at the market average of other communities is significantly different than what they are paying.

Council Member Epps stated wouldn't it be good to raise those people to the new rate because they have experience where the new employee coming in does not have yet.

Mr. Corcoran replied that would be great if the city had the money. He added when they did the first draft of the budget, they tried to include all of that money. Then he cut back to include half of that money. He then referred the Council to the special appropriations page in the General Fund and the Water and Sewer Fund, his third choice, he put in a line item called holding account future salary increases. He put in a figure as a recommended amount of money, but even in the end, they just did not have the money to include it.

Mr. Corcoran further explained that as Mayor Price pointed out, they have allocated \$272,000 in Fund Balance just to balance the budget, let alone do all of the other adjustments that were needed.

Council Member Epps mentioned if he had one (employee) at \$19,000 and the entry level of that position was at \$22,000 and the \$19,000 employee quits then they would have to pay a new employee (coming on board the entry level of) \$22,000.

Mr. Corcoran noted it was not that bad in the sense that, whatever the entry level is, they have employees there. For instance, the entry level was \$22,000 and an employee had been employed for five years and is making \$22,500 and another employee is hired tomorrow making \$22,000. After being employed five years, that employee was making only \$500 more than the one newly hired.

Council Member Epps stated they may not be able to solve the problem in this budget, but they could work on it.

Mr. Corcoran stated that the staff asked this morning and his response was he was not going to make a recommendation for one person on the ship until he could make recommendations for everyone on the ship.

Mayor Price stated it concerned him that they were putting in something that was across the board to accommodate this year and he remembered approximately five years ago a survey was done by the Council of Governments and that has not been done since then. He added that the Council was working off of something that very talented people had put together, he understood where they were coming from and he applauded this, but it was something to accommodate this year. He stated he felt they were going to put something in motion that would be a disappointment in the future.

Mayor Price then asked Mr. Corcoran what he would do in three or four years when he has increased it, if they go up for a job that is paying \$22,000 and they have increased that job somehow by across the board payments, he asked what they were going to do when that person gets to a certain point, and what were they going to do next year.

Council Member Epps stated that Mr. Corcoran noted that they do not have the money, but he thought they should still be keeping this in their mind to work on with some of the meetings they have planned, maybe personnel and others to work with it, and see what they could do about getting the raises straightened out because down the road they have to find some solution.

Mayor Price stated he certainly would applaud some third party in comparing the city in a professional way to where the city is in the market place with other communities and in similar type jobs. He added they had done this in the past and it worked, and they found that that the city was woefully inadequate when they did it before.

Council Member Epps added that . . . (inaudible) evaluation and the person has improved and they have not education and they are (inaudible). . . recognition.

Mayor Price replied that the person who was hustling deserves special recognition and deserves extra pay.

Council Member Tuggle stated if he were a man on the lower end working for the city making \$19,000 or \$20,000 then he would be happy to receive a \$1,200 as opposed to \$700 or \$800 to go to buy food for the children.

Mayor Price stated he agreed, but asked what they were going to do next year.

Council Member Tuggle stated he thought it was hard economic times now and somebody needs to buy food for their children today. . .

Council Member Myott noted that the Council considered this each year to which Mr. Corcoran stated yes, and across the board is what the Council has done for the last two years. You gave across the board cost of living increase last year. It is a percentage. The

problem is that person at \$18,000, a three percent raise is \$540, and it is not even \$700 or \$800. It is \$540 and once taxes are taken out, it is not even \$400.

Council Member Tuggle pointed out that some of the people working for the city, if they were in the school system, they would qualify for free lunch. It was a shame as they ought to do everything they could to pay their people and make sure, even if it was short term and hard economic times, they should be trying to help them.

Mayor Price agreed with Council Member Tuggle wholeheartedly. He just did not want to put something in place that was hit and miss. He realized that it was a community operation and everything was not going to be cut and dry and they certainly wanted to do everything to reward the people who were there to give their lives and their time and their skills. But, in his personal opinion, he wished they had put more thought process into it and put something into place that was easy to measure as the years went on and been, he thought, fair to everybody involved.

Council Member Gover stated that since he had been on the board they had adjusted to the surrounding communities.

Mayor Price interjected that they did when they had that study and those things really seemed to him like they needed to be done every two or three years.

Council Member Myott said she thought an assessment was being done this year.

Council Member Gover stated that that might be a form of adjustment at this time, in relations to hiring, adding he did not know.

Mr. Corcoran advised that it was and that was what was shown in there. An assessment was done. And there were all sorts of places, he would not get into individual places for fear of leaving someone out. Suffice to say that it raised a lot of eyebrows looking at it. They did do the assessment. The last update was done in November 2000 based on information that was gathered by the COG in 1999, so that was based on 1999 data and here they were five years later. So that was why they did the assessment. But again, there just simply was not funds sufficient to do everything that had to be done and give out all sorts of salary adjustments to everybody that needed a salary adjustment. That was why in the personnel section, he recommended that all that information be shared with the Personnel Committee, they look at it, see what they could come up with in the future, and that that stuff, as they got it done, would be brought back to the Council. But again, and he had told the staff that morning, a lot of their labor type positions in Streets and Solid Waste, were woefully behind.

Council Member Gover asked if they were locked in or do they advance from one position after another.

Mr. Corcoran replied that that was the other problem. They were hired as a laborer and if an opening occurred at an approved, maybe Laborer II or Equipment Operator, [the

laborer] had that opportunity. But the job and classification plan was set. There were so many laborers, so many equipment operators, so many supervisors. So one might be hired as a laborer and what a laborer was making seven, eight, nine, ten years ago, and they had gotten their one or two percent since then, but again, it was just not a very competitive rate.

Council Member Tuggle asked so they were locked in with individual pay raises from year to year without reclassification.

Mr. Corcoran stated exactly.

Council Member Gover said he would like to start getting a pay raise list of where they were so they would know that to which Mr. Corcoran advised him it was in the personnel section.

Mayor Price stated that the study was done, he asked how much time had been put into it and if it was local, in-house.

Mr. Corcoran replied it was months and that Lori (Ford) and Teri (Clifton, Personnel Specialist), did it. He had the sheets. It was fifteen communities. They touched base with Matt Reece at the COG. It was a very professionally done study.

Council Member Tuggle asked if longevity ever played into it.

Mr. Corcoran advised that was what they had to look at and he had told Lori (Ford) when they look at the numbers, let's say they had a certain salary and theirs were how many years people had served because for instance, if they had a Director of Public Works making "x" and he/she had been there 25 years, that told them one thing. On the other hand, if they were making "y" and had been there three years, it told them another ...

Council Member Tuggle asked if it was an arbitrary decision as far as where they placed them in there or was there some type of scale that showed longevity ...

Mr. Corcoran asked for the other communities or here, (Eden).

Council Member Tuggle replied for anyone.

Mr. Corcoran answered that a lot of the other communities did, but Eden did not; and that was one of the problems, too.

Mayor Price commented that most everybody had gotten away from longevity. That was an issue many years ago.

(Council Member Epps said, but you did say the low grade workers do get hired within... (question was inaudible on both tapes)

Mr. Corcoran responded that they had the opportunity to apply for the position and if they were selected, they could move, but again, if they looked at and that information was in the personnel section, they could see when all the employees were hired and a lot of them, there were turnovers in some positions but there was not overall a great turnover. And they would see some people in there that had been a laborer for several years.

Council Member Tuggle said that one could max out in a classification. That would really be. . .[inaudible].

Mr. Corcoran responded yes.

Council Member Gover said that they did not have a program in place where they could advance from one department to another.

Mr. Corcoran stated that only when a job opening occurred. That was their opportunity.

Council Member Vestal said that one could maintain, could get certification in within those pay points.

Mr. Corcoran said right, depending upon their position. If they were a building inspector, a firefighter, a police officer, there were some certifications built in. So some positions had them, others did not.

Council Member Tuggle stated that he thought they ought to do something to make sure they get the employees as much as they possibly could and make sure they are competitive with anybody else so they could keep them in the city.

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ayor Price asked if there were any other questions or comments about personnel. He stated workman's comp, they had seen that on a number of things. He asked what had happened that year that had just gone sky high. The fire increase was \$30,000 or something like that.

Mr. Corcoran replied that the worker's comp premiums actually was hit in the current budget and, he asked Lori [Ford] to correct him if he was wrong, the workers comp premium was actually based on a loss experience for "x" number of years in the past. He believed it was a three year loss ratio. And they had some large cases involving knee, back, other incidents that had caught up with them.

Mrs. Ford stated that in terms of the worker's comp, they had what they called an experience modifier. The experience modifiers had typically run 94-95% up until that year when they jumped from a 94% experience modifier, which was fairly good for them, to a 1.8% experience modifier. So instead of deducting from the worker's comp, it actually added 8% to the worker's comp just because, as Mr. Corcoran said, they had had a number of massive claims.

Mayor Price thanked Mrs. Ford.



Council Member Myott asked if the insurance rates increased too.

Mrs. Ford advised that the insurance rates did increase. They had increased the previous year an average of 15% and were on target to do about the same that year.

Mayor Price asked Mrs. Ford while she was there to explain the make-up of the Powell Bill, where they got the money from.

Mrs. Ford explained that it came from the Department of Transportation. She did not know the specifics. It was based on a formula for population, as well as the number of paved streets that they had within the city.

Mayor Price asked if it was the total amount of that came from the actual road tax that came back through the county or if it was all dumped into the state.

Mrs. Ford answered that it was all dumped into the state and the state did the formula for them. It had actually dropped last year because the state did take some of the money and reallocated it to something else. It was expected, and she thought Mr. Corcoran could verify, it was expected to go back to what it was the year before last. She thought they had dropped to 477 last year and it was expected to go back to 540, which was what it had typically been for them.

Mayor Price said that the streets that did not meet, were there any plans to get them up or could they be up to where they would be accepted by the Powell Bill rather than them redoing that.

Mrs. Ford advised that she would have to defer to Ms. Tammy Amos on that one.

Mayor Price told Ms. Amos that he guessed some of them could not be done. He asked if there were any plans to get them so they could be accepted into the Powell Bill.

Mrs. Amos replied that was one thing she considered when she went through them each year. She picked the worse ones. If they could be widened, they would widen them unless the expense was so large that it was not worth it, then they would resurface them with General Fund monies. Generally, what they had done was evaluate all of them and tried to do three a year. She was looking at about \$15,000 a year. She did three last year and had three in the budget this year.

Mayor Price stated that he noticed there was no way, he guessed it would be too costly to get them up to where they could be wide enough.

Mrs. Amos interjected that some of them did not have sufficient right of way to do that. It would involve getting easements for more right of way on the property. A lot of them had a lot of large trees that would have to come down. Some of them might have two houses on a two hundred feet stretch of road.

Mayor Price stated to some of the new people, [Ms. Amos] was talking about the small streets that were around town that just, they had to take it out of the General Fund, it did not come from the state. One that came to mind, she mentioned several but Land Street, which was about twelve feet wide he thought, the city had to pay for those.

Council Member Tuggle said he saw it was about twenty-six streets or something like that.

Mayor Price asked how many streets there were.

Mr. Corcoran replied thirty-two.

Mrs. Amos advised there was a total of thirty-one.

Council Member Tuggle wanted to know if he could ask something related to that. He cited page 27 and of course it was related to the Powell Bill department. A Monroe Street, Washington Street drainage problem. He was really unaware of what that was.

Mr. Corcoran replied that the project had been in the budget, actually it was in there that year, the firm of Dewberry & Davis was currently in the process of forming the engineering work. He asked Bev [O'Dell] if he wanted to give more update on exactly what that would entail.

Mr. O'Dell pointed out that as Mr. Corcoran mentioned, Dewberry was in the process of designing that storm drainage project. It was going to be a joint venture with DOT and the city. It was primarily going to be the city's responsibility to handle the drainage improvements on Monroe Street. DOT would handle that part on Washington Street.

Council Member Tuggle asked if it was the downtown area.

Mr. O'Dell responded that it was the downtown area of the Leaksville section. He said what they were trying to accomplish through the project was to divert some of the water currently going down Washington Street towards Henry Street and then going under the Mohawk mill.

Council Member Tuggle said he knew when they had a wash-out, it just about went into some of the businesses there.

Council Member Vestal commented that there was no just about it, it did.

Mr. O'Dell agreed and said it did in some and almost in others. And they were slowed, or Dewberry was slowed, a little bit in the process dealing with some property owners trying to get permission to cross, adjusting to their desires. A couple of weeks ago they were expecting to get [Mr. O'Dell] a set of preliminary drawings and an estimate at the end of last week or the first of the present week. Mr. O'Dell had talked with the guy the day before and it was going to be the first or the middle of the next week before he got the

plans. He would be supplying those to DOT for their approval and review comments. [The city] took them and looked at them internally and also would have a good firm number to make sure they were budgeted for the appropriate amount. He said so far, they thought they were but he was looking forward to seeing them.

Mayor Price told Mr. O'Dell that he had noticed that they were going to pave the west side of the City Hall parking lot. He asked what had happened there. Mr. O'Dell advised that was Joey [Conner's] deal there. He had noticed [Mr. Conner] and Tammy [Amos] talking about it the previous night and they were also working on some other issues but. . . [inaudible].

Mr. Conner stated that they had looked at that for about the last two or three years and if they would walk out there and look, it was absolutely cracking to the point where it would start coming up in chunks and if they did that, they would have to go back and redo the entire thing. Go back in, put the abc stone in, rip it out. What they were trying to do was pave it now before it got too far down the road when they would have to go back and tear it back out.

Mayor Price questioned if it was not the original paving to which Mr. Conner answered no.

Mayor Price asked if it was the new that was put there when the building was ...

Mr. Conner stated that was where the employees presently parked from the main road back north was what they were trying to do.

Mayor Price pointed out that several years prior he knew the state came by and sealed all those cracks. He asked if that was something they thought about rather than tearing up the whole road and replacing ... they had a sealer operation come in and seal the cracks. It postponed it, but it got ...

Mr. Conner advised that generally the thing that they were thinking was where it was at now, they came in to do it and the cost was not that expensive. They did not look at getting it sealed. It could be \$10,000 to get it sealed and that could be probably just a band-aid and then they had to turn around probably in six, seven, eight years and do it. He thought it was a project that they had looked at, he knew he and Tammy [Amos] had looked at it for two or three years and had placed it in there. This was one year where he thought he had convinced Mr. Corcoran that if they did not do something soon, they would be tearing it all out and starting all over.

Mayor Price commented that it seemed like such a short time since it was put down.

Mr. Conner stated that he thought that was the original Fieldcrest.

Mayor Price said that was what he had asked a while ago if it was the original and not the new.

Mrs. Amos advised that the estimate they had in the budget package was to go out there and patch the spots that had developed into potholes. They were not going to tear anything out but were going to patch the bad spots and then they were going to put a one inch asphalt topping. . . That was just on the original section that was here when Fieldcrest was here.

Mayor Price stated so that was the old road to which Mr. Conner replied it was the old parking lot.

Mayor Price asked Mr. Conner regarding the lighting down at the park if he was going to, Freedom Park, if he was going to handle that any special way when the new lighting was up. He asked if that was all going to be the expense of the city.

Mr. Conner answered that it would. He stated they did not know yet, but they were working with a one year contract with Duke Power. They had not used the lights enough to know, they hadn't had them on to know if it was going to be \$200 a month, \$300 a month, or what. They would know that when they finally got into it, which was probably going to be next spring.

Mayor Price asked if he felt he would have enough coming in to offset.

Mr. Conner replied that he certainly hoped so. He said they could get the concession stand running like it was supposed to and all that, that would create quite a lot of money.

Mayor Price asked if there were questions on the paving while they were there. He noticed in the Planning Department, he asked if the Xerox copier they got three years ago they were going to upgrade or take it out altogether.

Mr. O'Dell replied that the plan, presently, if they were to go ahead and purchase the new large document copier, which was actually called a printer and which he would call a plotter after he did some investigative work on it, it could print, plot, scan, and also copy and not just black and white, but also in color.

Mrs. Stultz interjected that it was a map machine.

Mayor Price asked if they already had a map machine.

Mr. O'Dell noted that they had a black and white large document copier that could do up to thirty-six inches wide. There had been quite a few times in the past couple of years where they had needed some color copies made and what they had wound up doing was making them through the black and white.

Mrs. Stultz said that six or eight of them would stand around and color them. She stated it was an upgrade to the machine that they had. It was like everything else technological; they continue to improve. The copier, printer, plotter, whatever they decided to call it, had a computer in it. It could be used by both Engineering and Planning and that was why

they asked for it that way.

Mr. Corcoran stated that the other thing worth noting was the large document copier was in bad shape, but also the plotter was in bad shape so this one piece would actually take the place of two pieces of equipment, not just the large document copier, but the plotter, right.

Mr. O'Dell replied that the large document copier itself was not in bad shape, not in great shape, but not in bad shape really. What they planned to do, or what he planned to do and what he had talked with Bill Harvey about is if they purchased it, Planning & Inspections and Engineering could use it and anybody else in City Hall and let Bill [Harvey] have the old HP750 C plotter that was still functioning but needed a couple of repairs and things done to it and that was assuming this printer, plotter, scanner, copier thing worked with the software that he currently had. A couple of years down the road, the Engineering Department was planning on replacing that plotter that they had, but if the new thing worked sufficiently to meet his needs then he would be happy to let Bill [Harvey] have that plotter and he could set up shop over there (Municipal Services) and would be ready to produce his own maps as opposed to making a request to [Mr. O'Dell] and waiting or whatever. They could all work together.

Mrs. Stultz added that with all of the GIS things they were doing now, there was more and more need to be able to print copies that reflect things. The most recent thing she could recall was some they needed during the Council's recent retreat that they had to hand-copy because they would have made absolutely no sense if the Council could not see that color they were based on the technologies that both of their departments were using. She explained that they try to share those expensive pieces of equipment all they could.

Mr. O'Dell stated that even though it would be a pretty good chunk of money, they could also hopefully go ahead and eliminate the need for the engineering department one or two years down the road to ask for an additional plotter.

In response to a question by Mayor Price as to if it would take care of that altogether, Mr. O'Dell replied, correct and it would also give Mr. Harvey the old plotter that he could use until it dies.

Mr. Nooe asked if that would be funded through the Water and Sewer Fund to which Mr. Corcoran replied that it was actually in the Engineering Department, but as they knew, the Engineering Department is reimbursed by the Water and Sewer Department 75% so actually 75% of the cost would in essence be paid by the Water and Sewer Fund.

Mr. Nooe asked if, since the Planning Department was going to use it, should not their fund pay for that and not come out of the portion of the Water and Sewer Fund.

Mr. Corcoran replied he guessed they could split the item and put a portion of it here or there if that was what they wanted to do.

Regarding the C&D Plan, Mayor Price asked if the plan was still to set up a C&D Department to which Mr. Corcoran replied, yes. The budget is submitted as they knew during the retreat; on March 8<sup>th</sup> and 12<sup>th</sup> there was a request set forth for eight additional employees to meet the requirements set forth by DENR in reference to distribution system and collection system. Mr. Corcoran stated in his “write up”, he noted that the budget as proposed includes a new three person crew for inflow and infiltration sewer identification and rehabilitation type efforts. There are also funds included for the camera truck and for the necessary equipment. On the other hand, it was felt that prior to proceeding with the additional personnel on the distribution side, that they could look at some alternative options. First, he had spoken with the Fire Chief about having the Fire Department undertake some of the hydrant flushing responsibilities that were associated with the distribution requirements. The other thing they discussed was outsourcing some of this work as there were some contractors in the city that were currently in the middle of tough times. They have had discussions and he knew that Mr. Dennis Asbury was in the process of trying to set up a meeting with one of them to discuss the possibility of outsourcing some of this ongoing maintenance work as well as some of their two inch water line replacements. He continued, in answer, yes, the I&I crew is included, but the budget as proposed does not include the other five positions.

Mayor Price asked if they would be contracted out to which Mr. Corcoran replied, yes sir.

Mayor Price then asked what happened to the old equipment (I&I equipment) to which Mr. Bill Harvey replied they still have it. Mayor Price then asked if they still used it to which Mr. Harvey replied . . . (inaudible)

Mayor Price then asked Mr. Harvey if they received quotes to farm out the I&I work to which Mr. Harvey replied (inaudible). Mr. Corcoran replied it was \$1., adding it was several. . . and Mayor Price stated it was about a million dollars to do the whole community, but asked if anybody talked with any other vendors as to what it would cost to have that type of work done on a sporadic bases rather than doing the entire community at one time.

(Mr. Harvey responded; however, the tape did not pick up any of this response.)

Mayor Price replied that was correct, but his question to Mr. Harvey was why can't they hire that.

Mr. Asbury replied they would have to do it every year. The new regulations that govern the wastewater side of the collection system require that they clean and inspect 10% of the lines each year and that amount to approximately 16 miles each year. So if they contract it out then they have to plan on continually planning it out. He explained that after they saw the costs or what they had to contract out so far was that they could do it cheaper in-house and that they could not just address as they have in the past the emergency needs, but also deal on a regular basis with other problems that crop up.

Mayor Price asked how many miles they had to which Mr. Asbury replied approximately

158 of gravity sewer.

Mayor Price stated that about every eight years they would be doing the whole works and asked if anyone every bid on what it would cost to have the come in and do 20 miles worth.

Mr. Asbury replied no.

Council Member Gover added those were the things that the Water and Sewer Committee should have been looking at instead of not having those meetings. He added they were in the dark on this as a Committee. He stated he thought that was pretty off center because he for one recommended outside help. Even the camera situation - he did not know if they could do it cheaper inside or not. Giving \$160,000 for a camera truck and then they had to train a person to use it, who is a specialized person at that point in time. No one discussed that and they have not had it in the committee so he thought they needed to look at those things. They have all of those monies that they want to do their infrastructure with. Those three men are not going to be able to do those things he was saying in the amount of time that is required. Once they find it, then what are they going to do with it then? If they buy all of that camera equipment, go out and find those spots, he stated he thought the Committee needed to talk about some of those things.

Mr. Corcoran explained that they had looked at the engineering estimate of what would be required, they have over the years here at the city whether it be solid waste or running the plant operations have looked at privatization. If they consider the fact that, first of all, as the city they are paying their set wages. By contracting out with someone else, not only are they paying the wages for the people who are doing that work, but they have the person owns that company and there is a cut in there for that owner. Historically, whether they look at the historic waste operations, whether they look at the studies that have been done for the treatment plant, it has made more economic sense to go with this. As far as this issue, this issue was discussed in great detail during the budget retreat on March 8<sup>th</sup> and March 12<sup>th</sup> in a power point presentation in that meeting. So, it was discussed in great detail and presented to the Council .

Mayor Price stated they talked about it, but did not spend a lot of time with this. He stated he wanted the gentlemen and the Council to know that he supported I&I years ago and he was a believer of I&I, but he would say again that this community has to look at every expense and before they write a check for all of this, he would like some idea of what a private operation would say what they would do for 20 miles of coverage in the City of Eden.

Mr. Asbury asked the Council to keep in mind that at the Council meeting last night, the Council voted for a resolution to authorize the city to negotiate with a regulatory agency. of the state, and when they do that, they do not know what the outcome will be. He stated he did not think he could sit there tonight and he did not think the City Manager or anyone else could and tell them they would definitely do this or that before they finally construct that special order by consent (SOC) working back and forth with the state. And,

to say tonight that the Council wants them to go out and get a price for a private company to do, they can do that, but he did not think that was a prudent thing to do until they get the application for the SOC in place and find out what the attitude of the state is. The City of Atlanta just went through this a few months ago and they came out the other end with a 3 billion dollar price tag for just sewer improvements.

Mayor Price told Mr. Asbury that he trusted him emphatically, but he thought it was fair as a representative of the people of this town who are paying the bills – he would like to know what a private contractor would charge to do that. They are putting something together that they have to confirm up by the end of next month. He thought it was fair and reasonable to look at it before they go to hiring three people and all of the equipment. He added that he believed in it and saw what good it did for them before, but now they are in a situation that where they need to look at everything and, personally, he thought it was fair, adding he did not know how the others felt, but he would like to see a rough figure of what a responsible private contractor would say.

Council Member Epps asked if he (Mr. Asbury) had an occasion to use a firm before to which Mr. Corcoran replied, yes, and explained what they needed to include there was not only tv-ing the lines, but then repairing any problems found, plus meeting all of the other statutory requirements of the collection system permit. If they get a price, then all of that needs to be included and not just tv-ing, as they have to include repair costs and all of the other annual requirements that are set forth by DENR in terms of the collection system.

Council Member Epps asked if he was saying that the person they “job” it to, it would be automatic that it would have to be fixed right then.

Mr. Corcoran replied, right, his proposal as was in the Master Plan, to TV the entire city that was non-sense because they cannot go and fix all of it at once. TV and area, if they identify a problem, stop, fix it and move on to the next area.

Council Member Epps stated if a contractor found a problem then they would have no choice but to fix it. . . to which Mr. Corcoran replied, no that would have to be included in the contractors bid. If they contract this out, not only is the contractor bidding on identifying (the problem) but the contractor would be bidding on fixing it.

Mr. Asbury added that there were a number of innovative ways to do this that are out there right now, and he mentioned in the budget retreat that the City of Nashville, Tenn., East Nashville is going through a procedure like this where they have basically done a design bill-operate type thing procedure for procuring those services. And they end up with a montage of engineers and technicians and craftsmen’s who can actually do the work. And, in Nashville and Gwinnett, County, Georgia, the two where he had an opportunity to see some of the work was done based on performance. Sure they can do that but his only concern was the SOC standing over them. If they do not negotiate the SOC the state will stop negotiating with them and once they stop negotiating, they start dictating.



Mr. Asbury also noted that the three Council Members on the Water and Sewer Committee met Steve Tetter and Abner Braddy and they saw the attitude and heard what they said. He added they could get prices, but they are on the fast track now, and they are going to have to fix sewer lines. It is time to step up to the plate.

Mayor Price stated the City has a Water and Sewer Committee and he trusts their judgment perfectly – if they could have a short meeting and Mr. Asbury tell them his findings, whatever they Committee concurred would certainly agree with him.

Mr. Asbury replied he had nothing new to tell them.

Council Member Gover stated they have people in the City, close proximity, contractors that are in need of work, and the City has this huge amount of infrastructure to do. They (contractors) have the equipment and the city does not have to purchase the equipment if the city can negotiate with those people. There are several contractors in that situation, some have laid off due to lack of work so to him it made sense to contact the local people and let them bid on what may be coming down the track. This is nip and tuck economic times that are tough and it is tough on them, too. They do not have jobs either. So they are trying to reinvent the wheel and hire somebody and train them and it takes time to train. There are people already out there waiting to do that kind of work.

Mr. Asbury stated he would beg to differ as he did not think there were people with the skills to do all there needs to be done such as lining pipes. He stated he did not know anyone in Rockingham County that does that type of work. That is some of the work that needs to be done for the things they find when they inspect the sewer lines. He disagreed that there were people already here who already have that skill package to be able to do that.

Mr. Corcoran added they actually contacted some of them including the one that was suggested to him. They talked with them and a lot of these places do not have the proper licenses, they do not have the equipment nor do they do they have the expertise. There are certain areas they do and that is more on the distribution side. Mr. Corcoran stated he met with them and they do not have any of that stuff.

Council Member Gover stated that was not relayed to him, he added he was not saying they (contractors) did not tell him that, but they did not tell him (Gover) that.

Mayor Price stated there are responsible vendors out there to which Mr. Asbury replied, yes sir.

Council Member Myott stated she would like to hear from the other two members of the Water and Sewer Committee.

Council Member Nooe stated he made a few phone calls as far as the trucks and Greensboro's last truck purchased was \$105,000. He stated his understanding was the one specified in here (budget) was the top of the line, almost best they could buy and he did not know if that was where they want to go as he did not have all of the specs on that,

adding he knew there was some money difference there.

Mr. Asbury stated that one of the reasons, if they look at Greensboro, the majority of their work was done on pavement and they have quite a lot of outfall lines with a couple of rivers here that they need a four wheel drive to get out to as that has been a problem in the past. There is a few dollars there, but probably not \$55,000 for a four wheel drive.

Council Member Nooe replied he did not know what the difference was in them as he did not see the specs on what Greensboro purchased and he did not know what was specified here. He added he did not have all of the details. . .

Council Member Tuner stated she thought that was some of the best researched information they received at the retreat. She felt like the people had done their job and they were looking at every possible thing. She felt at that point in time, people felt like this was a good idea about the truck, just in general. She stated she was a little distressed that everyone was bringing up little points now because she felt like this was a good plan and looked like they would be moving in the right direction, to do the work and move on. Like they said, to do the whole city would not do any good because they would be five, six, seven years getting ready to do the work.

Mr. (Bill) Harvey stated that basically they were looking at three people that will leave in the morning with a camera truck, that would leave with the jet rodder, the sewer rodder, the cable machine. There would be three pieces of equipment going out because they have to rod it, clean it and camera it. That would take everything they have, sewer related, with them. If they get a sewer call across town, they are going to have to stop and go take care of that – the same crew. Sewers they would be doing anyway, they will be able to pull the equipment off and go minimize the amount of time it takes to stop someone from another job to go do. In addition to this, they are going to, through the cameraing, this stuff will be coming back where management gets a chance to look at and they can make their point repair decision. Some of it will things they can easily do inhouse, they can see that. They are out there cameraing, cleaning (inaudible) Some of its going beyond what can be done in-house, if they are out there with a sewer line 18 feet deep, they do not have the equipment to get to that and that would have to be contracted. Some of the lines as they camera, when they get to the point they look at, it may be (inaudible) clay which has cracked and busted the whole length. You do not do point source (inaudible). They then look at the alternative methods of doing it whether they want to replace it completely, line it, slip line it, do pipe bursting and put a larger line in. All of those are things they could then look at and get some prices and come back. He stated it does not mean that it will be done this year, but they could start getting the prices for the budget next year. He stated that was what this crew would give them. When they hire a crew, they still have the same three people, they have that for the confined space entry part of it. . . When they buy a truck, they pay for it one time, they have maintenance upkeep, but when they contract out, they are paying for the vehicle and equipment over and over again.

Mr. Harvey stated he was sure they could take the ones just finishing up on the study for

WK Dickson and look at their price and get a per mile price and put it out there to 26 miles and see what that comes out to be. That is not including any repairs.

Mayor Price asked if anyone took two or three vendors, call them up and ask what they thought it would cost, beyond WK Dickson.

Mr. Corcoran replied they looked at actual bills they just had done.

In response to a question by Mayor Price as to what they found, Mr. Asbury replied, it was expensive. He added he could not give them a price off the top of his head as to how many dollars per whatever, but they have that and could pull it up.

Mayor Price replied he would certainly like to see it.

Mr. Asbury replied he could not stress enough – they have put things off for years and years and years and the time has come where the state is looking at us from a standpoint of violations. They have paid fines for failing to (inaudible) permits, they have paid fines for bypasses and the state is knocking on the door.

Mayor Price replied that they salute his efforts as he has been for many years and will continue to be, as far as he was concerned, just a beacon of light, him and his staff. He has done an excellent job and is to be admired. Again, the last time the city had the I&I he thought it was a fine thing and he went on record to support funding it. All of the Council knows they have to do something. He thought it was a fair question to ask what a third party would be charging before they spend taxpayers money.

Regarding the tax collection rate, Mayor Price asked if Ms. Ford had been pleased with the service the city was getting – that system they put into place about collection of taxes, was that working.

Mrs. Ford replied, however, the response was inaudible.

In response to a question by Mayor Price as to a city auction, Mrs. Ford explained that if the Council chooses to replace backhoes, cars and so on, those tend to bring in larger amount for them, so she thought they were realistic figures.

Mayor Price stated, relating to Solid Waste, that they had to move away from the waste area, the drying beds, he asked if those were needed as he was unaware of that happening.

Mr. Adams replied they were in need of those units because of the fact that they were having problems in terms of transporting or getting the materials out in a timely manner. Plus, Mr. Adams added that the facility there was not adequate for the volume of materials.

Mayor Price asked Mr. Adams if he knew off the top of his head how much volume they

did have.

Mr. Adams replied that currently they had, it equated right then, to somewhere around 32 to 35 tractor-trailer loads of material, which would equate to somewhere in the ballpark of about 2,000 tons that they had on hand right then.

Mayor Price stated that there could be some income ...

Mr. Adams answered that yes, their objective then was to establish a good solid market for the material and once they could get the markets developed they would anticipate a sizable revenue coming back from the material on an annual basis.

Mayor Price asked if anyone had questions. He thanked Mr. Adams for running the operation as he was.

Council Member Turner questioned page 35 and stated she was unsure if that was what they finally talked about on the firefighters and that was going to be the best solution and she thought she might not have remembered it correctly. She just did not remember discussions with Chief Overby coming to that per call.

Mayor Price said they needed to make sure everyone understood that. He stated that in fact, he had that portion marked as well.

Council Member Turner advised she was not very clear about it and how it differed from what they were doing then.

Chief Overby stated that presently they were paying their volunteer firemen \$125 per month and if they were an officer, they were getting \$25 to \$50 more a month. The day of the volunteer firemen was gone. That was the reason he asked for ten full-time firemen. He was not getting any coverage daytime, nighttime, and it was presently starting to look bad on the weekends. He reported they had a call at Morehead Hospital and he had two volunteers show up on a Saturday. He had seven full-time and those were the guys who came back that were off-duty. He stated in talking with the manager, plus the three rural fire departments were presently, if they were out fighting a fire, he did not have them. They had looked at paying per call. It would be a nightmare in paperwork and would make some people mad, but if they did not come, they would not pay them and it was that simple. He noted they had firemen presently who just barely made the minimum and they were making the same thing as the poor volunteer who fought every fire, came to every call, was at every hour of training, and he made the same thing as that guy did. He stated the day, and not just because [Mr. Benny Sexton] was sitting there, but the day of the volunteer firemen like he had when Mr. Sexton first came through, those people were not around there anymore. He explained those people were working people with jobs outside the city and they wanted to be a fireman, but his firemen were aging out fast and the volunteers that they were presently getting, he had hired five volunteers two years prior and not a single one was still with him and three of them did not even make it through the probation period. He said the people that they used to have that were retired and gone,

they could not find those people anymore. He stated they still had a good nucleus, but he had a fireman come up to him the other day and say, "Man, we had seven house fires. Did you look at the roster?" Chief Overby answered, "Yeah." The fireman asked Chief Overby, "Did you count the names?" Chief Overby said that had eight, give or take one or two and everyone of them was the same people, the same people fought the house fires and the other people were not there. He said it did not mean they could not make the fire because they were at work, but what [the fireman] was saying to Chief Overby was, he was tired and was running calls all over the city to help because they did not have firemen in the other parts. Chief Overby said he was supposed to have ten volunteer firemen at every station and just recently, it took him almost seven weeks to get six applications, just applications to see if they would replace. He reported that presently he was eight firemen short in his volunteer ranks.

Council Member Tuggle asked if they were not leaving the people of Eden in jeopardy by allowing it to continue.

Chief Overby said presently he was getting his full-time staff comp time to come back to working fires, just to make sure he had enough coverage.

Council Member Tuggle asked if it was really a roll of the dice as to whether [Chief Overby] would have enough people to fight the fire or not to which Chief Overby answered it had been that way for a long time.

Council Member Gover said [Chief Overby] was paying them whether they responded or not.

Chief Overby said he had to and they were meeting the minimum requirements.

Council Member Gover said [Chief Overby] was paying them whether they responded or not so therefore ... Chief Overby interjected that that was the old system, which stated that they got their \$125 a month provided they met their hours of training and their fire call percentage. He said starting with this, if [the firemen] did not come, [the firemen] would not make any money.

Mayor Price asked if [the firemen] did come, they would be comparably paid by the system they had there.

Chief Overby replied [the firemen] were going to be paid and as it showed there, they looked at several different areas. He noted some areas did not even pay their volunteers for training, but paid them for coming to fight the fire.

Council Member Tuggle asked what the next move would be if that did not work.

Chief Overby questioned if he was referring to full-time.

Council Member Tuggle replied yes. He asked if that was the only other ...

Chief Overby interjected that it was the only other alternative.

Council Member Tuggle stated he would just hate to think that the people of Eden ... he would just hate to have a house fire at his house and [Chief Overby] was over there rolling the dice. He said he hoped someone would show up at his house.

Mr. Corcoran noted it was one of the reasons in the budget they would note there was \$7,000 included for a fire deployment assessment and it was written in there and outlined the scope of services that would be included. He said he really thought they needed to step back and take a wide look at the service they were presently getting, whether or not it was efficient and effective and if not, what types of recommendations could be made to make sure they had proper coverage at all times.

Chief Overby stated that with their daytime/part-time fire program they presently had, during the daytime Monday thru Friday, with their full-time staff, they were outnumbering volunteer firemen sometimes seven to one. He said if they did not have that program ... it was pretty bad when they went to a call during the daytime and everyone was at work. He noted in the past they had volunteers that could leave work, but that was not happening anymore. He said a guy got up in the morning, drove to Greensboro to work, and the only time [Chief Overby] got to see him was at night. He stated during the daytime was his major concern and that was why they went to the daytime program. He stated the daytime program was successful. He said they had the numbers and had the people there to fight the fire, but he was having to use other fulltime firemen coming back to help fill the gaps.

Council Member Tuggle asked if the personnel deployment assessment was supposed to give them a pretty good idea of where they were, where they needed to go, and some recommendations for it. He questioned if that was correct.

Mr. Corcoran answered that he was correct.

Chief Overby said that the city manager had discussed with the person what they would be doing.

Mayor Price said they did not want to take away from the loyal volunteers they had had over the years to which Chief Overby stated that he was not taking away from them.

Mayor Price told Chief Overby that he knew he was not. He said he understood the position [Chief Overby] was in, but the town would really have been in a "pickle" had they not had those people who gave and gave and gave of their time and their safety and gave of their family's time. He said they certainly owed them a huge debt.

Chief Overby agreed but noted that most of them had retired.

Mayor Price said they had retired and it was a sign of the times that just like [Chief Overby] said, that a lot of people could not get off of work and were just not in a position

that they could get there. He said the will was to give, they just could not ...

Chief Overby pointed out it was not that one was a bad firemen, it was that he was not available.

Mayor Price said it was a changing times, but they really had given a lot to the community.

Chief Overby commented he was proud of his fire department.

Regarding the Police Department, Council Member Vestal said that while they were on tight times and they had been talking the whole afternoon, he was going to be very unpopular, but he wanted to address the one car, one man police issue. He said he knew it was a perk that they had that, but they were in tight times and as – stated times that day, they had to look at every penny. He stated he had talked to the city manager that week about going back to a semi-fleet issue where they purchased seven patrol cars that year to put on front line patrol and do seven more back-up so they could drive each car twelve hours a day. He noted they had rotating shifts and had four shifts coming in but they could drive each car twelve hours a day. He said they could do away with no thirteen vehicles out of the fleet, which would save \$223,000 that year, just on purchase price of the vehicles.

Council Member Epps stated he thought it was the old police officer in him that made him stick to the proposal. . .(inaudible). He stated he felt like that the maintenance. . . (inaudible) Secondly, with them times we are in also, and Homeland Security as it is, with all of the threats and all of the crime in other cities. . . (inaudible) they certainly did not want to lose moral in the Police Department. . . (inaudible). He closed by saying he still believed in the one man one car.

Mayor Price asked Mr. Corcoran to quickly make sure everyone understood the storm water thing that he had put up. It would not affect them much that year as much as it would next year.

Mr. Corcoran explained that the Phase II Storm Water Regulations, which had actually been in the budget message he thought every year since he had been there, and they had been very fortunate that for one reason or the other it was continually pushed back by the EPA. What he tried to do was summarize what it was and why they would be, or potentially would be, designated. He noted that Tammy [Amos] was the staff person who tracked the issue for them. They would note in there that there was some discrepancy, pointing out that basically the state had said that once a community became designated they had eighteen months to submit the application and then begin the compliance time; however, in the EPA regulations, it stated that once a community was designated, they only had sixty days. That was what was presently going on ... the EPA and the state were involved in discussions trying to decide if it would be sixty days or eighteen months. He noted they had continuously tried to track it over the years and the latest information they received had told them designation was likely to occur in the spring of 2005, which

meant they were not looking at any expenditures until '05-'06. He said the reason why he kept it in there was because it was one of those unfunded mandates they used to hear all about through the years. It was out there and was not going to go away. Presently it had been estimated at \$364,000 so he just did not want it to drop out of the sky the next year and then everyone would wonder what it came from. It was more or less just to give them a heads up that there was something coming up down the road that would have to be funded, probably starting the next year.

Council Member Tuggle stated it was a likelihood that it would happen.

Mr. Corcoran said again he said that, but again, it was his fourth budget and it was the fourth time he pushed it back to the next year so who knows. They could be sitting there next year and it could have been pushed back again another year. All he could share with them was what they had been told. What they had been told was to expect designation probably in the spring of 2005, which would then mean, depending on whether they had the sixty days or eighteen months, that they were looking at some money being spent in '05-'06. He said if it was the eighteen months, they could even squeeze into '06-'07. The bottom line was it was still out there and was not going away and in fact, if they remembered in the Power Point presentation on how they could fund things, it was mentioned in that presentation as well, that it was out there and it was not going to go away. This was just really more an update for information purposes.

Mayor Price asked if no one had used roof tax yet, had they to which Mr. Corcoran advised no.

Mayor Price stated that what that was, obviously, the larger communities were having to charge for the run-off based on the size of the roof, size of the house and the building, and it was a very, very unsettling type of thing but they just had to do it. In fact, they had found in this community, and he asked if they remembered when they did the test and he noted that he thought Dennis [Asbury] had found several larger places that had rainwater coming off of the roof into the city sewer system. It was a very important issue.

Council Member Turner noted that under Parks and Recreation, they did not include any funds for the additional maintenance of the park. She asked how the park would be maintained when all the ball fields were in place.

Mr. Corcoran stated that basically, he thought if he remembered correctly, the proposal was to bring in a new employee that primarily would be responsible for that area. The way he looked at it was that most of what was at the park presently was there last year and they might could get through that year, again it was tight and again they made it through that year in terms of maintaining the multi-purpose field, etc., and the new ball fields realistically were supposed to be sprigged in June and hopefully they would be in pretty good shape by the fall. There would be some mowing involved the next spring, but again, they did not have the full build out of the park and did not have the nature trails completed, the amphitheater, the skate park and again, it was a tight budget and he felt it was an area they could go without for another year.



Council Member Tuggle asked if they were talking about it being another year before they could really do anything at the park.

Mr. Corcoran said it was his feeling in terms of the request for an additional person, it could wait.

Mayor Price said he wanted to say something in conjunction with that. They were going through the budget taking a quarter of a million dollars out of the savings account to pay the bills the next year, going out to borrow money for things that were necessary. He thought everybody was hoping things would get better. They were in a strange economy. Things were not all that great in the community and they had really fought hard to keep up to where they were and they were very lucky, as he had said a few minutes before, to have so many good quality industries there that continued to grow and flourish. But Eden had been hit hard and they were changing the scope of things. He was saying that to them because when they had the planning retreat, when they made the proposal for economic development, they had heard him support it and he did. He supported it on behalf of the Council. He thought it was his responsibility as Mayor to go to bat for anything they approved. Any governmental agency anywhere, he would try to borrow money for it. He said he thought all of them knew him well enough to know, and he said that to his friends and to those publicly, that he thought of all the wonderful things that people like him, who had lived there all their lives practically and those who had been there a number of years had enjoyed. They had a very special community. They had one that offered a lot to people. They were blessed with good schools. They had been blessed in the past. They thought they saw the sign of things in the future with good jobs and a pretty community. They were putting all those things in place to make it a pleasant place for people of all ages to live. It bothered him that that he thought sometimes they were not thinking big enough. He added that he was disturbed that they were doing that. He understood where the money part was for economic development, but he was concerned. He thought they needed to be thinking much, much bigger than where they were. And he put them in comparison to other communities, friend communities but they were also their competitors, and they were much, much more aggressive than [Eden] was. They were doing things they were not afraid of doing. They were being very creative in their financing and he did not want [Eden] to look back in ten years, as they could have perhaps in 1994, and said they could have done some things differently. He did not want them to look back in ten years and have something come back to bite them. Eden was a wonderful community and they did not deserve to be bitten. He wanted them to be as proactive as they possibly could and he did not think they were thinking big enough economic development wise when they went with the plan that the group had put before them. He did want them to still think about the things that they needed to do to bring jobs and money and opportunity to the community. Back in the 50's, 60's, and 70's, if you wanted to work in Eden, North Carolina you could work. They had a fortune 500 company that was headquartered next door that brought the community something that communities this size would never get. They had to work now. They had to be proactive. Really, they had to think big. They had really, really got to concentrate on that. That was deep in his heart and he had to tell everybody that. He was with them whatever they decided to do, but he for one wanted them to go and go and go. He wanted them to think

big, big, big. They could achieve their goals. The community could come back. There was not any reason in the world they could not be perfect. They did not want to be like everybody else. They wanted to be absolutely perfect and people would move away and say, "Man, I want to move back home." That could be nothing greater for a young person in the community to say that. He said he had that off his heart now and he appreciated them listening. He asked if there was any other thing they would like to listen to or have comments from the staff. He asked if they saw the need to have the meeting on May 26<sup>th</sup>.

Council Member Gover said he would like to go over it one more time because they had changed some figures in there he would like to review.

Mayor Price replied okay. He announced that the meeting was scheduled for Wednesday, May 26<sup>th</sup> at 7:00 p.m.

A motion was made by Council Member Tuggle to adjourn.

Council Member Myott told them to wait just a second. She had one question. She asked what they had accomplished that day.

Mayor Price replied in his mind they had witnessed a very intensive report and he would tell them in the planning retreat there was not a lot of give and take, but a lot of talk and some questions. When they had it in front of them and could sit down at their leisure and read it and have the experts who have the input in it to explain the things to them, he had learned a lot from that that day personally. He added he could only speak for himself. It was good when the people were there and they had a question. Mr. Corcoran was on top of everything but he could not give them every piece of information. In his mind, [the meeting] was what it was designed to be. It was a time for them to get the thing, to talk about it among themselves and see what was important.

Council Member Myott asked if [the meeting] was not really to decide anything.

Mayor Price said he did not think they could decide, particularly with all the changes money wise they had made and the fact again that they were taking a quarter of a million dollars out of the savings account to pay the bills and borrowing another amount. He added they could not just fly in there and take off.

Council Member Myott stated she had just heard him say, think big; however, everything she had heard so far had been to cut, take this out.

Mayor Price said he did not know that it had been to cut things out but it was giving an explanation or were there some things differently they could look at. He thought everyone was in agreement to go forward. He had some concerns about the payroll. He was concerned about doing the right thing for the employees and place. Bless their hearts, they had given their all to the community. It was their livelihood. They came in everyday and they gave it all. Mayor Price stated he would like to see, and it was him speaking personally, something that would be fair and equitable, not this year, but in years to come. It had to be tough to be a city employee or state employee or federal employee,

knowing they were going to have good times and bad. He stated he thought everybody staff wise, the city manager and his staff were certainly trying their best. He explained that in his mind, he would like to see something set in place and be built on to be fair to them. He stated he was not trying to cut it out. He thought, they had sat down and talked about [Dennis Asbury's] project. He would like to see what a third party could do that for. There were many qualified people out there who could work that and it might be cheaper.

Council Member Myott stated she thought it was a little late to be presenting this to him. She thought they had already gone through that thing, the I&I and that everybody was on the same page with the I&I.

Mayor Price advised that it could be, but that was what the meetings were for was to ask questions. He explained that they were not spending their money. They were spending taxpayer's money. The very same were out there spending their taxes and they deserved from [Council] their best to ask questions and concerns and it was on his mind. That was why they had that, to ask questions and find out. The part about thinking big, again he supported whatever the Council decided and he would as Mayor. He thought they should be thinking much bigger than they were economical development wise. He truly believed that.

Council Member Tuggle said he did not think it was the easiest thing in the world to get the document and have about two or three days to read it. He was up all night three or four nights trying to read it and plus had a hundred pages of documented information and little tiny figures, that was not the easiest thing to go through and personally, he would like to have enough time to go through it and at least digest all the stuff and have another week to prepare for it.

Council Member Myott said that surely they had until June 30<sup>th</sup> and there was no hurry. She just thought maybe they could solve at least one thing as they went along, instead of creating problems.

Council Member Epps stated he personally thought that they have, talking about thinking big, he thought they had to address the manager, he thought they had to address the water and sewer. He stated he felt like they came in with all of the progressive ideas and they (Council) want to dissect and then they go away with less than what they need. He stated he thought the manager's concern when they were in the retreat was water and sewer lines that have been talked about, noted he had been on the board for almost three years now, and that had been the topic every time they got in a meeting. He stated he felt like whatever it takes, the truck, camera, or whatever it takes to show the citizens. . . (inaudible) then they ought to do it. He added he did not know why they always want progressiveness and then they want to. . . (inaudible). He stated he thought they pretty well went over most of the larger items in the retreat and they were pretty good items and they voted to go along with the recommendation of the City Manager, which had been put in budget form and was the same thing they discussed originally. He added there were some things regarding the salary situation and they needed to work on that, and they

need to work out some way or another where everyone is treated just in their salaries and not anyone body is left behind in that, he felt like they needed to watch the money, but they also need to quit calling people from other people in from other counties and other states to make money off of the city with things they could do themselves and save themselves money. He stated that a lot of people drive to Virginia to get gas because it was 10 cents cheaper, but if they were going to do anything then they need to buy gas here in Eden. It hurts to pay more, but if they were going to get their city where they need it, they need to start patronizing it and things for their city that would lift them up to a place where they could manage. . .(inaudible)every time they turn around call on a consultant or an outside source and they would never get their if they keep doing that. If the city ever got self sufficient in the departments that need to be self sufficient; they need to allow them the opportunity to show them they could.

Council Member Turner said she just hoped without much discussion that they were pretty close to agreeing on things and if people had a lot of different feelings than what was in the message that night, she would like to know that at that time because if there needed to be a compromise she could kind of have that in her mind. She stated if there were some really big issues . . . she thought it looked wonderful. She did not know how they could put that together and she would never have that kind of expertise, but she thought they were really lucky that they did have experts who had done a great job on it and she really did deep down believe that they had the best interests of the citizens and the city at heart. She added she hoped if there was a lot of disagreement, they could go ahead and bring it out and discuss what needed to be dissected some more and go ahead with another plan rather than waiting another week and it be a surprise. She said she was not good at surprises.

Mayor Price said it was just that they had eight people there who had their thinking and they had had an opportunity to ask questions that day and they needed to come back with another round of thinking and make sure everything was right. They were charged with a big responsibility and come July 1<sup>st</sup>, they wanted to leave that table thinking they had done the best they could on it. He agreed that they did have some very talented people who put a lot in [the budget].

ADJOURNMENT.

A motion was made by Council Member Vestal seconded by Council Member Myott to adjourn. All members voted in favor of the motion. The motion carried.

Respectfully submitted,  
Kim J. Scott  
City Clerk

ATTEST:  
Christine H. Myott  
Mayor Pro Tem