

CITY OF EDEN, N. C.

A special budget work session of the City Council, City of Eden, was held on Wednesday, June 1, 2005 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, Sr. |
| 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: | Brian Ewing, <u>Eden Daily News</u> |
| | Antonio Velarde, <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 explained that the Council would be holding a Closed Session meeting before the presentation of the budget.

CLOSED SESSION:

Closed Session in accordance with GS 143-318.11(a)(3) to consult with the City Attorney and to preserve the attorney/client privilege.

A motion was made by Council Member Tuggle seconded by Council Member Gover to go into Closed Session in accordance with GS 143-318.11(a)(3) to consult with the City Attorney and to preserve the attorney/client privilege. All Council Members voted in favor of this motion. This motion carried.

OPEN SESSION:

A motion was made by Council Member Tuggle seconded by Council Member Gover to return to Open Session. All Council Members voted in favor with this motion. This motion carried.

The City Attorney, Mr. Tom Medlin, left the meeting at this time.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

BUDGET WORK SESSION:

Mayor Price noted that they would be continuing the Budget Work Session on Thursday, June 9th, at 4:00 p.m. and if needed, they would also set a date for Thursday, June 16th, at 4:00 p.m. for additional discussion. He then turned the meeting over to City Manager, Brad Corcoran.

Mr. Corcoran stated that recently he was asked by a citizen to describe their current financial condition. He noted that it was similar to what he had previously expressed to City Council during the budget process for FY 2004-05. He told them that it could be summarized as follows:

- Limited financial resources in terms of new revenues that are being received on an annual basis;
- A genuine desire to maintain the current tax rate;
- A commitment to maintaining the same number of services currently being provided by the City;
- An excellent level of funds on hand within various fund balances as compared to previous years for use as needed; and
- Significant infrastructure projects needing immediate attention within the General Fund, Economic Development Initiatives Fund, and Water & Sewer Fund

He stated that he had often summarized their existing condition by saying they were facing “A Very Problematic Situation”. On the one hand, they have seen tremendous improvements in their overall financial condition as voiced by representatives of their independent auditing firm of Rouse, Rouse, Penn & Rouse, L.L.P. They have seen substantial increases in terms of their Fund Balances as well as their Undesignated Fund Balances while seeing a continued decline in terms of their liabilities. On the other hand, the amount of new revenue which they were generating on an annual basis was barely sufficient enough to cover annual operating expenses – let alone much needed improvements to their infrastructure, various economic development initiatives and numerous capital outlay related projects.

He added that he felt that much had been accomplished over the course of the past four (4) plus years but that much remained to be done.

The budget before them as submitted was in balance and had been prepared in accordance with guidelines set forth in the Local Government Budget and Fiscal Control Act.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

The budget message served as a detailed executive summary of the budget as submitted and it provides the reader with a great deal of detailed information. He then asked that the entire budget message be incorporated into the minutes as if it had been read in its entirety.*

He stated that by having said that, he would like to take just a few moments to highlight some of the more significant components of the budget as submitted.

FY2005-06 Budget Summary – City of Eden

- A. The combined budgets for FY 2005-06 include new revenues (not counting inter-fund transfers, appropriations from existing fund balances and one time grants/special contributions from the State of North Carolina and/or Rockingham County) equal to \$19,052,200 which was a slight increase of \$434,500 or 2.33% when compared to the adopted combined budgets for 04-05 which was \$18,617,700. This did not include the inter-fund transfers, appropriations from existing fund balances and one time grants of special contributions from the State and/or Rockingham County.
- B. There was \$6,571,300 in inter-fund transfers and as they were each aware, that was basically money that appeared twice. In addition there was \$6,489,600 in appropriated fund balances and \$823,700 in one time grants from the State of North Carolina for three (3) different projects, being the Monroe-Washington Street drainage project, \$73,700; Rural Center's \$500,000 for I&I sewer related improvements, and a \$250,000 Parks & Recreation Trust Fund Grant. There was also \$298,100 in Special Contributions from Rockingham County for two different initiatives, \$63,100 for the efforts at reducing color limits for the various industries, as well as \$235,000 in Economic Development items.
- C. The budget as submitted includes the elimination of four (4) full-time equivalent positions. These include: Municipal Services Director, Network Administrator, Municipal Services Secretary, and Wastewater Operator Trainee. There were no new or additional full-time equivalent positions being requested in the proposed budget.
- D. 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.
- E. The budget as submitted includes a proposed rate increase in both water service charges as well as sewer service charges. The total average increase being recommended for the coming year was 13.5%. A total of 8.5% was being recommended as a Consumer Price Index increase. This would adjust the current rates established in February, 2002 to equivalent dollars anticipated for the midpoint of the upcoming fiscal year. The final 5% increase was being recommended

as a first step towards bringing Eden's rates back in line with those charged by other municipalities throughout the two-state area of North Carolina and Virginia. The proposed increases are expected to generate \$ 226,140 in new non-contract water revenue and a total of \$210,741 in new non-contract sewer revenue.

F. The budget includes additional funds for numerous important capital outlay related initiatives. A portion of these include:

- 1. Sewer Rehabilitation Improvements** **\$4,328,200**
(much of this is required pursuant to the existing SOC with NC-DENR)
- 2. Economic Development Initiatives** **\$ 651,700**
(this includes construction of ready-to-go site development, virtual shell building, comprehensive site selection study as well as previously agreed to performance agreement payments)
- 3. Powell Bill Related Improvements** **\$ 890,000**
(this includes both Parts 1 & 2 of the Street Resurfacing Contracts). He noted that as each of them were aware, the Council had already approved Part 1, several months ago, which was \$520,000. At that time they had also bid some additional streets because they felt that they had some streets that needed immediate attention. That was \$100,000. It was also said that was contingent upon the Council approving that in the budget. He added that also included was \$270,000 for the Monroe Street/Washington Street Drainage Project and there were also funds sufficient enough to resurface Monroe Street once that project had been completed.
- 4. Development of Initial Greenway Area** **\$ 50,000**
- 5. Streetscape – Haden Stanziale** **\$ 50,000**
(this includes only a small portion of the identified costs (\$346,834) for phase 1. It is anticipated that a TEA 21 grant would be pursued for additional funding).
- 6. 1990 \$23,000,000 Revenue Bond Pymt.** **\$1,485,800**
(an additional \$171,300 is being set aside for future water/sewer related debt service).
- 7. Replacement of Six (6) Police Vehicles** **\$ 151,000**
- 8. Abatement Projects Fund** **\$ 225,000**
- 9. Waterline Upgrade Projects** **\$ 674,600**
(includes \$644,600 allocated for specific replacement projects and \$30,000 in engineering fees for other initiatives such as the Dunn Street and surrounding areas water pressure problems)
- 10. Freedom Park Improvements** **\$ 603,000**
(includes \$341,700 in new funding thanks in part to a \$250,000 PARTF Grant as well as \$261,300 in funds previously allocated).

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

- G. The budget includes continued support for numerous community organizations and events including the Eden Rescue Squad, Eden Chamber of Commerce, Eden Library, Senior Citizens Shuttle Service, Apple Festival, July 4th, Rockingham County Arts Council, Redirections, and Rockingham County Partnership For Economic & Tourism Development to name a few.
- H. The budget includes a 3 % cost of living allowance pay increase for the City's full-time employees. In addition, a combined total of \$210,000 (General Fund - \$150,000 and Water/Sewer Fund - \$60,000) has been set aside within the Special Appropriations portion of each fund for additional increases based upon an examination of salaries being paid for similar positions in similar sized communities. The goal was to remain competitive in the wages that were being paid for all positions.
- I. The budget as submitted includes an increase of \$115.00 per month in the "enrollee only" (paid by employer) monthly health insurance premium contribution. This increase allows them to have projected revenues which balance and offset the expected exposure level of \$1,609,455 as estimated by the City's third party administrator and consultant.
- J. The budget includes \$100,000 in the General Fund and \$100,000 in the Water & Sewer Fund as an un-appropriated contingency for unforeseen declines in revenue and/or unanticipated expenditures.
- K. The budget includes \$51,700 to pay for the City's obligations in reference to the water and sewer extension policy on five (5) different projects.

He concluded in that the budget message was full of a wealth of information concerning the proposed budget for FY 2005-06. It provided a great deal of additional detail. He added that as he had stated at the beginning of his comments, he felt that much had been accomplished over the course of the past four (4) plus years but that much needed to be done.

He closed by stating that he would be happy to answer any questions.

**The following is the budget message in its entirety.*

Introduction

On behalf of the City of Eden staff, I am pleased to present to you the fiscal plan for FY 2005-2006. 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 2005-06 include new revenues (not counting inter-fund transfers, appropriations from existing fund balances and one time grants/special contributions from the State of North Carolina and/or Rockingham County equal to \$19,052,200 which is a slight increase of \$434,500 or 2.33% when compared to the adopted combined budgets for FY 2004-05 (\$18,617,700). This slow growth continues to be indicative of the declining and stagnant revenues that have been facing the City for the last several years.
- The FY 2005-06 budget includes an additional \$6,571,300 in inter-fund transfers (i.e. funds within the budget that are shown as revenue and expenditures in two different locations), and \$6,489,600 in appropriated fund balances. \$2,134,500 of the appropriated fund balances are for projects that were put into place prior to July 1, 2005 and the amounts are just being carried forward into FY 2005-06. The remaining \$4,355,100 is being allocated for some very specific capital outlay needs such as the mandated sewer rehabilitation improvements. The large capital outlay requests spreadsheet in this budget document clearly sets forth all of the large capital outlay needs that have been included for funding in FY 2005-06. Given the growth that has taken place within various fund balances since June 30, 2001 as well as the lack of interest currently being earned on the City's investments it is more prudent to fund various items with available fund balance in lieu of borrowing the funds and paying a higher rate of interest.
- The FY 2005-06 budget includes \$823,700 in one time grants from the State of North Carolina for three (3) different projects and \$298,100 in special contributions from Rockingham County for two different initiatives. First, a total of \$500,000 has been included as a grant from the N.C. Rural Center to help offset a portion of the costs attributable to the sewer rehabilitation improvements project. Second, a total of \$250,000 has been included as a grant from the N.C. Parks & Recreation Trust Fund (PARTF) for the next phase of development within Freedom Park. Third, a total of \$73,700 has been included as a grant from the North Carolina Department of Transportation to help offset a portion of the costs attributable to the Monroe Street/Washington Street drainage improvements project. Fourth, a total of \$235,000 has been included as a matching contribution from Rockingham County for various economic development initiatives including the development of a ready-to-go-site, virtual shell building and comprehensive site selection study. Finally, a total of \$63,100 has been included as a

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

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

| <u>Department/Division</u> | <u>FY 2005-06 Budget</u> | <u>FY 2004-05 Budget</u> | <u>Year To Year Change</u> |
|----------------------------------|------------------------------|------------------------------|--------------------------------|
| Governing Board | \$ 31,400 | \$ 31,100 | \$ 300 |
| Administration | 166,500 | 165,100 | 1,400 |
| Environmental/Municipal Services | 53,900 | 75,700 | (21,800) |
| Finance/Human Resources | 245,100 | 199,200 | 45,900 |
| Business Development | 91,500 | 88,000 | 3,500 |
| Legal | 46,500 | 47,600 | (1,100) |
| Police | 3,760,300 | 3,560,700 | 199,600 |
| Fire | 1,376,900 | 1,259,300 | 117,600 |
| Engineering | 55,900 | 61,000 | (5,100) |
| Streets | 1,245,300 | 1,263,900 | (18,600) |
| Powell Bill | 890,000 | 540,500 | 349,500 |
| Solid Waste | 1,504,900 | 1,533,600 | (28,700) |
| Planning & Inspections | 508,600 | 484,700 | 23,900 |
| Parks/Recreation/Facility M. | 986,100 | 979,100 | 7,000 |
| Public Building Services | 87,000 | 91,200 | (4,200) |
| Fleet Maintenance | 216,200 | 205,900 | 10,300 |
| Special Appropriation | 704,200 | 241,200 | 463,000 |
| Contingency | <u>100,000</u> | <u>50,000</u> | <u>50,000</u> |
| | \$ 12,070,300 | \$ 10,877,800 | \$ 1,192,500 |

Governing Board (+300)

An annual contribution of \$1,000 has been included for the Piedmont Triad Partnership. In addition, the annual membership dues for the Institute of Government have increased by \$300. The anticipated special City Council meetings at \$25.00 per person has been reduced by \$1,000 from an estimated total of twenty-five (25) special meetings to a total of fifteen (15) special meetings. The Governing Board budget of \$31,400 represents a slight increase of \$300 or 0.96% when compared to the adopted budget for FY 2004-05 which was \$31,100.

Administration (+ 1,400)

The reimbursement percentage from the Water and Sewer Fund was increased from 42% to 45% 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 \$10,500 or 6.35%. In addition to normal increases associated with salaries and benefits the anticipated costs for travel and training

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

have been increased by a combined \$2,800 for costs associated with sending the Deputy City Clerk to Clerk Certification School as well as costs associated with normal travel for the City Manager, City Clerk, and Deputy City Clerk. Contracted Services are expected to increase by \$1,600 due to an increase of \$1,500 in fees charged by the Piedmont Triad Council of Governments for Cable T.V. Program Services (\$6,000 to \$7,500). A total of \$2,000 has been included for web page software and enhancements to the City's web site. The Administration budget of \$166,500 represents a slight increase of \$1,400 or 0.85% when compared to the adopted budget for FY 2003-04 which was \$165,100.

Municipal Services (-75,700 Closed Out)

The Municipal Services budget is being closed out due to the retirement of the City's Director of Municipal Services and the decision to eliminate that position as well as the position of Secretary for Municipal Services. These are two (2) of the four (4) positions that have been eliminated in the FY 2005-06 budget. The adopted budget for FY 2003-04 was \$75,700.

Environmental Services (+53,900 NEW)

The Director of Public Utilities and the Secretary for the Department of Public Utilities have been pulled out of the Water Resources budget within the Water & Sewer Fund and are now listed in the Environmental Services budget. The Director of Public Utilities position is being combined with the Director of Municipal Services position to create one position – Director of Environmental Services. The Public Utilities Secretary position and the Municipal Services Secretary position are being combined to create one position – Secretary for the Environmental Services department. The Environmental Services department will include several different divisions including: Streets, Solid Waste, Fleet Maintenance, Water Resources, Collection & Distribution, Water Filtration and Wastewater Treatment. The Environmental Services budget includes anticipated expenditures related to the Director and Secretary. The reimbursement percentage from the Water and Sewer Fund has been initially set at 65% due to the large volume of water and sewer related initiatives and in an effort to more accurately reflect the distribution of the work load being handled.

Finance/Human Resources (+45,900)

The department of Finance/Human Resources is now being split into two (2) separate and distinct departments. The Finance department has projected expenditures that equal \$172,800 while the Human Resources department has projected expenditures that total \$72,300. A portion of the reason for the combined increase is the fact that the reimbursement percentage from the Water and Sewer Fund was established at 55% for a combined department of Finance/Human Resources but the new reimbursement percentage for the Human Resources department will only be 25% which is based on a pro-rated breakdown of all full-time equivalent (FTE) employees.

Finance

The Finance Department will lose one FTE employee due to the elimination of the Network Administrator position. However, a total of \$15,000 has been included so that these services can be contracted out on an as needed basis throughout the course of the upcoming fiscal year. Professional Services/Programming has been increased by \$20,900 to cover the costs associated with a much needed software upgrade to the City's financial management package and payroll package through LOGICS. Unemployment Insurance has been increased by \$15,000 (as a precautionary measure) due to the number of new employees within this department. Travel and Training have been increased by a combined \$4,800 for training associated with the new software upgrades as well as training for the new staff members within the Finance Department. The Finance budget as submitted equals \$172,800.

Human Resources

The Human Resources Department includes an increase of \$1,500 in expenses associated with Special Incentives for the City's work force. In addition to normal increases associated with compensation and benefits there is also a \$1,000 increase in costs associated with the City's Wellness Program, a \$1,000 increase in costs associated with Departmental Supplies which includes the replacement of the Human Resources printer, and a \$3,500 increase in costs associated with Advertising so that all advertising for job openings is now charged to the Human Resources departmental budget. The Human Resources budget as submitted equals \$72,300.

Business Development (+3500)

In addition to normal increases associated with compensation and benefits the Business Development department includes an increase in costs of \$2,400 for the Main Street Advisory Board so the Board can be established as a non-profit entity. This is the status of most Main Street organizations, such as the Reidsville Downtown Corporation and Uptown Lexington. The status enables the organization to qualify for grants and to purchase property if it so desires. Mr. Rodney Swink, Director of N.C. Main Street Program and Ms. Meg Dees, Assistant Director of N.C. Main Street Program both made this recommendation during their resource team visit in 2004. In addition a combined increase in Travel and Training expenses of \$1,300 has been included so that the Director of Business Development can attend the 2005-06 edition of the Municipal Administration Course through the Institute of Government at the University of North Carolina – Chapel Hill. This is the same course that we have sent one upper level management employee to for several years. Three years ago the class was attended by the City Manager. Two years ago the class was attended by the Director of Finance & Personnel and last year the class was attended by the City Planner. The class has also been attended by the current

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Director of Planning and Inspections and others. The Business Development budget of \$91,500 represents a slight increase of \$3,500 or 3.98% when compared to the adopted budget for FY 2004-05 which was \$88,000.

Legal (-1,100)

The Legal department includes a decrease of \$2,000 in Professional Services and an increase of \$200 in Insurance & Bonds. The reimbursement percentage from the Water and Sewer Fund remains unchanged at 40%. The Legal budget of \$46,500 represents a slight decrease of \$1,100 or 2.31% when compared to the adopted budget for FY 2004-05 which was \$47,600.

Police (+199,600)

The Police budget includes \$151,000 for the purchase and replacement of six (6) patrol cars. Although the department is in the process of replacing five (5) other patrol cars through the use of funds that were on hand as a result of drug assets seized and forfeited these are additional vehicle replacements which the leadership within the Police department insists are needed. The Police department has developed a detailed vehicle replacement program and has stated that this is their top priority in terms of funding initiatives over the course of the next few years. In addition, compensation and benefits for the fifty-seven (57) FTE employees has increased as a result of the recommended cost-of-living allowance pay increase and costs associated with Group Insurance. In fact, there are now twelve (12) retirees that are on the City's Health Insurance plan in addition to the regular FTE employees. An additional \$8,000 has been included under Separation Allowance as a contribution to the Police Pension Fund. An increase of \$5,000 has been projected in terms of costs associated with gasoline. In addition, an additional \$19,000 has been budgeted under Telephone for the Bellsouth Network Charge that was previously charged to the Emergency Communications Fund. The revenues within the Emergency Communications Fund are not sufficient enough to cover all of its related costs as well as the Bellsouth Network Charge. Insurance & Bonds/WC is expected to increase by \$213,000. Some of the line items that are expected to see a decrease include: Professional Services (-1,500), OSHA Hepatitis B (-4,500), DARE Program Supplies (-1,000), and M/R Vehicles (-5,000) just to name a few. The Police budget of \$3,760,300 represents an increase of \$199,600 or 5.61% when compared to the adopted budget for FY 2004-05 which was \$3,560,700.

Fire (+117,600)

The Fire department budget includes a combined \$75,000 for four (4) large capital outlay items including: replacement of a fire truck (first year of a five (5) year lease purchase) at \$35,000, the replacement of the fire service truck at \$19,000, a thermal imager camera at \$11,000 and \$10,000 for roof repairs/replacement at Station 300. It is recommended that the roof repairs/replacement work be delayed until a final decision is made on the recommendations contained in the Fire Department Deployment Assessment that was

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

completed by Mr. Sherman Pickard, consultant for the North Carolina League of Municipalities. The budget includes normal increases associated with salaries and benefits for the sixteen (16) FTE employees. Offsetting a portion of these increases is a reduction in spending equal to \$15,000 under Salaries/Volunteers as we get a better “feel” for the funds that are actually needed to adequately fund the pay-per-call system that was implemented in FY 2004-05. The Fire budget of \$1,376,900 represents an increase of \$117,600 or 9.34% when compared to the adopted budget for FY 2004-05 which was \$1,259,300.

Engineering (-5,100)

The Engineering department includes a reduction of \$22,000 in C/O Equipment Depreciable and a reduction of \$2,700 in C/O Equipment Non-Depreciable to the specific items being purchased during FY 2004—5. Some of the additional reductions include: Professional Services/Programming (-2,200), M/R Equipment (-600), Training (-1,000), M/R Vehicles (-400), Travel (-700) and Department Supplies (-600). The budget also includes the replacement of a vehicle (5E) but the line item (C/O Vehicles) is actually decreasing by \$2,000 since a different vehicle was replace during FY 2004-05. In addition to the normal increases associated with compensation and benefits there are various line items that include an increase in funding. Some of these include: Professional service (1,000), Auto/Gas (500), Property Insurance/Bonds (1500), Contracted Services (400), and Insurance & Bonds/WC (1,900). 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, a majority of the associated costs for this department will actually be paid for by the Water and Sewer Fund. The Engineering budget of \$55,900 represents a decrease of \$5,100 or 8.36% when compared to the adopted budget for FY 2004-05 which was \$61,000.

Streets (-18,600)

The Street budget includes a reduction of \$70,000 under C/O Vehicles, a reduction of \$30,000 under C/O Off Road Depreciated, a reduction of \$15,400 under C/O Equipment Depreciated, a reduction of \$7,000 under M/R Signs and a reduction of \$7,000 under M/R Sidewalks to name a few. Offsetting some of these decreases are normal increases associated with salaries and benefits for the fifteen (15) FTE employees. Some of the other increases include: Professional Service (2,000), Safety Equipment (1,500), M/R Patching (2,000), Auto/Gas (2,000), Lights for City Streets (6,000), M/R Building (2,500), Contracted Services (7,000), C/O Radios (1,800) and Purchase/Snow Removal (5,000) to name a few. The Streets budget of \$1,245,300 represents a decrease of \$18,600 or 1.47% when compared to the adopted budget for FY 2004-05 which was \$1,263,900.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Powell Bill (+349,500)

The Powell Bill funds scheduled to be spent during FY 2005-06 will be used to pay for several different items. First, a total of \$520,000 has been included to fund Part 1 of the 2005 Street Contract previously voted upon and approved by the City Council. Second, a total of \$100,000 has been included to fund Part 2 of the 2005 Street Contract due to the need to see that these resurfacing improvements as identified by the Engineering Department and previously shared with the City Council are made sooner versus later. Finally, \$270,000 has been included to fund the Monroe Street/Washington Street drainage project (recently awarded by the City Council) which is a joint effort between the City of Eden and the North Carolina Department of Transportation (NCDOT). In addition, funds have been included (in the \$270,000 budget figure) to resurface Monroe Street upon the completion of the drainage project. In the anticipated revenues for the General Fund there is a line item (10-3451-37000) that includes \$73,700 in anticipated revenues from NCDOT to pay for their portion of the drainage project. In addition, there is a line item (10-3991-99300) within the General Fund that includes an allocation of \$244,300 from the Powell Bill Fund Balance so that all of this additional work can be completed without adding any additional burden to the General Fund. The Powell Bill budget of \$890,000 represents a significant increase of \$349,500 or 64.66% when compared to the adopted budget for FY 2004-05 which was \$540,500.

Solid Waste (-28,700)

The projected costs for the division of Solid Waste include a combined reduction of \$83,500 in costs associated with Contracted Services and Contract/Commercial. In addition, there is a combined reduction of \$14,300 in costs associated with C/O Lease Principal and C/O Lease Interest. Furthermore, the projected budget includes a reduction of \$17,500 in C/O Building Improvement. Some of these reductions are being offset by a variety of increases including: normal increases associated with salaries and benefits, C/O Vehicles (43,500) for the replacement of unit 31-G with a used compactor trailer as well as an open top pusher trailer for our bulk transport operation, C/O Off Road (10,000) for the replacement of refuse collection containers, and Auto/Gas (6,000) to name a few. The Solid Waste budget of \$1,504,900 represents a slight decrease of \$28,700 or 1.87% when compared to the adopted budget for FY 2004-05 which was \$1,533,600.

Planning & Inspections (+23,900)

The Planning & Inspections budget includes \$22,500 (50% of the total cost) to begin work on an update to the City's Comprehensive Plan. Some of the other increases include an increase of \$7,000 under Community Appearance Commission and an increase of \$1,300 under Insurance & Bonds/WC. In addition, there are normal increases associated with compensation and benefits. There are several line items that have been reduced and some of these include: Landscaping Supplies (-2,100), Department Supplies (-1,000), Historical Preservation Expense (-2,000), Tree Board Expense (-3,000), Advertising (-1,300), and C/O Vehicles (-18,500). The Planning & Inspections budget of

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

\$508,600 represents an increase of \$23,900 or 4.93% when compared to the adopted budget for FY 2004-05 which was \$484,700.

Parks/Recreation/Facility Maintenance (+7,000)

The Parks, Recreation & Facility Maintenance budget includes an increase of \$ 15,000 under C/O Land Improvements for first phase funding associated with the paving of this road. In addition, there is a new line item (10-6120-95400) Freedom Park Inventory which is primarily for items that will be re-sold at Freedom Park in the concession stand. A total of \$ 13,000 has been budgeted for this line item for FY 2005-06. Some of the other increases include an increase of \$ 3,500 under Contracted Services and an increase of \$ 6,000 under M/R Building. There are increases associated with salaries and benefits for the thirteen (13) FTE employees, an increase of \$ 2,000 under Senior Citizens and an increase of \$ 5,700 under program Activities. Offsetting most of these increases are reductions in the following: C/O Equipment Non-Depreciated (-15,300), C/O Vehicle (-10,000), C/O Building Improvement (-59,000), and Professional Service (-2,000) to name a few. The Parks, Recreation & Facility Maintenance budget of & 986,100 represents a slight increase of \$ 7,000 or 0.71% when compared to the adopted budget for FY 2004-05 which was \$ 979,100.

Public Building Services (-4,200)

This department was created during FY 2003-04 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 budget is expected to decrease during the upcoming year due to a reduction of \$ 4,000 in costs associated with Utilities and a reduction of \$ 5,00 in costs associated with the provision of telephone, electric and gas services to the City Hall. The level of funding within this budget is expected to decrease during the upcoming year due to a reduction of \$ 4,000 in costs associated with Utilities and a reduction of \$ 500 in costs associated with Telephone. The only increase that is projected is an increase of \$ 300 under Utilities/Gas. The Public Building Services budget of \$ 87,000 represents a decrease of \$ 4,200 or 4.61% when compared to the adopted budget for FT 2004-05 which was \$ 91,200.

Fleet Maintenance (+10,300)

The Fleet Maintenance budget includes normal increases associated with compensation and benefits for the six (6) FTE employees. Some of the other line items that are projecting an increase in spending include: an increase of \$ 1,500 under C/O Equipment Non-Depreciated, an increase of \$ 1,000 under Property Insurance/Bonds, an increase of \$ 1,000 under M/R Building, an increase of \$ 1,1 00 under Professional Services and an increase of \$ 1,500 under Insurance & Bonds/WC. Offsetting a portion of these increases are decreases in the following: M/R Vehicles (-1,000), Professional Services/Programming (-1,700) and C/O Equipment Depreciable (-3,900). The Fleet

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Maintenance budget of \$ 216,200 represents an increase of \$ 10,300 or 5.00% when compared to the adopted budget for FY 2004-05 which was \$ 205,900.

Special Appropriations (+463,000)

The Special Appropriations allocation of \$ 704,200 represents a huge increase of \$ 463,000 or 191.96% when compared to the adopted budget for FY 2004-05 which was \$ 241,200. First, a total of \$ 316,300 has been included as a contribution to the Economic Development Initiatives Fund. This money will be used to help offset a portion of the costs attributable to the development of a ready-to-go site, virtual shell building for the ready-to-go site, a comprehensive site selection study and performance agreement incentive payments to Gildan and Natural Care Labs. Second, a total of \$150,000 has been included for future salary adjustments in an effort to make sure our job classifications within the General Fund are being paid a competitive wage. Third, an increase of \$5,000 (\$45,000 to \$50,000) has been included for the Streetscape Study/Imaging to help implement a portion of the phase one recommendations developed by Haden Stanziale that were presented to the City Council on May 17, 2005. The total projected cost for the phase one improvements within the Leaksville Shopping District as estimated by Haden Stanziale is \$346,834. The allocation of \$50,000 is just a beginning. The staff intends to submit an application for a TEA 21 Grant to the remainder of the associated costs. Fourth, an increase of \$3,500 (\$46,500 to \$50,000) has been included for the Greenways project. Fifth, a total of \$8,500 has been included as a contribution to the Façade Improvements Fund. This money will be used to continue our efforts at encouraging downtown revitalization improvements. Finally, an increase of \$7,500 has been included for the upcoming City Elections. This is a cost that is incurred every two years. Finally, it should be noted that the Chamber of Commerce has submitted a request for an increased level of support from the City (\$6,000 per year to \$10,000 per year). This request was not received until after the preliminary budget numbers had been completed and has not been included in the budget as submitted.

Contingency (+50,000)

The amount allocated as a contingency within the General Fund has been increased by \$50,000 or 100% to a total of \$100,000. This money will be set aside and only utilized in the event of unanticipated declines in revenue and/or unexpected expenditures.

- The revenues within the General Fund are growing at a pace that is not consistent with expenses and have even decreased from one year to the next. The current FY 2004-05 budget included an estimate of \$10,877,800 in General Fund Revenues. Included in this figure is the allocation of \$650,000 in Fund Balance to pay for some much needed capital outlay needs. Once the Fund Balance is subtracted from the total it reveals \$10,227,800 in new revenue for FY 2004-05. The FY 2003-04 budget included a total of \$10,240,100 in General Fund Revenues. Included in this figure was the allocation of \$171,000 in Fund Balance to help keep the fund balanced. Once the Fund Balance was subtracted from the

total it revealed \$10,069,100 in new revenue for FY 2003-04. The FY 2005-06 budget includes an estimate of \$12,070,300 in General Fund Revenues. Included in this figure is the allocation of \$876,700 in Fund Balance to pay for some much needed capital outlay needs and economic development initiatives. Also included is the allocation of \$244,300 in Powell Bill Fund Balance to pay for a portion of the costs attributable to the Powell Bill budget. Once the Fund Balances are subtracted from the total it reveals \$10,949,300 in new revenue for FY 2005-06. Included in this figure is \$73,700 that is expected to be received from the State of North Carolina to help pay for their portion of the costs associated with the Monroe Street/Washington Street drainage project. Once you subtract this amount it reveals \$10,875,600 in new revenue for FY 2005-06. This represents an overall increase of only \$647,800 or 6.33% when compared to the amount estimated to be received (minus Fund Balance) for FY 2004-05. It is noteworthy to point out that the amount estimated to be received in FY 2005-06 (minus the Fund Balance allocations and one time contribution from NCDOT) is actually \$240,193 less (2.16%) than the \$11,115,793 that was actually received in FY 2000-01 when the economy was flourishing. It should also be noted that there has been a real estate re-evaluation since FY 2000-01. 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.

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

| <u>Department/Division</u> | <u>FY 2005-06 Budget</u> | <u>FY 2004-05 Budget</u> | <u>Year To Year Change</u> |
|----------------------------|------------------------------|------------------------------|--------------------------------|
| Water Resources | \$ 326,700 | \$ 458,000 | \$ (131,300) |
| Billing & Collections | 316,000 | 268,400 | 47,600 |
| Water Plant | 1,286,500 | 1,130,100 | 156,400 |
| Collections & Distribution | 1,334,100 | 1,415,800 | (81,700) |
| Wastewater Treatment | 1,593,300 | 1,866,500 | (273,200) |
| Water Construction | 346,200 | 380,000 | (33,800) |
| Sewer Construction | 110,000 | 240,000 | (130,000) |
| Special Appropriation | 6,297,800 | 3,117,400 | 3,180,400 |
| Contingency | <u>100,000</u> | <u>50,000</u> | <u>50,000</u> |
| | \$ 11,710,600 | \$ 8,926,200 | \$ 2,784,400 |

Water Resources (-131,300)

The Water Resources budget for FY 2005-06 includes funding for five (5) FTE employees. This is a reduction of two (2) FTE employees from the current FY 2004-05 budget. Both of these individuals will now be funded through the Environmental

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Services budget within the General Fund. Despite the proposed cost-of-living allowance increase and the increase associated with group insurance the salaries and benefits portion of this budget are being reduced by a combined total of \$125,600. Additional reductions within the budget include but are not limited to: Department Supplies (-800), Telephone (-300), M/R Building (-300), and Insurance & Bonds/WC (-9,000). Some of the line items that are showing an increase in terms of spending include: C/O Equipment Non-Depreciated (6,000), Property Insurance/Bonds (500), Property Insurance/Deductions (500), and M/R Vehicles (500). The Water Resources budget of \$326,700 represents a significant decrease of \$131,300 or 28.67% when compared to the adopted budget for FY 2004-05 which was \$458,000.

Billing & Collections (+47,600)

The Billing & Collections budget includes an increase of \$20,200 under Professional Services/Programming for a Billing/Collections software upgrade to LOGICS and implementation of the Dan River Water Inc. modifications upgrade. Some of the other increases include normal costs attributable to salaries and benefits for five (5) FTE employees, an increase of \$700 in Auto/Gas, an increase of \$1,200 in Insurance & Bonds/WC, an increase of \$9,000 in the difference between the funds appropriated for warehouse purchases and the credits that are received from issues of inventory. A few of the specific line item reductions include: EDP Supplies (-200), Postage (-500), M/R Equipment (-500), and Equipment Rental (-200). The Billing & Collections budget of \$316,000 represents an increase of \$47,600 or 17.73% when compared to the adopted budget for FY 2004-05 which was \$268,400.

Water Filtration Plant (+156,400)

The Water Filtration Plant budget includes an increase of \$66,000 in chemicals. This increase is directly related to China and the demand for raw materials. Caustic has increased in cost by 96% since last year and more increases are anticipated in the future. In addition, there have been significant increases in the cost of Alum. The C/O Equipment Non-Depreciated line item has increased by \$16,000 for the installation of chlorinated monitoring for each filter. The M/R Equipment line item is being increased by \$42,000 to more accurately reflect actual expenditure history during the course of the past two (2) years. The Utilities/Electric line item is being increased by \$9,000. There are increases included that are associated with the compensation and benefits for the nine (9) FTE employees within this budget. Some of the specific line items that are expected to experience a reduction in spending include but are not limited to: Professional Services (-2,000), Department Supplies (-2,000), Contracted Services (-1,000), and C/O Building Improvements (-10,000). The Water Filtration Plant budget of \$1,286,500 represents an increase of \$156,400 or 13.84% when compared to the adopted budget for FY 2004-05 which was \$1,130,100.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Collection & Distribution (-81,700)

The Collection & Distribution budget includes a reduction of \$89,000 in the amount that is appropriated under C/O Vehicles as a result of less items being included in the proposed budget. The budget also reflects a reduction of \$65,000 under C/O Off Road and a combined reduction of \$33,500 under Principal Sewer/Vac and Interest Sewer/Vac as this item has now been paid for. Some of the additional reductions include but are not limited to: M/R Building (-10,000), M/R Collection (-10,000), Small Tools (-3,000), and Unemployment Insurance (-4,000). Offsetting a portion of these reductions are several line item increases. Some of these increases include: C/O Equipment Depreciated (46,000) for leak detection correlators @ \$22,900 and an underground imager @ \$23,100, Contracted Services (5,100), M/R Vehicles (6,000), M/R Hydrants (6,000), M/R Outfalls (27,000), M/R Taps (10,000) and Professional Services (17,000) for leak detection services. The Collection & Distribution budget of \$1,334,100 represents a decrease of \$81,700 or 5.77% when compared to the adopted budget for FY 2004-05.

Wastewater Treatment (-273,200)

The Wastewater Treatment budget includes a reduction of \$165,200 in the amount that is appropriated under C/O Equipment Depreciable due to the various purchases being made during FY 2004-05. The budget also reflects a reduction of \$82,500 under Contracted Services and a reduction of \$12,000 under C/O Vehicle. The Chemicals line item reflects a reduction of \$11,600 and the number of FTE employees within this division have been reduced from eleven (11) FTE employees during FY 2004-05 to just ten (10) FTE employees for FY 2005-06. The position that is being eliminated is an Operator Trainee position. Some of the various line items that are expected to see an increase in terms of spending include but are not limited to: Professional Services (3,000), Utilities/Electric (1,000), Safety Equipment (500) and Auto/Gas (500). The Wastewater Treatment budget of \$1,593,300 represents a decrease of \$273,200 or 14.64% when compared to the adopted budget for FY 2004-05 which was \$1,866,500.

Water Construction (-33,800)

The Water Construction department (\$346,200) includes a reduction of \$33,800 or 8.89% when compared to the adopted budget for FY 2004-05 which was \$380,000. The most significant reduction involves a decrease of \$25,000 under Check Valve Removal. This project has been completed and there is no need for additional funds to be earmarked for this purpose. The Enhancement Of High Service Pumping, Pump Upgrades & Building line item has been reduced by \$15,000. Offsetting a portion of these reductions are increase in: W/C Professional Services (5,000) and Tank Service Contract – Karastan (1,200).

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Sewer Construction (-130,000)

The Sewer Construction department (\$110,000) includes a significant reduction of \$130,000 or 54.17% when compared to the adopted budget for FY 2004-05 which was \$240,000. The most significant reduction involves a decrease of \$90,000 under Telemetry Improvements. This project has been completed and there is no need for additional funds to be earmarked for this purpose. In addition, the S/C M/R System line item has been reduced by \$30,000 and the Emergency Repairs – Pump Stations line item has been reduced by \$10,000.

Special Appropriation (+3,180,400)

The Special Appropriation allocation (\$ 6,297,800) has increased significantly by \$3,180,400 or 102.02% when compared to the adopted budget for FY 2004-05 which was \$ 3,117,400. The most significant reason for this increase is the allocation of \$ 3,327,600 for the Sewer Rehabilitation Project Fund. The City of Eden is currently under a Special Order of Consent (SOC) with the State of North Carolina for specific sewer rehabilitation improvements. There is a timetable attached to these improvements and the improvements must be made in order to avoid a moratorium on additional connections. Second, a total of \$ 1,485,800 has been earmarked for payment on the debt service associated with the 1990 Water and Sewer Bonds. This is a decrease of \$ 82,600 from the \$ 1,568,400 that was allocated in FY 2004-05. Third, a new line-item entitled “holding account – future debt service” was created in the current FY 2004-05 budget and included an initial contribution of \$ 88,700 (the difference in the actual debt service payment made in FY 2003-04 and the projected debt service payment for FY 2004-05). This is consistent with an earlier recommendation from the City Manager whereby these funds would be preserved for use in the future than being absorbed in the annual budget. In keeping with this commitment the FY 2005-06 budget includes an allocation of \$171,300 (the difference in the actual debt service payment made in FY 2003-04 - \$1,657,100 and the projected debt service payment for FY 2005-06 - \$ 1,485,800). Fourth, the contribution to General Fund- administrative charges line-item has been increased by \$ 46,500 to \$ 806,900 in accordance with the reimbursement percentage formulas for various departments within the General Fund. Fifth, a total of \$ 344,500 has been allocated for the Waterlines Upgrade Fund. Sixth, a total of \$ 60,000 has been included for future salary adjustments in an effort to make sure our job classifications within the Water & Sewer Fund are being paid a competitive wage. Finally, a total of \$ 51,700 has been allocated to meet various performance/incentive agreements with local developers.

Contingency (+50,000)

The amount allocated as a contingency within the Water & Sewer Fund as been increased by \$ 50,000 or 100% to a total of \$ 1000,000. This money will be set aside and only utilized in the event of unanticipated declines in revenue and/or unexpected expenditures.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

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 \$ 7,077,648 (excluding the recommendations previously set forth in the Comprehensive Water & Sewer Master Plan) 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 respective Department/Division Head and the City Manager in a separate notebook.

FY 2003-04 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 27, 2005 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. The tax revenue projections outlined below are based upon a total property valuation of \$ 682,416,512 (an increase of approximately 2.90% when compared to the previous year total of \$ 663,166,248) at a FY 2003-04 collection rate of 97.79 percent or \$ 3,803,800.

The \$3,803,800 is calculated as follows:

| | |
|-----------------------------------|-------------------|
| Real Property Value: | \$ 605,000,000 |
| Personal Property Value: | 50,728,671 |
| Public Service Value: | <u>26,687,841</u> |
| Total Value | \$ 682,416,512 |
| | |
| Tax Rate/\$ 100 Value: | \$ 0.57 |
| Total Revenue Estimate: | \$ 3,889,774 |
| | |
| Assumed Collection Rate @ 97.79% | \$ 3,803,800 |
| | |
| Revenue Per One Cent Of Tax Rate: | \$ 66,733 |

- On March 4, 2005 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 two items listed by at least five members (majority) of the Council

and one additional item that was 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 7 Times)
- C. Re-prioritization of Transportation Needs (Listed 4 Times)

It should be noted that these goals helped to serve as a financial blueprint during the preparation of the budget for FY 2005-06. Funding has been included in the FY 2005-06 budget to address items A and B and the staff is continuing its efforts with NCDOT, Rockingham County, the Rural Planning Organization (RPO) and State Legislators in terms of the City's transportation needs.

- The budget includes an increase of \$27,500 in the amount of revenue that will be received from the annexation inn-lieu-of-payments within the General Fund (\$560,000 to \$587,500). This is still considerably less when compared to the actual collections in FY 2002-03 which totaled \$934,423. 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 properties currently being occupied by MGM Transport and Weil-McLain have been voluntarily annexed into the Eden corporate limits thereby eliminating the need to pursue a similar agreement with these two (2) companies.
- 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 2005-06 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 2004-05 it was estimated that these four sources of revenue would equal \$3,453,400. The FY 2005-06 budget anticipates receiving a combined total of \$3,722,400 which is an increase of \$269,000 or 7.79%.
- Increases in both residential and commercial development will translate into more revenue for the City in FY 2005-06. The revenue received from Building Permits, Plumbing Permits, Mechanical Permits, Sign Permits and Electrical Permits was estimated to total \$98,600 during FY 2004-05. The FY 2005-06 budget includes a combined estimate of \$128,900 which is an increase of \$30,300 or 30.73%.
- The FY 2005-06 budget anticipates a sale of fixed assets at some point during the summer of 2005. It has been a couple of years since the last sale of fixed assets auction. It is estimated that a minimum of \$71,000 will be realized within

the General Fund and a minimum of \$12,000 will be realized within the Water and Sewer Fund.

- The FY 2005-06 budget 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 (\$1,600), Piedmont Triad Council of Governments (\$3,400), Piedmont Triad Partnership (\$1,000) and Piedmont Triad Council of Governments Cable T.V. Program Services (\$7,500).
- The FY 2005-06 budget includes the necessary funding supporting a number of community-wide organizations and events including the 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), Redirections (\$500), Rockingham County Partnership for Economic & Tourism Development (\$39,800), Apple Festival (\$5,000), and July 4th Celebration (\$3,000).
- On March 12, 2004 the City Council met for its 2nd session of the annual budget/planning retreat during that year. During that meeting the City Council approved appropriating funds 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 funds for the installation of an initial Greenway along the Smith River. The Department of Planning and Inspections has been working on this project in conjunction with the City Attorney. Unfortunately, the City was not selected for a grant which would have led to the development of a much needed master plan. Despite this fact, staff continues to work on the installation of an initial Greenway along the Smith River as previously agreed upon by the City Council. This project will continue throughout FY 2005-06. As such, the FY 2005-06 budget includes an allocation of \$50,000 for the development of an initial Greenway along the Smith River.
- The weakened economy has meant lower interest rates on temporary investments. The budget as submitted includes a "hope" for the future as interest rates on temporary investments are beginning to improve. This, combined with the fact that we have had substantial increases to both the General Fund Fund Balance as well as the Water & Sewer Fund Fund Balance since FY 2000-01 are why estimates for FY 2005-06 are more promising. These estimates are based on actual interest being earned at the present time extrapolated out for the full year as well as an assessment of what is anticipated during FY 2005-06. The FY 2005-06 budget includes a combined increase in anticipated revenues equal to \$178,600 when compared to the amounts that were placed in the FY 2004-05 budget (\$308,200 to \$129,600). A snapshot of the short term history associated with this revenue source has been set forth below:

| | |
|--------------------------|------------|
| Actual FY 2000-01 | \$ 446,533 |
| Actual FY 2001-02 | \$ 243,319 |
| Actual FY 2002-03 | \$ 183,002 |
| Actual FY 2003-04 | \$ 159,723 |
| Budgeted For FY 2004-05 | \$ 129,600 |
| Projected For FY 2005-06 | \$ 308,200 |

- On April 20th, 2004 the City Council requested that a streetscape be completed for the various downtown areas within the City of Eden. On May 17, 2005 a representative from the firm Haden Stanziale gave a power point presentation to the members of the Eden City Council. In that presentation a series of phased improvements were discussed. Phase 1 of the recommended improvements concentrate on the Leaksville Shopping District. On May 20, 2005 a detailed cost estimate was received from Haden Stanziale for the costs associated with the phase 1 improvements. The projected cost totaled \$346,834. The FY 2005-06 budget includes an allocation of \$50,000 for the implementation of a portion of these recommendations. Although this is not the funding level that is necessary to fully implement the recommendation as set forth it does allow the City to continue its efforts and to begin implementing some of the various recommendations. In addition, now that a streetscape master plan has been completed we plan on applying for a TEA 21 grant in an effort to obtain funding for the implementation of the various recommendations set forth by Haden Stanziale.
- 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 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. During the first quarter of 2005 staff decided that it would be better to wait and submit a proposed rate increase as a component of the FY 2005-06 budget.

- The FY 2005-06 budget as submitted includes a proposed rate increase in both water service charges as well as sewer service charges. In a memorandum from Mr. Dennis Asbury, Director of Public Utilities dated April 27, 2005 (included in the miscellaneous portion of the budget notebook) he recommends a Consumer Price Index (CPI) increase for FY 2005-06 of 8.5%. This will adjust the current rates established in 2002 to equivalent dollars anticipated for the midpoint of FY 2005-06. In addition, he recommends an additional 5% increase as a first step toward bringing Eden's rates back in line with those charged by other municipalities throughout the two-state area of North Carolina and Virginia. The total increase being recommended for the coming year is 13.5%.

The 13.5% total recommended increase in water service charges has been distributed so as to yield a 30% increase in the "basic charge" and a 6.9% increase in the variable portion that is based on the customer's water usage. Based on previous consumption within each rate code the new water rates are anticipated to yield \$226,140 in new non-contract revenue. The 13.5% total recommended increase in sewer service charges has been distributed so as to yield a 30% increase in the "basic charge" and a 9.6% increase in the variable (per 1,000 gallons) portion. Based on previous consumption within each rate code the new sewer rates are anticipated to yield \$210,741 in new non-contract revenue. The rationale for a larger percentage increase in the fixed portion of the rate is to create a reliable source of revenue so as to address the issue of the City's water and sewer revenues being largely composed of contributions from two major industrial contract customers. If the City will annually adjust its water and sewer rates it will over time strengthen its base income from water and sewer customers and eventually secure revenue to rebuild an ailing infrastructure.

- The budget includes \$1,485,800 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.

Special Budget Work Session of the Eden City Council – June 1, 2005

- The \$1,485,800 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 \$171,300 less than the \$1,657,100 that was allocated in FY 2003-04. A new line item entitled, “holding account - future debt service” was created in the current FY 2004-05 budget within the Special Appropriations section of the Water and Sewer Fund and included 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. At the conclusion of FY 2005-06 there will be a total of \$260,000 that has been set aside since July 1, 2004 for future debt service payments.
- The Flint Hill Community Development Block Grant (CDBG) Program is expected to be closed out prior to the end of FY 2004-05. As such, there are no funds being allocated for this program in the proposed budget for FY 2005-06. The Flint Hill Community Development Block Grant Program was a program designed as a part of the overall revitalization plan for the Flint Hill Mill Village. The project was aimed at housing rehabilitation.
- The FY 2005-06 budget includes \$3,401,400 in appropriated Fund Balance for a variety of capital outlay needs within the Water and Sewer Fund. Currently, it is anticipated that the \$3,401,400 would be utilized as follows:

| <u>Description</u> | <u>Amount</u> |
|---|------------------|
| Meadow Greens Sewer Outfall | \$ 652,200 |
| Merriman Street Sewer Outfall | \$ 652,200 |
| Long Street Sewer Outfall | \$ 652,200 |
| Covenant Branch Pump Station Upgrade (70.07% of Cost) | \$ 457,000 |
| Dan River Pump Station Upgrade (70.07% of Cost) | \$ 457,000 |
| Meadow Greens Pump Station Upgrade (70.07% of Cost) | \$ 457,000 |
| Waterline Upgrade Projects (11.45% of Cost) | <u>\$ 73,800</u> |
| Total | \$3,401,400 |

- The FY 2005-06 budget includes \$244,300 in appropriated Powell Bill Fund Balance for a variety of capital outlay needs within the Powell Bill budget within the General Fund. Currently, it is anticipated that the \$244,300 would be utilized as follows:

| <u>Description</u> | <u>Amount</u> |
|---|---------------|
| Monroe St./Washington St. Drainage Project (72.70% of Cost) | \$ 196,300 |

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

| | |
|--|------------|
| Part 2 – 2005 Street Contract (48.00% of Cost) | \$ 48,000 |
| Total | \$ 244,300 |

- The FY 2005-06 budget includes \$876,700 in appropriated Fund Balance for a variety of capital outlay needs within the General Fund. Currently, it is anticipated that the \$876,700 would be utilized as follows:

| <u>Description</u> | <u>Amount</u> |
|---|---------------|
| Economic Development Initiatives | \$ 316,300 |
| Development of Ready-to-go Site | |
| Development of Virtual Shell Building | |
| Comprehensive Site Selection Study | |
| Industrial Based Performance Agreement | |
| Replace Six (6) Patrol Cars @ Approx. \$25,166.67 Each | \$ 151,000 |
| Greenways Development Initiative | \$ 50,000 |
| Streetscape Master Plan/Imaging Program | \$ 50,000 |
| Replace 55-S 1993 6640 Ford Tractor w/Mowing Attachment | \$ 64,000 |
| First Phase Funding – Paving Entrance Road @ Freedom Park | \$ 35,000 |
| Replace Fire Truck – First Year of Five Year Lease/Purchase | \$ 35,000 |
| Replace 32-S 1979 American Roads Leaf Machine | \$ 25,000 |
| Replace 31-G With Used Compactor Trailer | \$ 22,000 |
| Open Top Pusher Trailer/Bulk Transport Operation | \$ 21,500 |
| Replace Fire Service Truck | \$ 19,000 |
| Replace 5-E Vehicle with Mid-Sized Pickup Truck | \$ 17,000 |
| Resurfacing Burton Street, Dodge Street & Short Street | \$ 15,000 |
| Permanent Compost Site (1/3 of the Total Cost) | \$ 12,000 |
| Replace 5-R 1986 Ford Ranger Pickup Truck | \$ 12,000 |
| Thermal Imager Camera | \$ 11,000 |
| Roof Repairs/Replacement – Station 300 | \$ 10,000 |
| Update Diagnostic Scanner – Garage | \$ 9,600 |
| Replace Two (2) Mobile Radios – Police (35.14% of Cost Total) | \$ 1,300 |
| Total | \$ 876,700 |

- The available fund balances budgeted to be utilized during FY 2005-06 includes a total of \$3,401,400 in the Water & Sewer Fund, \$244,300 in Powell Bill Fund Balance for use in the General Fund and \$876,700 in the General Fund to help pay for some much needed capital outlay items. In addition, there are several project funds which are already in progress that are being carried over from FY

2004-05 to FY 2005-06. Many of these project funds have existing fund balances that have been re-allocated for use during FY 2005-06. These include:

| | |
|----------------------------------|--------------------|
| Abatement Projects | \$225,000 |
| Promotional Activities | \$1,000 |
| Façade Improvements | \$1,500 |
| Municipal Park – Freedom Park | \$261,300 |
| Economic Development Initiatives | \$100,000 |
| Raw Water Intake | \$42,500 |
| Bio-Solids Management | \$386,600 |
| Railroad Pump Station Upgrade | \$649,400 |
| Waterline Upgrade Projects | \$299,900 |
| General Fund | \$876,700 |
| Powell Bill – General Fund | \$244,300 |
| Water & Sewer Fund | <u>\$3,401,400</u> |
| Total | \$6,489,600 |

- 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 was not identified for federal designation based on the 1990 or 2000 census. However, Eden was identified by the EPA for review and possible state designation. The Division of Water Quality was supposed 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 Roanoke River Public Workshop that was supposed to take place in April 2005 has been postponed until the third or fourth quarter of 2005. At that time the Division of Water Quality, Stormwater Unit will decide whether the City is going to be a candidate for possible state designation.
- The City of Eden is potentially designated as a municipal storm sewer system (MS4). 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 two impaired water bodies within the City limits, the Smith River and the Dan River. The North Carolina Environmental Management Commission adopted the temporary rules for the Phase II Stormwater Program on October 10, 2002. During the process to make permanent rules, both the temporary rules and the permanent rules were rejected by the Rules Review

Commission in early 2004. In response to the legal issues surrounding Phase II implementation, the NC State Legislature passed Senate Bill 1210 in July of 2004. The bill now provides the Environmental Management Commission (EMC) the authority and guidelines for implementing the Phase II program in North Carolina. 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 Environmental and Natural Resources (NCDENR).

- If the City is designated for inclusion in the Phase II Stormwater Program we will be required to submit an application for a Phase II National Pollutant Discharge Elimination System (NPDES) permit for stormwater management within eighteen (18) months of the date notification. The exact timing on when the City of Eden will be designated as a Phase II community is not known at this time. Based on the designation criteria of population size, density, providing sanitary sewer service, and being the location of two impaired water bodies 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 2006-05.
- Based on the latest information, we will need to be prepared to budget funds for this mandate beginning in FY 2006-07. According to the five year CIP it is estimated that a total of \$416,000 will be needed for this effort over a period of five 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 within a relatively short period of time. 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 City's appeal is still before the

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Court and the staff is ready to proceed once we have final approval from the Court.

- The budget includes \$100,000 in the General Fund as an un-appropriated contingency and \$100,000 in the Water & Sewer Fund as an un-appropriated contingency for unforeseen declines in revenue and/or unanticipated expenditures. This \$200,000 will be added to the appropriate fund balances if not utilized during the upcoming fiscal year.
- A total of \$270,000 has been allocated under the Powell Bill budget 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 performed the necessary engineering work and the actual construction component has been awarded to Sam W. Smith, Inc. It is anticipated that a portion of the construction work will be initiated prior to June 30, 2005 but that the majority of work will be completed during FY 2005-06. The budget allocation of \$270,000 includes the funds that will be necessary to resurface Monroe Street at the conclusion of this project. In addition, the projected revenues for the General Fund include a contribution of \$73,700 from NCDOT as their portion of the project costs.
- The FY 2005-06 budget includes \$225,000 in an Abatement Projects Fund. The idea behind the initial creation of the fund was 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 tentatively scheduled to be undertaken during the course of FY 2005-06 include the Lemons Building – Boulevard (\$100,000), Hickory Square/School – Draper (\$125,000). Additional projects can be added at anytime if the City Council feels there are other areas that are in need of immediate attention. The \$225,000 represents the anticipated difference between the initial allocation of \$250,000 into this fund and the expenses that will be paid prior to June 30, 2005. The \$225,000 is a carryover of existing fund balance within that fund and no new funds have been budgeted for the upcoming fiscal year.
- The FY 2005-06 budget includes funding of \$7,000 for the Promotional Activities Fund. This fund was 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 \$1,000 of existing fund balance will be available and already on hand prior to July 1, 2005 from donations and revenue already received for these special promotional activities and that an additional

\$6,000 will be received in the form of donations during FY 2005-06. 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 2005-06 spending plan includes \$10,000 for the Facades Improvement Fund. This fund was 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 is a matching grant program administered by the Business Development department and Main Street Advisory Board as a part of the Main Street Program. The guidelines call for a 50 – 50 matching basis with a maximum grant available of \$ 1,000 per facade and/or storefront. It is anticipated that \$1,500 of existing fund balance will be available and already on hand as of July 1, 2005 and that an additional \$8,500 will be received in the form of a contribution from the City’s General Fund during FY 2005-06.
- The Economic Development Initiatives Fund within the FY 2005-06 budget includes \$181,700 to pay for the City’s obligations in reference to performance agreements with local industries. This is an increase of \$52,600 from the amount (\$129,100) that was allocated for FY 2004-05. 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 2005-06 include:

| <u>Company</u> | <u>Amount Due In FY 2004-05</u> |
|-------------------|---------------------------------|
| Gildan - Phase II | \$ 105,100 |
| Gildan – Phase II | \$ 52,600 |
| Natural Care Labs | <u>\$ 24,000</u> |
| Total | \$ 181,700 |

- The budget includes \$51,700 to pay for the City’s obligations in reference to the water and sewer extension policy. This is an increase of \$25,800 from the amount (\$25,900) that was allocated during FY 2004-05. 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 five (5) active agreements that are due to be paid during FY 2005-06. They include:

| <u>Company</u> | <u>Amount Due In FY 2004-05</u> |
|---|---------------------------------|
| Wright Company – The Meadows | \$ 16,293 |
| Wright Company – Fairways Phase II | \$ 4,200 |
| Wright Company – Fairways Phase III | \$ 5,340 |
| The Village | \$ 7,950 |
| Osborne Company – Arbor Lane Apartments | \$17,915 |
| Total | \$51,700 |

- 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, November 7, 2002 and November 30, 2004 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. Unfortunately, the period ending June 30, 2004 revealed an operating loss of \$274,566. According to the audited financial statements for the period ending June 30, 2004 insurance claims skyrocketed from \$807,006 in FY 2002-03 to \$1,245,723 in FY 2003-04 or an increase of \$438,663. This was due to several large claims from a handful of people. As of April 30, 2005 insurance claims totaled \$813,283 which once extrapolated indicates a projected annual cost of approximately \$975,940 which is considerably better than FY 2003-04. Total expenditures within the Fund as of April 30, 2005 equaled \$1,063,540 which once extrapolated indicates a projected current year FY 2004-05 annual cost for the entire Self Insurance Fund of approximately \$1,276,248.
- It should be noted that there are now twenty-nine (29) individuals who participate in the City’s health insurance program that are not active FTE employees. These include both retirees as well as individuals who retired as the result of a work-related disability. This results in a significant financial commitment on the part of

the City. Three (3) of these individuals are retirees that retired with at least twenty-five (25) years but less than thirty (30) years of creditable service. The City pays up to a maximum of \$250 per month for their monthly insurance premium with the difference being paid by the employee. Eleven (11) of these individuals are retirees that retired with at least thirty (30) years of creditable service. The City pays up to a maximum of \$400 per month for their monthly insurance premium with the difference being paid by the employee. Five (5) of these individuals were already on the City's health insurance plan prior to the last changes that were made in 2002 and are eligible to stay on the plan until they are eligible for Medicare as long as they pay 100% of their monthly insurance premium. Finally, ten (10) of these individuals have retired as the result of a work-related disability. The City pays 100% of their monthly insurance premium. Dependent coverage for all retirees is the responsibility of the retiree.

- Revenues received for the period ending June 30, 2004 equaled \$1,284,878 compared to expenses for the same period of \$1,559,444. In an effort to make sure this fund remains solvent the FY 2005-06 budget includes an increase of \$115.00 per month in the "enrollee only" (paid by employer) monthly health insurance premium contribution. In addition, the FY 2005-06 budget as presented includes the following costs (unchanged from FY 2004-05) for dependant care coverage which is the responsibility of the employee or retiree:

| | |
|----------------------------------|--|
| Dependent care medical coverage: | \$160 Employee/Retiree With Children Only |
| | \$235 Employee/Retiree With Spouse Only |
| | \$300 Employee/Retiree With Family Only |
| Dependant care dental coverage: | \$25 Any and all types of additional coverage. |

- These recommendations would result in anticipated revenue for FY 2005-06 equal to approximately \$1,609,500. Although the Self Insurance Fund will still be short of fully funding the maximum exposure level of \$2,006,300 it does provide full funding for the expected (according to the third party administrator) exposure level of \$1,609,455. We feel the \$1,609,500 that we expect to collect 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 three years the City of Eden has awarded the following compensation/benefits increases for all full-time equivalent (FTE) employees:

| | |
|------------|--|
| FY 2004-05 | Flat increase of \$1,200 for all FTE employees |
|------------|--|

0.0% Performance Based Increase
No increases aimed at correcting any differences in the marketplace.
Health Insurance contribution from City increased by \$25 per month per employee.

FY 2003-04 2.0% Cost-Of-Living Increase despite 2.4% rate of inflation for all FTE employees
0.0% Performance Based Increase
No increases aimed at correcting any differences in the marketplace
Health Insurance contribution from City increased by \$25 per month per employee

FY 2002-03 1.5% Cost-Of-Living Increase
1.0% Performance Based Increase For Those That Qualify
No increases aimed at correcting any differences in the marketplace
Health Insurance contribution from City increased by \$35 per month per employee

- The FY 2005-06 budget as submitted includes a Cost-Of-Living Increase of 3.0 % for all full-time equivalent employees. This is consistent with Consumer Price Index (CPI) figure for the twelve (12) month period ending February, 2005 which was 3.0%. Due to limited resources it is recommended that we **not** have a performance based (merit) increase during FY 2005-06.
- The City of Eden implemented an updated pay plan in November, 2000 based on information that was gathered during 1999 (six 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 3.0% to the minimum and maximum of each pay grade salary range has been included with the budget. **(This is not an increase to individual employees. It is only an increase to the minimum and maximum pay range for each pay grade.)** This is consistent with the rate of inflation over the course of the last year.
- In order for a pay plan to remain competitive it must be updated on a regular basis. As a component of the FY 2005-06 budget process we went to the North Carolina League of Municipalities web page and assembled detailed compensation information from FY 2004-05 in an effort to conduct our own comprehensive salary survey of twenty (20) similar sized communities. The results indicated that in numerous instances we have indeed fallen behind the market averages in terms of compensation. In addition, we have reviewed each of the classes of positions to make sure they have been placed in the proper salary

range and that the designated salary range is reflective of each position's duties and responsibilities.

- I feel we have some job classifications that need to be reclassified as well as numerous job classifications that warrant additional compensation. After discussing the matter with the members of the City Council's Personnel Committee (Turner, Myott & Tuggle) it was agreed to include a lump sum amount (not determined by the Committee) in the proposed FY 2005-06 budget so that additional compensation could be awarded after a careful and deliberate review of the information accumulated. As such, the FY 2005-06 budget as submitted includes a total of \$150,000 in the General Fund (10-9920-77000) and \$60,000 in the Water & Sewer Fund (30-9920-98509) for additional increases. It is my recommendation that the members of the City Council's Personnel Committee in conjunction with the City Manager be authorized to review the job and classification plan as well as the updated salary survey information and be authorized to award additional compensation/reclassification increases as warranted to FTE employees and PT employees as long as no increase shall exceed an additional eight (8) percent of their compensation at the time of the award without formal approval from the City Council. This allows the Personnel Committee the flexibility to work in conjunction with the City Manager within a limited and well defined scope of availability (maximum increase of 8%) so that each and every position does not have to be handled by the entire City Council. Any special recommendations (increases recommended in excess of 8%) would be submitted to the entire City Council for their review, discussion and decision.

- The department requests for FY 2005-06 included funding for six (6) new full-time equivalent positions. These included:

Parks, Recreation & Facility Maintenance: One Groundskeeper – Freedom Park
Collection & Distribution: Five Collection & Distribution System Employees

- **None of these positions have been included in the FY 2005-06 budget as presented by the City Manager.**
- The FY 2005-06 budget as presented includes the elimination of four (4) full-time equivalent positions. These include:

| | |
|----------------------------|--------------------------------|
| Finance: | Network Administrator |
| Municipal Services: | Director of Municipal Services |
| Municipal Services: | Secretary |
| Wastewater Treatment Plant | Operator Trainee |

- The projected annual savings based upon the current rate of compensation and benefits is a minimum of \$193,765 per year (based upon FY 2004-05 figures) or 2.90 cents on the existing tax rate of \$0.57.

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.

To 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.

- The study has now been completed and Mr. Pickard recently met with the members of the City's Public Safety Committee (Gover, Vestal and Turner) to present his findings and answer questions. It was agreed that Mr. Pickard would make a similar presentation to the full City Council once the FY 2005-06 budget has been adopted. It is anticipated that Mr. Pickard will be making his presentation at some point during the month of July, 2005 or August, 2005. The budget as presented does not anticipate the City Council making one decision over another. Various expenditure and revenue line items can always be changed with a simple budget amendment depending upon the final outcome of this issue.
- On May 2, 2005 I received a letter from Mr. Tom Robinson, County Manager for Rockingham County. In that letter he stated that the Rockingham County Board of Commissioners passed a motion at their special meeting on Wednesday, April 27, 2005 to ask the City of Eden to submit proposals to provide fire protection to the Draper and Spray Fire Districts. On May 18, 2005 staff met with two (2) representatives from the N.C. State Fire Marshals Office – Department of Insurance to address a variety of questions concerning the possibility of providing fire protection to the Draper and Spray Fire Districts. Our main concern centered around the fact that we wanted to make sure such an arrangement would not lead to a reduced ISO rating for the City of Eden. Both representatives assured us that a decision by the City of Eden to provide fire protection to the Draper and Spray Fire Districts would not result in a reduced ISO rating for the City of Eden. In addition, it was noted that anyone located within 1,000 feet of a fire hydrant within the fire service district would be entitled to the City's ISO rating (4) versus

their current rating (9S). Obviously, this would result in a savings for these individuals/businesses in terms of their homeowners/fire insurance policy. It is anticipated that a formal recommendation concerning this issue will be formulated by the City Council's Public Safety Committee (Gover, Vestal, and Turner) and forwarded to the entire City Council for their review and action. The budget as presented does not anticipate the City Council making one decision over another. Various expenditure and revenue line items can always be changed with a simple budget amendment depending upon the final outcome of this issue.

- 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 \$36,000 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.
- The financial reporting standards required by the state and other agencies direct that the \$806,900 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:

| <u>Department</u> | <u>Amount To Be Received</u> |
|------------------------|------------------------------|
| Governing Board | \$ 20,800 |
| Administration | \$ 136,200 |
| Environmental Services | \$ 100,100 |
| Finance | \$ 210,800 |
| Human Resources | \$ 24,000 |
| Legal | \$ 31,000 |
| Engineering | \$ 167,600 |
| Fleet Maintenance | \$ 116,400 |
| Total | \$806,900 |

- The budget includes an allocation of \$346,200 to the Water Construction Department for some capital outlay needs. The two most significant projects are as follows: First, a total of \$235,000 has been allocated for the Enhancement Of High Service Pumping, Pump Upgrades & Building. 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 \$56,200 has been allocated for service contracts associated with the annual maintenance of the City's Water Tanks.

- The budget includes an allocation of \$110,000 to the Sewer Construction Department. A total of \$45,000 has been allocated for Sewer Construction Maintenance & Repairs to the System as needed; a total of \$40,000 has been allocated for Emergency Repairs – Pump Stations as needed and a total of \$25,000 has been set aside for Sewer Construction Professional Services for engineering design and other professional services unanticipated and otherwise unbudgeted.
- The budget includes \$387,600 (55.37% of Cost) 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 (alum removal) will be completed at some point in FY 2005-06. The anticipated cost for Phase 1 improvements is approximately \$700,000.
- The budget includes \$4,328,200 within the Sewer Rehabilitation Project Fund for a variety of capital outlay needs (many of which are being mandated by the Special Order of Consent (SOC) we are under with the State of North Carolina). These include the following:

| | |
|--|-----------|
| Meadow Greens Sewer Outfall | \$652,200 |
| Merriman Street Sewer Outfall | \$652,200 |
| Long Street Sewer Outfall | \$652,200 |
| Dry Creek Sewer Outfall | \$125,000 |
| Smith River Sewer Outfall | \$90,000 |
| Covenant Branch Pump Station | \$652,200 |
| Dan River Pump Station | \$652,200 |
| Pipe Renewal Problematic Vitrified Clay Pipe | \$100,000 |
| Pipe Renewal Reinforced Concrete Pipe | \$100,000 |

| | |
|---------------------------|-------------|
| Meadow Green Pump Station | \$652,000 |
| Total | \$4,328,200 |

The revenue that will be required to fund these expenditures will come from a variety of sources. First, the City has been awarded a grant in the amount of \$500,000 from the N.C. Rural Center to help offset a portion of these costs. Second, a budget as presented reflects a transfer of \$500,000 from the Railroad Pump Station Fund Balance since that project will not move forward so that these funds can be utilized to help offset a portion of these costs. Third, the budget reflects a contribution from the Water & Sewer Fund equal to \$3,327,600. Most of this money will come from the existing Fund Balance within the Water & Sewer Fund. Finally, a total of \$600 has been included as interest consolidated.

- The budget includes new funding in the amount of \$341,700 for the ongoing development of Freedom Park. The budget sheets indicate a total of \$603,000 but \$261,300 of this total has been previously allocated by the City Council. The new funding consists of a \$250,000 PARTF Grant, the \$50,000 annual contribution received from the City Council to make payment on the municipal park loan, \$35,000 consists of anticipated citizen/industry donations, \$3,700 consists of park shelter revenue and \$3,000 is anticipated in investment/interest income. The work being pursued at the present time which will continue throughout the course of FY 2005-06 includes the completion of the concession stand/bathroom complex, additional parking, an outdoor amphitheater, a skateboard park, an additional picnic trail, and a walking nature trail.
- The budget includes \$649,400 within the Railroad Pump Station Upgrade Fund. 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. Due to the uncertainty of the textile industry it has been previously recommended that this project be delayed for an indefinite period of time. The budget as submitted includes a transfer of \$500,000 from the Fund Balance within this Fund to the Sewer Rehabilitation Project Fund since it is not anticipated that these funds will be needed for the Railroad Pump Station Upgrade at any point in the near future. If the Railroad Pump Station were to experience a catastrophic failure it would shutdown National Textiles while temporary pumping and pumps are installed to bypass the disabled pump station. The \$149,400 in remaining funds will be set aside and ready for use in the event of such an emergency. In addition, it is proposed that \$31,000 of this total be utilized to cover the installation of an emergency pump connection. This gets us one step closer to being prepared for an emergency situation if the need develops.

- The budget includes \$42,500 for the Raw Water Intake Project. There is no new funding being provided for in FY 2005-06 with the balance of funds on hand coming from existing Fund Balance within this Fund. The next step in this process is to proceed with Phase 1 which will consist of the withdrawal permit, site selection evaluation, environmental assessment, and multi-agency clearance to proceed. Each segment of this phase is critical to the overall goal of obtaining the withdrawal permit. It is anticipated that this segment will be the most time consuming because there are so many State agencies that must review the information and issue approval to clear the way for the withdrawal permit to be issued. The allocation for FY 2005-06 will not cover the expenses associated with Phase 1. Due to more pressing needs it is recommended that this project be delayed. The \$42,500 in the existing Fund Balance will allow for a limited amount of work if agreed upon by the City Council.
- The budget includes \$644,600 for the ongoing waterline upgrade projects. The specific projects slated to be completed or initiated during FY 2005-06 include:

| | |
|--|-----------|
| Thomas Street – Replace 390’ of 2” WL w/ 6” WL | \$13,500 |
| Burton Street – Replace 750’ of 2” WL w/ 6” WL | \$25,900 |
| Maryland Avenue – Replace 3,290’ of 2” WL w/ 6” WL | \$135,000 |
| Lewis Street – Replace 950’ of 2” WL w/ 6” WL | \$33,700 |
| Elam Avenue – Replace 1,365’ of 2” WL w/ 8” WL | \$45,000 |
| Pervie Bolick St. & Creekridge – Replace 2,050’ of 2” WL w/ 6” WL | \$30,000 |
| Ellett Avenue & Green Street – Replace 725’ of 2” WL w/ 6” WL | \$57,500 |
| Georgia Avenue – Replace 460’ of 2” WL w/ 6” WL | \$21,000 |
| Warren Avenue – Replace 860’ of 2” WL w/ 6” WL | \$39,000 |
| Manley Street – Replace 350’ of 2” WL w/ 6” WL | \$25,000 |
| Hollingsworth Street – Replace 250’ of 2” WL w/ 6” WL | \$29,000 |
| Mebane Street – Replace 850’ of 2” WL w/ 6” WL | \$40,000 |
| Smith River Bridge Upgrade – Temporary – 600’ of 8” WL & 900’ of 16” WL Replacement – 50% of Projected Costs | \$150,000 |
| Total | \$644,600 |

The projected revenues for these expenditures include the use of \$299,900 in appropriated Fund Balance from the Waterline Upgrade Project Fund, \$200 in interest consolidation, and a contribution of \$344,500 from revenues within the Water & Sewer Fund. It should be noted that it is anticipated that most of these projects will be contracted out due to the on-going work load within the Collections & Distribution division.

- 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 several 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, Hazlip Street and Hollingsworth Street were completed in FY 2003-04. The FY 2004-05 budget included \$ 15,000 for the resurfacing of Buck Lane, Stovall Street and Hazel Lane. The proposed budget for FY 2005-06 includes \$15,000 for the resurfacing of Burton Street, Dodge Street and Short Street.
- The FY 2005-06 budget includes \$151,000 for the replacement of six (6) of the fifty-two (52) vehicles currently assigned to the Police department. The replacement of five (5) additional vehicles was approved by the City Council on May 17, 2005 through the use of revenues that were received from the seizure and forfeiture of drug related assets.
- 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 \$778,433. 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, 2004 indicated a fund balance within this fund of \$354,379. The FY 2005-06 budget continues our commitment to this program and includes an allocation of \$108,000 for the Police Pension Trust Fund. This is an increase of \$8,000 or 8.00% when compared to the amount that was allocated for FY 2004-05 and FY 2003-04 (\$100,000). 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 was done in preparation of the FY 2004-05 budget. The FY 2005-06 budget includes \$44,200 for the Runabout Travel Fund and \$500 for the Historic Preservation Commission Fund. The Runabout Travel Fund is essentially a “pass through” fund and does not involve the appropriation of any funds from the taxpayers of Eden. The Historic Preservation Fund is being funded as a result of “book sales” and does not involve the appropriation of any funds from the taxpayers of Eden.
- 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 FY 2003-04 dollars. This is a total need of \$92,122,000 within just the City’s water and sewer system. The \$3,401,400 appropriation from Water & Sewer Fund Balance that has been included the FY 2005-06 budget will allow the City to begin addressing these needs but there are still an abundance of additional needs that have been identified that will ultimately have to be addressed at some point in the future.
 - The FY 2005-06 budget as presented includes an allocation of \$651,700 for the Economic Development Initiatives Fund. It is anticipated that \$400,000 will be utilized for the development of a Ready-To-Go Site, \$30,000 has been set aside for the development of a Virtual Shell Building for the Ready-To-Go Site, \$40,000 has been allocated for a Comprehensive Site Selection Study, and \$181,700 has been set aside to meet the City’s performance agreement obligations with Gildan and Natural Care Labs. The revenues that have been identified to fund these expenditures include a contribution of \$235,000 from Rockingham County for 50% of the costs associated with the Ready-To-Go Site, Virtual Shell Building and Comprehensive Site Selection Study, a transfer of \$316,300 from the General Fund, the use of \$100,000 in Fund Balance from the Economic Development Initiatives Fund and \$400 in interest consolidated.
 - The City of Eden is currently working with Mr. Skip Green, Skip Green & Associates, Inc., Ms. Lisa Perry, President – Rockingham county Partnership for Economic & Tourism Development and representative from Weil-McLain and MGM Transport on an application for a North Carolina Department of Commerce Industrial Development Fund Grant. This is a \$150,000 grant of which a total of \$37,500 must come forward as a local contribution. A total of \$75,000 would be used by Weil-McLain to construct a pump station which would ultimately be owned and operated by the City of Eden. The remaining \$75,000 would be used by MGM Transport to assist in Wastewater Treatment Plant (WWTP)

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

improvements to the WWTP that is currently owned by MGM Transport. MGM Transport has expressed a willingness to transfer ownership of this plant to the City of Eden if we are interested. The fee for preparing this grant application is \$4,000. Ms. Lisa Perry, President – Rockingham County Partnership For Economic & Tourism Development met with the City’s Water & Sewer Committee (Nooe, Vestal, and Gover) and staff on May 25, 2005 and agreed to contact MGM Transport in an effort to have them pay for the required local match of \$37,500. Due to the uncertainty of what will happen with this grant application no funds have been included in the budget as submitted for FY 2005-06. A budget amendment can always be made at a later point in time if needed.

- On March 21, 2005 the Eden City Council voted unanimously to ask Senator Philip E. Berger and Representative Nelson Cole to introduce special legislation to the North Carolina General Assembly to increase the occupancy tax for all hotels and motels within the City of Eden by three percent (3%) and have that money directed to the City of Eden for tourism development. That legislation is still pending before the North Carolina General Assembly. As such, I have not included any figures related to revenues and expenditures as a result of this new tax in the FY 2005-06 budget. If and when this tax is passed a budget amendment can always be made at a later point in time if needed.

Concluding Remarks

Recently, I was asked by a citizen to describe our existing financial condition. I noted that it was similar to what I had previously expressed to the City Council during the budget process for FY 2004-05. I told them that it could be summarized as follows:

- Limited financial resources in terms of new revenues that are being received on an annual basis;
- A genuine desire to maintain current rate;
- A commitment to maintaining the same number of services currently being provided by the City;
- An excellent level of funds on hand within various fund balances as compared to previous years for use as needed; and
- Significant infrastructure projects needing immediate attention within the General Fund, Economic Development Initiatives Fund, and Water & Sewer Fund

I have often summarized our existing condition by saying we were facing “A Very Problematic Situation”. On the one hand, we have seen tremendous improvements in our overall financial condition as voiced by representatives of our independent auditing firm of Rouse, Rouse, Penn & Rouse, L.L.P. We have seen substantial increases in terms of our Fund Balances as well as our Undesignated Fund Balances while seeing a continued decline in terms of total liabilities. On the other hand, the amount of new revenue that we are generating on an annual basis is barely sufficient enough to cover

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

annual operating expenses – let alone much needed improvements to our infrastructure, various economic development initiatives and numerous capital outlay related projects.

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 long-term 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, 2004 the City of Eden realized the following changes:

- The fund balance in the General Fund increased from \$6,278,504 to \$6,954,005 an increase of \$675,501. The fund balance in the General Fund as of June 30, 2000 was \$4,157,472. This represents a total increase of \$2,796,533 or 67.27% in just the past four years. In addition, the fund balance available for appropriation (called the undesignated fund balance) was equal to \$5,102,963 on June 30, 2004 which compares very favorably with the June 30, 2003 figure of \$4,364,871, 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 four years this has grown by a total of \$2,561,184 or 100.76%.
- The fund balance within the Water & Sewer Fund increased from \$6,568,042 to \$6,232,073 a decrease of \$335,969 or 5.12%. Despite this slight reduction of fund balance in the Water & Sewer Fund as of June 30, 2000 was \$4,345,594. This represents a total increase of \$1,886,479 or 43.41% in just the past four years. Another important factor to note is that the total liabilities decreased from \$7,281,676 as of June 30, 2003 to \$6,181,888 as of June 30, 2004. The total liabilities for the three previous fiscal years was June 30, 2002 - \$8,699,886, June 30, 2001- \$9,709,734 and June 30, 2000 - \$10,992,154.
- The assets of the City of Eden exceeded its liabilities at the close of FY 2003-04 by \$46,500,637 (net assets).
- 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, 2004 was \$5,897,248 down from \$7,972,844 for the period ending June 30, 2003 and \$8,942,861 for the period ending June 30, 2002. This is also down from \$9,972,202 on June 30, 2001 and \$11,245,827 for the year ending June 30, 2000. An additional \$1,265,000 in long term principal debt is scheduled to be retired during FY 2005-06 on the 1990 \$23,000,000 revenue bonds for water and sewer improvements. The legal debt margin for the City as of June 30, 2004 equaled \$60,795,846 up from \$54,273,404 on June 30, 2003.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

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 tight 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 2005-06 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 four 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. Tammie McMichael, Accounting Coordinator, Mr. Dennis Asbury, Director of Public Utilities, and Ms. Teri Sentiff, Personnel Specialist for their dedicated

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

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 and Ms. Sheralene Thompson, Deputy City Clerk 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.

End of budget message in its entirety.

Mayor Price stated that he had a general question and this was reflecting on Water and Sewer, but in general terms they received that proposal last year about the needs they have for Water and Sewer changes and he thought they were told that 2004-2008 they had to make about \$29,000,000 plus in improvements. He noted that between 2006-08 they had \$5,000,000, roughly and that was going to be \$23,000,000 that had to be done. He stated that he would be interested in the City Manager's comments on that and if he thought that they were going to borrow some money to get caught up because they were automatically going to get behind right off the bat.

Mr. Corcoran replied that he thought that was what they would have to do. He asked him to remember when they first increased the rates back in 2002 the idea was to get the Water and Sewer Master Plan done, identify what the need was and then do some short term borrowing between whenever that was completed and 2009-2010. Then, as they may remember last year's budget, when it was initially submitted to them, called for the borrowing of \$11,000,000, roughly. It was decided at that time, given the uncertainty of the textile world, the state of the economy and the fact that their fund balances were very healthy that they should look inward at using their fund balances before going and borrowing funds. A lot of those projects such as the Sewer Rehabilitation Projects, just due to the sheer time it takes to engineer them and get through that process, have now overlapped into the upcoming year and so what they see him recommending was basically what they had stated last year, that they would like to see them look at using some of the available Fund Balance before going and borrowing funds. But, he was absolutely right, as he could see, the budget called for using over \$6,000,000 in Fund Balance. If all that comes to fruition their Fund Balance was going to be a lot less than it was today and then they were going to be forced with looking at borrowing.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Mayor Price stated that it seemed it would be better to borrow now.

Mr. Corcoran replied that was up to them. He explained that he did recommend that last year and then they got into a discussion, if he remembered correctly, and the preference was to use Fund Balance. They certainly could [but] either way they needed to come up with the money whether they use Fund Balance or the loan, especially the Sewer Rehabilitation [project], that was not a “if we want to do it” it was a “we have to do that” work.

Mayor Price explained that he said that not to recreate everything but to make a general comment that they played catch up a lot. They were running around on a smaller scale fixing water leaks and things and if the line had been taken up and repaired correctly the first time they would not be going back and on a larger scale they really need to pay attention to that somewhere along the line. It could not be put off and put off and put off because those requirements were in front of them.

Mr. Corcoran replied that he was absolutely right and it was not only Water and Sewer Improvements. He pointed out that they had been blessed over the last year to get MGM and Weil Mclain in the former Pillowtex buildings and Nova Yarns now had an occupant. When you look at the available stock of industrial buildings, it has dwindled compared to what it used to be. One of the components in the budget was a recommended site selection study with the hope that a site would be recommended for future industrial development and obviously the next logical step once the Council agreed upon a site was to begin the development of that site so they have some sites ready for industrial development. So, not only on the Water and Sewer Fund but they have some things coming down the road on the Economic Development side as well. Then, they have the whole issue of the Greenways and the Downtown Revitalization and Phase 1 from Haden Stanziale that was \$364,000. He added that he could only imagine what the other phases were going to cost. That was a substantial amount of money and he had heard from several people that, yes while it addressed Leaksville, Draper and The Boulevard, there were other areas it did not address, so there were a lot of needs out there that would be coming down the pike in the future.

Council Member Gover commented that if they were talking in general, he had been asked on different projects, what they planned to do next year. If they had a million or \$900,000 in the Water and Sewer, he questioned how much money could they spend a year. He asked why they would borrow a bulk of money if they could not get the work done and he noticed the water lines that were placed on Cascade Avenue and North Main, that took years to do that and they spent a half a million or so in their Fund Balance, they could still take their own money and save the interest without having to go up on rates. He stated that if they were having \$2,000,000 over, above and beyond Water and Sewer then they were not going to be able to spend the money according to the way they were doing their projects and they had to do something, but it looked like those monies would suffice without the City of Eden going into, as the City Manager had reminded, “the

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

stagnant and the strain on the city”, it was no use in borrowing that tremendous amount of money if they could not use it right away.

Mr. Corcoran explained that was why he had not recommended it in the budget this year.

Council Member Gover stated that it just took too long to do their projects. He questioned that if they did go and do their Water and Sewer that they were supposed to do, how long would it take to do that.

Mr. Corcoran replied that was one of the things, and Mr. Asbury [Public Utilities Director] could tell him, he had asked during the budget this year that he wanted very specific numbers. When he first got the numbers on the Sewer Rehabilitation and when they first hear \$4,000,000, they were like, “goodness that’s a lot of money, can it really be spent this year?”, and so the numbers that have been generated from the staff were numbers that they feel would be spent this year and if he would note in the budget message, one of the things he said on the water lines was that they anticipate contracting a lot of that work out so that a lot of those projects could get done.

Council Member Gover stated that he thought they could borrow money quicker than they could do the work as far as the money, but they had the money. Mr. Corcoran replied that was why the budget as submitted did not recommend borrowing any money. Council Gover pointed out that he was saying that even if they take it out of their Fund Balance, as far as he was concerned, therefore he could not see...

To which Mayor Price explained that he had said that looking at this thing, by not doing what they said they were going to do they were on a two year period of time. In 2006-08, they had \$23,000,000 worth of work to be done and the city was told to do that a year ago. He stated that he said that in a general term to put out some thinking pattern that the City Manager’s judgment may be very well in line and he was doing what they had asked him to do, and yes, Council Member Gover was right, it was taking forever to get anything done and he thought that it was pretty obvious the third party sources were going to have to be used to get the work done, but what he was saying, he did not want the city to get itself in a position where they were not keeping up with what they have clearly been told by people that needed to be done, particularly in the Water and Sewer. They have waited on some before and they have gotten themselves behind and they were catching up very well now.

Mayor Price stated that another thing, Economic Development, they were looking and they had talked and had mentioned about a stagnating economy and other communities were doing everything they could to get themselves up. Fortunately they were in the Triad and a lot of positive things were going on and driving the potential of their area up, but they had not put any money into, if they find a site acceptable, they were talking about two to four years of heavy infrastructure work to get a site up and running. They have not made plans for that, so he said that just to project the idea out, specifically he understood this budget, but he really thought, and he did not want them to get in the

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

position that the City of Eden did not think a little bit larger than they should be because they had been told they have those requirements and he thought everybody knew they have to provide jobs, but they had to invest some money to do it. He added that the City of Eden did have by virtue, some good management and some good judgment on behalf of some good Council people and in the past not a very high debt load on them and they really should think about prioritizing some of this money.

Council Member Vestal agreed that they had to do something, but he did not think the entire \$23 million dollars was SOC's. He did not think DENR was telling them...

Mr. Corcoran replied that he thought what Mayor Price was referring to was when W.K. Dickson [engineering consulting firm] came and made their presentation and some things had changed. In that [presentation] the \$23 million was the Railroad Pump Station, and as they knew, a decision had been made to put that on hold. There had been a lot of money for the funding of the Bio-Solids Management and that was still under review. But, the Mayor made an excellent point on the Economic Development side. They had the money in the budget this year to do the Ready-To-Go Site, the Virtual Shell Building and then they were going to do the Site Selection Study. At that point they were going to have before them the ideal site to develop. At that point they needed to be ready wherever it was, to make an investment to get it ready for economic development. He added that he did not think that would happen during this fiscal year and if it did it would be towards the latter part of the fiscal year where they could always do something with a budget amendment, but Council Member Vestal was right, the twenty some odd million was some of the projects that W.K. Dickson identified. Of that the \$4 million, and it was not even \$4 million, but about \$3.9 of that \$4 million was really related to that SOC.

Council Member Gover stated that what bothered him was that they agreed to a \$12,000 study on that site, and then it jumped to \$50,000...

Mr. Corcoran replied that in his recollection, they awarded a contract to Pyramid Engineering to develop a scope of services for a detailed site selection study and it was \$12,000 of which the County paid half and the City paid half. That was only the first step, now the scope of services would be used as an RFP to get the study actually done. The \$30,000, the amount that was in there was just an estimate, he added that he did contact a couple of places and asked them what they would charge for such a study and he believed it would come in within the amount allocated, but then he could not tell them for sure what the exact bid was going to be. The \$12,000 was just to do a scope of services so they could then go out and do the actual study and again it was anticipated that the County would participate on that as well, 50%.

Mayor Price asked Mr. Corcoran if he could address health insurance.

Mr. Corcoran explained that he thought that if they look over the last few years, they would see previously to the past year, that when he first came here, they had used something like \$278,000 or so from the previous year. Every year since he had been here

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

the Council had graciously increased the enrollee only contribution. He added that he thought he had put that information in the budget message.

He explained that what was happening, the number of people that were on the plan, that were not existing employees, was growing. He noted that in his budget message there were 29. Some of those were retirees with 25 years of service and some with 30 years of service. Prior to when the Council changed the ordinance it was such that if you retired from the city you could stay on the city's plan as long as you pay the premium. So some people were grandfathered in at that time and were paying the premium, but they were still on the plan. He added that obviously there were some unfortunate cases where people had work related disabilities and they cover 100% of those premiums. They had to factor that in and another thing; their claims for next year were based on what happened the previous year. He noted that they had a very high level of claims last year. He stated that he thought he had included those numbers in there and they could see the astronomical jump in claims. He explained that what happened, the third party administrator comes in and they say, "Here is your expected exposure level and here is your maximum exposure level". The maximum exposure level was about \$2 million and they have a reinsurance carrier that covers anything in excess of \$35,000 on an individual. They also have what was called "lasers" on certain people who they know have preexisting conditions. That was a special little side policy that was tied in to protect the city if it goes past a certain amount of money. He explained that was where a reinsurance carrier really was not willing to cover the city for him for \$35,000 but they were willing to pick up everything in an excess of \$50,000 or \$100,000. So, in certain cases once they have someone with an extensive case history, they kind of expand that out.

He stated that he had tried to provide the numbers in there and there were about 215 total plan participants. In that number they have some people who were employee's children or spouses. When they take the \$1.609 million and look at what they were charging and then divide that out that was how they came up with the total. The other reason they did that, if they would remember in the ordinance, the way it was written now, those people who retire with 25 up to 30 years, up to \$250 of their monthly insurance premium was paid by the city, so anything past that they pay. So, the higher that they set the enrollee only amount was the more money they were paying. Now, for those people who retire with over 30 years of service, it was \$400, anything over \$400. For example, this past year it was \$435.00. So, if he had retired here with 30 years of service he would be writing a check for \$35.00 a month. Now, if it goes to \$550, he would be writing a check for \$150.00 a month. So, by increasing the enrollee portion, versus the others, it was a way to help get those people to help pay for a portion of the increased costs that were occurring.

Council Member Vestal commented that if he recalled, they had anticipated this rise, [but] it was going to peak out.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Mr. Corcoran agreed that he was right. They did a study and showed them that it was where they had a lot of people retiring, especially in the Police Department there, all at once. He explained that if they would remember from the presentation, it was sort of like a bell curve. It was going up and up and then it peaked and went back down. The other thing to remember, when the Council did vote to do this, it was also recommended and Council agreed to eliminate the longevity pay, so yes, the health insurance costs have been going up, but longevity pay was eliminated at the same time. Their full-time employees were not going up, but the number of people on the plan other than full-time employees was continuing to go up.

Council Member Vestal pointed out that they also age out.

Mr. Corcoran agreed that he was correct, once they get eligible for Medicare they would come off.

Mayor Price questioned the inspection fees, how much did they go up this time.

Mr. Corcoran asked if he meant permits such as Planning & Inspections permits. The revenue numbers should be in here.

Mayor Price stated that he was just curious about an increase.

Mr. Corcoran replied that he had not looked at it but obviously with Wal-Mart and everything else coming in it was a significant amount.

Mayor Price clarified that he was just talking about the fees they charge and that type of thing.

Mr. Corcoran replied that if they looked at the Tax & Service Rates section, the only fees that recommended for increase were in bold.

Mayor Price noted that there was a pretty significant increase in the fee income so that was because of anticipated general business conditions and so forth.

Mr. Corcoran explained that it was just a result of the economy here in Eden. If they looked at Sales Tax Revenue, that was the same thing, which again was indicative of the activity in the State. He explained that really, the economic indicators for the City were much improved versus where they were last year. Having said that, when they look at the total amount of the General Fund Revenue compared to where it was prior to 9/11, they were still in about the same ballpark, so they were doing better, but they were still on their way back to pre-9/11 conditions.

Council Member Gover asked about the Abatement Projects money. He pointed out that they have \$225,000 and on page 31 only \$125,000 for the old Hickory Square which they

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

have already approved \$151,000 for demolition. Now, he was told there would be \$171,000 for asbestos removal.

Mr. Corcoran explained that when he did the numbers part of the budget; they all allocated \$250,000 last year. He stated that he was told to anticipate \$25,000 of that total being spent prior to June 30th, which would mean that they would have a carryover of fund balance of \$225,000 for next year. At the time he prepared those numbers, he just divvied it up, once it was there, it was there for abatement projects, whether all \$225,000 go to Hickory Square or not, it could do that.

Council Member Gover stated that his point was that they have \$100,000 on The Boulevard and \$225,000, then they have already approved \$151,000...to which Mr. Corcoran pointed out that the \$151,000 would come out of the \$250,000 they had initially set aside.

Council Member Gover noted the asbestos removal and stated that he could not believe they were given half the cost of that situation. He stated that he was just trying to get the numbers straight. They were sitting here dealing with numbers and they were not matching.

Mr. Corcoran explained that all they had approved was a total of \$250,000 in that fund. They were not approving any new money in the fund. He noted that the budget tells them that they think \$25,000 would be spent by June and they would have \$225,000 left. If Hickory Square were to go over \$250,000 then they would have to come back and ask for more money. As far as the money they had set aside, they have set aside a pool of \$250,000 and that was it. He explained that it was just a reflection in time and used Hickory Square as an example. Suppose all sorts of work was done on Hickory Square apartments between now and June 30th and there was only \$200,000 left. Then their fund balance was \$200,000 but again, at some point they had to make a guess as to what they expect that fund balance to be on June 30th.

Mayor Price interjected that what he thought Council Member Gover was saying, it was showing \$250,000 in fund balance and they have approved \$151,000 and then there were some figures running around that he had not been privy to that they were going to have some significant money for asbestos removal.

Mrs. Stultz explained that during the time that they were having asbestos tests done and reviewing the building, they were being told that floor tiles and the asbestos would not be that big of an expense. They wanted to get the demolition approved and then they had to go out for a separate bid for asbestos removal. So far the only price they have been able to get was \$172,000. When she got that she immediately tried to find a grant representative to help apply for Community Development Block Grant Funding to remove the asbestos because she knew that went well beyond what Council had allocated.

Mayor Price asked if she had not communicated that to Council.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Mrs. Stultz replied that this was the first time she had said it out loud, [however] she had a conversation with Council Member Gover and Vestal and mentioned it to them.

Mayor Price explained that he thought that was what Council Member Gover's question was; trying to put the numbers together and they did not have enough money to fit the numbers.

Mrs. Stultz assured them that any additional money that would have to be spent beyond what was allocated would obviously come back to Council.

Council Member Gover stated that he was just trying to get focus on some of these monies and they all needed to be looking at the same to which Mayor Price agreed.

Mr. Corcoran replied that he did not think anything would be done on the Lemon's building until Hickory Square was resolved. He also did not think Hickory Square would proceed until the asbestos issue was resolved.

Council Member Gover stated that he was under the impression that the total monies were \$151,000 and that was what threw him. He never dreamed that it would end up being \$300,000 when they allocated \$151,000.

Mr. Corcoran agreed and stated that he did not think that Mrs. Stultz had dreamed that either and that was why they were pursuing the grant.

Mayor Price stated that he noticed that in several departments there had been significant reduction in maintenance and that type of thing. He asked if they were deferring any maintenance.

Mr. Corcoran replied no, he thought that when they look directly to some of these departments and they look back last year at what their Capital Outlay Expenditures were, they see an improvement in maintenance and repairs.

Mayor Price questioned sidewalks as he knew that was an item that was near and dear to everybody and he noticed there was a slight reduction in that as well.

Mr. Corcoran replied that again, when he looked at the workload and if they looked at the expenditures as of March 31st, and then looked at previous years, it just appeared that not an awful lot of work was getting done on sidewalks because there were other priorities out there where they were spending most of their time. As they all knew, once they set the budget, they have given the authority to move within the budget, so for instance, if a sidewalk project comes up in December that they want done and Council decided that they did not want to do any driveways, then they could take that money from driveways and move it into sidewalks, the bottom line though was the \$100,000 that was appropriated for streets was \$100,000 if that made sense.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Council Member Vestal asked that in generalization could he explain a little bit on how he implemented portions of his staffing assessment that they approved.

Mr. Corcoran replied that if they would remember in February of 2002, he presented a Comprehensive Staffing Assessment where they looked at all the departments and made a wide variety of recommendations. One of the recommendations was that when the Municipal Services Director retired, they create a Department of Environmental Services, and in fact the Council created the job title and assigned the job title to the Pay & Classification Plan. It was agreed by the Council that they would go to this Department of Environmental Services, which would include the divisions that were in Public Utilities, Wastewater Treatment, Water Filtration, Collection & Distribution, and Water Resources, along with Streets, Solid Waste, and Fleet Maintenance. The Director of Public Utilities, Mr. Asbury would become the Director of Environmental Services.

He stated that it occurred to him that in looking at that, they have clerical assistance at the Municipal Services building on Klyce Street and they have clerical assistance with Mr. Asbury. He noted that Mr. Asbury's clerical assistant was getting married and the budget's recommendation was that there did not need to be clerical assistance at Klyce Street but that when the clerical assistant to Mr. Asbury leaves, they eliminate the Municipal Services secretarial position and that person would just work for the Department of Environmental Services. He also noted that this was not a part of the staffing assessment.

Council Member Vestal noted that he had also implemented several things since they had adopted this thing.

Mr. Corcoran replied yes, there were some immediate things, [such as] a reduction in the Police Department. There were 62 when he first came here and it was down to 56 people. He added that there were other recommendations that have been implemented as well.

Council Member Gover commented that since they were talking in general, they came to him, he guessed, two by two, and discussed the moving within City Hall. Of course he agreed to the fire inspections, but he thought it was just paperwork, then he found it was not just all paperwork, so he felt that the Fire Department was just shirking their duties and putting it off on an already strained Planning & Inspection Department. He stated that he did not go along with that and he was relaying to him [that] their Safety Meeting's recommendation was not to put the Fire Inspections in Planning & Inspections because of the burden it would put on that department. Obviously, the Fire Inspectors were not doing their job, so he was hoping that the new Fire Chief would see that these inspections were done.

Mr. Corcoran replied that after they met, he met with Mrs. Stultz and the plans for that have been put on hold while they interview for a Fire Chief and see who was selected.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Council Member Gover pointed out that the recommendation from the committee was to leave it under the Fire Department.

Mr. Corcoran replied that was what they were going to do. If he wanted to bring it back to them, depending upon how the Fire Chief interviews go, then he would come back to them.

Mayor Price noted the Tree Board expense was reduced. He stated that certainly as a Tree City USA, they were not cutting out anything that would jeopardize that.

Mrs. Stultz replied no sir, they made those recommendations based on expenditures in the current year and during the budgeting process they were all required to cut expenditures by a percentage and she had to pull some things back. Should they need to change some of those within the Planning Department or at the Council's direction she was sure that they could do that later, but it was a minimum amount she thought they could make it with, and it certainly would not impact their Tree City USA designation. The predominant part of the expense of that fund was dealing with the yard waste, leaf collection and the mulching program. They had to allocate a certain number of dollars per capita to maintain their Tree City USA, in fact, this past year they received the Growth Award thanks to the effort of Mrs. Galloway.

Council Member Vestal stated that he noticed the beautification committee was increased and he thought maybe they just transferred it over to the beautification.

Mrs. Stultz replied that they could as they have some fairly large projects such as a traffic island on the east side and some other things.

Mr. Corcoran stated that she raised a point, for their information, when they got into the budget the requests were significantly more than the allocated dollars. In his staff meeting, he had asked that anyone who had a budget in excess of \$1 million had to cut it by 5% and anyone who had a budget under \$1 million had to cut it by 10%. So, there were some additional cuts that were made by each department or division head that maybe were part of their original proposal, but he felt that it was better giving them the option where their budget was cut versus him doing it for them.

Mayor Price asked if they were getting enough money on the telephone thing...to pay for their 911 charge.

Mr. Corcoran explained that what was interesting, last year they looked at trying to raise those rates and their previous director, Lori Ford, had studied that extensively and there were all sorts of problems with raising those rates. There were some charges that they initially put into the Emergency Communications Fund that were not just for 911, yes they help 911, but they were also related to the center there. It was just a matter of semantics. He noted that in the Police Department there were two items now that were charged to the Police Department that were previously charged to the Emergency

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Communications Fund. Well, they could pull those out and charge them to the Emergency Communications Fund, but then what they would see was a Special Appropriation Contribution from the General Fund to the Emergency Communications Fund to balance. So there was a need to increase those revenues and he would research that, but they looked at that last year and there were some very definitive reasons why those rates could not be increased.

Council Member Vestal asked if they were collecting all that they were entitled to, to which Mr. Corcoran replied that he understood that they were.

Council Member Gover asked what that \$38,000 was that they were paying for maintenance in the Police Department each month.

Mr. Corcoran replied that in the Emergency Communications Fund there was a lease payment that was made each month on their 911 system that was \$8,848.46. There was \$36,000 under Telephone Maintenance and Repair and that was for monthly maintenance and support of the phone system and data base.

Council Member Gover replied that was the one to which Mr. Corcoran explained that it was \$36,000 for the whole year.

Mayor Price stated that he was curious as to what he thought as City Manager, of a broad overview, that they were not doing that he thought they needed to do.

Mr. Corcoran replied that he thought obviously, the staff felt and he felt that they needed to look at their water and sewer rates. That was a touchy situation but they all knew that the rates had not been touched for years. When they addressed them in February of 2002, they were forced with percent increases that were required that were just out of this world, so he had said it when they first hired him and he had said it each year, he thought it was better to incrementally raise rates a little bit at a time. He felt that was needed and that was why it was recommended.

He also thought that the key to the economy was the development continuing. He thought that once this site selection was done, they need to make a commitment to developing some sites, because they were basically out of sites.

He noted that on the Water and Sewer System it was probably unrealistic to think that they could do \$100 million worth of improvements in twenty (20) years. So, it was going to be a prioritization of what was most important and that was where they would all be as they work together and were forced to make tough decisions such as they did on the Railroad Pump Station, where they were just hedging costs. But, given the uncertainty in the textile world and with the end of the worldwide textile quotas, sometimes you put off some costs, not knowing what was going to happen in the future so, yes he thought that they were moving forward and he did think the economy was brightening up, but he thought they needed to keep moving forward, they could not afford to stop.

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

Council Member Gover referred to the end of the proposed budget information (*memorandum entitled Water & Sewer Rate Adjustment Recommendations*). He noted that on page 3 of 7 there was a graph showing the tremendous increase in 2002. That was very devastating to their people and, of course, he was touching on that at this particular time. Now, that move alone brought in extra money as they witnessed last year. When you see a graph like this and how hard the people were hit, these were not good times and they were not in good times today. That was why he kept saying that they made a drastic move at that time and he agreed, they did not need to be making anymore drastic moves, but they needed to give people breathing room and they had, by accumulating this almost \$2 million per year to do some of the things that they needed. He stated that they could only move so fast. Water rates were not his favorite thing nor were it anybody else's. He just thought that with the time that their people were having they need to really look at that.

Mr. Corcoran replied that they tried to be very sensitive to that. They tried to tie it to what the Consumer Price Index was and then just a little more than that.

Council Member Gover explained that he was insinuating that their people have been laid off and there were job shortages as they well know. Back then it was one move that people, he did not think the Council really caught. He explained that they were only paying 75% of the water use and now they were paying 100% of sewer so that was a 25% increase.

Mr. Corcoran replied that there was no doubt the increases in 2002 were significant. There was also the outside corporate limits rates.

Council Member Vestal commented that he thought that was justifiable in his own message here (budget message) on page 48 he noted that it says it represents a total increase in the last four years of \$1.8 million and that increase helped a lot on that and this was money that was going into the Fund Balance. This was not money that was being spent; this was money that they put into their Fund Balance.

Council Member Gover stated that those were the monies that he was talking about.

Mr. Corcoran agreed and he thought he was right up until they were starting to do things. He explained that it was ironic that when he was hired, he could remember the first budget retreat when one of the hot topics discussed that year was Meadow Greens, Merriman and Long Street and here they were four years later still talking about Meadow Greens, Merriman and Long Street. He was right, the rates immediately created revenue and that revenue was coming in before these projects were ready to be done. What they saw was the fund balance starting to increase because the revenue was starting to come in and they were not ready to do the projects. Now the difference was they were ready to do the projects. He pointed out that if they looked at their Water and Sewer Fund budget this year as proposed, it included over \$3 million in fund balance, so they were going to use all of that new revenue as a result of that rate increase, plus the budget as submitted to

June 1, 2005

Special Budget Work Session of the Eden City Council – June 1, 2005

them includes the \$400,000 plus from the new rate increase and they were still going to have to go to the Fund Balance.

Council Member Gover pointed out that on page 36 they have \$3,401,000 on the outfalls, all the work that they need to do on consent orders. He asked if they would be able to do that in one year. That was exactly what he was saying.

Mr. Corcoran replied that he had asked the exact same question. First of all, just so they all understand, the \$3.4 million on page 26 was the fund balance that was being used. The total amount of money in the Sewer Rehabilitation Fund was over \$4 million. Of that about \$3.9 million was directly attributable to the SOC's not the \$3.4. The \$3.4 was the fund balance that was going to be used. He explained that he had asked Mr. Asbury and their consultant how much money would be spent in 2005-06 on the SOC NCDENR project and the number that was in the budget was the number he was given.

Council Member Vestal stated that Mr. Corcoran had noted they were still talking about Meadow Greens. He pointed out that they addressed Meadow Greens but somebody gave them some wrong information on that.

Mr. Corcoran replied that they have the main trunk line and the main line was repaired. But then they have everything feeding into the main line and none of that was repaired and that was probably way over simplifying it for technical experts but he thought that had to do with a lot of it.

Council Member Vestal added that the problem supposedly was the main trunk line but they found out after they fixed that it was connector lines and Mr. Corcoran added [as well] as the pump stations on top of that.

As there were no other questions or comments, Mayor Price noted the next budget meeting would be on June 9th. He then called for a motion to adjourn.

ADJOURNMENT.

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

Respectfully submitted,

Kim J. Scott
City Clerk

ATTEST:

Philip K. Price
Mayor