

## CITY OF EDEN, N. C.

A special budget work session of the City Council, City of Eden, was held on Monday, May 8, 2006 at 4:00 p.m. in the Council Chambers, 308 E. Stadium Drive. Those present for the meeting were as follows:

Mayor:	John E. Grogan
Mayor Pro Tem:	Wayne Tuggle, Sr.
Council Members:	Donna Turner
	Darryl Carter
	Jerry Epps
	C.H. Gover, Sr.
	Bruce Nooe
	Christine H. Myott
City Manager:	Brad Corcoran
City Clerk:	Kim J. Scott
Deputy City Clerk:	Sheralene Thompson
Representatives from Departments:	
Representatives from News Media:	Brian Ewing, <u>Eden Daily News</u>

MEETING CONVENED:

Mayor Grogan called the special meeting of the Eden City Council to order and welcomed those in attendance. He then asked Council Member Epps to give an invocation.

BUDGET WORK SESSION:

Mayor Grogan then turned the meeting over to City Manager, Brad Corcoran.

Mr. Corcoran explained that the primary purpose of the city's budget and budgetary process is to develop, adopt, and implement a plan for accomplishing goals for the upcoming year; while keeping consistent with the long term vision of the city.

As they were each aware, on February 17, 2006 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 six items listed by multiple members of the Council. It should be noted that these goals helped to serve as a financial blueprint during the preparation of the budget for FY 2006-07.

The combined budgets for fiscal year 2006-07 include new revenues equal to \$19,606,800 which is a slight increase of \$554,600 or 2.91% when compared to the adopted combined budgets for FY 2005-06 (\$19,052,200).

The FY 2006-07 budget includes a new loan for on-going capital outlay improvement projects in the Water and Sewer Fund that equals \$7,500,000. The proposed budget also includes an additional \$4,952,100 in inter-fund transfers (i.e. funds within the budget that are shown as revenue and expenditures in two different locations), and \$2,178,700 in appropriated fund balances. Of that total, \$78,700 are for projects that were put into place prior to July 1, 2006 and the remaining \$2,100,000 is being allocated for some very specific capital outlay needs within the General Fund. The large capital outlay requests are covered in a spreadsheet within the budget document and clearly sets forth all of the large capital outlay needs that have been included for funding. Given the growth that has taken place within the General Fund fund balance since June 30, 2001 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. This is the same course of action the City pursued during the current year when they utilized available fund balance within the Water and Sewer Fund to help fund the first component of the Special Order of Consent Sewer Rehabilitation project.

In addition, the FY 2006-07 budget includes \$85,000 in special contributions from Rockingham County to assist with efforts at reducing the amount of inflow/infiltration within the City. It also includes \$270,400 in pass thru funds from various sources such as the

Runabout Travel Fund (\$44,000), the Promotional Activities Fund (\$7,000), the Historic Preservation Fund (\$500) and the amounts collected for dependent health/dental insurance coverage in the Self Insurance Fund (\$218,900).

He explained that the forty-nine (49) page budget message serves as a very detailed executive summary of the budget as submitted and it provides the reader with a great deal of information. Rather than taking a great deal of time to read all of this information, he asked that the entire budget message be entered into the minutes as if it had been read in its entirety.

He also explained that he and the staff had had the opportunity to speak with many of them during the course of the past week about various items that were included in the proposed budget. He had also asked each department and division head to be present in an effort to answer any additional questions concerning the proposed budget. He closed by stating they would be glad to answer any questions at this time.

*\*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 2006-2007. 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 2006-07 include new revenues (not counting the new loan for the Water and Sewer Fund, inter-fund transfers, appropriations from existing fund balances, special contribution from Rockingham County, and pass thru funds such as Runabout Travel Fund) equal to \$ 19,606,800 which is a slight increase of \$ 554,600 or 2.91% when compared to the adopted combined budgets for FY 2005-06 (\$ 19,052,200).
- The FY 2006-07 budget includes a new loan for on-going capital outlay improvement projects in the Water and Sewer Fund that equals \$ 7,500,000. The proposed budget also includes an additional \$ 4,952,100 in inter-fund transfers (i.e. funds within the budget that are shown as revenue and expenditures in two different locations), and \$ 2,178,700 in appropriated fund balances. \$ 78,700 of the appropriated fund balances are for projects that were put into place prior to July 1, 2006 and the amounts are just being carried forward into FY 2006-07. The remaining \$ 2,100,000 is being allocated for some very specific capital outlay needs within the General Fund.. 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 2006-07. Given the growth that has taken place within the General Fund fund balance since June 30, 2001 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. This is the same course of action the City pursued during the current FY 2005-06 budget when available fund balance within the Water and Sewer Fund was used to help fund the first component of the Special Order of Consent Sewer Rehabilitation project.
- The FY 2006-07 budget includes \$ 85,000 in special contributions from Rockingham County. A total of \$ 85,000 has been included as a special contribution from Rockingham County to assist us with our efforts at reducing the amount of inflow/infiltration within the City. Additionally, the proposed budget includes \$ 270,400 in pass thru funds from various sources such as the Runabout Travel Fund (\$ 44,000), the Promotional Activities Fund (\$

- 7,000), the Historic Preservation Fund (\$ 500) and the amounts collected for dependent health/dental insurance coverage in the Self Insurance Fund (\$ 218,900).
- A further breakdown of the FY 2006-07 budget indicates the following:

<u>Summary (Funds)</u>	<u>FY 2006-07 Budget</u>
General	\$ 13,603,300
Self Insurance	1,672,800
Runabout Travel	44,000
Historic Preservation	500
Water & Sewer	9,012,700
Police Pension	119,500
Emergency Communications	152,300
Abatement Projects	74,000
Promotional Activities	7,000
Facade Improvements	10,000
Municipal Park	495,000
Sewer Outfall Rehabilitation	1,161,900
Bio-Solids Upgrade	2,124,700
Waterline Upgrades	1,721,100
Water Pressure	3,359,500
Downtown Revitalization	509,900
Greenways/Pedestrian System	475,600
Economic Development	<u>49,200</u>
	\$ 34,593,000
Less:	
New Loan – Water & Sewer Fund	\$ 7,500,000
Inter-fund Transfers	\$ 4,952,100
Appropriated Fund Balances	\$ 2,178,700
Pass Thru Funds – Ex. Runabout Travel	\$ 270,400
One Time Projects – Rockingham Co.	\$ 85,000
<b>TOTAL NEW REVENUE</b>	<b>\$ 19,606,800</b>

- On February 17, 2006 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 six items listed by multiple members of the Council. These include:

- A. Water & Sewer Infrastructure Needs
- B. Economic Development – Industrial Park Development – Job Recruitment & Retention
- C. Continued Development of Freedom Park
- D. Development of Greenways, River Trails, River Access
- E. Improved Employee/Retiree Benefits & Compensation
- F. Transportation Issues

It should be noted that these goals helped to serve as a financial blueprint during the preparation of the budget for FY 2006-07. Funding has been included in the FY 2006-07 budget to address each of these items.

- Initial departmental requests for expenditures within the General Fund equaled \$ 14,408,800. A total of \$ 805,500 or 5.59% was cut by the City Manager. The total amount allocated to the General Fund equals \$ 13,603,300 (includes general fund balance allocation of \$ 2,000,000 and powell bill fund balance allocation of \$ 100,000). Initial departmental requests for expenditures within the Water and Sewer Fund equaled \$ 10,759,900. A total of \$ 1,747,200 or 16.24% was cut by the City Manager. The total amount allocated to the Water and Sewer Fund equals \$ 9,012,700. Initial department requests for expenditures within the various Project Funds equaled \$ 24,172,800. A total of \$ 12,195,800 or 50.45%

- was cut by the City Manager. The total amount allocated to various Project Funds equals \$ 11,977,000.
- The actual breakdown for the various departments/divisions within the General Fund are as follows:

<u>Department/Division</u>	<u>FY 2006-07 Budget</u>	<u>FY 2005-06 Budget</u>	<u>Year To Year Change</u>
Governing Board	\$29,800	\$31,400	\$(1,600)
Administration	170,800	166,500	4,300
Environmental Services	64,900	53,900	11,000
Finance/Human Resources	217,400	215,500	1,900
Information Technology	29,600	-----	29,600
Business Development	115,800	91,500	24,300
Legal	49,100	46,500	2,600
Police	4,100,300	3,760,300	340,000
Fire	1,512,500	1,376,900	135,600
Engineering	60,300	55,900	4,400
Streets	1,308,300	1,245,300	63,000
Powell Bill	650,000	890,000	(240,000)
Solid Waste	1,643,600	1,504,900	138,400
Planning & Inspections	520,600	508,600	12,000
Parks/Recreation/Facility M.	1,080,400	986,100	94,300
Public Building Services	72,600	87,000	14,400
Fleet Maintenance	265,400	216,200	49,200
Special Appropriation	1,661,900	704,200	957,700
Contingency	<u>50,000</u>	<u>129,600</u>	<u>(79,600)</u>
	<b>\$13,603,300</b>	<b>\$ 12,070,300</b>	<b>\$ 1,533,000</b>

**Governing Board (- 1,600)**

The amount being reimbursed from the Water and Sewer Fund to the General Fund has been increased from 40% to 50% due the amount of time being spent on Water and Sewer related initiatives as well as the total expenditures being spent on Water and Sewer related initiatives. An annual contribution of \$ 1,600 has been included under Telephone for the cell phone being carried by the Mayor on a daily basis. In addition, the Travel line item has been increased by \$ 3,500 to cover travel expenses of the Governing Board members throughout the course of FY 2006-07. Finally, a total of \$ 1,000 has been allocated for the Lease Payments on the computer in the Mayor’s office. The Governing Board budget of \$ 29,800 represents a slight decrease of \$ 1,600 or 5.06% when compared to the adopted budget for FY 2005-06 which was \$ 31,400.

**Administration (+ 4,300)**

The reimbursement percentage from the Water and Sewer Fund was increased from 45% to 50% to more accurately reflect the distribution of the work load being handled by the department of Administration due to the large number of Water and Sewer related initiatives currently underway and/or getting ready to be initiated. In addition to normal increases associated with salaries and benefits the anticipated costs for Travel and Training have been increased by a combined \$ 3,100 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, Deputy City Clerk and Customer Service Coordinator. Costs associated with printing have been decreased by \$ 1,200 and costs associated with C/O Equipment Non-Depreciated has been decreased by \$ 2,000. Costs with Departmental Supplies (+ \$ 1,000), Dues/Subscriptions (+ \$ 300), and Property Insurance/Bonds (+ \$ 200) were increased slightly. The Administration budget of \$ 170,800 represents a slight increase of \$ 4,300 or 2.58% when compared to the adopted budget for FY 2005-06 which was \$ 166,500.

**Environmental Services (+ 11,000)**

The Director of Public Utilities and the Secretary for the Department of Public Utilities were pulled out of the Water Resources budget within the Water & Sewer Fund in FY 2005-06 and are now listed in the Environmental Services budget. The Director of Public Utilities position was 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 were combined to create one position – Secretary for the Environmental Services department. The Environmental Services department includes several different divisions including: Streets, Solid Waste, Fleet Maintenance, Water Resources, Collection & Distribution, Water Filtration, Wastewater Treatment and new this year – Information Technology. The Environmental Services budget includes anticipated expenditures related to the Director and Secretary. The main increase within this budget is due to increases for salaries and benefits and the fact that the City was successful in persuading the Director of Environmental Services to postpone his anticipated retirement. The Environmental Services budget of \$ 65,700 represents an increase of \$ 11,000 or 20.41% when compared to the adopted budget for FY 2005-06 which was \$ 53,900.

**Finance/Human Resources (+ 1,900)**

In addition to normal increases associated with salaries and benefits the anticipated costs for Professional Services has been increased by \$ 1,400 and costs for anticipated charges associated with Credit Card usage have been increased by \$ 2,000 as more people begin to utilize the on-line payment options recently implemented. Offsetting some of the increases are reductions of \$ 500 for EDP Supplies, a reduction of \$ 300 in Department Supplies and a reduction of \$ 500 in Printing Supplies. The Finance/Human Resources budget as submitted equals \$ 217,400 which is an increase of \$ 1,900 or 0.88% when compared to the adopted budget for FY 2005-06 which was \$ 215,500.

**Information Technology (+ 29,600 NEW)**

The FY 2006-07 budget as submitted includes the recommendation to hire an Information Technology - Communications Systems Manager that will be under the direct supervision of the Director of Environmental Services. The City's Network Administrator position was eliminated in FY 2005-06 in an effort to save some money. During the course of the past year it has become apparent that this position is an absolute necessity. The costs herein represent 50% of the costs (Water and Sewer Fund will pay the other 50% of associated costs) associated with funding this position and related needs for normal operating costs.

**Business Development (+ 24,300)**

The Business Development department includes an increase in costs of \$ 2,800 associated with contracted services for the P. Census Demographics program which will be used in marketing new businesses and other recruitment efforts. In addition, there are increases associated with salaries and benefits to make sure this position remains competitive in the labor market. A variety of reductions are also included such as the Main Street Advisory Board (- \$ 500), Travel (- \$ 500), Advertising (- \$ 300), and Training (- \$ 1,000). The Business Development budget of \$ 115,800 represents an increase of \$ 24,300 or 26.56% when compared to the adopted budget for FY 2005-06 which was \$ 91,500.

**Legal (+ 2,600)**

The reimbursement percentage from the Water and Sewer Fund was increased from 40% to 45% to more accurately reflect the distribution of the work load being handled by the City Attorney due to the large number of Water and Sewer related initiatives currently underway and/or getting ready to be initiated. The Legal department includes an increase of \$ 12,700 in Professional Services due to a recommended increase of \$ 25.00 in the hourly rate being paid to the City Attorney for work in excess of seventeen (17) hours per month. The Legal

budget of \$ 49,100 represents a slight increase of \$ 2,600 or 5.59% when compared to the adopted budget for FY 2005-06 which was \$ 46,500.

### **Police (+ 340,000)**

The Police Department budget includes \$ 242,200 for the purchase and replacement of eleven (11) patrol cars. 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 market adjustments made during the latter part of FY 2005-06. It should be noted that there are now eleven (11) retirees that are on the City's Health Insurance plan in addition to the regular FTE employees. An additional \$10,500 has been included under Separation Allowance as a contribution to the Police Pension Fund. An increase of \$ 30,000 has been projected in terms of costs associated with gasoline as gas prices continue to climb on almost a weekly basis. A total of \$ 17,000 has been included for two (2) mobile data terminals (MDT). We are expecting to receive two (2) MDT's for free via a grant from the N.C. Highway Safety Commission and this \$ 17,000 represents 50% of the costs (matching grant) for two additional MDT's that we expect to receive as a result of the grant. A total of \$ 15,600 has been eliminated from the budget under Telephone for the Bellsouth Network Charge that will now be paid for in the Emergency Communications Fund as it was originally intended. The revenues within the Emergency Communications Fund were not sufficient enough to cover all of the previous related costs as well as the Bellsouth Network Charge. The lease payments on the 911 system are due to end in October, 2006 which will allow the Bellsouth Network Charge to be paid for out of the Emergency Communication Fund. Informant Fees are expected to increase by \$ 4,000 while projected costs associated with Maintenance/Repairs Vehicles is expected to increase by \$ 15,000. Some of the line items that are expected to see a decrease include: Insurance & Bonds/WC (- \$ 24,000), Travel (- \$ 700), and Maintenance/Repairs Radio (- \$ 1,300) just to name a few. The Police Department budget of \$ 4,100,300 represents an increase of \$ 340,000 or 9.04% when compared to the adopted budget for FY 2005-06 which was \$ 3,760,300.

### **Fire (+ 135,600)**

The Fire Department budget includes funding for a third Relief Firefighter/Driver Operator to cover the shift that does not have a relief operator. In addition, the budget includes a combined \$ 75,400 for three (3) large capital outlay items including: replacement of a fire truck (first year of a five (5) year lease purchase) at \$ 45,400, the replacement of twenty (20) sets of turnout gear coats and pants at \$ 20,000, and equipment for the new fire truck at \$ 10,000. The budget also includes normal increases associated with salaries and benefits. An increase of \$ 9,700 has been projected in terms of costs associated with gasoline as gas prices continue to climb on almost a weekly basis. Offsetting a portion of these increases is a reduction in spending equal to \$ 14,000 under Salaries/Part Time and \$ 3,000 under Overtime as we hire a third relief operator. The Fire Department budget of \$ 1,512,500 represents an increase of \$ 135,600 or 9.85% when compared to the adopted budget for FY 2005-06 which was \$ 1,376,900.

### **Engineering (+ 4,400)**

The Engineering Department includes an increase of \$ 3,000 in Contracted Services for various upgrades and software maintenance contracts. In addition, there is an increase of \$ 1,300 in terms of Department Supplies, an increase of \$ 700 in terms of Easements and an increase of \$ 1,900 in Maintenance/Repairs Equipment to name a few. The budget also includes normal increases associated with salaries and benefits. Offsetting some of the various increases is a reduction of \$ 17,500 under Capital Outlay Vehicles. The Engineering Department budget of \$ 60,300 represents an increase of \$ 4,400 or 7.87% when compared to the adopted budget for FY 2005-06 which was \$ 55,900.

**Streets (+ 63,000)**

The Streets Division budget includes a combined \$ 123,000 for four (4) large capital outlay items including: replacement of a dump truck at \$ 80,000, the resurfacing of Non-Powell Bill eligible streets (Hilltop, Thacker, Danview) at \$ 11,000, the resurfacing of the Henry Street parking lot at \$ 23,000 and the resurfacing of the alleyway between Fieldcrest Road and Ridge Avenue at \$ 9,000. The budget includes \$ 18,000 under Maintenance/Repairs Storm Drains for ongoing work including the Drainage Assistance Grant Program. A total of \$ 15,000 has been allocated under Maintenance/Repairs Sidewalks to begin an aggressive initiative aimed at repairing deteriorated sections of sidewalk throughout the City. An increase of \$ 15,000 has been projected in terms of costs associated with gasoline as gas prices continue to climb on almost a weekly basis. The budget also includes an increase of \$ 11,000 under Contracted Services in order to expand the leaf collection season for our citizens during FY 2006-07. The budget also includes normal increases associated with salaries and benefits. Offsetting some of these increases is a reduction of \$ 2,000 in terms of Unemployment Insurance, a reduction of \$ 89,000 in terms of Capital Outlay Equipment Depreciated. The Streets Division budget of \$ 1,308,300 represents an increase of \$ 63,000 or 5.06% when compared to the adopted budget for FY 2005-06 which was \$ 1,245,300.

**Powell Bill (- 240,000)**

The Powell Bill funds scheduled to be spent during FY 2006-07 will be used to pay for two (2) different items. First, a total of \$ 550,000 has been included to fund the 2006 Street Contract previously voted upon and approved by the City Council. Second, a total of \$ 100,000 has been included to fund additional resurfacing projects as identified by the Engineering Department subject to the availability of fund balance within the Powell Bill account. The Monroe Street/Washington Street drainage project (\$ 270,000) which was a joint effort between the City of Eden and the North Carolina Department of Transportation (NCDOT) was completed in the current FY 2005-06 budget and will not need to be funded in FY 2006-07. The Powell Bill budget of \$ 650,000 represents a decrease of \$ 240,000 or 26.95% when compared to the adopted budget for FY 2005-06 which was \$ 890,000.

**Solid Waste (+ 138,400)**

The Solid Waste budget includes a combined \$ 113,100 for five (5) large capital outlay items including: replacement of 500+ automated trash containers at \$ 28,000, the first year payment on a five year lease-purchase of a new Knuckle Loader at \$ 23,700, phase II of the Permanent Compost Site at \$ 12,400, replacement of a rear loading garbage truck at \$ 30,000 and replacement of a pick-up truck at \$ 19,000. The budget also includes an additional \$ 72,900 under Contract/Commercial for anticipated expenditures during FY 2006-07. In addition, an increase of \$ 26,000 has been projected in terms of costs associated with gasoline as gas prices continue to climb on almost a weekly basis. Offsetting a portion of these increases is a reduction of \$ 8,000 in terms of Bad Debt Expense as well as a reduction of \$ 10,000 in Capital Outlay Off Road. The Solid Waste budget of \$ 1,643,600 represents an increase of \$ 138,400 or 9.20% when compared to the adopted budget for FY 2005-06 which was \$ 1,504,900.

**Planning & Inspections (+ 12,000)**

The Planning & Inspections budget includes the final \$ 22,500 (50% of the total cost) to complete work on an update to the City's Comprehensive Plan. Some of the increases included in the proposed budget are an increase of \$ 500 for Advertising, an increase of \$ 500 under Professional Services/Programs and an increase of \$ 500 under Capital Outlay Equipment Non-Depreciated. In addition, there are normal increases associated with compensation and benefits as well as an additional salary adjustment for the Director of Planning and Inspections to make this position more competitive in the labor market. There are a few line items that have been reduced which include: \$ 2,000 under Community Appearance Commission, \$ 500 under Historical Preservation Expense, \$ 500 under Tree Board Expense, and \$ 2,000 under Contracted Services. The Planning & Inspections budget

of \$ 520,600 represents an increase of \$ 12,000 or 2.36% when compared to the adopted budget for FY 2005-06 which was \$ 508,600.

### **Parks, Recreation & Facility Maintenance (+ 94,300)**

The Parks, Recreation & Facility Maintenance budget includes a combined \$ 61,000 for five (5) large capital outlay items including: overlaying the Mill Avenue and Morgan Road Tracks with 1 “ of asphalt at a cost of \$ 15,000, the repair and reconditioning of the Peter Hill Park Access Road at a cost of \$ 11,000, the replacement of a 1984 truck at a cost of \$ 25,000 and the replacement of a zero turn mower at a cost of \$ 10,000. The budget also includes an additional \$ 10,000 for various smaller capital outlay needs as outlined in the budget under Capital Outlay Equipment Non-Depreciated. In addition, an increase of \$ 26,000 has been projected in terms of costs associated with gasoline as gas prices continue to climb on almost a weekly basis. There are normal increases associated with compensation and benefits as well as an increase of \$ 4,500 in Utilities/Gas. Offsetting a portion of these increases are projected reductions in Utilities/Electric of \$ 3,000 and \$ 1,000 in Contracted Services. The Parks, Recreation & Facility Maintenance budget of \$ 1,080,400 represents an increase of \$ 94,300 or 9.56% when compared to the adopted budget for FY 2005-06 which was \$ 986,100.

### **Public Building Services (- 14,400)**

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. A reimbursement percentage from the Water and Sewer Fund of 20% is being initiated since the Department of Environmental Services has now been moved into City Hall as well as to help pay an equitable share of the costs for those other departments/divisions at City Hall which receive a reimbursement from the Water and Sewer Fund. The Utilities line item is projected to increase by \$ 4,000 while the Telephone line item is projected to decrease by \$ 200 and the Utilities/Gas line item is projected to decrease by \$ 500. The Public Building Services budget of \$ 72,600 represents a decrease of \$ 14,400 or 16.55% when compared to the adopted budget for FY 2005-06 which was \$ 87,000.

### **Fleet Maintenance (+ 49,200)**

The Fleet Maintenance budget includes normal increases associated with compensation and benefits for the six (6) FTE employees. An increase of \$ 40,000 is included for the replacement of the 1984 service truck as well as \$ 5,000 for a self contained air compressor for the new service truck. Additionally, a total of \$ 6,200 is included for a portable vehicle lift to be used in the shop and around the City as needed. Some of the other line items that are projecting an increase in spending include: an increase of \$ 1,700 under Utilities/Gas, an increase of \$ 1,000 under Contracted Services, and an increase of \$ 6,600 under Capital Outlay Equipment Non-Depreciated for a variety of smaller items. Offsetting a portion of these increases are decreases in the following: Department Supplies (- \$ 1,000), Maintenance/Repairs Building (- 1,000) and Professional Service (- 500). The Fleet Maintenance budget of \$ 265,400 represents an increase of \$ 49,200 or 22.76% when compared to the adopted budget for FY 2005-06 which was \$ 216,200.

### **Special Appropriations (+ 957,700)**

The Special Appropriations allocation of \$ 1,661,900 represents a huge increase of \$ 957,700 or 135.99% when compared to the adopted budget for FY 2005-06 which was \$ 704,200. First, a total of \$ 509,900 has been included as a contribution to the Downtown Revitalization Project Fund. This money will be used to fund the development of a master plan for phases I and II as well as to begin implementing some of the phase I recommendations. Second, a total of \$ 475,600 has been included as a contribution to the Greenways/Pedestrian System. This money will be used to fund the development of a master plan as well as to begin implementing some of the improvements in the pilot target area.



Third, a total of \$ 427,700 has been included as a contribution to the Municipal Park Fund. This money will be used to pave the unpaved parking areas and roadways within Freedom Park as well as for the clearing, grubbing and stone for the new Park property that was recently given to the City by the Wright Family. Fourth, an increase of \$ 2,000 has been included as a contribution to the Eden Area Chamber of Commerce. Fifth, a total of \$ 49,000 has been included as a contribution to the Economic Development Initiatives Fund to help pay for the performance agreements with MGM and Weil McLain as previously agreed to by the City Council. Offsetting some of these increases is a reduction of \$ 130,000 as a contribution to future salary adjustments.

**Contingency (- 79,600)**

The amount allocated as a contingency within the General Fund has been decreased by \$79,600 or 159.20% to a total of \$ 50,000. 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. The current FY 2005-06 budget included an estimate of \$ 12,070,300 in General Fund revenues. Included in this figure is the allocation of \$ 1,121,000 in fund balance to pay for some much needed capital outlay needs. Once the fund balance is subtracted from the total it reveals \$ 10,949,300 in new revenue for FY 2005-06. The FY 2004-05 budget included an estimate of \$ 10,877,800 in General Fund revenues. Included in this figure was 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 2006-07 budget includes an estimate of \$ 13,603,300 in General Fund revenues. Included in this figure is the allocation of \$ 2,000,000 in fund balance to pay for some much needed capital outlay needs and economic development initiatives. Also included, is the allocation of \$ 100,000 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 \$ 11,503,300 in new revenue for FY 2006-07. This represents an overall increase of only \$ 554,000 or 5.06% when compared to the amount estimated to be received (minus fund balance) for FY 2005-06. It is noteworthy to point out that the amount estimated to be received in FY 2006-07 (minus the fund balance allocations) is only \$ 387,507 more (3.49%) 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. Additional actions to increase the General Fund revenues will need to be implemented within the next year or two.

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

<b><u>Department/Division</u></b>	<b><u>FY 2006-07 Budget</u></b>	<b><u>FY 2005-06 Budget</u></b>	<b><u>Year To Year Change</u></b>
Water Resources	\$328,800	\$326,700	\$2,100
Billing & Collections	321,800	316,000	5,800
Water Plant	1,456,900	1,286,500	170,400

May 8, 2006

Special Budget Work Session of the Eden City Council – May 8, 2006

Collection & Distribution	1,346,200	1,334,100	12,100
Wastewater Treatment	1,621,800	1,593,300	28,500
Water Construction	86,200	346,200	(260,000)
Sewer Construction	50,000	110,000	(60,000)
Special Appropriation	3,751,000	6,297,800	(2,546,800)
Contingency	<u>50,000</u>	<u>100,000</u>	<u>(50,000)</u>
	<b>\$ 9,012,700</b>	<b>\$11,710,600</b>	<b>\$(2,697,900)</b>

### **Water Resources (+ 2,100)**

There is very little change in the Water Resources budget for FY 2006-07. In addition to normal increases associated with salaries and benefits there is an increase of \$ 500 in Auto/Gas, an increase of \$ 500 in Maintenance/Repairs Vehicles, and an increase of \$ 500 in Computer Lease to name a few. Offsetting a portion of these increases are reductions of \$700 in Department Supplies, a reduction of \$ 2,500 in Capital Outlay Equipment Non-Depreciated and a reduction of \$ 200 in Telephone. The Water Resources budget of \$328,800 represents a slight increase of \$ 2,100 or 0.64% when compared to the adopted budget for FY 2005-06 which was \$ 326,700.

### **Billing & Collections (+ 5,800)**

The Billing & Collections budget includes an increase of \$ 2,500 under B/C Credit Card Charges for costs associated with paying water and sewer bills on-line. The budget also includes normal increases associated with salaries and benefits and an increase of \$ 1,800 under Auto/Gas. A few of the specific line item reductions include: Bank Service Charges (- \$ 600), Contracted Services (- \$ 1,700), and Training (- \$ 1,000) to name a few. The Billing & Collections budget of \$ 321,800 represents a slight increase of \$ 5,800 or 1.84% when compared to the adopted budget for FY 2005-06 which was \$ 316,000.

### **Water Filtration Plant (+ 170,400)**

The Water Filtration Plant budget includes a combined \$ 215,300 for six (6) large capital outlay items including: the rebuilding of two (2) mixed media filters at a cost of \$ 130,000, the replacement of the caustic storage tank at a cost of \$ 20,600, the replacement of vehicle WF2 at a cost of \$ 19,700, the replacement of the dehumidifier in the pipe gallery at a cost of \$ 18,000, the replacement of the Water Plant roof at a projected cost of \$ 18,000 and an Initial Distribution System Evaluation (IDSE) by a professional engineer in accordance with the Disinfection Byproducts Rule Stage 2 that became effective in December, 2005 at a cost of \$ 9,000. The evaluation requires modeling of the distribution system and extensive sampling of the system for Trihalomethanes and Haloacetic acids to determine the worse case areas in the City for their formation. Offsetting a portion of these increases are reductions of \$ 21,000 in Chemicals, a reduction of \$ 5,000 in Maintenance/Repairs Equipment, and a reduction of \$ 14,100 in Capital Outlay Equipment Non-Depreciated. The Water Filtration Plant budget of \$ 1,456,900 represents an increase of \$ 170,400 or 13.24% when compared to the adopted budget for FY 2005-06 which was \$ 1,286,500.

### **Collection & Distribution (+ 12,100)**

The Collection & Distribution budget includes a reduction of \$ 78,000 in the Capital Outlay Vehicles line item as well as a reduction of \$ 4,000 in Special Project: Meter, a reduction of \$3,600 in Contracted Services, and a reduction of \$ 20,000 in Maintenance/Repairs Taps. Some of the various increases that work to offset these reductions include: an increase of \$30,000 for Maintenance/Repairs Outfalls, an increase of \$ 30,000 for Capital Outlay Off Road, an increase of \$ 20,000 in Maintenance/Repairs Equipment and an increase of \$ 8,000 for Auto/Gas as gas prices continue to rise on almost a weekly basis. The Collection & Distribution budget of \$1,346,200 represents an increase of \$ 12,100 or 9.07% when compared to the adopted budget for FY 2005-06 which was \$ 1,334,100.

**Wastewater Treatment (+ 28,500)**

In addition to normal increases associated with salaries and benefits the Wastewater Treatment budget includes an increase of \$ 20,000 in the amount that is appropriated under Chemicals – Polymer for color removal and an increase of \$ 5,000 under Chemicals. Offsetting a portion of these increases is a reduction of \$ 50,000 in Utilities/Electric. The Wastewater Treatment budget of \$ 1,621,800 represents a slight increase of \$ 28,500 or 1.79% when compared to the adopted budget for FY 2005-06 which was \$ 1,593,300.

**Water Construction (- 260,000)**

The Water Construction department (\$ 86,200) includes a significant reduction of \$ 260,000 or 75.10 % when compared to the adopted budget for FY 2005-06 which was \$ 346,200. The most significant reduction involves a decrease of \$ 235,000 under Enhancement Of High Service Pumping. This project is now being funded out of the Water Pressure Improvements Fund. An additional reduction includes a decrease of \$ 30,000 in Professional Services. Offsetting a portion of these reductions is an increase of \$ 5,000 in Maintenance/Repairs System.

**Sewer Construction – (- 60,000)**

The Sewer Construction department (\$ 50,000) includes a significant reduction of \$ 60,000 or 54.55% when compared to the adopted budget for FY 2005-06 which was \$ 110,000. The reductions include \$ 15,000 under Professional Services, a reduction of \$ 25,000 under Maintenance/Repairs System and a reduction of \$ 20,000 under Emergency Repairs – Pump Stations.

**Special Appropriation (- 2,546,800)**

The Special Appropriations allocation of \$ 3,751,000 represents a significant decrease of \$2,546,800 or 40.44% when compared to the adopted budget for FY 2005-06 which was \$6,297,800. The most significant reason for this decrease is the reduction of \$ 3,215,700 for the Sewer Rehabilitation Project Fund from \$ 3,327,600 to \$ 111,900. 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. Most of phase I has been completed during FY 2005-06 and much of FY 2006-07 will be spent monitoring the work that has been done and designing the pump station improvements associated with phase II of the project that will be completed in FY 2007-08. The budget as submitted includes an increase of \$ 163,200 as a contribution to the General Fund for the payment of administrative charges. The budget as submitted also includes contributions of \$ 204,700 for the Bio-Solids Project, \$ 223,000 for the Waterline Upgrade Improvement Projects, and \$ 323,800 for the Water Pressure Improvements Projects. It should also be noted that a total of \$ 1,400,800 has been earmarked for payment on the debt service associated with the 1990 Water and Sewer Bonds. This is a decrease of \$85,000 from the \$ 1,485,800 that was allocated in FY 2005-06. An additional \$ 246,300 is being allocated to the line-item entitled “holding account – future debt service” which was created in the FY 2004-05 budget. The total of \$ 1,647,100 (\$ 1,400,800 + \$ 246,300) represents the total debt service that was paid in FY 2003-04. This is consistent with an earlier recommendation from the City Manager whereby these funds would be preserved for use in the future rather than being absorbed in the annual budget. Finally, an increase of \$170,000 is included under Performance/Incentive Agreements to help fund previous obligations accepted by the City Council.

**Contingency (- 50,000)**

The amount allocated as a contingency within the Water & Sewer Fund has been decreased by \$ 50,000 or 50 % from a total of \$ 100,000 to \$ 50,000. This money will be set aside and

only utilized in the event of unanticipated declines in revenue and/or unexpected expenditures.

Similar to previous year's, the FY 2005-06 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 \$42,528,600 (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.

The budget includes a decrease of \$ 5,000 in the amount of revenue that will be received from the annexation in-lieu-of payments within the General Fund (\$ 587,500 to \$ 582,500). 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.

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 19, 2006 she cautioned that the Board of Equalization and Review has convened and will meet through May to consider valuation appeals throughout the County. She indicated that appeals have been filed by Walmart (old building) and Meadow Greens Golf Course. The tax revenue projections outlined below are based upon a total property valuation of \$718,958,156 (an increase of approximately 5.35% when compared to the previous year total of \$ 682,416,512) at a FY 2004-05 collection rate of 97.90 % percent or \$ 4,012,002.

The \$ 4,012,002 is calculated as follows:

Real Property Value:	\$ 630,840,178
Personal Property Value:	62,097,978
Public Service Value:	<u>26,020,002</u>
Total Value:	\$ 718,958,158
Tax Rate/\$ 100 Value:	\$ 0.57
Total Revenue Estimate:	\$ 4,098,061
Assumed Collection Rate @ 97.90%:	\$ 4,012,002
Revenue Per One Cent Of Tax Rate:	\$ 70,386

The FY 2006-07 budget anticipates a sale of fixed assets at some point during FY 2006-07. A major sale/auction was completed during FY 2005-06 which means that less revenue will be realized in the upcoming year when compared with the previous year. It is estimated that a minimum of \$ 20,000 will be realized within the General Fund as a result of selling fixed assets that are declared to be surplus.

Legislation passed in 2002 replaced the State reimbursements for repealed local taxes with a new one-half cent local option sales tax. As such, there are now just four (4) statewide revenues which 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 2005-06 it was estimated that these four sources of revenue would equal \$ 3,722,400. The FY 2006-07 budget anticipates receiving a combined total of \$ 3,971,300 which is an increase of \$ 248,900 or 6.69%.

Reductions in both residential and commercial development will translate into less revenue for the City in FY 2006-07. The revenue received from Building Permits, Plumbing Permits, Mechanical Permits, Sign Permits and Electrical Permits was estimated to total \$128,900 during FY 2005-06. The FY 2006-07 budget includes a combined estimate of \$107,900 which is a decrease of \$ 21,000 or 16.29 %.

The FY 2006-07 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 (\$ 9,200), 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 2006-07 budget includes the necessary funding to continue supporting a number of community-wide organizations and events including: Rockingham County Arts Council (\$2,000), Eden Library (\$ 2,600), Eden Chamber of Commerce (\$ 8,000), 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 4<sup>th</sup> Celebration (\$ 3,000).

The FY 2006-07 budget as submitted includes the use of \$ 2,000,000 from the existing fund balance within the General Fund for a variety of capital outlay initiatives including:

<u>Description</u>	<u>Amount</u>
Phase I (Olde Leaksville Shopping District) and Phase II (Draper Village Shop District) master plans and partial implementation of Phase I improvements. The Department Head has projected an additional \$ 404,920 will be needed in FY 2007-08 to complete Phase I improvements and an additional \$ 406,000 will be needed to complete Phase II improvements. Eden became a N. C. Main Street Community in 2003. Since then, nineteen (19) businesses have improved facades, fourteen (14) new businesses have located in downtown areas, sixty-one (61) new jobs have been created and over \$ 1,500,000 in investment dollars is anticipated.	\$ 509,900
Greenway/Pedestrian System master plan and portion of implementation within the pilot target area. The Department Head has projected an additional \$ 383,135 will be needed in FY 2007-08 to complete the pilot area improvements and considerable additional funds will be needed to develop the entire comprehensive Greenway/Pedestrian System.	\$ 475,600
Paving of all unpaved roadways and parking areas in Phase I, II, and III at Freedom Park and clearing, grubbing and placement of stone on land donated to the City by the Wright family.	\$ 427,700
Replacement of eleven (11) patrol cars (out right purchase). Include two (2) 1992 models, one (1) 1993 model, and eight (8) 1995 models with average mileage of 113,000+ miles.	\$ 242,200
Replacement of 39S 1985 Chevrolet Dump Truck (out right purchase)	\$ 80,000
Replacement of 1976 American LaFrance Pumper Fire Truck (five (5) year lease-purchase with total cost of new Fire Truck equaling approximately \$ 200,000 excluding interest).	\$ 45,400
Replacement of 2CG 1984 Chevrolet C20 service truck with utility body and lift gate.	\$ 40,000
Replacement of 2G 1985 GMC rear loader garbage truck with a used unit.	\$ 30,000
Replacement of 500 (approximately 8.33 %) automated trash containers.	\$ 28,000
Replacement of 27R 1984 Chevrolet 4 X 4 C10 truck.	\$ 25,000
Replacement of twenty (20) sets of fire department turnout gear (coats and pants)	\$ 20,000
Replacement of 18G 1984 Chevrolet (solid waste) pick-up truck.	\$ 19,000
Overlay of Morgan Road and Mill Avenue walking tracks with 1” of asphalt.	\$ 15,000
Repair and recondition Peter Hill Park access road.	\$ 11,000
Equipment for new fire truck.	\$ 10,000
Replacement of 2001 zero turn mower.	\$ 10,000
New electric/hydraulic vehicle floor lift – portable model	\$ 6,200
New self contained air compressor for mounting on service truck.	<u>\$ 5,000</u>
<b>TOTAL</b>	<b>\$ 2,000,000</b>

Gasoline prices have continued to escalate during the course of the past several years. During FY 2005-06 and heading into FY 2006-07 gasoline expenditures have escalated to extreme levels. Consider the following:

<u>Fiscal Year</u>	<u>Actual Expenditures Or Budget Request</u>
FY 2002-03	\$ 156,162 – Actual Expenditures
FY 2003-04	\$ 180,441 – Actual Expenditures
FY 2004-05	\$ 210,584 – Actual Expenditures
FY 2005-06	\$ 223,900 – Initial Budgeted Amount
FY 2006-07	\$ 315,800 – Proposed Budgeted Amount

The numbers above indicate an increase of \$ 159,638 or 102.23 % increase from just FY 2002-03 actual expenditures to the proposed budgeted amount for FY 2006-07.

The FY 2006-07 budget as submitted includes a new loan in the amount of \$ 7,500,000 within the Water & Sewer Fund for a variety of capital outlay initiatives including:

<u>Description</u>	<u>Amount</u>
Water Pressure Improvements Project – additional \$ 2,000,000 will be needed in FY 2007-08 to complete this project.	\$ 3,035,700
Bio-Solids Treatment Improvements Project.	\$ 1,919,000
Waterline Upgrade Improvements Project	\$ 1,496,300
Sewer Rehabilitation Improvements Project – additional \$ 2,000,000 will be needed in FY 2007-08 to complete the pump stations portion of the Special Order of Consent work.	<u>\$ 1,049,000</u>
<b>TOTAL</b>	<b>\$ 7,500,000</b>

**Note:**

In addition to the \$ 7,500,000 listed above for FY 2006-07 and the \$ 4,000,000 mentioned above for FY 2007-08 there is an additional \$ 7,078,000 in requests that were included in the Department Request (Sewer Rehabilitation Project Fund) for FY 2006-07 that were not funded due to budgetary constraints.

The available fund balances budgeted to be utilized during FY 2006-07 includes a total of \$ 2,000,000 from the General Fund, \$ 100,000 from the Powell Bill Fund, \$ 74,000 from the Abatement Projects Fund and \$ 4,700 from the Façade Improvements Fund. This is down considerably when compared to the \$ 6,489,600 in fund balances that were appropriated from various funds for FY 2005-06.

The budget includes \$ 50,000 (compared to \$ 129,600 for FY 2005-06) in the General Fund as an un-appropriated contingency and \$ 50,000 (compared to \$ 100,000 for FY 2005-06) in the Water & Sewer Fund as an un-appropriated contingency for unforeseen declines in revenue and/or unanticipated expenditures. This \$ 100,000 will be added to the appropriate fund balances if not utilized during the upcoming fiscal year.

In July, 2001 the economy began to weaken. This became even worse after the September 11, 2001 attacks. A weakened economy translated into lower interest rates on temporary investments over the course of several years. Fortunately, it appears that we have now turned the corner and the estimates for FY 2006-07 are 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 2006-07 in terms of projected funds on hand as well as the projected interest rates being earned. The FY 2006-07 budget includes a combined increase in anticipated revenues equal to \$ 145,200 when compared to the amounts that were placed in the FY 2005-06 budget (\$ 374,400 to \$ 519,600). 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
Actual FY 2004-05	\$ 344,930
Amount Budgeted For FY 2005-06	\$ 374,400
Actual FY 2005-06 – As Of March 31, 2006	\$ 413,696
Amount Budgeted For FY 2006-07	\$ 519,600

On April 20, 2004 the City Council requested that a streetscape study 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. The FY 2006-07 budget as submitted includes \$ 509,900 for the development of a master plan for Phase I (Olde Leaksville Shopping District) and Phase II (Draper Village Shopping District) and partial implementation of Phase 1 improvements. **Mr. Mike Dougherty, Director of Business Development has estimated that an additional \$ 404,920 will be needed in FY 2007-08 to complete the Phase I improvements and an additional \$ 406,000 will be needed to complete the Phase II improvements.** Once the master plans have been completed we plan on applying for a TEA 21 grant in an effort to obtain funding for a portion of the identified improvements as set forth by Haden Stanziale.

On March 12, 2004 the City Council met for its second 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 a limited amount of funds to begin 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 that grant which would have led to the development of a much needed master plan and this project has taken much longer to implement than is desired. Currently, the staff is awaiting word on another grant application which would help to fund a portion of the master plan. Despite these facts, the staff is following the direction of the City Council and continues to work on the installation of an initial Greenway along the Smith River as previously agreed upon by the City Council. The FY 2006-07 budget as submitted includes \$ 475,600 for the completion of a Greenway/Pedestrian System master plan and a portion of the proposed improvements within the pilot target area. **Ms. Kelly Stultz, Director of Planning and Inspections has projected that an additional \$ 383,135 will be needed in FY 2007-08 to complete the pilot area improvements and considerable additional funds will be needed to develop the entire comprehensive Greenway/Pedestrian System as will be outlined by the master plan.**

The FY 2006-07 budget as submitted includes a proposed rate increase in both water service charges as well as sewer service charges equal to a Consumer Price Index (CPI) increase for FY 2006-07 of 4.8%. This is consistent with the sentiment expressed by various members of City Council during the Annual Budget/Planning Retreat where it was indicated that incremental rate increases on an annual basis were preferred in lieu of waiting for years and hitting the consumers with a larger increase all at one time. Based on previous consumption within each rate code the new water rates are projected to yield \$ 91,247 in new non-contract revenue and the new sewer rates are anticipated to yield \$ 95,788 in new non-contract revenue. The total increase in water and sewer rates will generate an additional \$ 187,035 in new revenue. The increase on a resident using 3,400 gallons per month (6,800 bi-monthly) will equal \$ 0.965 per month or \$1.93 every two months. The increase on a resident using 5,000 gallons per month (10,000 bi-monthly) will equal \$ 1.215 per month or \$ 2.43 every two months.

The City Council voted on March 19, 2002 to implement the Pay As You Throw solid waste collection program and a solid waste increase. Despite annual increases associated with expenditures there has been no rate adjustment on the residential solid waste fees

since March 19, 2002. The rate of inflation during this period of time has been 12.03 % according to Consumer Price Index information provided to me by Mr. Dennis Asbury, Director of Environmental Services. The FY 2006-07 budget as submitted includes a proposed rate increase to cover the rate of inflation during this time period. The recommended increases in residential solid waste fees are as follows:

<u>Color Code</u>	<u>Current Rate</u>	<u>Revised Rate</u>	<u>Monthly Increase</u>
Yellow	\$ 6.27	\$ 7.02	\$ 0.75
Blue	\$ 7.59	\$ 8.50	\$ 0.91
Orange	\$ 9.57	\$ 10.72	\$ 1.15
Red	\$ 11.55	\$ 12.94	\$ 1.39

It is estimated that this increase will generate an additional \$ 74,314 in new revenue for use within the General Fund. Some individuals have asked about the feasibility of making the Solid Waste Division self sufficient (enterprise fund based) like the Water and Sewer Fund. Based upon the current number of residential users and the projected costs for Solid Waste operations in FY 2006-07 a total of \$ 18.40 per month would have to be charged for each household. In addition, it should be noted that the Solid Waste Code Enforcement Official will soon begin an aggressive effort to make sure all of the residents are being billed on a fair and proper basis. If an individual is throwing away more or less refuse than their related color coding their bill and color coding will be adjusted accordingly. In order for the Pay As You Throw system to operate as intended regular monitoring of waste volumes is an absolute necessity.

The FY 2006-07 budget includes \$ 100,000 in appropriated Powell Bill fund balance funds for additional paving projects identified by the Engineering Department. This expenditure will be subject to fund balance funds actually being available. The Engineering Department identified an additional \$ 200,000 worth of streets that need to be resurfaced but could not be included in the Annual Street Contract due to limited Powell Bill funds being received from the State of North Carolina.

The budget includes \$ 1,400,800 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.

The \$ 1,400,800 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 \$ 246,300 less than the \$ 1,647,100 that was allocated in FY 2003-04. A new line-item entitled, “holding account – future debt service” was created in the FY 2004-05 budget within the Special Appropriations section of the Water and Sewer Fund and included an initial contribution of \$ 88,700. This amount was increased to \$ 171,300 for FY 2005-06. 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 2006-07 there will be a total of \$ 506,300 that has been set aside since July 1, 2004 for future debt service payments.

The budget includes \$ 10,000 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.) previously 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 projected 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 \$ 10,000 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 Court and the staff is ready to proceed once we have final approval from the Court. In the event we lose on appeal the staff intends to ask that annexation proceedings be re-initiated in an expeditious manner.

The FY 2006-07 budget includes \$ 74,000 in the 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 Lemons Building – Boulevard was addressed by the City during FY 2005-06 and it is now up to Mr. Tom Medlin, City Attorney to take the necessary action to recover our related costs. In addition, asbestos removal on the Hickory Square/School – Draper is currently underway. The \$ 74,000 allocated for FY 2006-07 is to continue the abatement efforts in relation to the Hickory Square/School. It should be noted that additional projects can be added at anytime if the City Council feels there are other areas that are in need of immediate attention. The \$ 74,000 is a carryover of existing fund balance within that fund and no new funds are being allocated.

The FY 2006-07 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. 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 2006-07 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 \$4,700 of existing fund balance will be available and already on hand as of July 1, 2006 and that an additional \$ 5,300 will be received in the form of a contribution from the City's General Fund during FY 2006-07.

The Economic Development Initiatives Fund within the FY 2006-07 budget includes \$49,200 to pay for the City's obligations in reference to performance agreements with local industries. This is a decrease of \$ 132,500 from the amount (\$ 181,700) that was allocated for FY 2005-06. 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 2006-07 include:

<u>Company</u>	<u>Amount Due In FY 2006-07</u>
MGM	\$ 19,000
Weil McLain	<u>\$ 30,200</u>
<b>Total</b>	<b>\$ 49,200</b>

The budget includes \$ 221,700 to pay for the City’s obligations in reference to the water and sewer extension policy and additional performance agreements. This is an increase of \$ 170,000 from the amount (\$ 51,700) that was allocated for FY 2005-06. 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 six (6) active agreements that are due to be paid during FY 2006-07. They include:

<u>Company</u>	<u>Amount Due In FY 2006-07</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
National Textiles	\$ 170,000
<b>Total</b>	<b>\$ 221,700</b>

The budget includes \$ 35,400 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 \$ 54,900 for monthly line maintenance fees and network charges 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 budget also includes an allocation of \$ 62,000 into a new holding account for future 911 system hardware/software that are qualifying expenses.

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. According to the City’s audit for year ending June 30, 2005 the retained earnings showed a significant increase in FY 2004-05 from (\$122,910) to \$29,002. The total expenditures for FY 2004-05 equaled \$ 1,299,678 compared to a total of \$ 1,559,444 for FY 2003-04. The total revenues for FY 2004-05 equaled \$ 1,451,545. As of March 31, 2006 total revenues received equal \$ 1,254,658 compared to total expenditures of \$ 1,049,122. Once you extrapolate this out for the remainder of the year it is estimated that our FY 2005-06 revenues will equal approximately \$ 1,672,877 compared to expenses of approximately \$ 1,398,829. This is excellent news. The numbers that were provided to us by our health insurance consultants indicate expected costs in FY 2006-07 equal to \$ 1,440,971 and maximum costs equal to \$ 1,709,412. Typically, we have attempted to make sure we provide adequate funding to offset the expected costs as submitted to us by our consultants. Based on our current revenues **we will not need to revise our rates or the employer contribution during FY 2006-07.** The employer contribution amount for each employee/retiree will remain unchanged at \$ 550.00 per month for health and dental

coverage. **This is the first time this has happened in many years and is tremendous news for the FY 2006-07 budget.**

The dependent care coverage charges which are the responsibility of the employee or retiree will also remain unchanged and are as follows:

Dependent care medical coverage:   \$ 160 Employee/Retiree With Children Only  
  \$ 235 Employee/Retiree With Spouse Only  
  \$ 300 Employee/Retiree With Family Only

Dependent care dental coverage:     \$ 25 Any and all types of additional coverage

There are thirty-three (33) individuals who currently participate in the City's health insurance program that are not active full time equivalent 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 since the City is responsible for all of their claims up to a maximum of \$ 35,000 each. On the other hand, these same individuals dedicated their lives to the service of this City for 25 to 30 years and this is a small way for us to say "thanks for a job well done". Two (2) of these individuals are retirees that retired with at least twenty-five (25) years but less than thirty (30) years of creditable service. Currently, the City pays up to a maximum of \$ 250 per month for their monthly insurance premium with the difference of \$ 300 per month being paid by the retiree. Eighteen (18) of these individuals are retirees that retired with at least thirty (30) years of creditable service. Currently, the City pays up to a maximum of \$ 400 per month for their monthly insurance premium with the difference of \$ 150 per month being paid by the retiree. Three (3) 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.

During the course of working on the proposed budget for FY 2006-07 I was contacted by some retirees concerning the amount being contributed on the part of the retirees and was requested to see if the City Council would consider an amendment to the applicable ordinance increasing the contribution level from the City. It was noted that both Rockingham County and the City of Reidsville pay 100% of the insurance premium for their retirees.

The budget as submitted includes a contribution of \$ 550.00 compared to just \$ 400.00 for those retirees with thirty (30) years of creditable service as outlined in the City Code and Personnel Ordinance. In addition, the budget as submitted includes a contribution of \$275.00 compared to just \$ 250.00 for those retirees with at least twenty-five (25) years of creditable service but less than thirty (30) years of creditable service as outlined in the City Code and Personnel Ordinance. Staff believes the difference in anticipated revenues versus expected costs will be more than enough to offset this additional cost of \$ 33,000. By adopting an ordinance amendment enacting this recommendation the eighteen (18) current retirees with at least thirty (30) years of service would save an additional \$ 150 per month or \$ 1,800 per year net and the two (2) current retirees with at least twenty-five (25) years of service but less than thirty (30) years of service would save an additional \$ 25 per month or \$ 300 per year net.

On February 10, 2006 I prepared a Weekly Report From The City Manager which included an update on the 45<sup>th</sup> Annual North Carolina City and County Management Seminar I had attended on February 1 – 3, 2006 at the Sheraton Imperial Hotel in the Research Triangle Park. In that report I stated that I had received some detailed information about the State 401K program that more and more communities are now participating in. As each of you are aware, the City of Eden participates at a level of 5% for all sworn law enforcement officers (47 employees) but does not participate for the rest of its employees (135

employees). Several different Managers indicated to me during the conference that their communities (including the City of Reidsville) are participating at the 5% level for all employees as a normal component of their standard benefits package. I went on to report that I had asked Ms. Tammie McMichael, Director of Finance and Personnel to prepare a report and recommendations on this matter for consideration as a component of the upcoming FY 2006-07 budget. The only comments I received from some members of Council concerning this matter at that time was that there was a feeling that this benefit should be provided for all City of Eden employees on an equal basis versus just one set of employees.

Providing benefits uniformly for all employees such as the NC 401K Plan, will help us, as an employer, to attract and retain qualified and dedicated employees during a tight labor market. Participating in the NC 401K Plan like many other communities such as Reidsville, Madison, Holly Springs, Graham, Yadkinville, and Laurinburg to name just a few not only shows that we are committed to providing employees with a strong benefits offering, but it motivates employees to save, builds morale, and helps to ensure their satisfaction. All of this, while at the same time, costing us less than a full salary adjustment at the same level.

Currently, there are 237 municipalities within the State of North Carolina that are participating in the NC 401K Plan with contributions for their employees.

The proposed budget for FY 2006-07 includes an employer contribution of 5% to the NC 401K Plan for the remaining employees that do not currently earn this benefit. Employees will also have the option of contributing additional funds to the NC 401 K Plan but are not required to do so. This additional benefit for the 135 employees will bring their benefits package more in line with our sworn law enforcement officers as well as numerous communities throughout the state of North Carolina. Please note that our sworn law enforcement officers also receive an additional retirement supplement in addition to the 401 K Program that is paid for by the City of Eden via the Police Pension Fund.

During the last four years the City of Eden has awarded the following cost-of-living increases and/or performance based increases for all full-time equivalent (FTE) employees:

FY 2005-06	3.0 % Cost-Of-Living Increase for all FTE employees 0.00 % Performance Based Increase
FY 2004-05	Flat increase of \$ 1,200 for all FTE employees 0.00% Performance Based Increase
FY 2003-04	2.0 % Cost-Of-Living Increase despite 2.4 % rate of inflation for all FTE employees 0.0% Performance Based Increase
FY 2002-03	1.5% Cost-Of-Living Increase 1.0% Performance Based Increase for those that qualify

Ms. Tammie McMichael, Director of Finance and Personnel and Ms. Amy Winn, CPA, Accounting Coordinator obtained the consumer price index information and reported to me that the rate of inflation for the past year was equal to 4.8%. In consideration of the addition of the 401 K Program recommendation for the remaining 135 employees and the market adjustments that were just awarded to most employees I am **not** recommending a full 4.8 % (5 % when rounded up) cost-of-living increase for all full-time equivalent (FTE) employees. The FY 2006-07 budget as submitted includes a Cost-Of-Living Increase of 2.0 % for all FTE employees. Due to other initiatives it is recommended that we **not** have a performance based (merit) increase during FY 2006-07.

The City of Eden implemented an updated pay plan in November, 2000 based on information that was gathered during 1999 (seven years ago) in an effort to pay its employees a wage

commensurate with similar positions in similar organizations within the same geographic area. During the months of January and February, 2006 I contacted a total of twenty-five (25) communities that are comparable in size with Eden in an effort to obtain some current information in relation to existing salaries and salary ranges for various job classifications.

Based on the information I received I developed an updated job and classification pay plan for your consideration that will go into effect on July 1, 2006 in conjunction with the FY 2006-07 budget. These classifications and salary ranges are consistent with the results I obtained when completing the survey of the twenty-five (25) communities. A copy of the current job and classification plan as well as a copy of the proposed job and classification plan have been included in the budget document for your review and information.

On January 17, 2006 the City Council voted to amend Section 10-3.2 Administration and Maintenance of the Personnel Ordinance within the City Code giving the City Manager the flexibility to make minor salary adjustments to various job classifications and individuals based upon comparable data for similar positions in similarly sized communities. The budget as submitted includes funds within the Special Appropriations Department of both the General Fund (\$ 20,000) as well as the Water and Sewer Fund (\$ 10,000) for this purpose as needed. This is a critical element that was needed in an effort to make sure our job classifications remain competitive on a consistent basis.

The ordinance amendment states in part “...any adjustment in salary in excess of eight percent (8%) shall be approved by the City Council.” The good news is that this ordinance in its current form will allow me to address each job classification and individual that needs to be addressed without additional consideration by the City Council with the exception of one position. Our Director of Planning and Inspections, Ms. Kelly Stultz is currently earning an annual salary of \$ 58,491. Based upon the survey data I collected the survey average for this position is currently \$ 66,981 with the Director of Planning in the City of Reidsville currently earning a salary of \$ 70,080. According to the recently released book entitled, “North Carolina Municipal Salaries – As Of July, 2005” published by the North Carolina League Of Municipalities the average salary for a Director of Planning for a community within our population grouping was \$ 65,984. Ms. Stultz has worked for the City of Eden for nearly sixteen (16) years of which the last nine (9) have been spent as our Director of Planning and Inspections. This position/individual has a tremendous responsibility and should be paid a competitive wage. Included within the proposed budget for FY 2006-07 is a market adjustment of \$ 8,022 per year taking Ms. Stultz and her position from a current rate of \$ 58,491 to a new rate of \$ 66,513 effective July 1, 2006.

The department requests for FY 2006-07 included funding for eleven (11) new full-time positions. These included:

- Finance & Human Resources Department: Information Technology/Communications Systems Manager (1 Position)
- Fire Department: Additional Relief Firefighter/Driver (1 Position)  
Additional Firefighter/Drivers (3 Positions)
- Parks, Recreation & Facility Maintenance: Groundskeeper – Freedom Park (1 Position)
- Collection & Distribution: Collection & Distribution Employees (5 Positions)

A total of two new positions are being recommended by the City Manager and are included in the proposed FY 2006-07 budget as submitted. They include:

**Information Technology/Communications Systems Manager**

During FY 2005-06 we experimented with trying to get by without our previous Network Administrator position that was eliminated from the FY 2005-06 budget in an effort to save on costs. Unfortunately, we have discovered that we did not realize the savings we had hoped to realize and the continued escalation in terms of information technology and

communications systems really does dictate the need for a full time equivalent employee who is available on a daily basis. In anticipation of the upcoming FY 2006-07 budget process I formed an internal information technology committee consisting of Tammie McMichael, Dennis Asbury, Terry Shelton, Bev O'dell, Mike Dougherty, Danny Gillespie and Kelly Stultz. I asked them to research what had been done during the course of the past year and to give me their recommendation for FY 2006-07 and beyond. On February 13, 2006 I received a memorandum recommending that this position be re-instated. They noted that working with our computer systems, software, the network and the various communications systems is very demanding and that during the past year we have barely been able to maintain the computer resources of the City at a bottom tier of acceptability. In that memorandum it stated in part, “ *...for our City to continue to move forward in the world of technology, there needs to be a single person to function as an Information Technology and Communications Systems Manager.*”

Some of the duties that this position will be responsible for include but are not limited to the following:

- Coordinate internet services through vendors (Time Warner – Roadrunner).
- Administer the City Network System (Wired and Wireless)
- Maintain City servers
- Maintain individual PC computers
- Manage and maintain with vendor support for the automated telephone systems
- Manage and maintain FCC radio licenses and all software licenses
- Coordinate training for personnel in reference to information technology, specific software programs and various communication systems
  - Assist departments with maintaining base and mobile radios as needed
  - Provide support and assistance in the development of GIS capabilities in the Planning, Engineering and Environmental Services departments.

Based upon the information I received during the salary survey that I conducted in January/February, 2006 I have listed this position under pay grade 14 (the same grade of the previous Network Administrator position) with a salary range of \$ 35,728 - \$ 54,135. Initially, this person will be placed under the direct supervision of Mr. Dennis Asbury, Director of Environmental Services. The February 13, 2006 memorandum I received speculated that they feel we will need to pay about \$ 40,000 to get the caliber of person we need.

#### **Additional Relief Firefighter/Driver Operator**

Currently, the Fire Department has two (2) relief personnel who float to cover vacancies and time off in the Fire Department. The Fire Department is different than many departments within the City. If an employee in the Police Department would like to be off, that position/person can be vacant and not stop the critical functioning of that department as a whole. When an employee requests to be off in the Fire Department we must fill that slot to maintain a normal level of operations since we only have one (1) full time equivalent employee at each station for each shift. We are based on a twenty-eight (28) day work cycle with three (3) shifts that work twenty-four (24) hours a day on a rotating schedule. During each of those twenty-eight (28) day cycles, one (1) shift is scheduled to work ten (10) days instead of nine (9). When this occurs we must allow each employee to be off one of the scheduled 24-hour periods. This practice is done to keep from paying overtime to those employees and is referred to as “Kelly Days”. When there is an employee off for other types of leave such as vacation, sick leave and compensatory time we must fill that position to keep

operations running. Currently, the Fire Department is based upon a skeleton crew of one person assigned to each station across three (3) different rotating shifts to make for twelve (12) assigned employees. The department has two (2) relief persons that cover only 2/3 of the time. By adding one (1) additional relief operator we will be able to place one (1) person on each shift to cover relief. This will also prove to be very beneficial when we have employees who are out extended periods of time due to injuries. The Firefighter/Driver Relief Operator I position is listed under pay grade 9 with a salary range of \$ 27,994 - \$42,417.

The financial reporting standards required by the state and other agencies direct that the \$998,800 transferred from the Water and Sewer Fund to the General Fund be allocated as an administrative charge to the department providing the service to the Water and Sewer Fund. The administrative charges are allocated to the following departments:

<u>Department</u>	<u>Amount To Be Received</u>
Governing Board	\$ 29,800
Administration	\$ 170,700
Environmental Services	\$ 120,700
Finance	\$ 265,900
Information Technology	\$ 29,600
Legal	\$ 40,000
Engineering	\$ 181,100
Public Building Services	\$ 18,100
Fleet Maintenance	<u>\$ 142,900</u>
<b>Total</b>	<b>\$ 998,800</b>

The budget includes \$ 2,124,700 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 City’s bio-solids handling facilities utilize the liquid land application method. This method’s success is dependent on several factors such as weather, land availability, contractor availability and the individual farmers whose land is permitted. A dewatering facility (belt filter press, building and storage pad) would eliminate the weather dependent factor and would also reduce the other listed factor’s dependency. This now can be accomplished by using the Design, Build & Operate Concept. This lowers the capital cost significantly due to the execution of a long term operational contract. This would also give us the option for future enhancements to the bio-solids disposal method (Class B – Land Application or Landfill to a Class A Residual – Marketable Public Reuse).

The revenue that will be required to fund these expenditures will come from three sources. First, a total of \$ 1,919,000 of the \$ 7,500,000 million dollars in loan proceeds will cover the bulk of the actual work being done. An additional \$ 204,700 in the form of a contribution from the Water and Sewer Fund will be used to make the related debt service payment. Finally, a total of \$ 1,000 is anticipated in the form of consolidated interest on funds within the project fund.

The budget includes new funding in the amount of \$ 445,000 for the paving of all unpaved roadways and parking areas in Phase I, II, and III at Freedom Park (\$ 300,000) and the clearing, grubbing and placement of stone on land donated to the City by the Wright family (\$ 145,000). Both of these projects are important to the ongoing development of our Parks and Recreation program as well as the development of Freedom Park. The work on the

additional parking areas, an outdoor amphitheater, the skateboard park, and a walking nature trail will be completed during FY 2006-07 with funds previously received from the State in the form of a PARTF Grant.

The budget includes \$ 1,161,900 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:

Kuder Street Pump Station Improvements	\$ 650,000
Work Related To SOC - Ongoing	\$ 400,000
Principal/Interest Payment On Loan	<u>\$ 111,900</u>
Total	\$ 1,161,900

The revenue that will be required to fund these expenditures will come from two sources. First, a total of \$ 1,049,000 of the \$ 7,500,000 million dollars in loan proceeds will cover the actual work being done. An additional \$ 111,900 in the form of a contribution from the Water and Sewer Fund will be used to make the related debt service payment. **It should be noted that an additional \$ 2,000,000 will be needed in FY 2007-08 to complete the Pump Station Improvements component of the SOC.**

The budget includes \$ 3,359,500 within the Water Pressure Improvements Fund for work associated with the Comprehensive Water Pressure Improvements Project as well as the Dunn Street Water Pressure Improvements Project. A detailed project description of each work component can be found on the expenditure page of the Water Pressure Improvements Fund. The revenue that will be required to fund these expenditures will come from two sources. First, a total of \$ 3,035,700 of the \$ 7,500,000 million dollars in loan proceeds will cover the actual work being done. An additional \$ 323,800 in the form of a contribution from the Water and Sewer Fund will be used to make the related debt service payment. **It should be noted that an additional \$ 2,000,000 will be needed in FY 2007-08 to complete the Comprehensive Water Pressure Improvements Project.**

The budget includes \$ 1,721,100 for a variety of waterline upgrade projects and related debt service payments. The “new” specific projects slated to be completed or initiated during FY 2006-07 include:

Third Avenue – Replace 1,700’ Of 2” WL With 8” WL	\$ 172,000
Smith Acres Area – Replace 3,545’ Of 2” WL With 6” WL	\$ 241,800
Chatham Court Area – Replace 1,100’ Of 2” WL With 6” WL	\$ 96,800
W. Grove Street – Replace 295’ Of 2” WL With 6” WL	\$ 20,700
Oakland Avenue – Replace 3,775’ Of 2” WL With 8”, 10” & 12” WL	\$ 300,000
Daniel Adkins Street – Replace 1,050’ Of 2” WL With 6” WL	\$ 79,000
Lane Road – Replace 750’ Of 2” WL With 6” WL	\$ 50,700
Rhodes Road – Replace 1,200’ Of 2” WL With 6” WL	\$ 98,000
Bradford Street – Replace 1,380’ Of 2” WL With 6” WL – Design Only	\$ 15,000
Wilson Street – Replace 1,500’ Of 2” WL With 6” WL – Design Only	\$ 20,000
Lake Drive – Replace 1,350’ Of 2” WL With 8” WL	\$ 140,000
Beech Street – Replace 675’ Of 2” WL With 6” WL	\$ 70,000
North Street – Replace 820’ Of 2” WL With 6” WL	\$ 61,500
Roosevelt Street – Replace 510’ Of 2” WL With 6” WL	\$ 41,000
Vintage Road – Replace 2,200’ Of 2” WL with 6” WL	<u>\$ 155,000</u>
Total	\$ 1,561,500

The revenue that will be required to fund these expenditures will come from three sources. First, a total of \$ 1,496,300 of the \$ 7,500,000 million dollars in loan proceeds will cover the bulk of the actual work being done. An additional \$ 223,000 in the form of a contribution from the Water and Sewer Fund will be used to help fund a portion of the improvements and



to make the related debt service payment. Finally, a total of \$ 1,800 is anticipated in the form of consolidated interest on funds within the project fund.

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 FY 2005-06 budget included \$ 15,000 for the resurfacing of Burton Street, Dodge Street and Short Street. The proposed budget for FY 2006-07 includes \$ 11,000 for the resurfacing of Hilltop Lane, Thacker Street and Danview Lane.

The FY 2005-06 budget includes \$ 242,200 for the replacement of eleven (11) of the fifty-two (52) vehicles currently assigned to the Police department. These include two (2) 1992 models, one (1) 1993 model, and eight (8) 1995 models all with an average mileage of approximately 113,000+ miles.

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 \$825,081. 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, 2005 indicated a fund balance within this fund of \$ 346,492. The FY 2006-07 budget continues our commitment to this program and includes an allocation of \$ 118,500 for the Police Pension Trust Fund. This is an increase of \$ 10,500 or 9.72% when compared to the amount that was allocated for FY 2005-06 (\$ 108,000). In FY 2004-05 and FY 2003-04 the amount actually allocated was \$ 100,000. In FY 2002-03 the level of funding equaled \$ 72,000 and in FY 2001-02 the actual amount allocated was \$30,000. 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 2006-07 budget includes \$ 44,000 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 they felt needed to be addressed between FY 2004-05 and FY 2007-08 (four years). In addition, there were fourteen (14) additional projects that were identified that they felt would need to be completed at some point between FY 2008-09 and FY 2019-20. The estimated cost for these projects equals \$ 62,746,000 in FY 2003-04

dollars. This is a total need of \$ 92,122,000 within just the City's water and sewer system. The \$ 7,500,000 loan for the Water & Sewer Fund that has been included in the FY 2006-07 budget will allow the City to continue addressing some of these needs but there are still an abundance of additional needs that have been identified that will ultimately have to be addressed and paid for at some point in the future.

The FY 2006-07 budget as presented does not include any funds for the design, engineering and construction of an industrial park. The Comprehensive Site Selection Study being completed by Pyramid Environmental & Engineering, P.C. should be completed prior to the beginning of FY 2006-07. Unfortunately, the final results, recommendations and associated costs are not presently known and it is impossible to budget accurately for this need. In discussing the matter with Mr. Tom Robinson, County Manager he indicated that the County's portion of this initiative would likely come from existing fund balance and that he was not going to budget a specific sum of money in his FY 2006-07 budget. The City's portion of this initiative will have to come from an installment loan, available fund balance within the General Fund or a combination of both revenue options. A budget amendment will be needed at some point in FY 2006-07 once some final decisions have been reached.

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. The legislation that was ultimately passed included a two percent (2%) tax. A total of \$ 50,000 in both Occupancy Tax related revenues as well as Occupancy Tax related expenditures have been included in the FY 2006-07 budget as presented.

During the months of January and February, 2006 I contacted a total of twenty-five (25) communities that are comparable in size with Eden in an effort to obtain some current information in relation to existing salaries and salary ranges for various job classifications. At the same time I also obtained information on the compensation being paid to the Mayor, Mayor Pro Tem and members of City Council. Based upon the survey data I collected the survey average for the Mayor is \$ 8,108, \$ 5,504 for the Mayor Pro Tem and \$ 5,347 for members of the City Council. Currently, the Mayor of Eden is being paid a total of \$ 3,000 per year and the Mayor Pro Tem and members of City Council are being paid a total of \$2,400 per year. The Mayor for the City of Reidsville is currently being paid a total of \$ 6,900 per year while the Mayor Pro Tem is being paid a total of \$ 5,504 per year and the members of the City Council are being paid a total of \$ 5,100 per year. According to the recently released book entitled, "*North Carolina Municipal Salaries – As Of July, 2005*" published by the North Carolina League Of Municipalities the average salary for a Mayor for a community within our population grouping was \$ 8,061 while the average salary for the Mayor Pro Tem was \$ 5,483 and the average salary for members of the City Council was \$4,970. It is clear from the information outlined herein that there is ample justification for an adjustment to the level of compensation currently being earned by the Mayor, Mayor Pro Tem and members of City Council. Additional funds for increasing the compensation for the Mayor, Mayor Pro Tem and members of City Council could be allocated if supported by the members of City Council from the General Fund Contingency or the Special Appropriations line item for Future Salary Adjustments – both of which are included and funded in the proposed FY 2006-07 budget as submitted.

### **Concluding Remarks**

The primary purpose of the city's budget and budgetary process is to develop, adopt, and implement a plan for accomplishing goals for the upcoming year; while keeping consistent with the long term vision of the city. The proposed budget allows the City to meet the continuing high quality service demands of the community and to address necessary infrastructure maintenance and improvement projects. The budget also provides the resources to pay for significant, large scale project expenditures for things such as water and sewer improvements, downtown revitalization initiatives, enhancements to our parks and recreation facilities, the creation of a greenways/pedestrian system as well as funding for

much needed equipment/vehicle replacements and improved employee/retiree benefits and compensation.

Achieving a balanced budget has not been an easy task. Not all projects requested by various City departments/divisions have been included for funding. Much of our spending is non-discretionary in nature, and the problem is compounded by a State fiscal picture that remains challenging with additional cuts to local government always a possibility.

I have often summarized our existing condition by saying we are 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 and 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 we are generating on an annual basis is barely sufficient enough to cover annual operating expenses – let alone much needed improvements to our infrastructure, various economic development and quality of life initiatives and numerous capital outlay related projects. This is supported by the fact that this budget is being balanced in part thanks to the allocation of \$ 2,178,700 in available fund balances and the acquisition of a \$ 7,500,000 installment loan. There is a serious need to identify and develop additional revenue on an annual basis to help fund many of these longer term needs.

We have made some significant strides over the course of the last twelve months continuing a trend we started five (5) 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, 2005 the City of Eden realized the following changes:

The fund balance in the General Fund increased from \$ 6,954,005 to \$ 7,554,139 an increase of \$ 600,134. The fund balance in the General Fund as of June 30, 2000 was \$4,157,472. This represents a total increase of \$ 3,396,667 or 81.70% in just the past five years. In addition, the fund balance available for appropriation (called the undesignated fund balance) was equal to \$ 5,252,727 on June 30, 2005 which compares very favorably with the June 30, 2004 figure of \$ 5,070,039, 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 five years this has grown by a total of \$2,710,948 or 106.66%.

The fund balance within the Water & Sewer Fund decreased from \$ 6,232,073 to \$6,120,520 a decrease of \$ 111,553 or 1.79%. Despite this slight reduction the fund balance in the Water & Sewer Fund as of June 30, 2000 was \$ 4,345,594. This represents a total increase of \$1,774,926 or 40.84% in just the past five years. Another important factor to note is that the total liabilities decreased from \$ 6,181,888 as of June 30, 2004 to \$ 5,000,335 as of June 30, 2005. The total liabilities for the four previous fiscal years was: June 30, 2003 - \$ 7,281,676, June 30, 2002 – \$ 8,699,886, June 30, 2001 - \$9,709,734 and June 30, 2000 - \$ 10,992,154.

The assets of the City exceeded its liabilities at the close of FY 2004-05 by \$ 49,514,204 (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, 2005 was \$ 4,580,000 down from \$ 5,897,248 for the period ending June 30, 2004, \$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 \$ 1,245,000 in long term principal debt is scheduled to be retired during FY 2006-07 on the 1990 \$ 23,000,000 revenue bonds for water and sewer improvements. The legal debt margin for the City as of June 30, 2005 equaled \$61,371,779 up from \$ 60,795,846 on June 30, 2004.

Over the past five 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.

The City's future will be determined by choices made today. The Mayor, City Council and staff for the City of Eden are cognizant of the economic challenges and opportunities facing our community. The budget for FY 2006-07 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. I am confident the future is bright for our City as long as we continue to maintain and support our long term vision aimed at being proactive versus reactive in making Eden the best place possible City to work, play, shop and live.

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.

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, Director of Finance and Personnel and Ms. Amy Winn, CPA, Accounting Coordinator for their contributions dedicated efforts and many hours of study and hard work related to the preparation of the budget. I would also like to thank Mr. Dennis Asbury, Director of Environmental Services, Ms. Teri Sentiff, Personnel Specialist, 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 constructive efforts which also 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 throughout the entire budget process.

### **Discussion by Council:**

Mayor Grogan opened the floor for discussion.

Council Member Tuggle stated that just in observation he noticed in different departments he was talking about the gasoline increase and he had counted off \$90,000 by itself, just in things he had listed in there and in his opinion that was probably a lot more. He questioned how much more was it than probably the \$90,000 listed in there.

Mr. Corcoran explained that if they turn to page 24 in the budget message, at the bottom, he had included just a little synopsis on the gasoline prices and the fact that these have continued to escalate during the course of the past several years. He noted that that in 2002-2003 the actual expenditures were \$156,162 and they were projecting expenditures next year equaling \$315,800, which if they look at that compared to what was budgeted in the current year, they were increasing about \$90,000 plus.

Council Member Gover asked what action had been taken to reduce some of that.

Mr. Corcoran replied that they have implemented gas conservation methods and he thought that in about three different weekly reports during the year that he had provided detailed reports and breakdowns of exactly what they have done to save on gas. He added that he would be happy to pull those and share that with them again. He explained that one of the

things they have done in the Police Department, instead of patrolling for sixty minutes (60) at different times during the year, they will take fifteen minutes (15) out of the hour and they will either run radar or be stationary in a set location and that helps on the mileage. Of course they also try to limit the trips, plan the trips, have more people in the vehicle, anything that could be done to cut back.

A motion was made by Council Member Gover that they do not increase the Water & Sewer and Solid Waste rates this year. He noted that they just had a 13.5% last year on the water and sewer and there too they had a \$2.00 reduction on the tipping fees that should have helped solid waste and also they have the revenue over and above the \$1.9 million and they spend that much money every year on these projects.

Council Member Nooe seconded the motion.

A substitute motion was made by Council Member Myott as she did not want to make a motion to do away with it, but she certainly thought they needed to sit down and talk about it more than they have. She explained that was one of the reasons she wanted them to have a session, which they never had, because 4.8% did bother her, plus taking on the solid waste. Her thought was that maybe they would sit down and talk about a delayed set fee and each year that would automatically go into place so that they did not have to wait two or three years and have a larger fee, just an automatic increase as long as they were in the economic times they were in and that they needed to do all of this water and sewer stuff. That was her idea and she really thought that was what they were going to discuss when they had a meeting.

Council Member Tuggle stated that he did not necessarily disagree with Council Member Gover in some respects but he certainly agreed that they should discuss the whole budget and talk about raises and those things before they voted to totally eliminate the possibility of doing it. He stated that he had said this all along and he really felt this way that when you go for years and years and then all of a sudden you get \$93 million worth of water and sewer problems and then you have to have an increase to try to pay for it, if you do incremental things along the way it would not hurt so bad. He stated that he would at least like to have some discussion on this thing before they voted it down, for it or against it.

Council Member Gover explained that was the whole idea of making the motion so that they could discuss it. They did have these enormous increases to start with and then came back with a 13 or better increase so they were back to back with these increases and last year the audit showed they had \$1.9 million or so and after the audit this time they would have another \$1.9 million so he questioned what the big rush was going back to back with another rate increase. He stated that he could not see it and especially questioned if they would continue to fund these departments 50% to 70% in the water and sewer every year. They needed to take that into consideration and he questioned why they keep funding them every year in the water and sewer because some where there had to be a breaking point.

He added that they compare Eden with Reidsville most of the time and they needed to realize that Reidsville had a 67 cent on 100 where Eden had 57 cents so their tax base was greater, therefore they had about \$1 million more in their General Fund to play with so Eden could not follow them.

Mayor Grogan stated that Council Member Myott mentioned setting something and it be there year after year. He noted that years ago they talked about doing a dollar every other off year when there was no election, for solid waste, and making it pay for itself. He added that he thought she knew the history of that. It went three or four years and then it stopped.

Council Member Myott pointed out that even if something would go for four years they would still gain.

Mayor Grogan stated that he did not disagree but he was just pointing out that things that are done by one Council one year can change the next year.

He then continued by noting that where they were, they wanted to go through the budget with discussion on items. He added that he thought that was why the City Manager had his department heads there. If the Council had specifics to talk about or if they want to have a meeting after this meeting, to sit down and discuss things. He added that although, today was not a bad time to mention it either.

He noted that Council Member Gover had made a motion and had a second to eliminate any increase in water and sewer and solid waste fees.

Council Member Nooe pointed out that they had a substitute motion to which Mayor Grogan explained that the substitute motion was to discuss setting a fee on an annualized basis, which would possibly be less than what was recommended at the proposed time, and an opportunity to discuss other things in the budget.

Council Member Turner asked if that was the substitute motion to which Mayor Grogan replied that it was. He asked for those in favor of the substitute motion to which Council Member Myott voted in favor. Mayor Grogan stated that for the lack of a second...he asked Council Member Myott if there was a second to the substitute motion to which Council Member Myott asked if there was no second.

Mayor Grogan explained that there was a motion and a second and then they voted. Council Member Myott questioned if they voted to not do anything to which Mayor Grogan replied they voted to not do anything there on the substitute motion. Now, they would vote on the first motion, which was to eliminate the fees on water, sewer and solid waste from this year's budget.

Action on the motion to not raise water and sewer rates or solid waste fees were as follows: Council Members Nooe and Gover voted in favor. Council Members Epps, Myott, Turner, Tuggle and Carter voted in opposition. This motion was defeated.

Council Member Tuggle commented that he just thought it would be nice to have discussion on all the items before they begin voting anything out of it. It was always a nice idea to at least try to come up with some type of options of things that they have before they vote on anything. He explained that in his opinion he felt like that was what they have these sessions for, to go through the whole budget and check through everything. He agreed, where he worked, he saw people coming in every day who could not afford...even and really if you look at it, 5,000 gallons of water was \$1.20 a month. That did not sound like a whole lot to him, but somebody on a fixed income who did not have very much, he thought they should go through the whole budget take a look at everything and look at options and possibilities before they vote on anything.

Council Member Gover stated that the reason he did that, that was an item within itself.

Council Member Turner suggested that if they went page by page through the budget message they could ask anybody any questions because she had written her questions out in the budget message. If they start at page one, maybe they could go from there.

Council Member Tuggle added that they were talking about a two hundred (200) page document there and the way this thing was set up, he did not know if he could thumb through it at one time and find a question. It was nice for them to at least know the format before hand. He explained that they have had some of these sessions before where they could sit down in the other room and it was easy to have their questions all out but it was hard to go through that many pages and come up with a particular question. He stated that he would rather have time at another meeting to have all their questions in order and then sit down and be more prepared for this. He had read through it but it was very difficult to go through that many pages and come up with a particular question. He stated that he would like to see some options and just discuss everything in the budget.

Mayor Grogan asked the Council if they all felt the same to which Council Member Turner replied that she had to have some more discussion and Council Member Myott agreed.

Mayor Grogan suggested they go two different ways. He had been through and highlighted things and of course Council Member Tuggle had a good point. He stated that he did not mind flipping pages. He asked if anyone had any questions.

Council Member Tuggle commented that he thought the way to go going through it and if there was nothing then fine, then move onto the next one but he thought they should at least touch on everything and have discussion.

Mayor Grogan turned to page three (3) and pointed out that this was a breakdown of their Fiscal 2006-2007 budget which indicated a summary of funds, less the borrowed money, the transfers, the appropriated fund balances and the pass thru funds. He then turned to page four (4).

Council Member Gover questioned how Mr. Corcoran had arrived at such an enormous figure on Greenways and Trails.

Mr. Corcoran commented that he thought they were on page four (4) of the budget message.

Council Member Gover replied that he was on page four (4) on item “D” (Development of Greenways, River Trails, River Access).

Mr. Corcoran explained that those were the goals that the Council listed at the retreat.

Council Member Gover stated that it gave the amount of money.

Mr. Corcoran replied that the amount of money comes later and that item had no amounts of money listed there.

Council Member Gover replied that he knew that and Council Member Myott added that the page before did have it listed (\$475,600) to which Mr. Corcoran asked what the specific question was.

Council Member Gover replied that he just wondered how he could come up with a project and put monies on it.

Mr. Corcoran explained that the Director of Planning & Inspections, Kelly Stultz, developed a cost analysis and he was sure she would be glad to discuss that with them. There was also a whole Greenways Project budget in there which he thought itemized the costs that were in the budget, so all of these were developed by the different department heads.

Council Member Tuggle commented that he actually had the same question as Council Member Gover and he knew that if they go through (the budget message) page by page, it will get to that individual area where you talk about Greenways. He also had a lot of questions about Greenways and expenses, they spend \$400,000 or so on Greenways but yet they were going to have rate increases. When they get to that, he had the same questions.

Mayor Grogan suggested they take the tabs, because the tabs had everything in there.

Council Member Tuggle replied that would be fine and asked Mrs. Stultz to come up and talk about it.

Greenways and Trails:

Mayor Grogan asked the Council to turn to the tab under Greenways and noted that page one of one has a cost breakdown.

Mrs. Stultz added that in last year's budget, the City Council budgeted a certain amount of money for a Greenway master plan. The consultant had been hired and that plan was to carry over to budget year. They have applied for a grant in hopes of getting half of that paid for and they should hear about that soon. She explained that part of the money they see in there was the funds that were required to complete that plan. The total cost of the plan will be \$86,635. She pointed out that already prepared were the surveys of the area for the pilot program, actually the Smith River walk, as it was planned. They put out a request for bids and W.K. Dickson was the one that appealed the most to members of the staff so they helped the staff come up with cost figures for actually designing, building and completing the greenway from the Smith River Bridge at the traffic circle, back towards King Highway with the trailhead being located there at the bridge and the YMCA parking lot on Kennedy Avenue would be the second trailhead. She noted that this would be the first leg in an overall city plan. There were no Transportation Enhancement Funds available to the city until Fiscal Year 2008 but they plan to make an application for funding to construct another area at that time. What they see there is a fairly clear breakdown \$136,500 which was for the design and planning and part of the engineering services. Then they would have architectural services and the engineering for the trailheads. She added that they have potential for right of way acquisition since they did not have to pay for any rights of ways, obviously those funds will not be expended. She also noted the amounts for clearing, grading, site preparation and building utility construction, and then equipment, machinery and furniture. She added that furniture meant benches, telephones for emergencies along the trails and those kinds of things.

Mayor Grogan asked if that was the total master plan to which Mrs. Stultz replied yes, that was the entire city, for everything. Mayor Grogan questioned the preliminary design to which Mrs. Stultz replied that (figure) was for this phase. Mayor Grogan also asked if the site preparation, etc., was also for this phase to which Mrs. Stultz replied in the affirmative.

Council Member Turner asked if she felt like all that could be accomplished in the next budget year.

Mrs. Stultz replied yes as they were assured that if Council agreed, then they could do the first chunk within Fiscal Year 06-07.

Council Member Tuggle asked where the bike paths would run.

Mrs. Stultz replied that the master plan would tell them that.

Council Member Turner asked if they were doing this preliminary part before they do the master plan.

Mrs. Stultz replied that they knew that the City Council had already made the decision to include this leg of the greenway system in whatever system there was and so this will be included in the master plan but it has already been identified by the city.

Council Member Turner commented that it almost seemed backwards.

Mrs. Stultz agreed and explained that they would be doing those two things concurrently. They were going to have the first meeting with the consultant this Wednesday to decide about the big public meeting that they were going to have to kick off the master plan.

Council Member Turner pointed out that there was no doubt this was expensive but it was so important for their city to see this come about over the next few years. She knew there were a lot of needs as every city had a lot of needs. She noted that the Raleigh News & Observer mentioned they were looking at this big area around the Dorothea Dix Hospital. People want these green areas in cities and Eden was lucky in that they have a lot of green space, but if they were not careful they would have a big box store and all the trees gone, so these were important projects.



Mrs. Stultz agreed that early on in the movement for these sorts of linear parks, they were considered pluses in communities and as times have changed they were an expectation both from their current citizens and when someone was considering on locating here. The rivers were the one thing that they have that makes them special in regards to lots of other communities and this was one of the recommendations that they get from folks trying to help them build their economic base, that it was not only a great in the quality of life for citizens now but it was an economic development tool. As they look at the environmental issues surrounding their rivers it would certainly be a shame for them to continue to not have places for their citizens to enjoy. It was a big expense but she certainly did not ask the Manager to put it in her request nor would he have approved it if she did not believe it was of vital importance to their community.

Council Member Tuggle stated that he had discussed this with Mr. Dougherty, but how much impact does this have in people's decisions considering coming to Eden.

The Business Development Director, Mr. Mike Dougherty, explained that he had a conversation with Gildan's Plant Manager, Paul Parker two weeks ago and he was talking about the number of people who work at that plant and live in Kernersville. Mr. Parker stressed the importance of amenities like greenways and more restaurants and those types of things. He pointed out that what was not a consideration twenty-five years ago was a huge consideration (now). There was a generational change and people want these kinds of things. He stated that Mrs. Stultz made a very interesting point. It was not just the people who were just involved in greenways. They used to think of it as recreation, now it was an economic boon type of contribution to a city, plus people expect it.

Mr. Dougherty noted that in the last week, five people have come to the Chamber of Commerce from Florida looking to relocate in Eden. He pointed out that people were coming here because they were leaving high tax areas like the northeast and Florida, but they were going to settle in an area that had these types of things. He explained that all of the baby boomers were getting ready to retire. In the next thirty five years there would be people looking for alternative communities. If they did not have it then they were considered a place that was not up with the times. He asked them to consider Freedom Park. That was an amenity for this community right now. It was one of the most popular facilities in the city. People love to go there, people from outside of town go there, it was expected. The other point was, as far as the rivers, he thought that the top priority they must have as a city was to exploit them. Those rivers have been here thousands of years and they have a river access point ready to be completed. He added that the Mayor of Charlotte, who should know about these things, said that if you have a body of water you better be exploiting it like crazy, because people want to be near water. Eden had all these rivers and they have no where for people to walk near them and only one access point right now. It was really important for consumers living here plus for industries and other businesses, based on what they were hearing, as far as what was in consideration for industry and quality of life.

Council Member Epps stated that it would be a shame to back away after they have made promises and people were out there excited about it.

Council Member Gover commented that he did not say "do away with it". He (just) asked about the money because people have asked him how they were going to go about...he would tell them they would stay on their sewer lines, outfalls or whatever... to which Mrs. Stultz replied they would stay as close as they could.

Council Member Gover added that he was being questioned about the archways and bridges that have to be built over these low lying or flooded areas and he had replied that he could not answer the question. He was curious as to how she came up with the money on all these bridges and low places that go up and down the river that they would have to clear and build bridges.

Mrs. Stultz explained that W.K. Dickson came out and actually did field research, plus based on the numerous facilities of this type that they have constructed they have already had the survey work done and they have made these estimates based on experience and site visits.

Council Member Gover noted that with the thought in mind also when you follow their sewer outfalls, they just spent hundreds of thousands, still spending, three claims on their outfalls, and you know these greenways were going to get washed away too.

Mrs. Stultz replied that they have had some discussion about that and one of the reasons that there were a lot of those expenses was when these facilities were designed they were designed to mitigate any of that. In fact, she had a question from a Council Member last week and she put it out on the Planner's ListServ to find out from other folks who had these kinds of facilities in and near bodies of water, what source of loss experience they have. To this point everybody she talked to or that sent replies stated that the damage from the flood that these sorts of facilities have was generally minimal. Anything they own anywhere was subject to some risk. These facilities would be covered by insurance and constructed in such a way that the damage would be mitigated at all possible. If they build them away from their bodies of water they would lose so much of the benefit from them. She was not going to tell that there was no risk but there was risk to their sewer lines sitting near them and they have to be there, but nobody reported any kind of huge loses from a flood event (however), she did add that there would be some need for clean up and those kinds of things.

Council Member Nooe asked what all they would get with Phase I.

Mrs. Stultz replied that Phase I would start there at the bridge and the trailhead would be there with bathroom facilities and a parking lot and a picnic shelter. The first year's money would do all of the design work to construct a trail, and compact it from stone and prepare it for paving. They would also have trailhead kiosks and everything up near the YMCA and there would also be emergency phones along the trail and benches.

Council Member Nooe asked if the \$136,500 preliminary design plan was just for this phase to which Stultz replied yes.

Council Member Turner asked if the reconstruction there at the bridge would be in the way to which Mrs. Stultz replied that they would be out of the way.

Streets:

Council Member Tuggle noted that it said (in the budget message) an increase of \$15,000 has been projected in terms of costs associated with (or) has been allocated under maintenance/repairs and sidewalks, to begin an aggressive initiative aimed at repairing deteriorated sections of sidewalk throughout the city. He asked Mr. Corcoran to reiterate that again. He stated that he just thought the sidewalks in this city were deplorable. The sidewalks were in bad shape and all to pieces and he just hoped they would put a lot of emphasis on trying to do something about them to improve the looks. He asked him to explain how that would tie into revitalization downtown as far as the sidewalks and what this \$15,000 would do.

Mr. Corcoran replied that he had met with Mr. Dennis Asbury, Director of Environmental Services and Mr. Darren Gatewood, Streets Superintendent, and one of the points he made during that meeting was a desire to see a concentrated effort on the sidewalks. He had asked Mr. Asbury and Mr. Gatewood to come up with a figure that they felt could be done in 06-07. Basically they discussed focusing on sections of sidewalks that were already in existence versus constructing new sidewalks. It was noted that basically they felt that \$15,000 was what they needed to go out and replace them on an aggressive schedule. Obviously where those sections may intersect or be a component of a downtown area, it just helped with the aesthetics and the overall appearance of that area, again it did not make much sense to do a downtown revitalization effort if you were not going to do the entire job.

He also noted that it was very difficult to know in May 2006 exactly what you will need by June of 2007 which was why there was the ability once the budget was adopted to move funds through line item adjustments from one line item to another. So in the event that they see that they need a little bit of additional money, they could always allocate some money to improve the sidewalks from one of the other line items within the Street Department budget. But that figure was generated by the Department and Division Head.

Council Member Turner asked if there was an inventory basically like the streets of which sidewalks were in worse shape.

Mr. Corcoran replied yes, Mr. Gatewood had a prioritized list just like Ms. Amos maintained in terms of the Street Resurfacing Projects.

Water & Sewer Fund:

Council Member Turner noted that the departmental requests were cut 50% and she was concerned about that much need and it was still cut by 50%. She expressed concern about what was being left out.

Mr. Corcoran explained that on page 45 (of the budget message), there was a bullet there about the Water & Sewer Master Plan that was presented to the City Council on February 11<sup>th</sup>, 2004 and in that at that point there were 26 different projects at that time that were identified as needing to be addressed between then and the next year which was \$29.376 million. There were 14 additional projects that were identified that would be needed between 2008-2009 and 2019-2020 at an estimated cost of \$62 million. So basically there was \$92 million in 03-04 dollars that were identified.

He stated that he thought that the Department of Environmental Services and staff were again using that master plan document when they submitted their requests that totaled a significant amount of money. The bottom line was, which goes to the heart of why the rate increase was needed, was that the revenues that were being generated on the Water & Sewer Fund were just not that significant. He noted the \$7.5 million, if you go to the Special Appropriations under Water & Sewer Funds and see all those line items, contribution to bio-solids, contribution to waterline upgrades, contribution to water pressure improvements, and contribution to sewer rehab, if you put all those together they total about \$750,000 and that was the debt service next year on a \$7.5 million loan. The bottom line was, even with the recommended increase that would generate, \$181,000 was all they could afford. It was also important to note that there was \$4 million more worth of need that will be needed next year. They were going to need an additional \$2 million to finish the water pressure improvement initiative they were getting ready to start and they would also need an additional \$2 million to the pump station component of the Special Order by Consent. So the end was not in sight, but there were years where the system just sat and now the Council was being aggressive in trying to address those needs and obviously it takes money.

Council Member Tuggle stated that he knew there was a point that they had to pay as they go somehow or another or get so far behind you have to have rate increases, or if they lost a company such as National Textiles, who used so much water, they would have no choice. But, he questioned if there was any way that they could do something to help someone who was 62 or over or at the poverty line, where their rates would not go up. He asked if there was any way they could develop a system to where that could work.

Mr. Corcoran replied that he was not the City's Attorney, but he would think so since the city owned the utility. They were doing that right now on the Solid Waste fees. They have a special yellow for individuals who were 65 or older and use a third of their trash can for waste. He did know that years ago they did check on that with the other utility companies and that was not a common practice, but he would think that as the owner of the utility, if that was something that they all wanted to explore they could.

Council Member Tuggle explained that it just bothered him. He stated that he dealt with people where he worked who come in every single day and it may not sound like very much to him, 5,000 gallons of water to pay an extra \$1.20, that was no big deal, but it was a big deal to someone who comes in and their medication has gone up, they cannot get healthcare, \$1.00 or \$2.00 made a lot of difference. He stated that he would really like for them to explore some way to develop some type of rate system where the people who could afford to pay it could pay it and those other people, make their rates not go up or whatever, he would at least like for them to take a look.

Mr. Corcoran added that he also wanted to note in response to Council Member Turner's question, the other nice thing was that if they refer to page 29 of the budget message, they talk about the Debt Service and the fact that \$1.4 million has been included in the budget for that. Another thing to remember, a couple of years ago they took a progressive, proactive approach and created a holding account for future debt service. At that time in 2003-2004 the Debt Service equaled \$1,647,100. They said they wanted to protect that money and not absorb it in day to day operating cost so that in 2009-2010 when they pay off that debt service they would be in a position to borrow additional monies to help address some of the needs that were identified in the Water/Sewer Master Plan. And the budget as submitted to them includes \$246,000 more going into that holding account as well as the \$1.4 million. The point was that in 2009-2010 when they pay off the 1990 \$23 million revenue bond referendum they would have that \$1.6 million to reinvest in borrowing for additional capital outlay initiatives. The tough thing was that they were looking at a need of \$4 million more next year. The reality was that they would not have the fund balance because they have used \$4.5 million of their fund balance this year. That was why they were not recommending using any more next year. So even with the 4.8% rate increase it was taking that to cover the \$7.5 million loan. Not to mention they were going to be looking at probably another \$4 million loan next year which would be, if it was the same interest rate, basically \$400,000. The good news was, in a few years they would have a good allotment of money to do some of these needs, but in the interim some of these projects could not wait and they did not have a choice with the SOC's. This 2006-2007 was going to be spent finishing the line work, monitoring the results, and designing the pump station improvements. The actual work on the pump stations will not take place until 2007-2008 but that was going to be at least \$2 million.

Council Member Carter commented that he was all for low rates, but he did not see how they could not do anything. He stated that it may put them in the same situation as they were in last year. He did not think they could hold off and not do a little bit and all of a sudden come back and recommend a rate increase; the citizens could not afford it.

Council Member Gover pointed out that it was not the water. When they are talking about water, they are increasing sewer also. He explained that when the rates were increased they went from 75% to 100% sewer. So that was a big increase that people just did not pay any attention to until they got their bill. When you increase your water and sewer, of course your water was lower, but when you put your sewer in there, that was what hurts the people.

Mr. Corcoran stated that the recommendation was to not lose ground. The 4.8% just maintains where they were at, the solid waste increase equals exactly what the rate of inflation has been since it was adopted four years ago. Again, the water and sewer increase combined, the average senior citizen using 6,800 gallons was 96.5 cents a month. That was for water and sewer. Their bill would go up by \$11.58 a year. A family using 10,000 gallons, bi-monthly, \$1.215 cents a month, their bill would go up by \$14.58 a year. A larger family, using 15,000 gallons, their bill would go up by \$1.615 a month.

#### Water Line Upgrades:

Council Member Grogan noted that the City Manager mentioned several other things in here when he talked about water and sewer such as the Bio Solid Upgrade fund, the Sewer Rehabilitation, and Water Pressure Improvements. He asked if they would like to move to Water Line Upgrade Fund projects.

Council Member Epps stated that most of his calls were about water and sewer and waterlines. People wanted to get them fixed and they will have to pay to do it.

Mr. Corcoran asked them to turn to page 43 of the budget message. That page shows them all of the streets that were included in that \$1.5 million.

Council Member Myott stated that she noticed that some of these roads and streets were outside the city limits. The one closest to her area was Oakland Avenue, which was the only one they have in from that bad area. She noted that Lane Road and Rhodes Road both are past Parkdale and Vintage Road comes all the way back over.

Mr. Corcoran explained that as the staff would tell them they had a very detailed discussion about this very point. He thought that the feeling of the staff, who handles that on a day to day basis, was that these were the worst areas. When they accepted the responsibility to maintain these areas the boundary line of the city ceased. These areas were a part of their water and sewer system for good or bad and for instance, Smith Acres was the number two priority and it should stay intact. He stressed that this was based purely on priority and need.

Council Member Myott stated that she thought that they all should have this work but those people were not paying taxes.

Mayor Grogan commented that in the wisdom of the former City Councils, they chose to do this as he had the same question. He explained that he had discussed this with the City's Engineer, Mr. O'Dell and the city owns the lines, the city bills these people on outside the city water rates and of course, looking back, this was their water, streets, the line replacements, etc. He asked if there were any other questions.

Mr. Asbury added that this was not a matter of just doing the right thing for people who were just outside the city. The State has rules and laws on how your water system has to be constructed and maintained and the city has been cited on numerous occasions for having substandard water mains so when you see a waterline that was going for over a thousand feet that was two inches long, that was a substandard water main and did not meet the State standard, then they were obliged to replace it and to upgrade it. It was not really a matter if they live inside or outside the city. As a public utility, they had no city limits, they have a service area and it was really not a question of where the city line was.

Mayor Grogan thanked Mr. Asbury for his input.

Council Member Turner asked if there were any other kind of long range planning they could do with this \$4 million that was going to come about. Was there something they could do in this budget year that would lessen the impact.

Mr. Corcoran replied that he wished he could pull a rabbit out of the hat and tell them yes, but when you look at Water & Sewer Fund Revenue, it was only one page. You have water service charges, sewer service charges, the take or pay money with National Textiles, the polymer revenue which was offset by the polymer expense, and you have water & sewer connections. That was about it. They had some interest income on their investments so obviously if you had a lot of commercial or residential development or if they were very fortunate and got that industry that fits into their niche, and needs more water and sewer, that was really what they need to be pursuing. Eden could compete with the other communities with water and sewer, but if transportation was their number one issue it will be difficult to compete with Highway 220, the I-40/85 Corridor or Highway 29, but if they need water or sewer, then Eden was in a much stronger position.

He stated that in a round about way getting that type of industry would be the best thing, but you also have to keep an eye to the future and Eden relies heavily on two industries, National Textiles and Miller Brewing. As far as the \$4 million, unless something like that happened, they were looking at another loan and another rate increase.

Economic Development Initiatives:

Mayor Grogan commented that there were no questions on Bio-Solids and they just went through the Waterline Upgrades. He asked if there were any questions on Economic Development Initiatives.

Mr. Corcoran commented that all that they have under this were just the performance agreement payments that would be made to MGM and Weil McLain. It was in the back of the budget message on page 45 at the bottom where it talks about the fact that the budget as submitted does not include any funds for the design and engineering and construction of an industrial park. He noted that Pyramid Environmental was in the process of doing a comprehensive site selection study and in fact they were slated to meet next Friday. It was anticipated that their final report would be ready prior to the end of June but it was impossible to know what site they would recommend. He discussed that with the County Manager who indicated that the County would utilize existing fund balance for their portion and he was not going to put in a specific number in the budget, that they would just do a budget amendment at that time. He added that he had noted there that obviously depending upon what the Council decided to do they would be looking at using either Fund Balance or Installment Loan or a combination of both and they would just do a budget amendment at that time.

Police Vehicles:

Council Member Turner stated that she thought they had a need to replace a certain number of police vehicles each year. She asked if they were keeping up with that.

Mr. Corcoran replied that it was actually some catch up. If they were to go back and look at when he first came to Eden, the first several years, there were no monies budgeted for the replacement of patrol cars. He stated that it used to be the standard that if a car was at 100,000 miles you just got rid of it no matter what year it was because several years ago the City Council looked at trying to get more out of the cars. He noted that in 2001-2002, 2002-2003, and 2003-2004, he believed they would see they did not replace a single vehicle. Over a six year period this would be a total of 18 vehicles or an average of 3 a year. The biggest case, which was why he listed it in a couple of places in the budget message, they were talking about two 1992 models, a 1993 model and eight (8) 1995 models. The repairs on these vehicles have been over \$22,000 since January 2005 and the average mileage was in excess of 113,000 miles.

Council Member Turner asked if this would get them on track for a normal replacement schedule.

Mr. Corcoran stated that he looked at it each year. The staff has to submit a report for each car, so they have a vehicle replacement plan which calls for 6 or 7 again next year, but that did not mean that they will all be needed. He explained that it would be evaluated that next year, but based on the information that he had received looking at the maintenance record he thought that there was ample justification to replace eleven (11) cars.

Council Member Myott asked if all of them had to be done at one time.

Mr. Corcoran replied that it was not per se the police cars, a lot of times they would do those on a State contract, but just one of the things for them to know, once they adopt the budget, it was not like that was a grand card to each department head or division head to go ahead and start spending. He explained that they have a meeting after the budget was adopted and due to cash flow situations, the fact that taxes come in December, the department heads were told what they could proceed with. So, some they proceed to purchase and some they did not and that hedges them against what may or may not happen. When they get to the spring of each year they probably have more items in terms of vehicles and equipment still to be replaced than items that have been replaced and they do that just as another safety measure to make sure that nothing catastrophic happens.

In answer to the question, they probably would do the police cars all at once but they certainly try to go through a State contract price. They did not necessarily have to, but again you get your better deal going through the State contracts and those contracts expire at different times but not everything that you put in the budget, in terms of vehicles, they spread those out throughout the course of the entire year.

Council Member Myott asked if he was not interested in doing that with these.

Mr. Corcoran replied that they could do what the Council would like. It was hard to say, he did not know what the State contract price was. Sometimes you get the information and it was an excellent price and it makes more sense to proceed. Their only cost of not doing it was the interest they were earning on the amount of money that they did not spend because they were going to use Fund Balance.

Self Insurance Fund:

Council Member Grogan continued on to the Self Insurance program.

Mr. Corcoran explained that they had some very good news on page 33 of the budget message. Their revenues for the current year as of now were doing excellent compared to expenses. You never know who was going to get sick or what will happen from year to year but they had a very good year last year and they were having a very good year again this year and when they met with their insurance consultants they typically give two figures, an expected claims amount and a maximum claims amount. As each of them know they have a reinsurance carrier so anything over \$35,000 for an individual was picked up by them. So there was a maximum out of pocket that the city would face. The bottom line was that they felt that the revenues coming in right now, based on the premiums charged right now, would be more than enough to offset the expenditures next year and this was the first time he had seen this happen in a long time and there was no anticipated increase in terms of premiums on the health insurance side.

He then turned to page 34 and noted that there was information there about the retirees. He explained that he had been approached by some of the retirees concerning the amount that was being contributed. As each of the Council was aware, back when they first implemented this in 2002, the charges at that time was like \$300.00. So the Council said if you were here 30 years and you retired the city would pay 100% or up to a maximum of \$400.00. Or if you served 25 years but less than 30 the city would pay 50% up to a maximum of \$250.00. Claims continue to escalate to where now the monthly premium was \$550.00 per employee. He explained that meant that a retiree with 30 years of service, the city was paying \$400.00 and the retiree was paying \$150.00 or \$1800.00 a year. He explained that it was requested that he ask the Council whether or not they would do like some of the other communities where they fund 100% for their retirees. So included in the budget, right now there were 18 retirees who have served the city for 30 years and 2 other retirees that served for 25 but less than 30, so you were talking about 20 individuals. The recommendation in there was to amend the personnel ordinance with language saying 100% or a maximum of \$550.00 which puts a cap on it, and 50% or a maximum of \$275.00. So that would still put a cap on it for the time being and future Council's could decide whether or not they want to change that, but the initial intent back in 2002 was to cover that for those people that had served the city for that long. The cost for doing that was \$33,000 and he noted in there that he thought that the revenues that they were bringing in on the self insurance fund were probably sufficient enough to offset that cost without any additional appropriations.

He also pointed out that they were not paying \$550.00 a month for a retiree. The money was there in their bank account today, they were not bringing in new money, it was right there, and they were keeping it. The city's cost for each employee and retiree was their actual insurance claims. He explained that if he was a retiree and he had a great year and did not get sick or use any prescription medication, the city's cost was zero. On the other hand if his back or knee went out, the city's cost may be \$35,000. So again he thought that it gets lost there when they say that the city was paying this. What the city did, this was insurance, and

so the city was paying the actual claims up to a maximum of \$35,000. So if someone asked what their maximum liability was, their maximum liability was \$35,000 per person.

NC 401K Plan:

Council Member Myott noted that on the very next page, the 401K program, she was really glad to see this come into effect, but she also very much liked the way that he had so very well compared that to a 5% raise. Since the employees have never had the 401K before, this year, if they do initiate this, it will be equivalent to a 5% raise and then he had also recommended a 2% cost of living raise, which would make a 7% raise increase for employees this year.

Mr. Corcoran replied that was correct for 135 employees.

Council Member Tuggle reiterated the same thing. He stated that it was sure nice that the 47 police officers have been getting this 5% 401K and he thought it was only fair that everybody else in the city got the same thing and plus if they were ever going to maintain and retain good employees they have to have good benefits and that was certainly a plus.

Brief Discussion:

Council Member Turner commented that she thought it was pretty obvious how much work had gone into this. She thought there were a few new things in there that will help them along but overall she thought this was just outstanding.

Mr. Corcoran replied that he thought the biggest thing about the budget was that it was a very progressive proactive budget. On the General Fund side they were seeing the initiation of initiatives such as the Greenways, Downtown Revitalization, continued enhancement of Freedom Park, sidewalks, and they were still working on the Industrial Park, but on the Water & Sewer side they were addressing some much needed things, things that people see and feel.

He explained that he had often told the department heads and division heads it was just as important to do things above ground that people see and feel as it was do things underground. He explained that the average citizens out there would have no idea of the bio solids project and the \$2 million that will be spent to do that but they would sure see the benefit of the Water Pressure Improvements Fund and the Waterline Upgrades. They may not see the benefits of the Sewer Rehab, but he thought there was something for everyone in this budget. It was very aggressive, but having said that he was very careful to let them know when additional costs would be needed. He felt equally as strong that they should not go down a path unless they were committed to completing that path. There were additional monies needed for the Water Pressure, the Sewer Rehab, Downtown Revitalization and for Greenways. He thought all of those things were fantastic for the city, but this was the beginning and once they start this they really need to be committed to finishing it through fruition.

Council Member Myott also pointed out that was why the citizens should stay involved...

Mr. Corcoran replied that was right and that was one of the reasons why they do the budget message. If there was a citizen out there that really wanted to know about the budget that was why they take the time that they do to try to make the budget message as detailed so that people would not have to flip through those other 300 pages unless they just want to look at office supplies or something like that but the major things that were in that budget were in the 49 pages.

Collection & Distribution Requests:

Council Member Epps questioned that the City Manager had not recommended the compact trucks for the Water and Sewer.



Mr. Corcoran explained that those were trucks that would have been needed for the five additional people that had been requested by the Collection & Distribution Division. He added that it was not that those positions were not needed, they were needed, but it comes down to tough decisions and to fund five people with the benefits, the equipment, and the vehicles was a lot of other work that could be done and there was only so much money, so it was just a matter of allocating resources.

**Administrative Charges:**

He also added that Council Member Gover had questioned the administrative charges. He explained that several years ago their auditors came back and told them that due to financial reporting requirements their Water & Sewer Fund had to reimburse the General Fund for its portion of work in the Water & Sewer Fund and one of the things that Council Member Gover noted was that some of them had gotten up to 50%. He explained that the reason for that was that they were doing so much on their water and sewer side and when they break down the number of hours spent working each week, like legal services, the City Attorney was spending far more hours on Water & Sewer related items right now than he was on General Fund items. So the auditor looks at these percentages but they were tied with what they were doing each year and they can go up or down. He noted that the Council's went up. He asked them to look at the matters they have to consider. They were working with the Special Order of Consent and embarking upon a possible \$7.5 million loan initiative and that was why those percentages have gone up in cases where they have gone up but the reason that was there, it was a financial reporting requirement.

Council Member Epps noted that they were not sitting on the job because he had been out there below the school and those guys were working around the clock just about putting these sewer lines in and things and doing a great job. He knew they have a lot of these services they had to do later as well so they were using the money and putting it to work.

Mr. Corcoran added that there were different percentages and the Council, the administration, and Engineering was very heavy because they were doing a lot of Water & Sewer work, but it was an attempt to try and guesstimate what percentage of their work, and he had put the Council's at 50%. He added that honestly between Planning & Inspections items and Water & Sewer items that was probably 90% of their agendas. So a 50% split there seemed like a reasonable number, but he agreed it was a substantial sum of money.

He noted that other places, for instances, in Virginia, they would see a governing board under Water & Sewer Fund, and so they would just show half of the expenses in Water & Sewer Fund and half in General Fund rather than an inter-fund transfer of just sending the money back, but they do the same thing, where the water and sewer reimburses or pays for their portion.

**Police Pension Fund:**

Mayor Grogan then turned to the Police Pension Fund and stated that was mandated and nothing they could do about it.

Mr. Corcoran asked them to flip to page 44 of the budget message. He explained that if someone read the audit, the first thing that jumps out at them, when they did the annual actuarial study last year, there was a shortfall in funding of \$825,081. While that may sound bad the reality was most communities fund their Police Pension Fund on a pay as you go basis, which was what they have done and he noted that they actually on June 30<sup>th</sup>, last year had \$346,000 plus in the fund balance. He explained that they actually fund that on a pay as you go basis each year. For instance, this year in the Police Department there was an allocation of \$118,500. That would cover all of their payments out of that fund this year which will keep their fund balance intact. The reality was that if everything got really bad, and they needed that \$118,000, they could take it from their Police Pension Fund fund balance for a year because they have that fund balance. But they were actually in much better shape than many places because they just fund it on a pay as you go basis. He asked

them to look at the number of retirees because obviously that was the reason it was up. He explained that the bulk of the 18 retirees with 30 years were from the Police Department and most of those were within the last five years. So, as the police officers retire they were then drawing from the Police Pension Fund.

Water & Sewer Construction Projects:

Mayor Grogan asked if there were any more questions on Water & Sewer, Wastewater Treatment, Water Construction, Water Filtration, or Billing and Collection.

Mr. Corcoran pointed out that they were always looking at indicators to show how tight their Water & Sewer was. He asked them to look at what their Water Construction Fund, Sewer Construction Fund and Contingency were last year and to look at those line items. They were like catchalls, an allotment of money for emergency maintenance and repairs and an allotment of money for professional services. He explained that they were so tight that those had to be cut drastically. He noted that last year they had \$129,000 in General Fund Contingency and \$100,000 in Water/Sewer Contingency and this year only \$50,000. He explained that their Water Construction Fund and Sewer Construction Fund were greatly reduced again to fund the projects that need to get done.

Municipal Park:

Mayor Grogan asked if there were any questions about the Municipal Park.

Mr. Corcoran explained that basically he had recommended two components. The first component was the pavement of all of the unpaved roadways and parking areas within Freedom Park, which comprise Phase I, II and III. The second component was for the clearing, grubbing and stone of the property that was recently given to the city by the Wright family. He noted that they had received a PARTF grant last year and those funds were being utilized right now to do the ongoing work at Freedom Park as well as the skateboard park, the amphitheater, the nature trail, etc., so the monies that were in there for next year were for the two components he just mentioned.

He added that again, he thought the realization was that they were very fortunate to received PARTF grants and many communities feel fortunate enough to get one let alone two. He explained that they were just really at a point in that project that if that project was going to get done they would have to do it themselves.

Mayor Grogan asked if they would keep applying for grants to which Mr. Corcoran replied they would.

Council Member Turner asked when they would be eligible for that PARTF again.

Mr. Corcoran replied that they had to wait a year and he thought it would be 2007-08.

Council Member Turner asked if that was what he was looking at to fund the next phase or future improvements of the park.

Mr. Corcoran replied that one of the things he thought that the staff and Friends of Freedom Park have discussed was an aquatic facility at some point.

Council Member Turner stated maybe sooner than later...and then questioned the pool on Mill Avenue to which Mr. Corcoran replied that it was there right now but it was a band-aid type situation and it was year to year, but there was a substantial amount of money to build an aquatic facility.

Water Pressure Improvement Project Funds:

Mayor Grogan questioned the new water tank down in the Central area.

Mr. Corcoran replied that was the main component that would not be done next year. He asked them to recall Arcadia's presentation on all the various improvements. One of the components was a new water tank because the Karastan was taking their tank back. That was the bulk of that \$2 million that would not be needed until 2007-08. He noted that they had actually met with the Wrights as well as the Freedom Park Committee and were in the process of doing an engineering feasibility study on locating that tank on a piece of property that was given to the city by the Wright family.

Downtown Revitalization:

Mr. Corcoran asked if there were any questions about the Downtown Revitalization Project. There was a significant allocation of funds for next year for that as well as a commitment in the future.

Mayor Grogan noted this was on page 26 of the budget message.

Council Member Epps stated that he thought it looked pretty sensible.

Mr. Corcoran explained that basically the funds in the budget as submitted included funds to do a master plan for Phase I which was the Leaksville area and Phase II which was the Draper area as well as some of the initial improvements for Phase I the Leaksville area. He noted that the Business Development Director had noted that additional funds will be needed next year to finish the Phase I improvements in Leaksville as well as the Phase II in Draper, so combined when adding all those numbers together that was about \$1.3 million.

Council Member Tuggle asked him to elaborate somewhat would be done in downtown Leaksville or Draper.

The Business Development Director, Mr. Mike Dougherty explained that Phase I would be from Bridge Street to Henry Street and would include lighting, cross walks, sidewalks, and wheel chair ramps, etc. He indicated that this would be over a two year period. He added that they have also had eleven (11) property owners to take advantage of the façade program.

Council Member Epps questioned the additional parking space to which Mr. Dougherty replied that they had plans for the municipal parking lot.

Information/Technology/Communications Systems Manager:

Mr. Corcoran explained that this information was on page 38 of the budget message. The previous Network Administrator position was eliminated in FY 2005-06 in an effort to save on costs. It was discovered that information technology and communications systems did dictate the need for a full time equivalent employee. This full time employee would be responsible for coordinating internet services, administer the city's network system, maintain the city's servers, maintain PC computers, manage and maintain with vendor support for the automated telephone systems, manage and maintain FCC radio licenses as well as software, coordinate training for personnel in reference to information technology, specific software programs, and various communication systems, assist departments with maintaining base and mobile radios, provide support and assistance in the development of GIS capabilities.

Additional Relief Firefighter/Driver Operator:

Mr. Corcoran noted on page 39 of the budget message that currently the Fire Department had two (2) relief personnel who cover vacancies and time off. By adding one (1) additional relief operator they would be able to place one (1) person on each shift to cover relief.

Bio-Solids:

Mr. Corcoran noted on page 41 that the budget included \$2,124,700 within the Bio-Solids Upgrade Project Fund. The city's bio-solids handling facilities were inadequate for the

volume of solids being generated at the current hydraulic and organic loading rates and under currently employed operational controls. He explained that this problem must be resolved before the Mebane Bridge Wastewater Treatment Plant can accept and treat the 13.5 million gallons per day flow rate that its unit processes were 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 city's bio-solids handling facilities utilize the liquid land application method. This method's success was dependent on several factors such as weather, land availability, contractor availability and the individual farmers whose land was permitted. A dewatering facility would eliminate the weather dependent factor and would also reduce the other listed factor's dependency. The revenue that will be required to fund these expenditures will come from three sources. First, a total of \$1,919,000 of the \$7,500,000 million dollars in loan proceeds will cover the bulk of the actual work being done. An additional \$204,700 in the form of a contribution from the Water and Sewer Fund will be used to make the related debt service payment. Finally, a total of \$1,000 was anticipated in the form of consolidated interest on funds within the project fund.

Sewer Rehabilitation Project Fund:

Mr. Corcoran asked them to look on page 42 of the budget message. He pointed out that the budget included \$1,161,900 for a variety of capital outlay needs and include the Kuder Street Pump Station Improvements, work related to the SOC's, and the principal/interest payment on loan. The revenue that will be required to fund these expenditures will come from two sources. First, a total of \$1,049,000 of the \$7.5 million in loan proceeds will cover the actual work being done. An additional \$111,900 in the form of a contribution from the Water and Sewer Fund will be used to make the related debt service payment.

Five-Year Capital Outlay Program:

Mr. Corcoran noted on page 20 of the budget message that this year was similar to the previous year's, the FY 2005-06 budget document included 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.

City Council Pay:

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:

---

John E. Grogan  
Mayor