

CITY OF EDEN, N.C.

A special meeting of the City Council, City of Eden, was held on Monday, October 3, 2022 at 6 p.m. in the Council Chambers, 308 E. Stadium Drive. Those present for the meeting were as follows:

Mayor:	Neville Hall
Council Members:	Gerald Ellis
	Jerry Epps
	Phillip Hunnicutt
	Kenny Kirkman
	Bernie Moore
	Bruce Nooe
	Tommy Underwood
City Manager:	Jon Mendenhall
City Attorney:	Erin Gilley
City Clerk:	Deanna Hunt

MEETING CONVENED:

Mayor Hall called the special meeting of the Eden City Council to order and welcomed those in attendance.

ECONOMIC ADJUSTMENTS TO EMPLOYEE COMPENSATION:

City Manager Jon Mendenhall wrote in a memo: As a community we have faced a unique inflation-labor market scenario that has been unparalleled in recent memory. We at once find ourselves in a recessionary environment, raging inflation at a 40-year high, and a labor market that is restrictively tight. The current business environment is challenging; being in the business of public service which is people intensive adds to these challenges. Over the last few months we have studied and highlighted the need for economic adjustments to compensation primarily to retain, but to also recruit talent to provide the very best services to the public. We have additionally found ourselves wanting a method to deal with the addition of new federal holidays and to allow employees the freedom of choice in observing them. In light of the above context and conditions that we currently face a table has been developed outlining the costs of various compensation scenarios and the related impacts to the various operating funds of the City. Based on the foregoing and attached it is recommended to consider: a 10% economic adjustment to compensation with 8% paid as direct pay, 2% paid in time off (2 vacation/3 sick days), payable the first payroll in November.

2022 Inflation Adjustments to Pay
9/26/2022

Table 1.0 General Fund Impacts

	4%	5%	6%	7%	8%	9%	10%	11%	12%
COLA Increase Effective 1st Pay Now									
General Fund Cost Remainder of FY	\$ (219,314.77)	\$ (274,143.46)	\$ (328,972.15)	\$ (383,800.85)	\$ (438,629.54)	\$ (493,458.23)	\$ (548,286.92)	\$ (603,115.62)	\$ (657,944.31)
Pre-budgeted COLA (reallocated)	\$ 40,400.00	\$ 40,400.00	\$ 40,400.00	\$ 40,400.00	\$ 40,400.00	\$ 40,400.00	\$ 40,400.00	\$ 40,400.00	\$ 40,400.00
General Fund YTD Salary Savings	\$ 87,898.00	\$ 87,898.00	\$ 87,898.00	\$ 87,898.00	\$ 87,898.00	\$ 87,898.00	\$ 87,898.00	\$ 87,898.00	\$ 87,898.00
Anticipated Future Salary Savings	\$ 65,923.50	\$ 65,923.50	\$ 65,923.50	\$ 65,923.50	\$ 65,923.50	\$ 65,923.50	\$ 65,923.50	\$ 65,923.50	\$ 65,923.50
Net	\$ (25,093.27)	\$ (79,921.96)	\$ (134,750.65)	\$ (189,579.35)	\$ (244,408.04)	\$ (299,236.73)	\$ (354,065.42)	\$ (408,894.12)	\$ (463,722.81)
Additional Realized Sales Tax Revenue	\$ 778,113.00	\$ 778,113.00	\$ 778,113.00	\$ 778,113.00	\$ 778,113.00	\$ 778,113.00	\$ 778,113.00	\$ 778,113.00	\$ 778,113.00
% Sales Tax Unallocated	\$ 753,019.73	\$ 618,269.08	\$ 508,611.69	\$ 398,954.31	\$ 289,296.92	\$ 179,639.54	\$ 69,982.15	\$ (39,675.23)	\$ (149,332.62)
% Sales Tax Unallocated	97%	79%	65%	51%	37%	23%	9%	-5%	-19%
Annualized Total Cost	\$ (316,788.00)	\$ (395,985.00)	\$ (475,182.00)	\$ (554,379.00)	\$ (633,576.00)	\$ (712,773.00)	\$ (791,970.00)	\$ (871,167.00)	\$ (950,364.00)

Table 2.0 Water-Sewer Impacts

	4%	5%	6%	7%	8%	9%	10%	11%	12%
COLA Increase Effective 1st Pay Now									
M-S Fund Cost Remainder of FY	\$ (98,868.46)	\$ (123,585.23)	\$ (148,302.00)	\$ (173,018.77)	\$ (197,735.54)	\$ (222,452.31)	\$ (247,169.08)	\$ (271,885.85)	\$ (296,602.62)
Pre-budgeted COLA (reallocated)	\$ 11,700.00	\$ 11,700.00	\$ 11,700.00	\$ 11,700.00	\$ 11,700.00	\$ 11,700.00	\$ 11,700.00	\$ 11,700.00	\$ 11,700.00
Water-Sewer Fund YTD Salary Savings	\$ 53,000.00	\$ 53,000.00	\$ 53,000.00	\$ 53,000.00	\$ 53,000.00	\$ 53,000.00	\$ 53,000.00	\$ 53,000.00	\$ 53,000.00
Anticipated Future Salary Savings (2 FTEs)	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00
Net	\$ 65,831.54	\$ 41,114.77	\$ 16,398.00	\$ (8,319.46)	\$ (33,036.23)	\$ (57,753.69)	\$ (82,470.46)	\$ (107,187.23)	\$ (131,904.69)
Annualized Total Cost	\$ (142,810.00)	\$ (178,532.00)	\$ (214,254.00)	\$ (249,976.00)	\$ (285,698.00)	\$ (321,420.00)	\$ (357,142.00)	\$ (392,864.00)	\$ (428,586.00)

Table 3.0 Comparisons

Comparisons	
County Avg Increase Sept '22	10%
Previous County Avg Difference	2%
New County Difference (Avg)	12%
Reidsville Avg Difference	9.10%

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un- adjusted 12-mo. ended Aug. 2022
	Feb. 2022	Mar. 2022	Apr. 2022	May 2022	Jun. 2022	Jul. 2022	Aug. 2022	
All items.....	0.8	1.2	0.3	1.0	1.3	0.0	0.1	8.3
Food.....	1.0	1.0	0.9	1.2	1.0	1.1	0.8	11.4
Food at home.....	1.4	1.5	1.0	1.4	1.0	1.3	0.7	13.5
Food away from home ¹	0.4	0.3	0.6	0.7	0.9	0.7	0.9	8.0
Energy.....	3.5	11.0	-2.7	3.9	7.5	-4.6	-5.0	23.8
Energy commodities.....	6.7	18.1	-5.4	4.5	10.4	-7.9	-10.1	27.1
Gasoline (all types).....	6.6	18.3	-6.1	4.1	11.2	-7.7	-10.6	25.8
Fuel oil ²	7.7	22.3	2.7	19.9	-1.2	-11.0	-5.9	66.6
Electricity.....	-0.4	1.8	1.3	3.0	3.5	0.1	2.1	16.8
Electricity.....	-1.1	2.2	0.7	1.3	1.7	1.8	1.5	15.8
Utility (piped) gas service.....	1.5	0.6	3.1	8.0	8.2	-3.6	3.5	33.0
All less food and energy.....	0.5	0.3	0.6	0.8	0.7	0.3	0.6	6.3
Commodities less food and energy.....	0.4	-0.4	0.2	0.7	0.8	0.2	0.5	7.1
New vehicles.....	0.3	0.2	1.1	1.0	0.7	0.6	0.8	10.1
Used cars and trucks.....	-0.2	-3.8	-4.4	1.8	1.6	-0.4	-0.1	7.8
Apparel.....	0.7	0.6	-0.8	0.7	0.8	-0.1	0.2	5.1
Medical care commodities ³	0.3	0.2	0.1	0.3	0.4	0.6	0.2	4.1
Services less energy services.....	0.5	0.6	0.7	0.6	0.7	0.4	0.6	6.1
Shelter.....	0.5	0.5	0.5	0.8	0.6	0.5	0.7	6.2
Transportation services.....	1.4	2.0	3.1	1.3	2.1	-0.5	0.5	11.3
Medical care services.....	0.1	0.6	0.6	0.4	0.7	0.4	0.8	5.6

¹ Not seasonally adjusted.

Mayor Hall called on Mr. Mendenhall.

Mr. Mendenhall said page two of the agenda packet contained a memo and some calculations. The summary of the memo was that they were in unprecedented, unique times that some of them had not seen for a very, very long time and some had not seen for their entire careers in public service. The unique situation was characterized by a tight labor market scenario, perhaps a recessionary environment. He believed it was a recessionary environment given some indicators. The labor market remained tight and the business of public service was very people intensive. In order to retain, attract, recruit the very best talent to the very talented workforce the City had, they needed to look at some compensation adjustments, primarily due to the economic challenges. The inflation rate was putting pressure on the labor market, on the compensation, and in turn putting pressure on employees. In that context, a recommendation had come forward and he was pleased to present it that night. Based on all the foregoing considerations, he requested a 10 percent adjustment to compensation be considered, which would be 8 percent in direct pay and 2 percent in paid time off. He would be happy to answer any questions.

Council Member Underwood said first of all, he would like to commend the City’s employees, citing the weekend hurricane event when the employees were out working when some other cities had employees who were not. He appreciated the employees and appreciated what they did. He said he had said all along the City was down in pay and they needed to be up. They needed to be given raises. He was for the City employees. He wanted to see Council do something to benefit the employees.

Council Member Noe said his biggest question, which he guessed Mr. Mendenhall would go over, was how an increase would be funded.

Mr. Mendenhall referred Council to page two. Table one was the general fund and table two was the water/sewer fund impacts. Starting with the general fund, because funding mechanisms were different for each, in the columns going across in the first row, there were different percentages of pay to select from going from 4 all the way up to 12 percent. There were various other columns, the budget of COLA already budgeted in the budget for the current fiscal year; the general fund salary savings – they were down about 7 percent in the general fund on a retention-type basis, and the year-to-date salary savings, and of course anticipated future salary savings. What all that meant was they had positions open, had positions open for some time. They had an inability to fill certain positions and were constantly looking for people to fill those positions. So they had the net of all those things and then they had the way that it was to be funded. Basically, it was a funding plan, and that plan was to allocate additional sales tax revenue, which they had received in the past fiscal year, of \$778,113. That was not allocating 100 percent of it. It was allocating a certain percentage based on a percentage of the COLA. If they went down to the next row, the third row from the bottom in the general

fund, in the 8 percent range, the dollars and sales tax unallocated was \$289,296.92 and there was a percentage that was unallocated there, 37 percent of the sales tax would be unallocated. And then there were annualized costs. In other words, they were using sales tax dollars not budgeted that had been received to fund the pay increase. There was a little concern with that because sales tax dollars were not a sure thing. They fluctuated; however, they were seeing in the last sales tax disbursement, a 12 percent increase over the \$778,113 number. They actually got \$93,373.56 more than what they had last year at the same time. Sales tax, and there were a lot of theories why, kept going up. One of the theories was that the sales tax base was broadened and inflation, increasing the cost of goods increased the sales tax take that the municipalities had throughout the state. Actually, the sales tax appeared to be better than stable, it was to the good 12 percent. That was the general fund side. The net annualized cost was what it would cost to sustain it moving forward and they would sustain it with the sales tax. Table two, the water/sewer fund impacts, was not sales tax funded so there was another revenue stream there that had to be made up for. They could see the costs going across with the COLA from 4 to 12 percent and how much the costs would be for the remainder of the year, the pre-budgeted COLA that was already budgeted in the current fiscal year, salary savings in that department, future salary savings in that area netted out and an annualized total cost. There was some savings in capital acquisition and construction they had that year for I and I and that sort of thing. They had about \$500,000 available in the water/sewer fund to allocate to the purpose and they would be reoccurring funds. They would net out about \$220,000 net positive per year. The annualized costs for 8 percent would be \$285,619.

Council Member Hunnicutt told Mr. Mendenhall he was not clear on the spreadsheet. He understood the numbers Mr. Mendenhall had just reviewed and asked if he was seeing that in the general fund, annualized total costs were \$633,576 and if that was a net number that was unfunded.

Mr. Mendenhall replied yes, that was a net number that was unfunded in the next fiscal year.

Council Member Hunnicutt said basically, in order to do it, adjusting for everything Mr. Mendenhall had just went over, they still had to come up with \$634,000 of additional revenue to fund just the general fund increases. He asked if that was correct.

Mr. Mendenhall answered no, what they had was the availability of funding it with the sales tax dollars. He could not make that decision for them but could make a recommendation. Moving forward, they would not have the availability of the \$778,113. It would have to be allocated for that purpose.

Council Member Hunnicutt wanted to touch on the sales tax. Mr. Mendenhall had sent Council a memo on April 7 regarding a forecast on recession and Mr. Mendenhall had already started working, rightfully so, on a plan of what the City would go through and how they were going to deal with a recession. Included in that was Mr. Mendenhall's projection of a decline in sales tax of \$226,000 the first year and \$255,000 the second year, so against his favorable adjustment, his original estimate was \$482,000 loss of sales tax the City would not have. He asked if that estimate was no longer applicable. He asked if Mr. Mendenhall's projection was that there would not be any loss in sales tax.

Mr. Mendenhall said that was a very good question. The April recessionary buffering memo anticipated that there would be a pullback in the sales tax available, which they had not seen yet. It also did not allocate the increase that the league had recommended, so they went sales tax neutral on it, meaning that they did not allocate any new funds for it. What that did basically was it was a net wash. What they had was realized, actual in-hand \$778,113. They had not seen the recessionary impacts to sales tax. That went back to the theoretical concept they were seeing statewide – that sales taxes were not going down, they were going up because spending was still occurring. There were a couple of things going on. In 2008, sales tax reform had not yet occurred in the state. The base broadened after 2008. They were not seeing a pullback or decline in sales taxes. There were competing theories as to why.

Minutes of the October 3, 2022 meeting of the City Council, City of Eden:

Council Member Hunnicutt said the recession really not got going. Just that day, he had seen information about a huge decrease in resale of houses. Interest rates were still going up. He could see what the feds were doing. The City's own costs of capital was increasing. There were a lot of indicators that the recession could be really serious and he was concerned in projecting something that may not happen. That they were counting the \$700 whatever sales tax when it may go the other way. Again, just for clarification, the general fund was \$633,576 in annualized costs. He asked if that was something that had to be funded.

Mr. Mendenhall said yes, it was something that had to be funded.

Council Member Hunnicutt replied that the City did not have today.

Mr. Mendenhall said they had a couple of options today, the sales tax revenue and on up into the document there was the COLA that was budgeted but had not been spent.

Council Member Ellis asked what the amount of that cost was.

Mr. Mendenhall said that COLA was planned to be up to 2 percent on a merit basis at the time and that was why they were calling it a COLA. They had not given out any of that money yet. It was budgeted for 1 percent on an average normal distribution like a bell curve across the organization. They had \$40,400 available, and then they had the salary savings because they had all the open positions down the line.

Council Member Hunnicutt said in the savings forecast, he could certainly see where they would help them up front. Since the pay raises were permanent, he was not sure how they could find comfort two years down the road in a job that was frozen today that was applied to the numbers. It concerned him that they were talking about temporary adjustments or situations against a permanent pay increase on it.

Mr. Mendenhall said that was why they had two costs there, the net costs for the remainder of the fiscal year and the annualized total costs, realizing they had a fiduciary responsibility not to just pay it out that one time, that it carried with them moving forward so they would have to deal with it as a Council. At budget time next year, that would be less money they would have to deal with moving forward. That is why it was annualized out because it was a bigger number. If they were looking at a pro rata currently, they were only a fraction of the pay periods. There were 26 pays throughout the fiscal year. They were looking at maybe only three quarters of those to have to fund. Then they had all the other moving around, the COLA that was already funded, the salary savings, so it was not giving them a true picture. The \$633,576 was included to give them a true picture of an annualized 12-month, all in, this was how much it was costing.

Council Member Hunnicutt said under water/sewer, it was showing a loss or negative benefit of \$285,619. He asked if that meant they would be looking at an additional increase in water and sewer going forward to fund the variance or if some additional water and sewer revenue was anticipated.

Mr. Mendenhall said no, what they had were some one-time capital purchases and construction that would not be carrying forward so when they did the rate increase at 5 percent, they were not projecting a rate increase in the upcoming fiscal year. Conditions could change. Chemicals were up 67 percent so they were looking at all that as costs were up. They seemed to be doing fine currently.

Council Member Hunnicutt said Mr. Mendenhall had mentioned one-time capital savings. That was what was concerning him. They were estimating one-time savings against a perpetual increase on it. He was not finding comfort as to where they would find the revenues a year or two or three years down the road. He asked where they were going to find the additional revenue to cover the expenditure. If they could back up, he asked what the effective date was of the 7 percent increase months ago.

Minutes of the October 3, 2022 meeting of the City Council, City of Eden:

Mr. Mendenhall said he believed it was effective the first pay in December. They could go back and look at it. It was predicated on Social Security in October.

Council Member Hunnicutt asked if it was OK to call it January 1.

Mr. Mendenhall said he thought it was a hair before that.

Council Member Hunnicutt asked if he was correct in recalling that the first year's funding of that was coming from covid funds or something, that there was no charge against the budget for the first year.

Mr. Mendenhall said it was two and a half years of covid money, and Council Member Hunnicutt had actually hit on a very good point. That was why it was probably not prudent to allocate all of the sales tax dollars to the pay increase as there was already an obligation out there.

Council Member Hunnicutt said that was kind of where he was going. For the raise they had already given, and he stood corrected and was glad Mr. Mendenhall had corrected that it was two and a half years of free ride and not one, when that went away the City had that raise to pay for too. He asked if that was correct.

Mr. Mendenhall said that was correct.

Council Member Hunnicutt said so they were not talking about 7 percent, they were talking about a 17 percent pay raise within one calendar year, which was the 7 and 10.

Mr. Mendenhall said it would be 7 and 8. The recommendation was for 8.

Council Member Hunnicutt said there was a 2 percent bump in benefits, so maybe he should say benefits instead of increase.

Mr. Mendenhall agreed.

Council Member Hunnicutt said it was a 17 percent increase in benefits in one calendar year.

Mr. Mendenhall said they had the extra sales tax coming in so it was hitting the fund balance, which had moved from about 55 percent to about 79 percent. They were banking all that revenue they were not spending out, which was a good conservative thing to do. At some point, they would have to figure out what they wanted to do with their fund balance. At that one-year mark, whatever date that was two and a half years in the future, probably one and a half in the future at the point, they would have to figure out how to allocate those funds. That was why the maxing out of sales tax, with the 8 percent recommendation, they would see that it was not maxed out. There was a buffer there to pay for what was already obligated.

Council Member Hunnicutt said one other question. On the turnover rate, the memo stated the turnover rate had bumped up to 7 percent. He asked what the normal turnover rate would be. In an August 5 statement, Mr. Mendenhall said the City had maintained a turnover rate at less than 5 percent. He asked if it was safe to assume under normal conditions, the normal turnover was 4 to 5 percent.

Mr. Mendenhall said he would think it was probably a little lower than that. What they had, and he did not have enough history to tell them, they had what he would call the covid time. Whatever it was prior to that, he would think it would have been a little bit lower than that, 2 to 3 percent. What they had was a family atmosphere with the City, a very good culture. People wanted to work there. What got concerning was when they started escalating past 7 percent and began losing a person a week in critical service areas like the water

plant, the police department, that sort of thing. The question then became how far they let it go before they took proactive measures to stop it. That was really kind of where they were with it.

Council Member Ellis said that was where they were now in the water department. They had lost now down to about five people at the plant.

Mr. Mendenhall said that was correct.

Council Member Ellis said they had employees leave and go to other cities to work.

Council Member Underwood asked if it was correct they were losing public works employees as well.

Mr. Mendenhall said that was correct. There were open positions in just about every department at that point, which was not unusual statewide. It was something that needed to be addressed and Council needed to be aware of before it spun out of control.

Council Member Ellis said a lot of the departures in the past had been to retirement.

Mr. Mendenhall agreed and said they were still losing to retirement. Part of the problem they were seeing in police and a little bit in fire was more people were retiring than were going to BLET. The City was not paying a wage that was attractive to anyone in BLET. As a matter of fact, the City was on the lower end countywide. There was no real way to make sure they replaced the ones they were losing to retirement or going down the road to work for more money at the same job. The City had to be able to replace at a replacement rate of at least one per one. They were replacing at less than one per one right now.

Council Member Hunnicutt asked if the 7 percent turnover rate they were facing right now was across the board or if there was a higher percentage in a department, say the police department or as Council Member Ellis had pointed out, the water plant. He asked Mr. Mendenhall to talk a little bit about where that was, what the problem area.

Mr. Mendenhall said it seemed to be across the board. There were very few departments who did not have that experience currently. Parks and recreation and IT did not have that experience. As departments got smaller, turnover would be measured as you lost one you were at 30 or 50 percent turnover. Where they were seeing it was in the larger departments like public works, what he would call skilled trades and certified workers. They had a certificate in water and sewer and could go run Dan River Water. They had a certificate at the water plant and they could go run Reidsville's water plant. They were also seeing it on the police side. That could be a societal thing, it could be retirement, it could be the lack of large BLET classes to replace those who were leaving. That may be different than people with a certificate trying to monetize their knowledge. Regardless, they were seeing it there as well.

Council Member Hunnicutt said that was basically where he was going. He asked if the majority of the losses were people who required certificates or special training and those kinds of things, or if it was general across the board.

Council Member Ellis said he thought most workers, like those in streets, had to be certified now to work the equipment. It was a big plus for them to show what they had gone out and done. It was a big plus to be certified. The more certifications they had, the more money they should be making. You had some people who could dig a hole and some people who could not dig a hole.

Mr. Mendenhall said to Council Member Ellis' point, most of the positions, if not all of the positions other than some temporary positions who worked in the summer, all had some sort of certification whether it be CDL or pesticide license, certified police officer, certified firefighter, certified utility operator, certified IT analyst or specialist. There was a lot of knowledge base there, a lot of very smart people doing very good public service type work. It was something they did not want to lose. He told Council Member Ellis he really appreciated him saying that. They had some really skilled, knowledgeable people and they always wanted to give them a good shout out for that.

Council Member Hunnicutt said he understood, acknowledged and appreciated that. He was trying to understand if someone got a pay increase if they earned a certification.

Mr. Mendenhall said yes, they did.

Council Member Hunnicutt said he was trying to get to that and to understand where the problem was, if the City was not training people like they should be. It was just a general understanding for him.

Mr. Mendenhall said he could offer a scenario: there were two municipalities looking for a solid waste equipment operator, about 10 minutes away from one another. One paid more than 8 percent and arguably had a better benefits package for their employees, the other paid less than 8 percent. They were both looking for the same worker. Obviously if you thought about the mentality of the worker and what could be seen driving on Highway 14 with help wanted signs everywhere, money talked. That was really what it came down to at the end of the day. There was no way to compete with that municipality down the street making more money.

Council Member Underwood said he would like to see if they could check on the possibility of giving more than 8 percent.

Council Member Ellis said he thought maybe 9.5.

Council Member Underwood said he thought 9.5 would be good. The reason he said that was he had spoken with several of the employees and they said they would rather have the money than the time off. They said, and everyone knew, that the cost of living had gone out roof. He thought they needed to look after the guys. He had said it all along.

Council Member Ellis asked if the City was in the red or black if the amount was raised from 8 to 9.5.

Mr. Mendenhall answered he thought they would be very close to being in the black. It may be a net positive.

Council Member Kirkman said they were in the red if they did 8 percent. Where he came from they did not spend it if you did not have it. They were banking on something they did not have, especially since they had already done the budget for that year. If they had it for next year in the budget process, he would be OK with that but he was not OK with it right now.

Council Member Ellis said sometimes they had to go out and make decisions. Right now, they could not afford to lose the employees to other people. Council had stepped forward in past years. The City had stepped up for the needs. As Council Member Underwood had said, the employees were out over the weekend. There were not too many times they did not see them in the mornings and when everything else was going on. He thought the most important thing was the livelihood of the employees. It was tough everywhere. Two cones of ice cream and a McFlurry at McDonald's was \$9. It was tough but right now, they needed to make sure the City was taken care of. The citizens knew they were protected and the employees stood up for them.

Minutes of the October 3, 2022 meeting of the City Council, City of Eden:

Council Member Moore asked how many employees had left to go other places. He asked if they were talking 10, 15, 30.

Mr. Mendenhall said the City was down about 15. They had gone for a mixture of other municipalities or counties, and private industry was picking up a lot of them.

Council Member Nooe said he may have missed it, he asked if it was correct that the majority of the increase would be funded by the \$778,000 sales tax.

Mr. Mendenhall said that was correct.

Council Member Nooe asked where that had been used in the past.

Mr. Mendenhall said it had not been used. Since covid times, they had not been escalating the budget for the \$778,000 because they actually thought that was an aberration, people staying at home buying more, but it did not appear to be so.

Council Member Nooe asked if the \$778,000 was an increase or if it was \$778,000 yearly income.

Mr. Mendenhall said it was an increase from what they had in the budget currently as sales tax. They were realizing a \$778,000 increase. It was actually higher currently by about 12 percent, or \$93,373.56, according to the July report. It was a moving target. He did not want anyone to think sales tax would not go down. Sales tax was not a sure thing and that was one of the reasons it was not budgeted during covid. It was not a steady source like property tax or selling water. It fluctuated but the last time sales tax went down was in the '08 financial crisis. They had also buffered against that by not increasing it in the fiscal year as well. They had been very, very conservative on all that as they went through budget cycles.

Council Member Underwood made a motion to go 9.5 percent with two days holiday and cut out the three sick days.

Mayor Hall asked Mr. Mendenhall if that was the way it was presented.

Mr. Mendenhall said no, that was a modification. The way he understood the motion was 9.5 percent cost of living adjustment and two vacation days, remove the three sick days.

Council Member Underwood said yes. They would have to pay someone to cover those sick days.

Council Member Ellis asked if they would be able to use those vacation days anytime they wanted to throughout the year.

Mr. Mendenhall said they would be added to the vacation balance, and could be used for a special day of significance, special holiday, birthday if the employee chose.

Council Member Hunnicutt asked Mr. Mendenhall if the City would be looking at doing it again next year if inflation continued, even though it seemed to be bumped down a bit. It was twice in one year they were doing this. He asked if they would be looking at doing it again.

Mr. Mendenhall said that was a very difficult question to answer. It had weighed on him quite a bit. He thought they were all victims to an inflationary environment nationwide, global. They did not know what the future foretold. He would like to be able to tell them that no, they would not look at it, but if some point there

came a pressure point or pain point with retaining employees and providing services, it would be incumbent upon him to come to Council and tell them there was an issue that needed to be addressed. It may be 8 percent or 50 percent inflation and devaluation of the dollar. He hoped not, that would be awful. He could not look into a crystal ball and see very far on the issue. He sincerely hoped they did not have to do that. The way the current administration was overstimulating the economy on a monetary policy basis and then constriction of capital through rate increases, he did not know what the future foretold.

Council Member Hunnicutt said that was his concern too. At the end of the day, anyway they cut it, the taxpayers of the City were the ones who had to pay it or fund it. Everybody in the City was hurting, it was not just City employees. He was very appreciative of the fact that they had employees who did what they did. As Council Member Ellis had said, it was a hell of a weekend with the storm coming through and the fire department fighting a major fire. He got all that and he wanted to do everything he could to help the employees, but he was also with Council Member Kirkman on it. He was having a hard time spending money they did not have. They were guessing what was going to happen. They were projecting what sales taxes were going to do. Even against Mr. Mendenhall's own memo in April which predicted a half million dollar decrease. That was where he was mixed up on all the stuff. He asked if they rolled the dice and gambled. They were now talking about 16.5 percent benefit in a single year. He just did not know where they were going to get the money to do it.

Council Member Underwood said they were still not where they needed to be doing the raise.

Council Member Nooe said Mr. Mendenhall had mentioned someone left for a \$20,000 increase. He asked where that put that position with an 8 percent increase.

Mr. Mendenhall said the position they left for a promotion to plant superintendent and they had been a chief operator. They figured that municipality was about apples to apples, operator to operator, like an operator four. It was about 9.1 percent. So about half their increase was due to the City's disparity in pay and half was due because they took a promotion, so it was a little bit of an apple to an orange insofar as they took a promotion.

Council Member Nooe asked what the City's position paid, if it was \$70,000 a year or \$30,000. At 8 percent to get a \$20,000 bump, you would have to have a \$250,000 base pay.

Mr. Mendenhall agreed. He believed that person was making \$40,000 or somewhere around that and went up to \$60,000.

Council Member Nooe said even if the City went up 10 percent that was a \$4,000 increase and they were looking at \$16,000 less. He asked if they needed to get back and discuss. The increase may not fix that. He asked if they were going to throw money and not fix the issue or if they needed to sit down and see what it would cost to fix it.

Mr. Mendenhall said it may be a good idea to conduct a salary study or survey and come in and look at that. They had talked about it. He knew Council Member Underwood had discussed that at a budget retreat. They took the league data that they had at the time. Throughout the state they were fairly comparable. The problem he thought they were beginning to see was the entities close by were no longer comparing themselves to like-sized entities. The county for instance studied Alamance, Guilford and Randolph. All those entities were much larger and had a different tax base makeup than Rockingham. The problem was, the City was competing with Rockingham and Reidsville for certain positions. The City may need to look at a more tightly construed salary survey and not just say municipalities 15,000 to 20,000 and that may lend itself to what Council Member Nooe was trying to say, to get into a competitive rate.

Council Member Nooe said to sit there and vote on 9, 10, 20 percent when they did not know ... he asked what they were trying to do, if they were trying to be competitively priced so they could retain people. He questioned if they were fixing it or if they were just wasting their time and would have to come back and do it in three months or six months. He thought they needed to look at it and see what they needed to do to make it right, to fix it.

Council Member Epps said he thought it was an insult to the manager and staff because they had done the research on all of it. They knew what they were talking about and the manager had answered everything pretty amply. They were having an exodus of employees, and not only that but a lot of people retiring. He did not see where they needed to sit on it and work on it down the road. People were hurting right now. As had been mentioned, he saw the employees out working and doing what they could. He wanted to second Council Member Underwood's motion.

Mayor Hall pointed out there was a motion and second for an 9.5 percent increase and two vacation days.

Council Member Hunnicutt made a substitute motion that the issue be paused and a salary assessment conducted to Council Member Nooe's point to try to determine where the problems were and try to address the problems specific. Council Member Kirkman seconded this motion.

Council Member Ellis said as a board, it was easy to turn around and walk away, but they may come in the next morning and not have what they needed. In reality, the employees knew they could walk away. He verified they had previously used covid funds.

Mr. Mendenhall said that was correct.

Council Member Nooe pointed out it would be funded by the City after two and a half years from then on out.

Council Member Ellis said they would also have new businesses coming in when one company opened their doors hopefully in 2023. Houses were selling. Things were positive and now they wanted to turn around and go back and check. He thought they needed to move forward with the 9.5 percent and additional days.

Mayor Hall said he had a motion and second to conduct the salary study. The motion was to conduct a salary study, figure out what the problems were that needed to be fixed, what effects it would have on retention and those types of things. Basically a look at each job description and what should be adjusted and how. Council Members Hunnicutt, Nooe and Kirkman voted in favor of the motion. Council Members Epps, Moore, Ellis and Underwood voted against the motion. The motion failed 3-4.

Mayor Hall said he had a motion and a second for a 9.5 percent increase and two additional vacation days. Council Members Epps, Moore, Ellis and Underwood voted for the motion. Council Members Hunnicutt, Nooe and Kirkman voted against the motion. The motion carried 4-3.

Council Member Nooe asked if Council could still direct Mr. Mendenhall to do the study. He did not mind giving an increase that night although he thought it was a bit much. He thought they needed to look at the positions that were a problem to fill. They had to have licensed operators and staff. He would like to look at those and see if there was anything they could do.

Council Member Underwood said he would like to see the salary study done too. As a previous employee, he felt salaries, even with 9.5 percent, were not enough.

Minutes of the October 3, 2022 meeting of the City Council, City of Eden:

Mayor Hall asked Ms. Gilley if the issue was handled appropriately.

Ms. Gilley said yes.

Mayor Hall said they had the substitute motion that did not pass and then the motion that was made prior to that did not need to be motioned again.

Ms. Gilley agreed and noted there was a directional charge to the manager.

FIRE STATION #2 BID AWARDS:

Ms. Stultz wrote in a memo: The bids for the renovation of Eden Fire Station #2 at 1431 Fieldcrest Road were opened at 11:00 a.m. on September 22, 2022. The following bids were received: Cirrus Construction, Inc. - \$179,466.00; Coastal Carolina Custom Contractors, LLC - \$184,130.00. Staff recommends that Cirrus Construction, Inc. be awarded the bid for the project.

Mayor Hall called on Ms. Stultz.

Ms. Stultz said earlier in the year, as they all knew, there were some significant problems that happened at Fire Station #2. As staff was discussing what to do or not do, the fire department had been working on it for a long time. She had a conversation with a contact of hers at the Department of Commerce who suggested with things they way they were, there would be CDBG funds available and Ms. Stultz had advised she thought the City would need a certain amount. The bids received were less than those funds which left a contingency percentage to put in the budget and also payment for the consultant they would have to continue to pay because they did not like to give CDBG money unless the City had an authorized consultant. The City bid the first time and received one bid, bid it a second time and got two bids. Cirrus Construction, Inc., was the lowest responsible bidder at \$179,466.

Council Member Nooe asked Ms. Stultz if she would hit the high spots of what was covered for that amount of money.

Ms. Stultz said they knew the truck bays had issues so they knew there was a lot of foundation work and concrete work out front and in the truck bays. The station itself had not been updated in a number of years so they planned commercial grade luxury vinyl flooring in all rooms; painting with Sherman Williams Duration paint; priming and painting all the paneling; installation of countertops to match the kitchen countertops out in the front office part; hallway primed and painted; men's bathroom walls primed and painted; washer and dryer would be moved from downstairs, including water connection and dryer vent, to where the firemen themselves actually worked; women's bathroom improved; back training room primed and painted; kitchen cabinets primed and repainted with doors replaced and new hardware up to \$300; install granite countertops; replace backsplash to coordinate with countertops; replace sink with two-compartment stainless steel sink; install partitions of a five-foot tall studded sheetrock wall between the beds in the bedroom to give staff a little more privacy; wallpaper removed from shower with walls and vanity painted and matching lockable knobs on the door; replacement of 12 windows and installation of blinds on those; 6830 replacement door on front; removal and backfill of outside steps on side of building; gutters repaired; repair water damage around the windows and steps including the interior portion of the windows; air quality test; demolish and replace the concrete pad in front of the bay doors and replace the downstairs exterior door. They had an engineer's recommendation on how to repair the truck bay and they had bid out on that accordingly.

Council Member Ellis asked why the steps would be removed.

Minutes of the October 3, 2022 meeting of the City Council, City of Eden:

Ms. Stultz said the fire department did not use them and they seemed to be a water channel which was some of the water problem.

Council Member Underwood said one thing he would like to see them do, because he used to work there and had mopped up many gallons of water coming through the windows, was to make sure that leaking would stop.

Council Member Epps asked about heating and air.

Ms. Stultz said apparently all of that was sufficient at the moment.

Council Member Ellis asked about the roof.

Ms. Stultz said she was told there was no reason to replace the roof.

A motion was made by Council Member Nooe to approve the bid of \$179,466 by Cirrus Construction, Inc., for repairs to Fire Station #2. Council Member Ellis seconded the motion. All members voted in favor of the motion. The motion carried.

CLOSED SESSION:

At this time, Council Member Underwood made a motion to go into closed session pursuant to NCGS 143-318.11 (a)(4)(6) to discuss property and personnel. Council Member Nooe seconded the motion. All members voted in favor of the motion. The motion carried.

Council Member Underwood made motion to return to open session. Council Member Epps seconded the motion. All members voted in favor of the motion. The motion carried.

ADJOURNMENT:

As there was no further business to discuss, a motion was made by unanimous consent to adjourn.

Respectfully submitted,

Deanna Hunt
City Clerk

ATTEST:

Neville Hall
Mayor