**MINUTES OF THE SPECIAL MEETING**

**OF THE REIDSVILLE CITY COUNCIL**

**HELD TUESDAY, MAY 6, 2014 AT 9 A.M.**

**FIRST-FLOOR CONFERENCE ROOM, CITY HALL**

**CITY COUNCIL MEMBERS PRESENT:** Mayor John M. “Jay” Donecker

 Mayor Pro Tem Harry L. Brown

 Councilman Tom Balsley

 Councilman Donald L. Gorham

 Councilman William Hairston

 Councilman Clark Turner

 Councilwoman Sherri G. Walker

**COUNCIL MEMBERS ABSENT:** NONE

**CITY STAFF PRESENT:** Michael J. Pearce, City Manager

Chris Phillips, Assistant City Manager of Administration

 Angela G. Stadler, CMC, City Clerk

Mayor Donecker called the meeting to order at approximately 9 a.m. in the first-floor conference room of City Hall.

City Manager Pearce noted the need for a closed session to discuss personal issues.

**Councilman Turner made the motion, seconded by Councilman Gorham and unanimously approved by Council in a 7-0 vote, to go into closed session under G.S. 143-318.11(a)(6) to discuss personnel matters.**

Upon return to open session, City Manager Pearce led the budget work session.

Pearce said he was going to start off with some good news. The Kate B. Reynolds Foundation will be announcing that it will be giving the City of Reidsville $100,000 for Fitness Center equipment. The City Manager noted that this is the maximum amount the Foundation provides, and indicators are that we might be successful in applying for monies for the new Senior Center. He stressed that it is the philosophy of the Kate B. Reynolds Foundation to purchase state of the art equipment, not junk, he said. Mayor Donecker mentioned the dance group at the Senior Center and whether they might have needs that could be addressed. Pearce noted that eventually that group will be over at the Senior Center.

The City Manager then started reviewing the budget work sheets distributed to Council members. (THESE BUDGET SHEETS ARE HEREIN INCORPORATED AND MADE A PART OF THESE MINUTES.) The first worksheet shows the issues faced by the City, including the flattening of revenue sources with a lower collection rate on property taxes due to two large corporate appeals and interest rates kept low by the feds which is affecting our cash investments. While a small increase in property tax is expected, we have to be conservative until we see how those corporate appeals play out, staff noted. In the past, we may have made up to $500,000 on cash investments, but due to interest rate reductions, we now only get about $60,000 in returns. Looking at new revenue sources, we are trying to market the properties out at the horsepark, to look into interest by cell phone companies to locate on our water tanks and to look at other municipalities in Guilford County, etc., to sell water to, Pearce said.

The key is to get our revenues to match up with our expenses, Pearce explained. On the expense side, we are looking at health insurance costs of $800 more per employee and a 50% increase or $90,000 in worker’s comp. Assistant City Manager Chris Phillips noted we have had a “double whammy” in worker’s comp because not only have we had a jump in injuries to employees on the job, but such costs went up overall according to the League of Municipalities. Phillips said we have been seeing an increase in worker’s comp since 2008, but we are not sure about the correlation there.

There was a brief discussion on the “tax and tag” program, which has been slow going. While it was hoped to help the collection rate, it seems more and more people are driving around with expired tags rather than paying both together. The collection rate has been about 96% but collection on vehicle taxes is only about 85%. It may be that the Police Department will have to start looking more at expired tags on vehicles, staff noted.

Pearce said the City also has to start replacing our XP computers since Microsoft won’t support their maintenance anymore. He said we are looking at replacing 100 computers this year and others next year.

The City Manager said he also looked back at his retreat notes and some of the issues Council was interested in, including employees’ job satisfaction, service levels, capital improvements, etc. He stressed that part of employee morale is them feeling they have received the training to do their jobs and have good equipment to use. We need to keep our buildings functioning and safe, adding that it is hard for employees to feel good about their level of service when their buildings are not in good shape. Public Works Director Kevin Eason has estimated about $500,000 is needed to keep our City roads maintained.

There are still some questions about the 911 consolidation. We know that we will have telecommunicators on our payroll for at least three months and will have to make our $38,000 annual payment to the County – or some portion of it – in the upcoming budget, Pearce said. With the changes at the Police Department, he is recommending a lower level position at the Police Department, which will help watch the front door during 8-5 business hours and assist people needing copies of accident reports, etc. The City Manager said he will also need some monies to renovate the telecommunications area and a lobby to make a “safe area” for citizens since the building will no longer be accessible 24/7.

We are also looking at doing a merit-based plan for employees, Pearce said. He was considering a January implementation of a 3% raise with a 1-3% range and an average 2% increase in each department. Again, he noted that these are the issues we have had to deal with in preparing the budget.

Reviewing the numbers on the second page of the handout, Pearce noted that ad valorem taxes were at $7.9 million last year, and staff is estimating them at $8 million this year, less than a 1% increase. Total revenues are estimated at $15.164 million, which is a little ahead of last year’s revenue projections but not by much, he said. The next section on the handout looks at expenditures by department, totaling $13.691 million in operating expenses, he said. Debt service at $293,600 includes $40,500 to pay off a USDA loan for police radios with part eligible for 911 funds; $66,800 for a fire truck, which is a rolling payment; $97,300 for a new lift truck and back hoe; $89,000 for a knuckleboom and a couple of other pieces of equipment. $1,113,200 reflects the transfers from the Parks & Rec Fund and Downtown Fund.

Pearce explained that the only capital included in the FY15 budget is $65,500, which includes $21,400 in hosting servers for IT and new computers for the training room; $23,500 for repairs to the back wall at the Police Department; $4,600 for a forensic device for the Police Department; and $16,000 for a new door at the Fire Department, paging equipment and curbing in their parking lot. The City Manager noted that the curbing work in the Fire Department lot will be done by the Street Department. He stressed that these items are all the capital included to balance the budget at $15.164 million.

Reviewing the operating side, most of the changes, approximately $260,000, were due to a couple of line items, Pearce said. The Parks & Recreation Fund is pretty much holding the line, but Phillips noted that the ongoing projects don’t show up in this General Fund budget. The Downtown budget decreased slightly. The Garage Fund increased slightly. The Self Insurance Fund went up 37% mainly due to Worker’s Comp. The LEO Separation Allowance increased because we’ve had some people retire since the last budget. Phillips said we are using part of the reserves, about $80,000, to offset that so only about 45% of the costs are coming of General Fund.

The City Manager then reviewed with Council members what items were included in the balanced budget. (THE PAGE DETAILING THESE INCLUDED ITEMS IS HEREIN INCORPORATED AND MADE A PART OF THESE MINUTES.)

* Pearce noted that Public Works Director Eason had requested $500,000 in additional monies for street resurfacing, but he was only given an additional $40,000 this year. While a small amount, we are going in the right direction, he stated.
* Among the included items is a Pay and Class Study for the Police Department. Pearce said the purpose of this study is twofold: 1) to make sure we are paying our employees a fair salary compared to market conditions; and that we don’t lose people mainly due to salary; and 2) that we make sure we don’t have compression in our ranks. He noted that there is more movement in the lower ranks; therefore, the pay difference between the lower and upper ranks becomes a lot smaller over time, which is a problem often seen in the Police Department. Right now, we have some sergeants making more than lieutenants, which we don’t want to happen, Pearce said.
* The City Manager said he has also included a new position for the City, which is a training position for the Fire Department. It will not be an additional position for the City, he noted, since we will not be filling the Engineering Technician position. He noted this position will help incoming firefighters who need to be certified to drive a truck, will help with minority recruitment and youth recruitment. Requested by Fire Chief David Bracken, Pearce said he thought this was a great idea and that the training position could be a “revolving door” for personnel to other positions within the department.
* Pearce explained a part-time Farmers Market position that is included in the coming year’s budget due to a grant from the Reidsville Area Foundation. The $30,000 grant will pay for three years at $10,000 annually for the position, which will be trained to take food stamps and debit cards and also assist the Market Square Manager/Downtown Manager.
* The City has also received a grant for a new School Resource Officer, who will work between South End and Moss Street Elementary Schools. While 85% of the officer’s time will be in the schools, the department will able to utilize the position in the summer. The City Manager noted that the grant funding for our three Police Neighborhood Resource Officer positions (PNROs) has ended. While losing a PNRO, we will be gaining an SRO position, Pearce said.
* Pearce said this budget also includes an additional $30,000 in funds to expand the Main Street Manager position into a Business Development position. He noted we have tried an Economic Development position in the past, then scaled back to more of a Main Street Manager position, but he said he has been rethinking the position with the recent vacancy. He noted that there are several things that aren’t being done, like the marketing of properties, including the horsepark lots, trying to sell water to other municipalities, getting telecommunication companies interested in our water tanks, etc. This position, which would report to Assistant City Manager Tom Wiggins, would allow the City to be more “clued in” to things going on around the County and oversee the coordination of activities between the downtown and Market Square. Eden’s counterpart, Mike Dougherty, does this, attending meetings throughout the County and region. This additional $30,000 would help to cover salary and benefits for this position, which would have an increased workload, he noted. This person would supervise the festival, work with downtown businesses as well. Mayor Donecker said this is even more crucial because the Rockingham County Partnership for Economic & Tourism Development is going back to a model pre-2001 with this being a County function and the Partnership being an adjunct body. If we don’t have someone who can “plug in,” then we may very well lose our voice, the Mayor said. Pearce said this could solve a couple of things for us, especially with someone in there with real business acumen to deal with these types of issues. Councilman Turner questioned whether anyone could be found to do all these things. Pearce said Judy Yarbrough would still be doing Market Square events but would be working for the economic development person. The City Manager said he would begin advertising for the position. There was a brief discussion on the salary, which will range from $58,000 to $89,000.

Mayor Donecker called for a short break around 10:13 a.m.

Upon return to business, the Council asked about the intersection at Morehead and Scales streets. Pearce noted that the item is on next week’s agenda but added that we are still about a year away from having something there.

The discussion then continued about items already included in the proposed budget:

* Regarding $10,000 for employee incentives/satisfaction, Pearce noted that he will be getting with Mickey Foster at Annie Penn about the hospital’s program. The Mayor complimented Public Works Director Kevin Eason’s recognition of the Water Treatment Plant and Wastewater Treatment Plant officials for 100% compliance at last month’s meeting. Pearce said Eason is doing a lot of good things over at Public Works.
* The City Manager noted that $28,500 is listed for nine-months funding of the 911 agreement with Rockingham County, compared to over $200,000 in the past. Mayor Donecker pointed out that the County will be getting our 911 funding.
* $22,500 is listed for someone to assist with recordkeeping and watching the door during the day hours. This person will also be able to get copies of records/reports for citizens, Pearce explained.
* The $4,000 in savings listed is received from taking the fax machines out of Council members’ homes and communicating via email, Pearce noted. He said it is less costly and more effective and more time efficient for us. In the process, we will raise the tech reimbursement from $50 to $75 per month for those of you who have a computer/Internet access. Staff will talk to IT Director Rhonda Wheeler about the best way to go about disconnecting the fax service.

Council and staff then reviewed items not yet included in the budget but to be considered:

* An average 2% merit increase for employees costing about $130,000. Therefore, no merit is included other than in the Police Department’s Pay and Class Study.
* $65,000 for Downtown Camera Replacement. Several of the downtown cameras have reached their life expectancy and don’t work or the resolution isn’t very good, the City Manager told Council, although they do help as a deterrent.
* $66,000 for City Hall roof repairs. Pearce said they have been patching the roof for at least 22 years. The duct work upstairs is getting rusted and air quality issues may develop.
* $56,000 total for a Leaf Box, Leaf Machine and Salt Spreader. The plan is to replace one of each of these annually.
* $40,000 for the Sign Shop. Pearce said they plan to get rid of the existing building and putting the Sign Shop over at Public Works. This will also allow them to expand the parking lot at the Rec Center and help alleviate some of the traffic issues there during ball games.
* $126,000 for a dump truck. Currently we are using a 1995 edition, he said. We have four but we need to start replacing them, the City Manager stressed.
* $20,000 for a Hazardous Waste Recycle Day for the community. This led to a brief discussion about the recycling center. The Mayor clarified earlier comments he had made in regards to citizen dissatisfaction with the Center. He said what it boiled down to is the small slots on the recycling bins are the problem.
* $8,000 for a Mower for the Cemetery, which the City Manager stated is just worn out.
* $35,000 for renovations to the Police Department’s Telecommunications area, which would include creating the “safe area” at the front of the building.
* $58,000 for two patrol cars. Pearce explained they wanted to replace a few at a time.
* $4,500 for a new scoreboard at Lowes Field.
* $47,000 for renovations/expansion of the lunch room at Public Works. Pearce noted that the room is not big enough and there is no stove in there for when the workers need to come in on snow days, etc. These monies would expand the room and allow them to cook food there.
* $10,000 for an Application Fee for the Certified Retirement Community designation the City is looking at getting. The City would, in turn, as a CRC, receive free advertising from the State in various publications/websites, etc.

Pearce noted that none of these items are included in the budget and total $676,500.

Councilman Gorham asked about the telecommunicator positions. Pearce said we won’t have any telecommunicators here after the consolidation takes place. If any of our telecommunicators want a job, they can have a job with the County, the City Manager said, adding that he has talked with the County Manager about how they shouldn’t come in at the “bottom rung”.

Pearce also noted that there is a sheet detailing requested items that were not recommended by the City Manager, most of which are in the Public Works area. (A COPY OF THIS DETAIL SHEET IS HEREIN INCORPORATED AND MADE A PART OF THESE MINUTES.)

Pearce said that these items would take a 3-cent tax increase. While there might be some other options, such as doing the merit increase after the first of the year or financing the dump truck, he said this was the best he could do this year. Mayor Donecker stressed that things are slowly decaying and it is going to hit us over the head if we don’t address some of these issues. He said we need to do something for merit increases, that our employees have been biting the bullet since 2007, and our employees are going to be pulled away and then the experience will be gone. He noted the need to do this, even if it takes a three-cent increase.

Discussion turned to merit increases and the need for supervisor training on doing evaluations. Phillips said Human Resources will need some lead time to get this in place. He also expressed the need to roll it out so that it is equitable to all employees. Councilman Gorham asked if only half was funded, could we do this without a tax increase? Pearce said we would still need an increase.

Phillips discussed the City’s tax rate history, noting that the last tax increase was done in fiscal year 2007-08.

Councilman Turner said we have to meet our expenses. Councilman Balsley noted that these things are not frills. For the Council to be good stewards of the City, we can’t eliminate needed roof repairs, etc. Mayor Donecker stressed that we need to have the salt spreaders out there and that these are not gilded pieces of equipment. He said we are losing 200 people a year according to the census, and how can we attract people if our roofs are tattered and worn, etc.

Councilwoman Walker noted that the new business development person should be able to bring some revenues in by applying for grants and marketing the horsepark lots but noted her phone would be ringing over a tax increase. The Council believes these things need to be done but that’s not the world we live in, Councilman Gorham said.

Pearce said a three-cent tax increase is an additional $39 a year for someone owning a $130,000 home. He asked Council members what have they bought in the last year that hasn’t gone up. He noted that the Council is responsible for making sure the services are kept going and the buildings are kept up. Regarding the merit increase for employees, it was noted that they are the City’s ambassadors and if we lose that experience, we lose a lot and if that relationship decays, it will all decay. Councilman Turner said he doesn’t want to raise taxes, but he said he didn’t see any way we can avoid it and provide the services to our citizens and give a raise to our employees. Mayor Donecker also noted that a younger element is slowly forming here, and we need to build on that as well. Again, it was noted that the Business Development person could help solve the revenue stream problems.

Discussion turned again to the tax rate. Phillips explained that Reidsville includes sanitation in our property tax rate, which allows citizens to deduct it on their taxes. If you take the sanitation costs out, we are pretty dead even with the other rates charged. He cited Eden as an example, which charges for its sanitation separately. Our tax rate is also more because one cent of it goes to upkeep of the cemetery. Mayor Donecker noted that we have a lot of renters in Reidsville; therefore, sanitation is lower for them.

Following a brief break, Pearce informed Council that staff needed to have a decision by May 14 in order to have the budget public hearing on Wednesday, June 4. He offered the possibility of a 2-cent increase and using part of the Fund Balance, but it was noted that this is not a good practice. He asked if Council needed more time to consider this and meet again before the Council meeting? Councilman Turner said if the tax rate is increased by two cents or three cents, the phone won’t ring any less. He said we have experienced people making logical judgments who are paid to come up with the best solution. They have recommended a three-cent increase so he said he didn’t see how we can’t go along with that, the Councilman said. The City Manager said there are things that could go another year without being done, but he would be back before them next year making the same requests. Councilman Turner said it took the City a long time to build up its Fund Balance, and it is not good to use it to balance the budget. The City Manager acknowledged that some of these items could be eliminated, but they weren’t much compared to the overall budget.

Mayor Donecker said it is regressive to have the sanitation charge separate. He added that too much good can be delivered by these items at a cost of $40 annually on a $130,000 house. If we don’t feel it here, we will feel the pain later, he said, adding that now is the time. He said the 2% merit increase was the most important because of the need to keep employee morale up.

Pearce asked for a consensus to go forward with the 3-cent tax increase, which he appeared to receive. He said even if you don’t agree with it, he said everybody needs to understand why it is needed.

Prior to adjourning, Council asked staff about Internet Sweepstakes. It was noted that the Supreme Court had ruled in favor of the sweepstakes operations because it felt the fee charged by Lumberton was too large compared to other fees. Staff talked of the need to stay within a certain range, which the City currently has at $1,000, plus $100 per machine. Other cities are charging as much as $500 per machine.

Mayor Donecker also noted that he will be appearing on City Chat on Thursday, May 15, at 6:30 p.m. He will take with him the sample from the ice pigging demonstration to show infrastructure needs and show why we need to keep upgrading and improving our facilities.

**Councilman Turner then made the motion, seconded by Councilman Gorham and unanimously approved by Council in a 7-0 vote, to adjourn at 11:47 a.m.**

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 John M. “Jay” Donecker, Mayor

ATTEST:

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 Angela G. Stadler, CMC/NCCMC, City Clerk