

## SPECIAL MEETING CITY COUNCIL

May 9, 2023

The City Council of the City of Albemarle met in a special session focusing on the City Manager's Recommended Fiscal Year 2023-2024 budget on Tuesday, May 9th at 4:00 p.m. in Council Chambers of City Hall. Mayor Ronnie Michael and the following Councilmembers were present, to-wit: Mayor Pro Tem Martha Sue Hall and Councilmembers Dexter Townsend, Christopher Whitley, Christopher Bramlett, and David Hunt. Absent: Councilmembers Bill Aldridge and Benton Dry.

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The Mayor called the meeting to order.

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### **Introduction and Meeting Overview**

The FY 2023-24 proposed budget and budget letter were presented to Council by City Manager Michael J. Ferris at the May 1, 2023 City Council meeting. Mr. Ferris opened the session by welcoming everyone and briefly summarizing the intent of the meeting.

Mr. Ferris then briefly reviewed the handouts with Council that were distributed to them and began with a recap of strategic plan goals and how budget priorities were developed from them. He also provided supplemental materials providing line items of note throughout the budget.

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### **Budget Overview Organization-Wide FY 23-24**

Highlights of the proposed budget impacting the entire organization were summarized including:

- 6% Cost of Living Adjustment (COLA) increase for all employees;
- Funds for 1/3 workforce market rate study;
- Merit raises where applicable;
- Additional positions including Assistant Parks and Recreation Director; Utilities Customer Service Representative; Fleet Maintenance Mechanic; Electric Line Technician; Fire Department positions through submission of a SAFER grant; a School Resource Officer; and a paralegal.
- For the Health Insurance Fund all employees will be supported 100% by health care coverage and there are no changes in the budget for this Fund.

Mr. Ferris entertained questions from Council. For employee compensation, the maximum any employee could receive in the upcoming fiscal year would be an additional 10% in wages. The 6% COLA would be across the board for all employees, and for the areas involved a market rate study for approximately 1/3 of the workforce (Police, Fire, and Public Utilities Water and Sewer Systems) and the potential for merit. Among the 3 routes for pay increase, an employee would receive no more than a 10% pay increase in total. This process begins an annual review of 1/3 of the workforce each year for market competitiveness. In terms of budget allocation, the budget provides an increase in compensation of 8% to fund these salary opportunities. Per a question from Council, Mr. Ferris confirmed that performance evaluations have been conducted over time for employees but that a merit pay increase was considered for the upcoming budget year since it has not been offered in a long

time.

Mr. Ferris reviewed NCLM survey results related to offering municipal employee pay increase options in the upcoming fiscal year, noting that over half of municipalities responding will offer at least a COLA increase.

Justifications for the new positions proposed in the budget were detailed for Council. In response to a question by Council, Mr. Ferris clarified the history of an Assistant Parks and Recreation Director, noting that there had previously been such a position with the City, but had been subsequently dropped in recent years. With all of the offerings Parks and Recreation is managing currently in terms of traditional and newly offered recreation and entertainment, the revival of the Assistant Parks and Recreation Director position is needed.

Council and Mr. Ferris had a discussion about the impact of the state employee retirement benefit rate increase for municipalities. Also discussed was the increase in police retirement benefits payments. In response to a question posed, Police Chief Bollhorst noted that currently there are 15 former Albemarle Police officers who are being paid retirement benefits (which are not all paid at 100%), with the possibility of 3 more officers due to retire in the next 18 months.

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### **City Funds Review FY 23-24**

Mr. Ferris summarized the General Fund, followed by each of the funds.

General Fund key highlights included:

#### Revenue:

- The property tax rate remaining at 61 cents per \$100 assessed value on property which supports many traditional City services even though revenue for this Fund does not even cover the entire Fire and Police Department budgets;
- Sales tax revenue projections were based on NCLM estimates, current local trends and analysis and is indicative of significant growth. There is an expectation that this growth will level out however.
- Fund Balance FY 23/24 - \$50,000 for business loan/grant program; \$132,000 for other supporting materials needed by the Fire Department to support personnel to be added per the SAFER grant; \$80,000 Parks and Recreation Master Plan update; \$20,000 purchase of rifles for Police which will be matched with restricted drug seizure revenues. Per a question from Council, Finance Director Jacob Weavil noted that at the end of FY 2021-22 the unassigned fund balance was \$6.25 million.
- Rate and Fee Changes – There will be an increase of \$5.00 in the motor vehicle fee moving the annual fee from \$10.00 to \$15.00. There will be no increase in development fees. For solid waste collection and disposal, there will be no change in the disposal fee (\$4.62) but an increase in the collection fee due to contractual requirements moving to \$17.20 up from \$16.78.

#### Expenditures:

- A department-by-department review of funded needs based on strategic plan goals was provided as follows:
  - Police – Compensation study increases which would make the APD the highest paid law enforcement group in Stanly County based on current starting salaries; a 4<sup>th</sup> School Resource Officer (SRO) so all schools in the City limits will have an SRO; 4 new vehicles. Prior to this proposed budget, the total of new Police vehicles stands at 28 in last 4 fiscal years); a new canine; payments on the new Police building; new traffic trailer; and additional rifles.
  - Information Systems – Contracting to recommend best practices and assist in project prioritization; new vehicle

- Public Works – Compensation study wage increases; General Fund funding for street preservation and maintenance; heavy equipment acquisition; funding of street and gutter repair, sweeping and mowing NCDOT rights-of-way, downtown property landscaping, electronics recycling collection and general right-of-way.
- Fire – Funding add-on equipment and other support materials for new Fire personnel should the SAFER grant be awarded; overhaul of front-line engine; SCBA masks, turnout gear, smoke and CO2 detectors, apparatus supplies, and air tank sleeves; NFPA physicals; community engagement and risk reduction activities; building repairs.
- Parks and Recreation – Updating Parks and Recreation Master Plan; Afterschool program, summer camp, challenge program; arts and entertainment to include marketing and rental of Albemarle Neighborhood Theater and putting on 6 professional shows there, as well as Food Truck Fridays, Thursdays at the Station and other special events; crew cab and van replacement; new signage at Morehead Park; funding to support the kayak rental program; new mowers; bathroom renovations at EE Waddell.
- Economic Development – Continuation of Retail Strategies and Downtown Strategies programs; Catalyst Grant program; Albemarle Business Center development; and Golden Leaf Foundation site development.
- Administration/Human Resources/Finance – Community survey; continued streetscape and wayfinding funding; oversight and guidance on performance review process; implementation of new time and attendance system; safety incident tracking system.
- Planning and Development Services – Comprehensive Plan update; increase in building demolition funding by \$10,000; City Hall windows replacement in older section and HVAC system work.

Mr. Ferris entertained questions from Council. Council discussed the need for more street maintenance and preservation funds, with some noting that the City might have to consider a raise in the tax rate in order to maintain the streets in the future.

Councilmember Bramlett commented that the City should continue to fund the arts and culture programs because they are part of quality of life offerings that people are looking for when deciding to move here. Mayor Pro Tem Hall countered that there isn't really City support for music at City events, pointing out that typically donations/sponsorships are needed to fund live music for events such as Food Truck Fridays. Parks and Recreation Director Lisa Kiser added that for Food Truck Fridays this year, out of \$17,000 in expenditures for live bands \$14,000 has been covered due to sponsorships.

Council discussed the Planning and Development Services budget line item increase of \$10,000 and inquired how many more demolitions would be supported. Planning and Development Services Director Kevin Robinson noted that this fiscal year's demolition budget was \$36,000 and proposed would be \$46,000 for the upcoming fiscal year. On average, for demolition for a given property it costs the department \$8,000, and so with the extra funds 1 or 2 additional properties could be demolished. Mayor Pro Tem Hall commented that the demolition budget really is not putting a dent in implementing the residential and commercial minimum code. The Mayor asked Mr. Ferris if there was any wiggle room in the proposed budget for FY 2023-24 for up to an additional \$60,000 for demolition. Mr. Ferris replied that Council could add to that line item if they wished, but that would mean cutting line item/s elsewhere in the budget. This consideration would be doable without putting the City financially at risk, but he noted that he tries to budget realistically and that estimating too tightly could impact the budget from being able to address emergency needs.

Mr. Ferris continued summarizing revenue and expenditures for FY 2023-24 for the City's Enterprise Funds.

Powell Bill Fund:

- Revenue – 75% of funding is provided based on population, with the other 25% based on road mileage of the City’s road system. Revenue figures are taken from information provided by the NC Powell Bill Manager. Funding received is at the same level as 2006, however there may be an opportunity for an increase in State-shared funding or a 1-time appropriation.
- Expenditure – Council recently approved the budget for streets improvements and maintenance for FY 2023-24 at the April 17<sup>th</sup> meeting.

Water and Sewer Fund:

- Revenue – There will be a rate increase of 3% for water and 8% for sewer. The different rates changes reflect a desire to move to a more appropriate cost of service and towards service self-sufficiency. There will be no changes to the meter fee, but a tap fee increase for fixed rate taps is proposed.

Public Utilities Director Jay Voyles distributed a current and proposed water and sewer fee rate schedule handout to Council and took questions. Mr. Voyles explained to Council that Public Utilities historically has based, and currently is basing rates on the actual cost of performing the work. Mayor Pro Tem Hall asked if any other tap rates were changing. Mr. Voyles pointed to the irrigation tap fee which will be \$13.50 and explained that Public Utilities conducted comparison research to other comparable municipalities. That research showed that City rates are in line with other similar communities and reflect the need to stay in line with increased costs for materials and labor.

Mr. Ferris proceeded to walk through the NC Environmental Finance Center Water and Sewer rate dashboard for the region in which Albemarle is located for Council. Even with the proposed water and sewer rate hikes, Albemarle continues to provide quality service with affordability, good cost recovery, and low bill rates as compared to other municipalities in the region.

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The Mayor called for a brief break in the meeting.

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The Mayor called the meeting back to order. Mr. Ferris continued with a summary of Water and Sewer Fund expenditures.

- Expenditure –
  - Water Treatment Plants – Perimeter security improvements; ARC flash study; front tank rehabilitation at the US 52 water treatment plant as well as a raw water reservoir assessment; new testing requirements coming online.
  - Wastewater Treatment Plant – Replacement of media filter cloth; purchase of aerators; funding for increased chemicals costs
  - Water and Sewer Systems – First cycle on rolling compensation study; Coble Avenue sewer line replacement; First Avenue water line replacement; meter vault replacement; sewer jet truck purchase; inflow and infiltration work (make manholes airtight, smoke test equipment, cure in place line repair, line cleaning); water tank maintenance contract continuation; mowers; vehicles; trenchers; trench box.
  - Other Water and Sewer – Asset inventory and modeling; transition from ElectriCities to Harris NorthStar for utility customer information system hosting.

#### Electric Fund:

- Revenue – There will be no across the board changes in rates (11% decrease in the Medium General Service class). In the last 9 fiscal years (including the proposed FY 2023-24) electric rates have stayed the same or decreased. The average residential customer has seen rates reduced by 15.5% in that 9-year period. In the Appropriated Fund Balance the following line items have been proposed: \$1,900,000 for the bulk transformer purchase approved by Council in this current fiscal year; \$440,000 for a bucket truck (approved in current fiscal year but could not secure a build slot); and \$425,000 for phase 2 AMI meter purchase.
- Expenditures – Migrating to AMI meters; relocate overhead electric infrastructure to underground at intersection of South Second Street and Martin Luther King Jr. Boulevard/South Street; US highway 52 improvements to help reliability on the southern part of the system; LED streetlight replacement; large inventory purchases to reduce costs of supplies and materials; boom truck replacement; continuation of contracts with Asplundh and Lee Electric for pole inspection and changeout.

#### Landfill Fund:

- Revenue - No increase in tipping fees; no change in closure/post closure fees; there are no fund balance appropriations.
- Expenditures - First cycle on rolling compensation study; fund study to assess whether the construction and demolition cell can be expanded (since state law does not allow new cell locations); replacement landfill excavator; continuation of payment for force main sewer line.

#### Public Housing:

- Conventional – Majority of funds are based on tenant rent payments and HUD subsidy. Expenditures are focusing condition of units, the property as a whole and turnaround of vacant units. Major site improvements have been approved through the Capital Fund Program.
- Section 8 Housing Choice Voucher Program – Subsidies are based on HUD formula as a pass through to landlords. There is a nationwide challenge to finding participating landlords to meet housing needs.

Mr. Ferris concluded his presentation of the FY 2023-24 budget by thanking department heads for making reasonable requests this budget season. He also noted that it is a responsibility of a City Manager for making decisions in order to provide a balanced budget in each of the 8 funds.

Mr. Ferris took further questions from Council. Per a question by Mayor Pro Tem Hall, Mr. Ferris clarified any rate/fee increases tied to the General Fund, which would be the \$5.00 increase in the motor vehicle fee and the collection fee for WM due to contract-related increases.

Mayor Pro Tem Hall requested an update on the Landfill recycling center and safety monitoring efforts. Public Works Director Ross Holshouser reported that environmental testing of that section of the Landfill is continuing to determine whether that area is safe to use in the future. A 2<sup>nd</sup> phase is determining if recycling center can be relocated next to the scale house and so testing is being done there too.

Per the City representative/HUD field office meeting today, is there a sense of the final resolution. The City Manager noted approximately half of the issues have been dropped. The Mayor added that there was good discussion in today's meeting and the City is working on 2 issues but need to wait for HUD's written response/rebuttal first. Mr. Ferris noted that so far HUD has dropped half of the compliance findings from their most recent report.

Mayor Pro Tem Hall commented to the rest of Council that beyond ARPA funds and grant funds for stormwater there is no line item dedicated for stormwater management and asked whether there should be in order to build funds for reserves. The Mayor replied that considering recent Council action earlier on this year, Council does not have the votes to spend funds on stormwater before the results of the 2 funded mapping studies are done. Councilmember Whitley added that there are a number of federal infrastructure bills providing federal funds to states for projects such as stormwater management, and he has contact information at the state level in case Council wanted to research these funding opportunities further.

Mayor Pro Tem Hall and Mr. Ferris discussed the Capital Improvement Plan and consultants like First Tryon availability to meet to financial model possible funding scenarios for Council. Mr. Ferris noted that typically First Tryon is brought in early in the budget planning season as Council prepares to consider aspects of the following fiscal year budget. He added that the City now has in place the major initiatives from its priority planning process and it is time to begin to look at the timing, cost, and budgetary impacts of future projects, such as the sport fields.

Mayor Pro Tem Hall asked when Retail Strategies was due to meet with the City next and when the leakage report would be available. Mr. Ferris replied that information would be provided in a Council meeting in June.

Mayor Pro Tem Hall made a request that Council have the debt service schedule provided to them at the May 15<sup>th</sup> meeting.

The Mayor asked Council if anyone else had questions about the budget or any request for budget changes at this point. No one on Council responded.

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The Mayor called for a motion to adjourn until Monday May 15, 2023 at 6:30 pm in City Hall Council Chambers for the next regularly scheduled meeting.

Upon a motion by Councilmember Bramlett, seconded by Councilmember Whitley, the motion was unanimously carried. The meeting was adjourned.