

Salisbury, North Carolina
April 21, 2016

RECESSED MEETING OF APRIL 19, 2016

Continued
April 21, 2016
1:00 p.m.

The City Council of the City of Salisbury met at 1:00 p.m., Thursday, April 21, 2016 in the Salisbury-Rowan Utilities Conference Room located at 1 Water Street pursuant to the recess of the Regular meeting of April 19, 2016, with the following members being present:

PRESENT: Mayor Karen Kirks Alexander, Presiding; Mayor Pro Tem Maggie A. Blackwell; Council Members Kenneth Hardin, William Brian Miller, and David Post; City Manager W. Lane Bailey; and City Clerk Myra B. Heard.

ABSENT: City Attorney F. Rivers Lawther, Jr.

Mayor Alexander and members of City Council met at 1:00 p.m. in the Salisbury-Rowan Utilities Conference Room located at 1 Water Street. Mayor Pro Tem Blackwell provided the invocation.

CAPITAL IMPROVEMENT PLAN WORKSHOP

City Manager Lane Bailey introduced Mr. Denny Martin and Mr. Steven Miller from Martin McGill consulting, the firm assisting with creation of the Capital Improvement Plan (CIP). Mr. Martin explained the parameters of the project and noted it was created with a 10-year horizon. Mr. Miller indicated the firm worked with departments to identify capital improvements, recurring equipment, non-recurring equipment, vehicles and studies that were \$5,000 or more. He reviewed how the projects were then divided into four priorities from highest to least priority.

Mr. Miller indicated in the Water/Wastewater fund the CIP outcomes totaled over \$83 million in needed projects over the next 10 years. He stated the largest project is nutrient removal.

He added the majority of the projects will be paid by issuing revenue bonds. Mr. Miller stated the costs could result in increases in revenues in the range of 2% to 2.5% annually. He pointed out this assumes the utility fund continues to contribute \$3.2 million to the general fund annually and takes into consideration the loss of revenue from bulk water sales to Kannapolis and the reduction in revenue in China Grove as previously negotiated.

Mr. Miller stated the General Fund CIP identified over \$99 million of needs over the next 10 years. He noted several models were created to focus on funding only highest priority projects or those projects that are mandated. He indicated the projects equaled an annual increase of 1.5 to 2 cents tax equivalents, or biannual increase of three cents tax equivalent. He explained the tax equivalent is not just a tax increase, but is a combination of revenue achieved by growth, cost reductions, fees or tax increases.

Mayor Alexander asked why a 10-year horizon was used rather than a shorter timeframe. Mr. Martin stated most CIPs use a 10-year horizon because of debt management which is usually for 10 to 20 years. He added using a 10-year plan allows debt payoffs to be factored into the plan.

Mr. Miller reviewed the General Fund CIP and noted only grant funds that are certain were included. He pointed out there are two debts proposed, one in year 3 to pay for Fire Station 3 and one in year 6 to pay for Fire Station 6, both of which are critical.

Mr. Bailey indicated he had spoken with Chief Parnell about the two stations whether there is a need for additional staff for station 6. He noted the order of construction can also be switched.

Mayor Pro Tem Blackwell noted the sidewalks along Main Street are in poor condition, and she asked if the funds shown for sidewalks included these. Engineer Wendy Brindle stated the funds shown are for new sidewalk along South Main Street from D Avenue to Rowan Mills Road, which will be offset by grant funds.

Public Services Director Tony Cinquemani stated the funds set aside for sidewalk maintenance are spread throughout the City and are part of operational funds rather than capital.

Councilmember Miller pointed out interest rates will be significantly higher in several years, and it may be worth considering taking on more debt now while the rates are low.

Mayor Alexander pointed out Council Chambers is in need of better equipment and needs new carpet. Mayor Pro Tem Blackwell agreed and commented it was in need of renovation. Councilmember Hardin noted the County Commissioners have individual monitors at their seats, and it would be helpful to be able to see the presentations that are given.

Mr. Bailey stated staff has looked at monitors or possibly adding a second screen on the other side of the room. He noted he believes the audio needs can be taken care of in the current budget. He indicated he will add sidewalks and Council Chambers as items of concern.

Ms. Blackwell indicated the Plaza needs a roof and HVAC update. Mr. Bailey indicated these needs are being placed six years out, but staff will look at other opportunities sooner than that if needed.

Mr. Miller then reviewed the CIP for the Water/Sewer fund, and Utility Director Jim Behmer reviewed the needs. He noted the agreement with the City of Kannapolis for their purchase of water ends in October.

Mr. Miller then reviewed a financial analysis for the General Fund and three scenarios for paying for the CIP. He noted the analysis is only for reference and items can be added or deleted from the plan in order for it to be customized. Mr. Martin noted the information presented is raw in order to allow feedback and adjustments from Council.

Councilmember Miller indicated he would like to know the City's capacity for what is acceptable and what budget Council has to work with. Finance Director Teresa Harris stated 1 cent of property tax equates to approximately \$270,000. Councilmember Post asked about the percentage of tax rate collection. Ms. Harris stated with the tax and tag now paid together, it has helped the overall tax percentage rate.

Councilmember Miller commented there is a balance between funding services citizens expect and keeping their tax bill low while also funding infrastructure.

Mr. Bailey stated this is where Council decides what it would like to do and how much it is willing to do. He added Council needs to decide what it would like to do outside of the essential services, and he noted the City is facing challenges over the next 10 years.

Mr. Martin commented that each community does its CIP differently based on its community needs. He suggested a baseline analysis to show what it takes to operate the City and then replace those things Council thinks are essential. He added another approach is to set a certain cap for capital and decide the details later.

Mr. Hardin noted Fibrant is a big hit to the General Fund. Mr. Bailey stated Fibrant is a wonderful asset for the City with tremendous potential to help the economy long-term, and he added efficiencies in Fibrant would reduce the cost to the General Fund.

Broadband Director Kent Winrich commented the efficiencies are beginning to take place with new contracts being negotiated. He stated more profitable customers are being added. He noted 120 businesses have been added in the past few months and each business is equivalent to 10-20 residences in revenue.

Mr. Post indicated he has spoken with other municipalities with broadband utilities and the revenue base is sufficient. He noted Fibrant should be able to cover the debt service, and Council needs to find a way to reduce the \$3 million paid from the General Fund because it would free that money for use in the General Fund.

Ms. Blackwell stated Fibrant must be marketed, and the City needs incentives to attract businesses to Salisbury. She added the City has to find a way to reach businesses and must spend money in order to make money.

Mr. Post commented he thinks Fibrant is close to what should be its break-even point and the cost structure must be determined.

Mr. Bailey noted when he came to Salisbury the Fibrant costs were in the General Fund, and Council was told it was breaking even. He stated now that Council knows the actual numbers it can begin working to make it successful.

Mayor Alexander indicated she, Councilmember Post and Mr. Bailey are working with a group to develop a strategic plan for Fibrant.

Mr. Post stated there are many models for the broadband utility available, and they need to be reviewed.

Mr. Bailey asked how Council would like to move forward.

Councilmember Miller clarified the CIP only includes capital and asked if the budget may have a need for an increase. Mr. Martin stated the analysis for the first year includes the current estimates for the budget. Budget Manager Shannon Moore noted there is little growth for revenues and there are items that were funded by the General Fund last year that will be reoccurring costs.

Ms. Blackwell questioned Council's role for the CIP. Mr. Bailey indicated the items that have been presented are those that Council has indicated a desire to do in the past. He noted if there is something Council would like to postpone, take off or add they can decide to do so. Staff then reviewed the items listed as mandated and explained what each project entailed.

Ms. Blackwell asked about asphalt resurfacing. Ms. Moore noted \$330,000 was budgeted this year and the bid came in over \$400,000.

Mr. Hardin pointed out there are funds allocated for West End entrance improvements. He commented he would rather use those funds for more pressing issues.

After staff reviewed the projects, Mr. Bailey stated the changes Council noted were a desire to see something for downtown sidewalks, Council Chambers, and taking out the \$300,000 for West End entrance improvements. Council also discussed the order of construction for the two fire stations. Councilmember Miller asked if the debt could be combined to take advantage of lower interest rates. Mr. Bailey stated if the full amount was borrowed in one year it would create the need for increased taxes or the fund balance would drop. He noted staff will analyze the figures, and he added debt will roll off between the two proposed debt projects.

Ms. Blackwell suggested staff look at selling some of the City-owned properties because every \$270,000 is a penny saved.

Mr. Bailey indicated he will provide different options to Council when they meet again to review the revised CIP.

Mr. Post stated increasing the tax rate by one cent will cost the average homeowner \$12

per year, or \$1 per month. Mr. Hardin commented it would benefit everyone if the function and benefits are explained to citizens in the proper context.

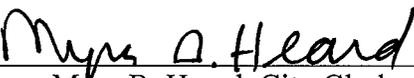
Council agreed to meet Friday, April 29, 2016 at 2:30 p.m. at 1 Water Street to continue the CIP review.

RECESS

Motion to recess the meeting until Thursday, April 28, 2016 at 7:30 a.m. in Council Chambers at City Hall was made by Ms. Blackwell seconded by Mr. Post. All Council members in attendance agreed unanimously to recess. The meeting was recessed at 5:10 p.m.



Karen K. Alexander, Mayor



Myra B. Heard, City Clerk