**MINUTES OF THE RECONVENED MEETING**

**OF THE REIDSVILLE CITY COUNCIL**

**HELD THURSDAY, MAY 2, 2013 AT 9:00 A.M.**

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

**CITY COUNCIL MEMBERS PRESENT:** Mayor James K. Festerman

 Mayor Pro-Tem Tom Balsley Councilman Donald L. Gorham

 Councilman William Hairston

 Councilman Richard Johnson Councilman Clark Turner

 Councilwoman Sherri G. Walker

**COUNCIL MEMBERS ABSENT:** NONE

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

 Angela G. Stadler, CMC, City Clerk

 Chris Phillips, Assistant City Manager of Administration

 Charlie Dennis, Police Chief

Mayor Festerman called the reconvened meeting which had been recessed on April 10, 2013, back to order. He noted former City employee Jean Stephens lost her husband earlier this week and Main Street Manager Terresia Scoble’s husband was going to be going through open heart surgery tomorrow. He asked Council members to keep them in their prayers.

The Mayor then turned the meeting over to City Manager Michael J. Pearce.

Pearce noted that the primary reason for this budget work session was to review the General Fund. However, he reminded Council members that they had discussed the utility funds on April 10, at which time staff informed them that we need to increase utility rates by 3%. He said there was a lively discussion at that time about the impacts of such an increase. Assistant City Manager Chris Phillips had provided Council with some information, and Pearce said he would like to put that discussion to bed. He then turned this part of the meeting over to Phillips.

**REVISIT UTILITY FUND DISCUSSION – CHRIS PHILLIPS.**

Phillips distributed a six-page handout labeled “City of Reidsville Water and Sewer Bills 2013.” He explained that the first page gave a comparable or peer group with similar populations between 10,000 and 24,999 residents. While he only listed the 39 cities, he said he also looked at 16 counties and 24 districts. All of the districts averaged 1.27% of operating revenues/operating expenses, he said. The City of Reidsville is going to be in the middle when you look at this, he explained, and is listed 24th out of the 39 cities considered.

The benchmark for recovery costs from the State is 1.2, Phillips reminded them. Some cities listed are below 1% and are probably looking at making changes, he said. These cities averaged 1.16% in recovery costs on 4,000 gallons used. He noted that the State thinks 5,000 gallons of water used is the average.

Phillips said they often hear the complaint about base charges, which are charged whether someone uses the water or not. However, he pointed out that regardless whether the citizen uses the water, the line is there, the Water Plant is there and there is still a cost whether they use it or not. He said some cities, such as Mount Holly, do not charge a base charge.

The Finance Director noted that Councilman Gorham had asked about outside rates. Those cities who do not charge a different outside rate are listed as “n/a,” he explained. Most charge two times the inside-City rate, he said, with the average being 1.86%. He reminded them that people outside the City don’t pay taxes, and it does cost for the lines to go out further. He also pointed out that most of these people choose to be on our water system because they have had a problem like a well going dry. Councilman Turner noted that groundwater contamination is another reason. Phillips briefly noted that it is the current City policy that if someone wants to go on our City water system, they must request annexation into the City.

The City Manager noted that in the second column of this page, those cities that are showing any number less than 1% are not covering their operating expenses, and that’s not good because you’re operating at a loss. Eden, for example, is sitting at .82, which is why they have some pretty good increases coming up in the next couple of years, Pearce said. He again reminded them that 1.2% is the suggested rate, which means the revenues collected cover 1.2 times the cost of operation. Among these cities, 1.16% is the average and Reidsville is at 1.14, which is not good. Councilman Turner noted that it also affects us when we go to the bond markets. Pearce said if you’re below 1%, no one is going to give you any money. They look at you like a bank would and how you’re operating, he stressed.

On the second page of the handout, staff looked at the City’s March billing to see where our people fall, Phillips said. He noted that 3,628 customers use less than 4 units of water a month. In response to a question from Mayor Festerman, Phillips noted that one unit equals 750 gallons of water. Approximately 1,500 customers use between 5-10 units while 156 use 11-25 units and 10 use between 26-100 units. All of these are residential customers, it was noted. Phillips said they have done leakage adjustments and out of those 10 using 26-100 units, eight have had adjustments. The other one is a group home that always uses between 25-30 units, he added. One of those went from 5 units usage to 68 which means they have a leak. Phillips said he was attempting to reach that customer to let him know. Sometimes leaks are underground so the customer may not be aware of it, and Pearce added that when that happens, we also get complaints about dirty water because dirt is sucked into the water line.

Phillips said that 68.5% of our customers, those using 0-4 units of water, should see a 73 cent increase in their monthly bill at a 3% increase. Those using 26-100 units will see a $1.27 monthly increase, he noted. 28.35% of our residents will see their monthly bill go up between $1.41 and $2.09. 2.95% of the customers will see their bills go up between $2.22 and $4.12 with the proposed increase, he said. The Finance Director added that this bill does include the sanitation bill charge of $5.35.

The third page of the handout compares businesses, Phillips said. He looked at Reidsville compared to four other cities: Eden, Mebane, Graham and Lexington. The different columns range from 0 gallons to 500,000 gallons. At 0 gallons, Reidsville is the highest for meters sized 2 inches or less, the Finance Director said, and those customers will see a $1.86 increase even if they don’t use any water. Eden is currently at $21.14, but since its variable rate is higher than ours, beginning at the 10,000 gallon level, Eden’s cost is higher, he continued. At the 25,000 gallon level, the other three cities are higher than us, he added. He noted that Mebane, Graham and Lexington charge the same for residences and businesses. Reidsville and Eden do not because we are trying to encourage business, Phillips said. He noted that last time we raised the rates, Unifi looked around and realized that our rates are still good. Phillips cited the last column (500,000 gallons), which shows a $60.62 monthly increase for those businesses.

Mayor Festerman asked if Unifi still does dyeing in Mayodan? The response was no. Phillips noted that at the time of that plant closing, staff had showed Unifi officials the difference between the rates.

On page 4 of the handout, a rate analysis shows where customers fall. Only 18 small businesses use more than 100 units, Phillips said. Therefore, approximately 80% of those customers will go up between $1.86 to $2.74 on a monthly basis, which is a modest increase, he said. He stressed that again, these figures include sanitation fees (at $16.81 for once-a-week pickup) although he noted some customers have once-a-week pickup while others have twice-a-week pickup.

On page 5, the data shows that 62 businesses have the larger meters (2 inches or larger), Phillips said. Thirteen customers are using very little water even with a large meter, he added. At the bottom of the page is a table showing the ten largest business bills for March, the Finance Director said. The largest user would see an increase of $1,616.48 monthly. Mayor Festerman asked if we have talked to the industry? Phillips said yes, and that the industry just wanted to know when the rates would be final so they could make some changes. Even for these businesses, this is a modest increase, he said.

The final page of the handout shows outside businesses with only one having a large meter. For that customer, their bill in March was $4,000, Phillips said.

Mayor Festerman said he knows we are locked into a contract with Greensboro, but he asked about the County? Phillips said the County will also have a 3% increase according to their contract and can pass along those increases to their customers based on our rates. When asked if we’d receiving any feedback from the County, Phillips said he had talked to one lady who works for the County but lives in Reidsville who did say she hated any increase, especially since they had received no raises, etc.

City Manager Pearce said we can do very little about the expenses. If Council doesn’t do an increase this year, he said he would be back next year looking for a 6% increase. If there is no increase this year, he said he can balance the budget this year without an increase but he will have to take monies out of the $1 million line replacement fund. Revenues have to come from somewhere to run a responsible business, he stressed, and our water is a business.

There was a brief discussion about the effect on getting loans. State and federal agencies don’t like to see a utility fund being supported, Phillips said. Pearce again stressed the monies have to come from somewhere. Reidsville is getting a $13.8 million loan with 0% interest for our utility improvements, but you still need to show the Local Government Commission that you’re running a responsible business, the City Manager said.

Pearce stressed that the majority of citizens would only see a 71-cent monthly increase. He said this is a pretty modest rate and the way to go about it without hitting residents with a big increase at one time. He said before he can print budgets, Council can vote on the rate increase today and make it active July 1st. He said he at least needs to know the consensus of Council.

Councilman Gorham cited the 41% increase in 2010. He said he understands what Chris is saying but “John Q. Public” doesn’t understand the business part of it. He said he doesn’t like that part of it, he said, adding that they come up with these situations but nobody else knows about it. We are looked at being evil because we haven’t communicated as we should, the Councilman said. Pearce said it is difficult and a long message to deliver.

Phillips said he could set up a luncheon meeting or discussion through the Chamber in May to discuss the increases with businesses. When the City did the big increase, we did a mailer and had an open forum for people to come in and hear about it. We knew what they were going to say, but we wanted to have a dialogue, he said. The Finance Director said we know we have a lot of people on a fixed income, some who have lost jobs and all of this is a factor but when you look at this, it doesn’t change the numbers.

Mayor Festerman said it’s the message they don’t like. He said it never ceases to amaze him how few people come to the budget meetings. Councilman Gorham said they may not read the paper; but they will watch Star news. He said everybody downtown is chewing his head off, saying they can bring water from home and still be charged for water.

Pearce stressed that they didn’t want to have to have another big increase in a few years. Councilman Gorham said he heard him. Councilwoman Walker said they would definitely have to do it next year but maybe we can “kick that can” down the road a little longer. “If we don’t do an increase this year, they’ll know it’s coming and it will give them a year to dwell on it”, she said. Perhaps the economy will be better too, she added.

Phillips noted that when they had talked with Unifi, the company asked them to give them another three months before implementing the increase. He said Eden had four increases they adopted at one time: now, six months later, then another six months and another six months. It gives people time to know their bill is going to go up, he said, adding that we can look at phasing the increase in.

Councilwoman Walker said it makes sense to her but she doesn’t like it and it hurts some people. If you’re on a limited income, that $25-30 a year means lot. Councilman Gorham noted that recently he was behind a lady at Walgreens who was complaining that she couldn’t pay for her meds and now the City was going to go up on its rates. Mayor Pro Tem Balsley said it’s not just Reidsville, it's everybody. Even Greensboro is raising its rates, he said. Councilman Gorham noted that some have said we’re following Greensboro.

Mayor Pro Tem Balsley reiterated that it’s not just a Reidsville deal. At a National League of Cities meeting, it was noted that when water comes out of the sky it’s free, but when it comes out of the tap, it’s expensive. He said we thought we were doing people a favor when we didn’t increase rates for 12 years; but they forgot those 12 years without an increase. In hindsight, it was not a good thing to wait, he said, adding that if we’d gone up 3% a year, we wouldn’t have been faced with the large increase. Next year we’ll be looking at a 6% or the following year, a 10% increase, he said. We are charged with being compassionate and looking after the needs of the people but we are also charged with running a business. Costs have to go up for the customers, he said, noting that this is a very, very reasonable increase. It’s not an “arm and a leg” but it will be if we kick this can down the road, he said.

Councilman Hairston said that, looking at 1.14 in cost recovery, if we fall below the 1%, our City is not managing our funds correctly. He said he sees it as a credit report, and it needs to be done. “I don’t think we have a choice, but I’m hearing it all around me too”, he said. They don’t want the increase and a lot of people are hurting. He asked how can we get the word out because it’s something we’ve got to do at some point. It’s a matter of us being good managers, he said. He asked staff how long would it take for us to fall below the 1.14% we are at now?

Phillips said that is hard to say. Our largest costs are chemicals and electricity and if Duke Power doesn’t go up, costs could level off, he said. We are looking at ways to cut costs but there is not a lot you can cut at these plants, he said. Every year we have to look at where we are, Phillips stated. I would love it if we had no inflation, and if that happens and the CPI (Consumer Price Index) doesn’t increase, we don’t need an increase, he said. However, he noted that over the last two years, the CPI went up 5.8%.

Councilman Gorham again expressed concerns that the City has not been getting the word out to the public that these increases will continue to be needed. He stressed that they don’t read the newspaper but do watch Star News.

Councilman Turner questioned whether people needed a year to look for the extra $12-15 in their budget for this increase. He stressed that this is a nominal increase and while he doesn’t want to see one either because he has two water meters, he said he’d rather pay $15 now than have to pay $30 next year.

Councilwoman Walker asked Phillips to refresh her memory on Greensboro’s rates because she is hearing how Greensboro’s rates are lower than ours. Phillips said it is hard to compare us to Greensboro because they are so large. Pearce said that if you look over the list of cities provided in the handout, you will notice that the higher the population, the lower the rate because it is spread out over more people.

Discussion turned briefly to Reidsville’s contract with Greensboro. Phillips said other groups had commended us that we had gotten a good deal on the water contract. The City of Burlington wanted to see our contract before they started selling water to Greensboro. He noted that there is a formula used every year to adjust the price.

Phillips added that the City of Greensboro paid for the water line to Greensboro, upgrades to the plant and paid for half of the costs to get chloramines added to our water system. Greensboro put a lot of money into the ground in Reidsville, he noted. The improvements to the Wastewater Treatment Plant are going to cost us $14 million, he noted. We will put $2 million into improvements for the Water Treatment Plant but it would have been $12 million if Greensboro had not participated years ago, the Finance Director said. The Mayor noted that Greensboro has the volume we just don’t have. He gave as an example, the amount of widgets someone can sell. The more volume you have the less you can sell the widgets for, he explained.

Pearce said it is always difficult to compare but the only reality is how much it costs us to operate our utility system. We can compare ourselves to other cities over and over, but it doesn’t matter what other’s rates are.

Councilman Hairston said he understands the expense, but he asked if the Council decides to do an increase, can we send a letter to all of our residents explaining it to them? Phillips said we can do a flyer like Sanitation does to announce leaf collection and the holiday pickup schedule. He said he thinks people appreciate getting that information, and it is a less expensive way to do it. It costs about $5,000 to do something like the flyer, he said.

Pearce said we could phase in the 3% increase with 1.5% effective July 1st and do the other $1.5% in January of 2014. Phillips added that October may be a good time rather than July. Councilman Hairston again said he would prefer a letter to residents on its own to which Phillips replied, it would be standalone. Councilman Gorham questioned $5,000, saying he would rather it go to lowering the water rates. Phillips said that’s what it costs for us to communicate. Councilman Turner noted that when it’s hard information, people often don’t want to look at it.

Mayor Festerman asked how much this rate increase would generate. Phillips said about $210,000.

The Mayor said Greensboro bills every other month and asked how much cost savings would that be? Phillips said we would save on the cost of the bills, but there would be no personnel savings. Mayor Festerman did note that that gives longer for people to run out if they’re not going to pay their bills.

Councilwoman Walker asked about using CodeRED to let citizens know about the increase. City Clerk Angela Stadler explained the CodeRED process briefly. Pearce discussed the phone app, PublicStuff, that is on the agenda for next week. The system will allow staff to not only to track complaints but also provides another way to get information out to residents.

Mayor Pro Tem Balsley said if we put it off the increase now, this is not going to be the end of it. As long as we have inflation and costs go up, we’re going to be looking at this, he said.

Phillips said he would be glad to do presentations using the dashboard information if Council thought people would come.

Mayor Festerman said we need to come to some decision on this. He said he would entertain a motion, including one to postpone a decision and reconsider it later.

**Mayor Pro Tem Balsley made the motion to raise the water rates 1.5% in July and 1.5% in January. The motion was seconded by Councilman Turner.**

Mayor Festerman asked Phillips what will the net amount be if the increase is divided? Phillips said it would probably be around $160,000. The Finance Director then noted that the City will not fall under the 1% cost savings recovery benchmark.

**The motion then passed in a 4-3 vote with Festerman, Balsley, Hairston and Turner voting in favor and Gorham, Johnson and Walker voting against.**

**REVIEW OF GENERAL FUND.**

City Manager Pearce then started off the review of the General Fund and referenced his April 29th memo to Council regarding the budget work session. (A COPY OF THE FOUR-PAGE MEMO IS HEREIN INCORPORATED AND MADE A PART OF THESE MINUTES.) He stated in this budget, they had $150,000 over last year’s expenses in order to provide employee insurance premiums and that he is not expecting to receive Hold Harmless monies of $194,000 from the State. He said we have been able to provide for an additional $56 a month in insurance premiums for employees and that starting January 1, this budget includes a 2.5% raise for employees without any tax increase. He noted the need to invest in capital items this year has been quite a challenge for us.

Pearce said our revenues have allowed us to do this is because our tax base saw a 3.9% increase, an 8% sales tax and a one-time vehicular tax collection required by the State which gives us four months’ more of revenues that we would normally receive; and small increases in other line items, such as the ABC tax, Utility Franchise Tax, etc.

The City Manager said that City staff did an excellent job of getting cost estimates close to the bottom line. He said he was really pleased by their efforts.

Pearce said the Mayor had asked us to look at how our property tax rate compares to others in the County. He distributed a handout. (THE ONE-PAGE HANDOUT ENTITLED “COMPARISON - PROPERTY TAX AND SANITATION ANNUAL COSTS” IS HEREIN INCORPORATED AND MADE A PART OF THESE MINUTES.) The City Manager noted that this is never an “apples to apples” comparison because cities do things differently with some charging higher fees instead of higher tax rates. It was noted that we are compared to Eden a lot with regards to property taxes, but their fees are higher than ours. We are relatively even on what people pay out per year, he said. The Bar Chart on page two of the handout shows the property tax in blue with the sanitation charge in purple. In Reidsville, we pay $5.35 a month for sanitation while Eden charges its residents $18.75 monthly in sanitation fees. Pearce noted that Reidsville runs a City cemetery, which costs us 1 cent on the tax rate. He said when you start comparing, you can’t just compare the tax rate, adding that we compare favorably with everyone else in the County except for Mayodan.

Mayor Festerman noted that it is Council’s prerogative to change it to do exactly what Eden does, but he said he thinks it’s a mistake because fees are not tax deductible but property taxes are. Pearce said we could drop the tax rate 9 cents now but the sanitation fee would go up to $19.00.

Mayor Pro Tem Balsley asked what the Powell Bill is? Phillips explained that it is the monies given by the State to maintain the roads. Balsley asked about the utility franchise tax. Phillips explained that tax is what the City receives from the State when companies providing a service such as Time Warner Cable and Duke Power pay for those franchises.

The Mayor Pro Tem then asked whether last year was the last year of Hold Harmless reimbursements. Pearce explained that the old tax was taken away in 2002. It was to be phased out over 10 years and replaced with a sales tax formula, but the sales tax distribution went down so the amount of Hold Harmless monies went up. Phillips noted that it was to give municipalities time to get the sales tax revenues back up and it was working until the economy went bad.

Mayor Pro Tem Balsley said he wished the need to recycle could be impressed on people. Pearce said a study was done by Public Works Director Kevin Eason and Sanitation Superintendent Pat Knowles on curbside recycling. The State average is 13% participation, he said. While they figured we could find 50% in cost savings, you still have to invest in new people and equipment to start the program, he said. It would cost us $127,000 per year with 50% participation and $200,000 to do recycling on top of everything else. Again, the Mayor Pro Tem said he wished we could find a way to make our citizens more conscious of recycling. Councilman Turner said they need to think of future generations. The Mayor Pro Tem said that people do seem to be recycling their junk on the side of the road. Councilman Turner said it appears to be worse in the County.

Pearce noted that the revenue sheets are pages 1-12. Phillips stated that some cities do zero-based budgeting but we don’t do that here. Instead we do a modified zero-based budgeting, he said. Some cities automatically add 5% to their prior years’ budgets, he added.

The Mayor referenced the handout that shows all the departments, including the original 2012-13 budget and the Manager Recommendation for 2013-14. He asked why Economic Development had gone up? Pearce said that was due to incentives agreements for existing industries with added phases of development.

Mayor Pro Tem Balsley asked if this budget will give us the money to keep working on the water and sewer lines? The City Manager answered in the affirmative

Pearce then started to review the proposed budget by department, reviewing each line item as needed.

**Governing Board:** Councilwoman Walker asked about the public relations line item. Pearce explained that is where we pay for promotional items and things like 30-year watches for employees. He said he reduced it down to $6,000 because we had recently replenished supplies of items.

The Special Projects line item is for those things we haven’t anticipated, Pearce explained. We use them for a large project or to augment funds for other projects, like the basement of the gym building or if an architect or engineer is needed for a project rather than going back to the Reserve Fund and waiting for a City Council meeting for approval.

Advertising is the line item to cover costs to advertise public hearings, etc., was staff’s response to a question from Councilwoman Walker.

The Elections line item was reduced a little bit because we had gotten more of a concrete answer from the Board of Elections about what those costs would be for the upcoming municipal election, Pearce said.

Mayor Pro Tem Balsley asked what happens when those contingency or special projects monies are not used? Pearce explained that they go back into the fund balance or they could be rolled over to the next year’s budget. He said it is more accessible to us if it is sitting in the budget already appropriated.

**Administration:** This budget includes a staff of three and those items needed to perform our duties, Pearce said. He included the fuel contingency line item again this year but reduced it. He said we may have to get into that before the year ends. It was put in last year in case gas prices went up. Department heads were concerned so the fuel line item was set up. He said we may have to transfer monies out this year because some departments are running close to the bottom on auto supplies, etc.

**Personnel:** This department includes Terri Stamey and Carolyn Nimmons and items for what they do. Pearce said he had reduced the amount for the wellness program from $31,000 to $25,000. When it was set up this year, they didn’t know how much it would cost, he noted. The City had a successful wellness event the other week, and he felt he could safely reduce the amount to $25,000 and have a competitive program, he said. The salary for the Wellness Coach comes out of the insurance premiums, he said.

Councilwoman Walker asked about the participation levels of staff in wellness. Pearce said it’s getting better. He said there are some who have signed up for the program and some who are really doing it. A health screening has been held. Regular meetings with the Wellness Coach are also part of the program. The Fire Department is doing well, the Police Department is doing better, he said. Phillips noted that our new wellness coach coming on board has strong promotional skills and is a more of a “rah rah” type of person.

In response to a question from the Mayor Pro Tem, staff noted that the laboratory tests line item covers pre-employment screening, random drug screening, etc.

Councilwoman Walker asked about the safety program. Pearce noted this program is run by Fire Chief Bracken and includes safety issues, including safety associated with City buildings, etc.

**Public Works Administration:** This department includes Kevin Eason and Wanda Johnson. Pearce said Eason has held the line over and over and over, so much so that the City Manager said he is concerned Eason may be underestimating. Eason has also given him charts showing all of the equipment, age, value, etc. If he says what it will cost, I can take it to the bank, Pearce told Council.

**Community Appearance:** This department includes maintenance of different City-owned spaces around town, including signage, welcome signs, sponsoring and helping out with Clean Sweep, etc. Pearce said that this year, he is declaring City Hall a community appearance area and is replacing the carpet in the conference room and the chairs in Council Chambers. He also noted that the Appearance Commission works very hard. The intersection featuring the rose garden on Richardson Drive was briefly discussed. It was noted that when the Men’s Garden Club initially gave it to the City, the Club also gave the City money for the upkeep. He said the City would continue to keep it up, at least for this year.

**Finance:** Pearce explained that the costs of departments like Finance and Engineering is primarily in salaries and related expenses. The line item on tax collection, which is a fee paid to the County, was discussed. Pearce noted that the cost goes up every year by 5%, but now the State is going to be collecting vehicle taxes beginning this year. Councilman Gorham asked if we hadn’t discussed taking that back over? Pearce said yes, adding that the cost to pay the County is almost there for the City to hire its own person.

**Information Technology:** As part of this departmental discussion, Pearce handed out two sheets dealing with capital requests. He said he would like to put in $41,000 to cover the replacement of two servers at $17,000 and to remodel the server room at a cost of $24,000. The two servers have been here since 2006 and are no longer under warranty. These servers house our financial software and records and allows us to do credit card authorization. Remodeling of the server room is needed because we have always had a problem down there with the front of the room being cool and the back getting hot. All of the City’s departments are tied into that room down in the basement, Pearce said. Some of the electrical outlets in the room are maxed out and we’re at the point, the room needs to be remodeled, the City Manager said. The other IT capital recommendation is $100,000 to replace the City’s phone system, Pearce said. It is well over 10 years old and Rhonda Wheeler, IT Director, has been telling us for several years that it needs to be replaced, he said. We can no longer get replacement parts for the system. Pearce said they have included it in this year’s budget rather than next year’s. Phillips explained that 5-6 years ago, the City had an agreement with the County to prepare a “ready-to-go” site at the industrial park. We set aside money for it, and the County agreed to reimburse us for half of it, he said. We paid $370,000 to do the work, including grading. It took a little bit longer to do the work than expected and the County had forgotten about it, the Finance Director continued. The first bill due was for $10,000, he said, with the next bill for $50,000 to $60,000. The former County Manager left, but the County still owed us $130,000. Phillips said. We finally got the money from the County but by then, we were long past paying for the project so this was almost like “new” money, Phillips said. Wheeler has washed her hands of the phone system and basically said don’t look at her if anything happens, he said. Phillips did note that these phone systems are now software based rather than hardware based so the cost should never be $100,000 again. The Mayor asked if a portion of the 911 funds could be used to help pay for it since the State had loosened up the restrictions. Phillips said no, not unless they are related to the 911 line.

None of the Council members voiced objections to using those funds for the phone system.

**Public Buildings:** Mayor Pro Tem Balsley asked about the Historic Property Restoration line item. Pearce and Phillips explained that is for projects like the old Bank building and the little Service Station. They noted that there are no funds planned in that line item for next year. Councilwoman Walker asked about the Capital Improvements line item. Pearce noted that Tom Wiggins had suggested replacing the lighting, boiler and windows at City Hall, but they decided to “kick the can” down the road for that request. He said they were looking at requests that need to be done to keep services going instead of those green “nice to do” projects. He did note that if the boiler breaks down, we will have

to replace it.

A short 10-minute break was taken before Council and staff resumed looking at the departmental budgets.

**Police Department**: Pearce noted that this budget includes Police Administration, Detectives, Patrol and Community Policing. The shifting of personnel is reflected in the salary line items in the various divisions, he said, so he had invited Chief Dennis to come and explain the restructuring of the department. Pearce noted that he had been stressing how we can rethink government and how we do things in order to find if we can see reductions or increase services without increasing costs. He talked about this with Chief Dennis when he was hired. The Police Chief has been good about listening to what people want, which has included more patrol and less specialty areas, the City Manager said. Because of what has been going on in Reidsville, Chief Dennis has probably had to take this issue on more quickly than originally expected, he added.

Thanking the Council for the opportunity to speak, Chief Dennis said he would like to discuss what he has been doing the last six months, especially in terms of rethinking government in light of the economic issues that have occurred since 2008 and how we do business. Is there a better or more effective way to do business or to do more with less? Regarding the structure of the Police Department, he noted that there is always a history of why things are the way they are, but he must also look at new marching orders as well and try to think outside the box. However, there is always a ripple effect when you go outside the box, he said. He said he has met with each staff member individually and community persons; that the Police Department was top heavy was a consideration, along with staff members concerned about patrol staffing levels. There is always a price you pay with that, going from patrol to other positions within the department and being shorthanded because someone is on worker’s comp or someone is on military leave, etc. He said he asked, “how can I put more boots on the street”? Unfortunately, the City Manager didn’t offer him more staff so he looked within the agency. Then some things happened early on that he thought he wouldn’t have to face for a couple of years, including retirements of a captain and a lieutenant and an unexpected resignation of a lieutenant.

Chief Dennis said he had to rethink the lieutenant level with the changes of the department as well. He noted that he talked with people but said it is hard to get people to change, for some people it gets personal. There is a ripple effect but we have to get across that change is good, he said. We should always look at it that change is a positive, he continued.

The Police Chief showed a PowerPoint slide regarding salary shifts among the divisions. The slide showed that Administration increased by $24,700; Detectives decreased by $61,100; Patrol increased $7,900; Community Policing decreased $3,100; the Park Ranger went down $28,100. The salary line items last year totaled $2,433,000 and went down to $2,373,300, a decrease of $59,700.

Chief Dennis said he looked at night time shifts and how to offer additional support at that time. He noted that the department also must deal with people being out due to worker’s comp, training, sickness, etc. A possibility might be adding another shift from 2 p.m. to 2 a.m. in order to provide extra support to patrol, he said.

The Police Chief showed a slide of the existing departmental structure and a slide of what is being proposed. There was a brief discussion of retired Police Lt. Bill Roland’s position and how it was a temporary Special Projects position. A list of projects that Roland had worked on, including the 911 Communications Center project and remodeling, grants, etc., in that time period was noted. The Mayor stressed that it was not an authorized position on the organizational chart.

Chief Dennis reviewed the new proposed structure designed to get more boots on the street. The new structure puts one Captain over patrol and community policing. Two lieutenants will operate as watch commanders to push those expectations and accountability down to that level. Sergeants will run those four teams. TACT will be moved from Detectives to Patrol while the Administrative Lieutenant position and Internal Services will be under the Captain of Detectives. The green squares on the table reflect an overhire position, the vacant Park Ranger position and a narcotics position whose grant funding will end June 30. The gray blocks represent one officer out on worker’s comp and another out on military leave.

Mayor Festerman said Dennis might want to clarify that this is for informational purposes only and that the Council does not vote on this. The Police Chief agreed, noting that he felt the structure would be better with Patrol and Community Policing under one captain. The Grants for the Traffic Officer and PNRO will go away, he noted, adding that the City will fund the fourth year. City Manager Pearce said he had wanted Chief Dennis to come today and discuss this with Council because he was so impressed with Chief’s thinking outside the box.

Councilman Gorham asked how the officers are taking the proposed changes? Chief Dennis noted that no one likes change when it affects them personally. He said it was at the nail biting stage about a month ago but they brought in those people who would be affected and once they saw what we were trying to do, they saw it as a positive thing, with the watch commanders and moving people around to have more coverage. He said they brought up good questions and good ideas. Having a regular meeting with supervisors is a good thing, he noted. They have been going by the same schedules for the past 15 years so they have been a little hesitant, but they’ve laid the reasons behind it out before them, Chief Dennis said. Pearce said he likes Dennis’ style of personal interaction with all of the officers. He met with everybody individually when he first came here, the City Manager noted. There have been a lot of individual meetings and the ideas have been thought out with the captains, lieutenants, etc. However, it was noted that not everybody is going to love it.

Councilman Gorham said we had wanted him (Dennis) to be the captain of the ship and he appears to be the captain of the ship. Councilwoman Walker said she knew the officers were out there because she had received complaints that people were getting citations.

Pearce went over the Police Department budget. Among the capital improvements he was recommending was remodeling of the evidence room. He said our liability for making sure that evidence is well protected is very high. The department wants to have a drying area so that any blood borne pathogens are taken care of, he noted. Evidence has to be handled carefully. Part of the improvements would be to the room’s ventilation system, which is needed in the handling of potentially toxic spores, Pearce added. Another capital improvement Pearce said he is recommending is an audio visual upgrade to the Police Department’s training room at a cost of $12,000. He noted that people come from all over to use the training room here, and it hasn’t been updated in 15 years. These two capital items are included under the Police Administration budget, he said.

Councilman Gorham asked if there is any place inside the department for the canines. He said he received complaints when he was on Council before about dogs being left out in the cars. Chief Dennis said there is a sally port that could be used. Councilman Gorham requested that the sally port be used rather than the dogs being left in the cars with their hoods up.

Councilwoman Walker asked how many canines the department has? The Police Chief responded three. He said the officers would like a canine on each shift but he’s not necessarily a proponent of that. He said they may go down to two if there is a retirement. He said the canines are a great asset but also a cost.

Mayor Pro Tem Balsley asked about the Police Cadet line item. Pearce noted that it was funded last year but they were unable to complete that so it was not funded again.

Pearce was asked why the Animal Confinement line item went down from $35,000 requested to $32,000 recommended by the Manager? Pearce said he just disagreed with the department head on the amount needed.

Pearce then noted the third capital item was recommending for the department: replacing a 1995 Camaro for a new vehicle in the Detectives Division at an estimated $19,000.

The bottom line of the Police Department budget is there is a decrease overall but that people have been shifted around among divisions.

On page 11 of the budget review handout, staff briefly discussed line item 1300, Police Separation Allowance. By State law, cities must pay officers with 30 years’ experience who retire before age 62, an amount commiserate to the difference in salary. Currently, the City has a half million dollars in that fund, but is not putting all that is needed in lieu of more anticipated retirements for a few years. We will continue to pay out the expenses though, Pearce said.

Councilwoman Walker asked with the new organizational structure, will that cut down on canine overtime listed as line item 1203 on page 12 (Patrol)? Chief Dennis said that while he is a proponent of going down to two dogs, that hasn’t happened yet. Phillips explained that the line item (canine overtime) is more for those times officers and their canines are working off hours for training, vet visits, etc. He said that is a specific area that the Department of Labor has looked at.

Pearce noted that Community Policing has no capital items and has held to the budget. The main increase is in salaries and benefits, he said. Chief Dennis was then excused from the discussion and left.

**Fire Department:** Pearce pointed to line item 5400 Contract Lease Purchase. He explained the last payment on the lease of a fire truck comes due next fiscal year, but they were going to leave that debt payment in there to pay for a new ladder truck. The department has to order the truck six months to a year ahead of time so they will order it mid-year even though it won’t happen until the 2014-15 fiscal year. The current truck is a 1997 model, he said. Phillips noted that one of our trucks is a demo model. Mayor Pro Tem Balsley asked what would be done with the old truck? He was informed it would be sold.

Mayor Pro Tem Balsley asked about the Fire Explorer and Explorer Posts. It was noted that those had been effective for the City. Gerald Harley came to the department through the Fire Explorer program and is now an engineer designing fire trucks.

**Inspections/Code Enforcement:** Pearce informed Council that since April 19, 2013, staff has sent out 69 letters for people to clean up their lots. He noted that with all the rain and heat, the City is having a “banner year” for lot cleanings. He said that amount may not be enough. Councilwoman Walker asked if the number of demolitions have subsided? Pearce said a little bit, so far $83,000 this year compared to $120,000 the year before. He said the amount requested probably demos about two and a half to three houses. It is the asbestos that kills the budget, he said. Councilman Gorham asked if we can train somebody to do that? Pearce said a lot of the cost is in sending the materials away to be tested and there is a lot of liability associated with it.

**Street:** Pearce distributed a handout showing three capital items for the Street division, which includes a backhoe, bucket truck and pickup. He noted that everything is expensive in the Public Works Department. Currently we have three backhoes with the one to be replaced is a 1994 model. He said we use this equipment to death. He said we will sell the one that is replaced. This equipment will be financed over seven years, minus the truck which will be a one-time cost. The bucket truck will replace a 2001 model, he said, adding that we can’t be without a bucket truck because of everything we use it for – replacing signs, lights, etc. The bucket truck being replaced has trouble with its hydraulic system. The pickup to be replaced is a 1992 model that can’t even be used right now, the City Manager said.

**Solid Waste:** In the Solid Waste division, Pearce said he is recommending two pieces of capital equipment be replaced – a 1994 knuckleboom truck and a 1995 model pickup truck.

**Cemetery:** There is nothing outstanding to note in this fund, only salaries and benefits, the City Manager said. Providing a City cemetery costs us $97,000, which is a penny on the tax rate, he noted. On the revenue side, we put $20,000 in there, he added, noting that revenues come from the selling of lots. We have opened up a new area for grave sites but there are expenses out there, including mowing, maintenance, etc.

**Planning:** In response to a question from the Mayor Pro Tem, Pearce noted that the part-time salaries are for Planning Board members, who receive a small stipend. Councilman Gorham asked if the Planning Board salaries could be increased so that they clear $25. Asked about advertising costs by Councilwoman Walker, Pearce noted that is for the notices Donna Setliff puts in the paper for Planning Board hearings.

**Economic Development:** Pearce said this fund is mainly from the incentives packages that Council approves for local industries. Mayor Pro Tem Balsley asked about the Equestrian Center line item, which Phillips said will be discussed later, adding that the City Manager has found a way to use that money.

**Community Affairs:** The City Manager noted that the increase under Historic Districts is due to the need for the Governor Reid House to be repainted, along with shutters repaired and regular maintenance.

**Marketing:** Pearce stated that this fund covers a wide variety of things, including pamphlets, advertising, and participation in trade shows, wedding shows and the Farmers Market. He noted that line item 3500 is not just for Market Square but for other events, trade shows, etc., to get our stuff out there front and center. The Mayor asked if Terresia Scoble’s salary shouldn’t come from Marketing? Pearce said no, it comes from the Reidsville Downtown Corporation budget.

**Penn House:** Pearce said there is no capital or repairs requested for the Penn House this year. Councilwoman Walker asked about the part-time salaries line item. The City Manager said another part-time person was added to help handle the weekends and other special events there. Judy Yarbrough and Amber Ammons’ salaries are paid out of this fund. Based on a question from Councilwoman Walker, there was a brief discussion on the use of flex hours by Penn House staff.

**Engineering:** Pearce said there is one piece of capital recommended -- $12,000 for a new copier to replace the 1988 model that is continually breaking down. It actually replaces two pieces of equipment because they will also be getting rid of another printer. It was noted that Planning uses the copier too, along with people who come in needing larger copies.

City Manager Pearce then turned to the Parks & Recreation Fund.

**Parks & Recreation:** Pointing to page 28, he stressed that this is a separate fund, which costs the City about $1.195 million from the General Fund and raises about $200,000 in fees.

**P&R Administration:** Pearce said he had nothing particular to point out on this page, which includes salaries for two positions.

**Facilities:** This budget includes salaries for Lindsey Tuttle’s guys, who keep up the ballfields, etc. There are no capital items included here, he said.

**Teen Center:** On page 30, Pearce said there is a small increase in salaries which are all part-time, but no capital increases. Councilman Turner asked how many are being served at the Teen Center? Pearce said he doesn’t know and that the numbers fluctuate. While it may not be a huge amount, it is a good thing to have over there, particularly during the summer.

**Athletics:** Pearce then distributed a one-page handout on capital improvements for Parks & Recreation. (A COPY OF THAT HANDOUT IS HEREIN INCORPORATED AND MADE A PART OF THESE MINUTES.) He said he has received a lot of compliments on the job Nicole Angerami is doing as Athletics Director. He noted that the City has two contractual obligations to the Community Swimming Pool at the Y. Since 1996, our annual contribution based on the Consumer Price Index (CPI) has increased and is now at $33,000. A couple of years later, an informal agreement was made to pay half of the deficit. That figure has risen from $8,500 to $40,000, the City Manager said. He gave some history starting with the gentleman’s agreement in 1999 to pay half the deficit, contributing to the pool’s operations. If the RCPA ceases to exist, the City would own the pool, he said, adding that we don’t want to own a pool. He said he can’t tell Council what the $40,000 we pay is going towards. He added that he would like to put $20,000 in that fund for six months and re-open a dialogue with the YMCA about why it is costing so much. The RCPA hasn’t been meeting and we need to get that board functioning again, he said.

Pearce said that part of this dialogue should be that we get some of the Parks & Rec functions at the pool so we all feel it is more of a community pool. Therefore, he said he wanted to have an understanding with the Council that he would put $20,000 in the budget and talk to the YMCA about the situation.

Council members Gorham and Hairston seemed to agree with the idea and the other Council members agreed by consensus. Pearce said he would increase some revenue line items to find the $20,000 although he noted that some of those line items are already pretty conservative.

Councilwoman Walker asked why is it costing so much? Councilman Turner noted that the filtration system went out last year. Councilman Gorham noted that on the average, we are paying $81,000 a year. Pearce said that concerns him and as a responsible manager, he wants to know why it is needed. Councilman Turner said the usage numbers need to be known as well.

Councilman Gorham said he spoke with former Mayor Jay Donecker, a pool advocate, who argued with him that there is a very diverse group that swims there. The Councilman said he has friends who use the pool but they are either YMCA members or their Y membership is being paid by Medicare or Medicaid. He said that non-Y members have to go through the back door and can’t shower before or after swimming, but he noted that he is not sure about the showering information. Pearce said this information needs to be clarified and wants to make it a priority. Councilman Turner said it would be ridiculous if you can’t use the shower facilities.

Mayor Pro Tem Balsley noted that when they had discussed the possibility of a pool at the new Senior Center, it had been questioned whether Annie Penn might consider a contribution because of the rehabilitation services. While Councilman Turner noted that Annie Penn had not wanted to contribute when the pool was built, it was stated things might be different now that the hospital was under Moses Cone.

Pearce said the City needs to have more involvement. Councilman Hairston agreed that Parks & Recreation needs to have more shared time with what goes on at the pool. Pearce said he would keep City Council apprised of the situation.

Regarding the P&R capital improvements handout, Pearce noted that it lists $322,000.00 for gymnasium improvements. He noted that they have attempted to keep the water from getting in although he said it could come in from a new place. He said Council had told him they didn’t want the seniors going back into that basement. The offices downstairs have been demolished. For 10% of the cost of a new gymnasium, he told Council we can put air conditioning in the gym, along with new bleachers, and have a community meeting space and make use of the other areas. As described in the handout, the funds for this would come from $ 54,000 remaining from the mold removal monies; $54,000 from the virtual shell project; $161,000 from the Equestrian Center project; $6,000 in reimbursement funds (the rest of these funds are going to the City phone system); $20,000 left over from parking lot improvements; and $27,000 from projects and contingencies from the Manager and Council funds, Pearce said.

Councilman Turner asked if we wouldn’t want to put the seniors back there? Pearce said they had agreed to leave them where they are until the new facility is built. He noted that the Council had allotted $130,000 for mold removal and not all of that was needed. He said he was excited about this and planned to bring Council a budget ordinance amendment Wednesday at the regular Council meeting to get this project going. Councilman Hairston noted that the YMCA is full. He described this as a “jewel,” some of the best athletes in the State have come out of here because of that gymnasium. Councilman Gorham said more people would probably use the fitness center because they can’t get into the YMCA.

Mayor Pro Tem Balsley asked about part-time salaries for summer camp? It was noted that those would be funded through next year, divided between this year’s budget and next year’s due to the timing of the camp.

Councilwoman Walker said there are so many things our City has that the average citizen doesn’t know about. We have so many assets that our citizens don’t know about, she asserted. She said she’d like to let citizens know how much we’ve got. News coverage was discussed. The Mayor Pro Tem said if your local newspaper is not going to be for you, who is going to be? We just hear about the bad things, Councilwoman Walker said, and we’ve got so many good things going on, including the cemetery, etc. Phillips talked about how the City used to publish an Annual Report that was in the newspaper. Mayor Festerman said he and Councilman Hairston know from their time in law enforcement, “if it bleeds, it leads.” Pearce noted we used to do a newsletter but it was costly. He said it has always been frustrating how to get the good news out.

Mayor Pro Tem Balsley said he was told by an Eden resident that they have seen what we’re doing in our downtown area, and they want to do it too. There was a discussion on how to promote the City. Councilman Hairston talked of the need for promoting our assets and programs throughout the City. The Mayor noted that when Harry Brown was recreation director, he was so high profile and we don’t have that now, it seems to be going the other way.

**Senior Center:** Pearce said the Senior Center has requested a new van, but he said he had to kick that can down the road, adding that they would look for grant possibilities for a new van. He noted we are applying for a USDA 40-year loan for the Senior Center, and he would include all the costs that he could. He said he knows this project is going to cost a lot of money, but he is not going to bring City Council a request for $6 million and would take off the $1.2 million for an adult daycare center if they don’t have a partner for it. Pearce said he has had discussions with Lee Covington with ADTS and some people in Greensboro about the daycare, but if we can’t find someone to subsidize the cost, we won’t have one. He said he would bring information back to Council later on this. This budget, he said, reflects ongoing operational cost.

Councilman Hairston asked about the Freeway Drive project. Pearce said it appears to be on track, but he has heard rumors it might take an additional year. NCDOT says it is too early to say that, he added. The City Manager said our staff was meeting this morning with NCDOT to discuss utility location. We have had two temporary water cutoffs, and we’ll probably have 10-12 more, he said.

When they got to the end of page 33, Mayor Festerman noted that several people had other commitments. It was decided the rest of the budget work session would be added to the end of the regularly scheduled meeting on May 8.

**Councilman Hairston made the motion, seconded by Councilman Johnson and unanimously approved by Council in a 7-0 vote, to adjourn at approximately 12:25 p.m.**

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 James K. Festerman, Mayor

ATTEST:

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 Angela G. Stadler, CMC/NCCMC

 City Clerk