

**MINUTE BOOK 23, PAGE 489
STATESVILLE CITY COUNCIL BUDGET WORKSHOP
CITY OFFICE BUILDING – 2ND FLOOR TRAINING ROOM
June 1, 2010 – 4:00 P.M.**

Mayor Kutteh presiding:

Council Present: Gregory, Matthews, M. Johnson, J. Johnson, Stallard, Steele, Eisele

Staff Present: Salmon, Hites, Fugett, Davis, Smyth, Triplett, Cornelison, Currier, Bullins, Anderson, Cranford, Pressley, Halliburton, Houpe

**Media Present: Jim McNally – Statesville Record & Landmark
Dave Veiser - Charlotte Observer**

Mayor Kutteh called the meeting to order.

Mayor Kutteh reported staff received notification from the Tax Reform Allocation Committee of the NC Commerce Department that they are recommending a 100% allocation of the City's \$7 million request for inclusion in the RZB funding program.

Council member Steele asked if the \$250,000 allocated for the City Hall renovation could be used to fund Design Plans. Ms. Salmon answered \$25,000 of the allocated amount was used to pay for the Concept Plan, the remaining \$225,000 could be allocated however Council chose, but may not be enough to fully pay for Design Plans. Ms. Salmon stated Council should direct staff to negotiate contracts with both architectural firms.

Council member Steele made a motion to engage the current architects for each project to prepare Final Plans for the City Hall renovation and a portion of the Streetscape project (Center Street from Water St. to Sharpe St. and Broad Street from Center St. to Tradd St.), use the remaining \$225,000 already appropriated towards funding the plans and bids for both projects, and bid out both projects.

Mayor Kutteh added as discussed in the previous Budget Workshop meeting, staff would allocate the applicable portions for funding the cost from the water, sewer and electric funds. Larry Pressley reported design plans and the bid process for the City Hall renovation was estimated at \$119,500. The estimate for Streetscape was \$320,000 exclusive of electrical. Ms. Salmon stated as predicted the remaining allocated \$225,000 would not fund the entire amount. Additional funds could be appropriated, with the understanding that this may not be the final number. Staff estimated charging the General fund \$285,000, the Water and Sewer fund \$35,000 and the Electrical fund \$81,000.

Council member Stallard seconded the motion.

Council member J. Johnson stated he was still opposed to doing these projects at this time.

Motion carried 5-2. The vote was as follows:

Ayes: Eisele, Stallard, Matthews, Steele, M. Johnson

Nays: J. Johnson, Gregory

Mayor Kutteh asked for questions or concerns from Council on budget items.

Council member Stallard asked for clarification of the number of firefighters to be hired for Fire Station #4. Mayor Kutteh replied to fully staff the station, fifteen firefighters were needed.

Mayor Kutteh stated there was some confusion as to whether the cost for three of the fifteen firefighters would be covered by the SAFER grant and asked Chief Bullins for clarification. Mayor Kutteh also inquired what the anticipated construction completion date is and if the City has an obligation to staff the station during this fiscal year.

Chief Bullins stated at their last meeting the contractor advised the construction schedule was three weeks behind due to rain, but he had overlapped phases of the schedule in an effort to catch up.

Chief Bullins explained when the SAFER grant was requested those positions were primarily to help the City meet the minimum staffing requirements by national standards by bringing the total to 14. Some of those man hours could be used for Fire Station #4. Chief Bullins asked if Council wanted to improve the City's ISO rating or maintain the ISO 4 rating. To maintain the ISO 4 rating we must have Fire Station #4. The station services an area that is over five miles from a fire station currently. Chief Bullins stated there are other areas in the city like this; hence the need to relocate Fire Station #1 to serve Larkin as it comes on line. Even by building Fire Station #4 and moving Fire Station #1, the Statesville Business Park will still be over five miles from a Fire Station; we will still be require contracts for service with volunteer fire departments. The department has put in place a number of things that may move the City to an ISO 3 rating in the future.

Mayor Kutteh stated Council had been informed previously that going from an ISO rating of 4 to a 3 does not substantially improve residential insurance rates, but commercial rates improve 5-7%. Mayor Kutteh asked if Council was seeking an ISO rating of 3 or maintaining a 4.

Council and staff discussed the steps necessary to achieve an ISO rating of 3 and minimum staffing needed for Fire Station #4.

Funding solutions discussed to staff Fire Station #4 included hiring 12 employees and using overtime, hiring part-time volunteer firemen, delaying the opening of Fire Station #4 till July 1, 2010.

There was a consensus by Council to appropriate \$179,000 in the 2010-2011 budget to fund 15 firemen for Fire Station #4 from May 1, 2011 through June 30, 2011.

Lisa Salmon recommended Council use the approximately \$325,000 Ad Valorem tax revenue for street paving. Council unanimously agreed.

Council member Stallard asked why the Retirement Fund and Health Insurance Fund increased. Ms. Salmon explained due to investment losses in 2008 in the NC State Retirement Fund, the state mandated an increase to the fund to make up for losses. Staff expects another increase next year. Health insurance premiums have increased by 15%.

Mayor Kutteh asked if any of the capital expenditures in the budget could be purchased at a later date in order to divert those funds to staffing Fire Station #4. Ms. Salmon replied she would not recommend cutting a onetime capital expenditure to fund a recurring debt.

Council member M. Johnson recommended leasing heavy equipment with service from Caterpillar instead of purchasing at this time.

Council member M. Johnson asked if Water and Sewer funds can be used for street repairs. Larry Pressley replied only if the damage was caused by the water or sewer lines. Council member M. Johnson asked if this is prohibited by law or a policy the City has adopted. Ms. Salmon stated she did not believe it was legislatively prohibited by law as long the obligations of the Water and Sewer Utility are met, the debt service is budgeted and all other costs and equipment are budgeted in the Water and Sewer fund. She explained the Local Government Council (LGC) strongly recommends against these practices, that each fund be self-sufficient. Council member M. Johnson stated there would be no strain on the fund. Ms. Salmon stated the fund was paid for by the rate payers of the Water and Sewer fund and may not be the same citizens that would benefit from the expenditure of funds in the General Fund. Mayor Kutteh stated some people pay Ad Valorem Property Taxes only, some have only electricity, and some have only water, so everybody does not benefit from the different funds. Council member M. Johnson felt anyone that lived in the City benefitted from street improvements regardless of what services they subscribed to. He felt public utility funds should be used for streets since the water and sewer lines are in that right-of-way.

Council directed staff to investigate leasing large equipment in lieu of purchasing at this time.

Ms. Salmon asked Council how they felt about adding a garbage fee as recurring revenue. Council discussed the feasibility of contracting out garbage collection versus keeping it in house.

Ms. Salmon asked Council if they were open to any other new fees. Council member Steele reminded Council a landing fee at the airport had been discussed previously. Mr. Currier stated no one in the area charges a landing fee and the City would have to contract with FBO to implement the fee.

Council member M. Johnson asked if the apron test at the airport had been completed. Mr. Pressley stated staff anticipates a change order for that. Council member M. Johnson recalled Council had appropriated \$440,000 for design and testing the aprons. Mr. Pressley replied the testing for the existing apron and the overlay was completed together. Council member M. Johnson asked if there is \$600,000 unfunded to complete the balance of the overlay. Mr. Pressley stated staff anticipates either trying to get additional funding or pare the project back. M. Johnson asked if staff expects this project in 2010-2011. Mr. Pressley stated yes.

After lengthy discussion, there was a consensus by Council directing Ms. Salmon to transfer funds from the Fund Balance to fund the \$179,000 shortfall for Fire Station #4 staffing for 2010-2011 Budget.

Mayor Kutteh reminded Council the 5% increase in Electric Rates is a result of an increase in wholesale costs.

Council member J. Johnson stated he was against a rate increase for water and sewer. He suggested the City absorb the costs considering the amount of funds available in the Water and Sewer fund.

Ms. Salmon explained the City should have increased rates last year but absorbed the cost due to the economy. She reminded Council two of the water/sewer plants are aging and the City could have a million dollar repair any day.

Council member Stallard stated it was better to keep pace with increasing costs than have one large increase.

There was a consensus by Council directing Ms. Salmon to include the water and sewer rate increase in the budget.

Mayor Kutteh directed staff to include the adoption of the budget to the June 7, 2010 Council meeting.

Upon a motion by Council member Steele, seconded by Council member Matthews, Council unanimously approved the motion to adjourn.

Mayor

ATTEST:

City Clerk