

MINUTE BOOK 22, PAGE 147  
CITY COUNCIL BUDGET WORKSHOP – May 12, 2009  
CITY OFFICE BUILDING CONFERENCE ROOM – 5:30

Mayor Kutteh presiding:

Council members Present: Stallard, J Johnson, M Johnson, Huggins, Gregory,  
Matthews, Eisele

Staff Present: Hites, Craddock, Cranford, Bullins, Salmon, Tripplett,  
Smyth, Pressley

Media: J McNally – Record & Landmark

Mayor Kutteh opened the meeting and announced the public hearing on the budget will be held on May 18, 2009.

Finance Director Salmon distributed the proposed capital improvement plan for 2010 - 2015. Regarding the health insurance fund Ms. Salmon advised this policy is out for bid so this fund is incomplete. This information should be available before the budget is adopted.

Council member Stallard questioned increasing electric rates by 8%. Ms. Salmon noted the electric fund is an enterprise fund; it isn't supported by tax dollars or other revenue sources. It is completely supported by fees from the users of the electric system. Ms. Salmon explained the reason for the 8% increase is that the City will incur a 5% wholesale rate increase from Electricities. In addition to that the electric sales have gone down, which necessitates the other 3% of the increase.

City Manager Hites noted that all of the 8% increase will be going to the power agency and not to supplement the operation.

Mayor Kutteh questioned the status of the delivery station capital project fund (Page 42). Ms Salmon advised staff expects it to be complete within this fiscal year. The project was authorized for \$ 4,250,000 and to date \$ 3,582,364 has been spent so a surplus is expected.

Council member M Johnson theorized that the 13% reduction of total expenditures was offset by reducing capital outlay. (Page 33) He asked about the airport capital. Ms. Salmon clarified this budget is only for operating funds. She advised the accounting for construction at the airport is handled in a separate capital project fund. That fund is where the overlay and grants are accounted for. The overlay was originally submitted for the operating budget but it was moved to the capital project budget.

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Council member M Johnson asked if there were any details on the water and sewer line capital projects. City Engineer Pressley advised the \$ 1.6 million is for oversizing lines. Council member M Johnson questioned additional capital expenses such as the fees on the Wilson Lee Blvd Bridge. Pressley replied he has met with DOT concerning the bridge and they have negotiated the fee down to \$ 47,725, which will be appropriated at the next Council meeting.

Mayor Kutteh (Page 33) noted that regarding the street improvements that the budget team took the balance of the Powell Bill funds to pay the staff and equipment use. Ms. Salmon explained the methodology typically used for street paving is to allocate all the Powell Bill revenue for the street paving contract. The City dollars pay for operations of the street department and for staffing. This year the street paving was reduced to \$ 275,000 with the remainder being used to pay staff and equipment costs.

Council member M Johnson questioned the system improvements & expansion (Page 34) for \$ 765,000. Electric Utility Director Larry Cranford advised this line item is for expansion of capital projects. This is funded every year for new customers and system request.

Council member Gregory (Page 34) asked about the tablet personal computers for \$ 7,000 each. Cranford replied these computers included mounts and software. Mayor Kutteh pointed out the computers were requested but not funded.

Mayor Kutteh (Page 34) questioned the copier for recreation administration. Ms. Salmon noted this is a replacement copier.

Mayor Kutteh questioned the replacements of roofs for Fire Station 1 and 3. Ms. Salmon explained the roofs have been in place in excess of 20 years and they are having problems with leaks.

Ms. Salmon advised regarding the 800 Mhz (Page 33) that the fire department has had some major issues with their radio system. It is difficult to find replacement parts. The new system the police and fire would like to move to is the 800 Mhz system and it is quite expensive. This is a strategy to replace the radios and use the State's 800 Mhz system on the State network at no charge.

Ms. Salmon pointed out (Page 33) in the Main Street budget that there is \$175,000 budgeted for traffic and civil engineering services. This is related to the Downtown Master Plan. This was funded from Capital Reserves and there are no operating funds in this budget.

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Mayor Kutteh notices that throughout the budget the tipping fees budgeted are significantly less than current figures. (Page 128) Ms. Salmon advised the figures are based on usage from this year and the anticipated use for next year. (Page 154) Mayor Kutteh noted the penalties and interest are a significant revenue source for the City of Statesville. Ms. Salmon added these costs are unnecessary if the customers would pay their bills on time.

Mayor Kutteh commented that he recognizes the significant dollar reductions in each department. That is credited to all the departments and staff that have cut costs without impacting services. He applauded the efforts of all the departments.

Council member Gregory had questions about the load management. City Manager Hites explained there is a difference between the block schedule where we buy our base load and buying supplemental power. Cranford expanded that the City has a demand charge monthly that doesn't change for the base load. The coincident peak is a variable that is reduced during peak periods. The theory is to sell as much off peak and as little on peak as possible.

(Page 39) Mayor Kutteh asked if the interest rates had dropped enough to consider refinancing the bonds. Ms. Salmon replied no.

Council member M Johnson asked if there was anything else promised at the airport. Council member J Johnson stated the overlay is it. Council member M Johnson asked if there was anything else the State is requesting us to do. Mayor Kutteh recalled at one point there was some discussion about helping the city with the terminal building. We were trying to work out an agreement with SFS, the city and the State to determine what the best combination would be. It would seem the land acquisition would be the next thing to be done. City Engineer Pressley noted there is a possibility of receiving some stimulus money to help with paving the aprons.

Mr. Hites stated that at the point when the city was hit with the recession in October he was talking with Thomas Hazel about the potential of the city using the fund balance to build the terminal to leverage the \$ 360,000 State grant. The city would then work out a lease agreement with him. When the recession hit it didn't seem appropriate to ask Council to fund this at that time.

Council member Huggins asked it was difficult to project gas prices. Ms. Salmon stated the budget can handle some increase but if there are drastic increases we would have to seek more funds. Salmon added that Raymer Oil provides gas for the city and county. They stay well stocked and their prices are competitive.

Mayor Kutteh remarked there are no projected tax increases and no increase in the water/sewer. There is an 8% electric rate increase. He stated that staff has done a masterful job with this budget. He noted it was probably one of the hardest budgets staff has ever had to deal with.

Council member M Johnson asked about the ladder truck for the new fire station. Ms. Salmon noted this was changed to a pumper truck which was funded in the 08-09 budget. Salmon added that in October all capital spending was frozen. Staff is projecting that December 2010 would be the earliest time the truck would be needed.

Council member Huggins asked if staff has considered hybrid vehicles. Mr. Hites advised he is watching to see how the cars hold up over time and the cost of maintenance.

Council member M Johnson noted that if the economy doesn't get better the backlog of capital projects will be tremendous. Mayor Kutteh cautioned staff that if they find a good deal on a major purchase then Council should be informed.

Mr. Hites commented that he thinks the financials may come out better than expected in May. He may suggest for Council to release some of the capital items by the end of June.

Mayor Kutteh stated after the public hearing on Monday if issues are brought up that need attention Council will get back together to discuss those issues.

Mayor Kutteh pointed out that staff understands there are no major changes recommended for the budget. He advised that Council will vote on adoption of the budget at the 2<sup>nd</sup> meeting in June (June 15). If Council finds anything that needs to be changed, another meeting will be scheduled.

Council member M Johnson supposed that the City has to make a big expansion such as Larkin. The first person captured is a 200,000 sq ft box but it is isolated. We have to extend utilities. Assume that electric revenues are trending downward. Does ElectriCities have any type of internal financing program? Larry Cranford advised they have a system expansion team that looks at it. If the load is there, the cost of expansion is free. Council member M Johnson asked if they would look at the total picture and not just the first person captured. Cranford stated they would look somewhat at the total picture. Mr. Hites added he thought they would be more generous where building spec commercial with no actual buildings on site than running thousands of feet of underground service to individual lots. Council member M Johnson asked if we can send the Larkin revised plan (due in May) to ElectriCities expansion and determine what they are

willing to do to help. Cranford informed Council that he is doing the same deal with Providencia.

Council member Gregory asked about the Bitterlin Development of outlet stores. Mr. Hites advised they haven't heard from them. He further commented that Larkin advised they haven't heard from this group either.

Ms. Salmon advised the school system has approached the Police Chief regarding a resource officer for the school on Knox Street. Council member J Johnson noted that most of the children are handicap and they would like to keep the current county school resource officer. Council was in agreement of the county keeping the current school resource officer.

There being no other business, the meeting was adjourned.

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Mayor

ATTEST:

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City Clerk