

**MINUTE BOOK 26, PAGE 105
CITY OF STATESVILLE BUDGET WORKSHOP MEETING – June 09, 2016
CITY HALL – 227 S. CENTER STREET, STATESVILLE, NC – 5:30 P.M.
STATESVILLE, NORTH CAROLINA**

Mayor Costi Kutteh presiding:

Council Present: J. Johnson, Schlesinger, Morgan, Watt, M. Johnson, Williams, West

Council Absent: Phifer

Staff Present: Pressley, Smyth, Fugett, Triplett, Ferguson, Davis, Gregory, Barone, Styers, Onley, Hudson, Currier, Ashley, Slocum, Cornelison, Harrell, Staley, Shelton, Nicholson

Media Present 0

Call to Order

Mayor Kutteh stated that while in executive session Council consulted with their attorney regarding three different matters and no action was taken.

Mayor Kutteh called the meeting to order. He briefly reviewed details of the previous budget discussions reminding Council that \$.01 on the ad valorem tax equals \$287,000 and \$1.00 of a sanitation fee equals approximately \$110,000. Residential electric rates have decreased 6.9% over the last two budget cycles and will decrease approximately another 3% in March 2017. While a reduction in capital expenditures does not affect the operating budget it does reduce the pressure on the fund balance. There has been no property tax increase since 2003 in reality because the increase in 2013 was to get to revenue neutral.

Lynn Smyth stated that at the previous meeting Council asked staff to analyze the employee performance reviews for the last three years to determine if they sufficiently differentiated enough to be able to use them to implement a merit based pay system. The formula would still give standard performers a base level increase to keep up with inflation, and then the top 50% of performers by department could receive additional merit increases. She said she used two scenarios: one, an employee could receive a 1% base level increase and a 2% merit increase and second, an employee could receive a 1 ½ base level increase and a 3% merit increase. Mrs. Smyth explained that she had to match last year's reviews with this year's employees so this is not an exact match. She found that the performance could be differentiated and a merit based system could be implemented using the current reviews and ratings that we have. With the budget presented, Council can do one or the other; implement a merit pay system or implement the pay study. If the pay study is not implemented, there will still be some positions that will be significantly outside the market range even if the merit system is implemented. Staff recommends implementing the pay study so the ranges will be correct because it has been about nine years since one has been done. Staff will then present a refined performance based pay system to Council at the Retreat that will show how it will be done, the percentages that will be used and the number of people included, etc. This way positions will be in their proper market ranges to begin with. Mrs. Smyth explained how staff would budget each year for merit increases.

Council members agreed to implement the pay study in this budget.

Ralph Staley advised that the loan for the 3rd Creek WWTP project was just for infrastructure related to what was in the bid and would not cover any soft costs. Mayor Kutteh stated that anytime we have favorable loans in the future we need to try to examine the availability and take advantage of it if it makes sense.

Council member M. Johnson made a motion to adopt the 2016-2017 budget as presented with a \$.05 increase in the ad valorem tax rate and a \$10.00 per month residential solid waste fee and with the following caveats:

- 1. Include a placeholder in the amount of \$275,000 in the Police Department budget to be restricted until Council approves what it will be used for**
- 2. \$160,000 for commercial retail development enterprise within the City**
- 3. Fund Statesville Regional Development as recommended in the budget, subject to acceptable by-law revisions in SRD and a 90 option for the City to quit**

4. Remove from the budget the purchase a new fire truck in the amount of \$600,000

Council member West seconded the motion.

Council member Schlesinger stated he was not crazy about not purchasing the fire truck because the longer we wait there is a bigger chance that we may have to replace more than one at once.

The vote on the motion was as follows:

Ayes: M. Johnson, West, Schlesinger, Morgan, Watt, Williams (Phifer absent)
Nays: J. Johnson
Motion carried 6-1

Council member M. Johnson made a motion to approve the 2017-2022 Capital Improvement Plan, seconded by Council member Morgan. The motion carried unanimously.

Mr. Staley clarified the motion:

1. Remove the vehicle tax from the budget
2. Increase the ad valorem tax to \$.05
3. Add a \$10.00 per month residential solid waste fee
4. Add \$275,000 to the Police Department budget, to be restricted until Council approves what it will be used for
5. Add \$160,000 to the Planning Department budget for Commercial retail development enterprise within the City, to be restricted
6. Remove the \$600,000 from the fire department budget for the purchase of the fire truck
7. Fund Statesville Regional Development as recommended in the budget in the amount of \$116,464, subject to acceptable by-law revisions in SRD and a 90 option for the City to quit

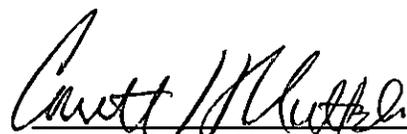
Mr. Staley asked if Council wanted to take any action related to the 21 connector and the greenway. Council member M. Johnson replied no because those amounts are included in the calculations for the increase in the ad valorem tax.

Council member West made a motion to adjourn, seconded by Council member Watt. The motion carried unanimously.

Attest:


Brenda Fugett, City Clerk




Constantine H. Kutteh, Mayor