

**TOWN OF VALDESE
ANNUAL COUNCIL/DEPARTMENT HEAD BUDGET RETREAT
TUESDAY, MARCH 22, 2016**

The Valdese Town Council met on Tuesday, March 22, 2016, 2:00 p.m., for its Annual Budget Retreat, Old Rock School, Waldensian Room, 400 Main Street West, Valdese, North Carolina. The following members were present: Mayor John F. (Chip) Black, Councilwoman Frances Hildebran, Councilwoman Susan Stevenson, Councilman Gary Delp, and Councilman Roy Sweezy. Also present: Town Manager Seth Eckard, Deputy Town Clerk Thelda B. Rhoney, and all Department Heads except Greg Cannon.

Others present: Jonelle Bobak, "Morganton News Herald" and Sandi Walker.

Absent: Councilman Keith Ogle

A quorum was present. No action was taken.

CALL TO ORDER At 2:00 p.m., Mayor Black opened the meeting and welcomed everyone. He asked everyone to focus on Valdese in its entirety and what we have to do to make it a better place. He said there had been a lot of short term fixes during the past seven years due to the economic downturn. He said we need to look at some tough decisions on how to transition from those short-term fixes to long-term solutions and it would be a challenge. Mayor Black said last year the Town was anticipating the possibility of Meridian leaving, which would have been 10 percent of the Town's water usage, and the good news Meridian was staying in Valdese. The dependence on the large water users still exists which need to be addressed because sooner or later one or all of the large water users will disappear and it is not a matter of if but when. Mayor Black said last year he made presentations to civic and church groups about the Town and he always included comments about water and sewer rates and encouraged his audience to go to the UNC School of Government website where they show utility rates for providers all across North Carolina, and it shows the households in Valdese pay less than 75 percent of households across the state. As Mayor, he said he would always say he would promise that water and sewer rates would go up, and he gave three reasons for the increase: 1) Dependence on large water users; 2) Infrastructure that would cover 200 miles which are 50-75 years old and at some point they have to be replaced; and 3) Requirements to treat water/wastewater continue to evolve and increase.

Mayor Black wants to be realistic in thinking about what we must do today to make sure that Valdese is a great place to live 25-50 years from now. He recommended that we incorporate part of the Rotary Motto that says, "Is it FAIR to all concerned?" He believed if we focus on these two things we would come out with the best possible decisions.

OPENING COMMENTS – TOWN MANAGER SETH ECKARD Mr. Eckard welcomed everyone and he thanked the Department Heads for the many hours of hard work and preparation for the budget retreat.

FINANCE Finance Director Jerry LaMaster distributed current budget information for the General Fund and the Utility Fund through the month of February and information regarding town investments. He offered a brief reviewed of the documents.

WEST CONSULTANTS – STREET STUDY Mr. Todd Poteat presented the results of the street study and Powell Bill funding. There are 187 streets just in Valdese (not NCDOT maintained streets). All streets were listed and contained length/width, rating score, noted if the street contained curb/gutter, high or low traffic volume, condition, and cost estimates. Following streets need repair: Ervin Avenue, NE; Praley Street, NW; Pineburr Avenue, SE; Eldred Street, NE; Faet Street, NW; and Praley Drive, NW, for a total of \$502,275. He said the cost for crack sealing of all remaining town streets - \$100,000; soil testing - \$7,500; construction administration - \$10,000; engineering design and minor surveying - \$25,113; and contingencies - \$50,227. He offered a PowerPoint presentation of the streets that need repair.

REPUBLIC SERVICES– RECYCLING/SANITATION Mr. Wade Goossens, Republic Services Division Manager for Western North Carolina, offered a short video on recycling. He described the trucks and the 96 gallon carts they use for recycling. A five year agreement would cost \$5.85 for garbage collection (weekly - solid waste) and \$3.56 for recycling every two weeks.

MCGILL ASSOCIATES – UTILITY CIP & FINANCIAL MODEL FOR WATER AND WASTEWATER DEPARTMENTS Mr. R. J. Mozeley reviewed results for the Valdese Water and Sewer Fund, Capital Improvements Plan Summary, Equity Based Financial Analysis Model, and Baseline Financial Analysis Model projected out for the next 10 years.

Mr. Steve Miller reviewed current and proposed water and sewer rates over the next five years.

PUBLIC WORKS Bryan Duckworth has five divisions in his department. Following are some facts he provided for his department: Weekly trash pickup – 1,600 stops; provide weekly rough trash, white goods and extra service per week; leaf and yard waste pick up – year round curb side (no bags required); brush pick up – 5,000 service requests per year; 5,200 water customers with 140 miles of water pipe; 2,000 sewer customers – 52 miles sewer lines; maintenance and repair – 100 vehicles and equipment; landscape and building maintenance service, and animal control. He requested a front deck mower, 4 x 4 tractor; two Ford 150 pickups; and a brush truck for a total of \$236,000. He also briefly reviewed needs within the next five years.

RECREATION Doug Knight reviewed revenues and expenses for the past year and he mentioned trends in recreation. He recommended a fitness center expansion with upgrades to the ladies locker room at a cost of \$27,000-\$30,000; removal of Tiger Gym locker room annex due to water leaks - \$25,650 plus asbestos survey - \$600. They will need an attached storage building for athletic equipment storage - \$10,000-\$15,000. He said staff was looking into LED lighting - \$27,066 after rebates.

POLICE Jack Moss offered budget accomplishments for FY 2015-2016 and the hiring of a full-time officer had relieved the stress on the department's full and reserve staff to fill vacant hours. Three patrol units need to be replaced: need one Dodge Charger - \$26,801 plus \$4,145 for wiring and equipment installation; two Ford Explorers - \$57,806 plus \$6,784 for wiring and equipment installation; two Dell Laptops - \$2,200. He recommended personnel salaries stay competitive; would like to institute one officer per patrol unit; and replace the current 10 year old TASERS. He plans to continue with training; he also plans to continue to meet with the merchants and community organizations to hear their concerns; and, his objective is to be a department of more community related officers and make Valdese a safe place to raise a family and operate a business where law enforcement is seen as part of, and respected by, the community.

FIRE Charlie Watts said the department currently has a 1985 Pierce Arrow 50' Ladder Truck and repair parts were non-existent and had to be custom-made. He estimated a cost of \$780,000-\$850,000 for a new ladder truck with a 75 foot ladder. In order to maintain the current NC Department of Insurance Rated Fire Department with a Class 4 Rating they must have no less than 20 personnel listed on the state roster and he currently has 21 firefighters with seven full-time and 14 paid on-call. The contributing factors for no volunteers is the aging population, median age of Valdese residents is 46.9; rise in two-income households; training and response requirements; less flexible employers; family and home responsibilities, and career/job demands. He recommended hiring part-time personnel to meet the NC State roster requirement of 20 which would put more personnel on incident scenes and provide personnel to assist with ongoing programs at a cost estimate of \$25,000 for a part-time Firefighter/EMT, eight hours per day, five days per week. He recommended resurfacing of parking lot and front pad at an estimated cost of \$40,000; fire apparatus engine bay heaters - \$7,500. He said the estimated cost to renovate the old town hall would be approximately \$130,000.

DINNER At 6:15 p.m., Mayor Black invited everyone to enjoy dinner catered by Myra's. At 7:00 p.m., Mayor Black called the meeting back to order.

COMMUNITY AFFAIRS Morrissa Angi offered an overview of events at the Old Rock School with eight major events; they maintain eight Facebook pages with over 9,700 followers; four Twitter accounts with over 500 followers; and created an Instagram account with over 140 followers. She mentioned new events/promotions such as the creation of the Valdese Citizens Academy; memory candles sponsored by citizens for the Old Rock School, and they are planning a possible event in December called "Mingle with Kris Kringle." They placed ads in over 20 publications. She offered an overview of the Main Street Program with the completion of the Main Street Solutions Fund Grant of \$64,316; holiday savings promotion, new business tool box created; bench project completed which brought in \$32,700 in private investments with 75 benches sold; façade grants awarded to five downtown businesses. It was recommended that the 1932 Mack Firetruck be pulled by another vehicle during the Christmas parade instead of using a float for the Valdese Town Council. She was reaching out to middle school bands to participate in the Annual Christmas Parade because all Burke County High School Bands would be in Hawaii. The chiller needs replacing at an estimated cost of \$80,000; the outside of the building needs painting \$30,000 and wood trim repaired - \$70,000; replacement of auditorium stage floor - \$5,000; replacement of auditorium red stage curtain - \$5,000; replacement of Teachers Cottage floor - \$7,000 and roof - \$15,000; and replacement of back hallway flooring east and west sides - \$7,000. She reviewed possible increased revenues for rentals and lease agreements. As wish-list items, she mentioned a digital marquee - \$30,000; projector system with annual movie license and laptop - \$33,275; additional security cameras - \$5,000. For the Old Colony Players and Outdoor Drama: Amphitheatre concrete seating - \$30,000; and tech shack - \$30,000.

PLANNING & ADMINISTRATION Larry Johnson said 34 permits were issued in calendar year 2015 with a permit value of \$2,166,602 for seven new residential; seven additions/renovations and two commercial additions/renovations; ten accessory; three boat docks; five well/septic. He offered a breakdown of permits by ward as well as enforcement nuisance. He briefly reviewed projects and zoning amendments and department requests. He recommended administrative requests at an estimated \$11,625 for maintenance and repairs; technology and equipment upgrades; online services; and town hall ceiling repairs. He recommended phone system upgrades at the Old Rock School - \$8,000 and Recreation - \$10,000; VPN Equipment replacement of seven devices - \$4,937; spam and firewall replacement - \$3,142; Laserfiche upgrade - \$2,633; payroll and tax billing software upgrade - \$4,940; specialty programming for tax payments - \$2,400; online payments - \$1,475; and phone tree - \$4,247.

BUDGET STRATEGY – TOWN MANAGER SETH ECKARD Mr. Eckard said in 2008 we experienced the Great Recession, the worst economic collapse since the 1928 Great Depression. Like many municipalities, Valdese anticipated many years of budget challenges. The Valdese Town Council took proactive conservative measures, by initiating a hiring freeze (several positions still not filled), postponed capital projects and repairs – while maintaining a high level of service for our citizens and he stressed “with no service interruptions!” We have gone through eight years of minimal repair work, putting off equipment and vehicle purchases and providing minimal or no cost-of-living adjustments for our employees.

We are now at a crossroad and we can either cut services or find a way to adjust revenues to maintain a high level of services to our citizens. He expressed that he did not take his proposal lightly. It troubled him to know that some of our citizens are on a fixed income and any increase is meaningful. His plan recognized such burdens and he was only asking Council for exactly what was needed. No “wants” were included in his proposal. He reviewed the history of Valdese tax rates. In Fiscal Year 1954 – 1955 the Valdese tax rate was at its highest at \$1.50 per \$100 valuation of property. Since that year we have seen continuous tax decreases or revenue neutral rates until we arrive at our current rate of \$0.485 per \$100 valuation of property. We have not experienced a single (nonrevenue neutral) tax increase in over 61 years.

Mr. Eckard offered the following Budget facts and assumptions:

- The General Fund had no debt that would retire within the next nine years
- The Town can borrow money for equipment, vehicles and new construction, but not repairs
- The Town’s General Fund balance (reserves) is approximately 30% of expenditures
- There are no services that the majority of the public would like to see cut or reduced
- We have the minimal amount of personnel to achieve high results for our services
- We anticipate roughly the same amount of monies from our major revenue sources (Powell Bill, Utility Franchise, Fees, and Property Tax) as we did last year, with the exception of sales tax (projected increase by approximately \$68,000)
- One penny on the tax rate equates to approximately \$33,000 of revenue

Following is Mr. Eckard’s proposal:

- Increase the tax rate from \$0.485 to \$0.545, a 6 cent tax increase
- A 6 cent tax increase for a \$100,000 home equates to an additional \$60 in taxes per year or \$5 per month (less than the current cost as a foot long sub at Subway)
- All new monies raised would go towards specific capital items – none of the new taxes would go towards employee raises or other operating expenses (with the exception of the fire & rescue service)

What do you get:

- Major town wide street resurfacing and crack sealing
- Significant investment in vehicles and equipment for Public Works to maintain and improve current levels of service
- New multipurpose fire truck and monies for improvements to Valdese fire and rescue services

Street Improvements:

- Strategy – Group multiple road projects together and resurface roads every five years. Town would save money by taking advantage of temporary low oil prices, cheap financing and onetime mobilization costs
- FY 16/17 Package: Resurface five or six major streets that are classified as poor or in very poor condition plus crack sealing for every street in town that is not resurfaced
- Projected cost - \$700,000
- \$700,000 - \$140,000 from Powell Bill Reserves = \$560,000
- Borrow \$560,000 – assume a 3.25% interest rate over 5 years = an annual \$123,152.73 debt service payment

How we pay for it...

- **\$123,152.73 = 3 cents (\$99,000) + \$24,152.73 of annual Powell Bill Funds**

Public Works 10 Year Plan:

First Five Years (FY 16/17 – FY 21/22) - borrow \$236,000 to purchase the following:

- Front deck mower 60 inch (Facilities & Grounds)
- Ford F 150 (Facilities & Grounds) replaces truck with 231,000 miles
- Ford F 150 (Street Division) replaces truck with 148,000 miles
- Tractor 4x4 (for mowing rights-of-way) replaces 1987 model with 3,200 hours
- Brush truck (most used piece of equipment – 5,800 requests last year) 2000 model 11,000 hours
- \$236,000 – assume 3.25% for 5 years = \$51,900.08

How we pay for it...

- **\$51,900.08 = 1 cent (\$33,000) + \$18,900 of new sales tax revenue**

Second Five Years (FY 22/23 – FY 26/27) – borrow \$300,000 to purchase the following:

- Compact street sweeper (Street Division) – new service! Leaf machine currently used to clean curbs and is ineffective
- Single axel dump truck – (multi department) replaces 1989 model
- Leaf vac truck – (leaf and yard pickup) replaces 2006 model with 2,380 hours – currently used 450 hours per year. Note: If we go with the Public Works package – staff estimates saving the Town approximately \$36,000 in repair expenses within the next 5 years. Staff would surplus the old equipment and vehicles

Fire & Rescue

- Multipurpose Ladder Fire Truck – replaces 1985 Pierce Arrow 50' Ladder Truck - \$850,000
- Current situation – the ladder truck is 30 years old – repair parts are no long available and must be custom made – pump will need to be rebuilt within next couple of years – extensive wiring issues. Note: The Fire Department is looking at combining the new truck and existing service truck, thus eliminating one piece of apparatus, and with the elimination there would be savings on insurance, repairs and fuel
- Fire Department part time help cost - \$25,000 per year
- \$850,000 – assume 3.25% over 20 years = \$58,462.05 per year
- \$25,000 + \$58,462.05 = \$83,462.05

How we pay for it...

- **\$83,462.05 = 2 cent tax increase (\$66,000) + \$17,462.05 of anticipated additional sales tax revenue**

Repair and Maintenance:

- Traditionally, we only have \$221,000 each year *to take care of all* general fund capital improvement and repair needs
- If Council adopts the proposed budget, staff would be able to use all of the \$221,000 for repair needs. This would allow staff to repair all of the high priority items within three fiscal years. (Staff defines high priority as a repair that should have been made in previous years or this year.)

Repair and Maintenance Items (wish list subject to change):

Fiscal Year 16/17:

- Paint and repair exterior of the Old Rock School
- Replace auditorium stage floor
- Replace auditorium stage curtain
- Amphitheatre – concrete seating repair
- Replace apparatus bay heaters
- Fitness room expansion
- Demolition of the extension on Tiger Gym

Fiscal Year 17/18:

- Replace Old Rock School chiller
- Renovate tech shack at the Amphitheatre
- Paving of front pad/rear parking lot (Fire Department)
- Painting of Fire Department interior
- Repair walking trail behind Old Rock School
- Repair ladies locker room (Community Center)

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Mr. Eckard recommended two proposed Public Input Meetings regarding possible tax increase and said staff would be available to answer budget questions:

1. Friday, April 1, 2016, 10:00 a.m., Valdese Town Hall – Community Room
2. Tuesday, April 19, 2016, 6:00 p.m., Valdese Town Hall – Community Room

Mayor Black thanked the Department Heads for a tremendous job.

ADJOURNMENT – Mayor Black adjourned the meeting at 8:10 p.m.

The next meeting is a regularly scheduled meeting on Monday, April 4, 2016, 6:00 p.m., Valdese Town Hall.

Town Clerk

Mayor