

**ROCKY MOUNT TOWN COUNCIL
SPECIAL MEETING
MARCH 24, 2010**

The March 24, 2010 special meeting of the Rocky Mount Town Council was held at the Rocky Mount Municipal Building located at 345 Donald Avenue, Rocky Mount, Virginia at 7:00 p.m. with Mayor Steven C. Angle presiding. The following members of Council were present:

Vice Mayor Posey W. Dillon and Council Members Jerry W. Greer, Sr., John H. Lester, Roger M. Seale, Robert W. Strickler, and Gregory B. Walker

The meeting was called to order by Mayor Angle.

For the record, the following were being present: All members of Town Council as noted, Town Manager C. James Ervin, Finance Director Linda Woody, and Town Clerk Patricia H. Keatts.

APPROVAL OF AGENDA

Prior to the meeting, Council had received the agenda for review and consideration of approval.

- Motion was made by Council Member Strickler to approve the agenda as presented, seconded by Council Member Lester and carried unanimously.

WORK SESSION

A) Overview by the Town Manager and Finance Director of Working Budget Estimates for Fiscal Year 2010-2011

The Town Manager relayed to Council that he and the Finance Director will be sending to Council a balanced budget within the next few weeks. He commented that there are broad choices on closing the gap, which he outlined:

- Reduction in Revenue:
 - \$352,000 in the general fund
 - \$438,000 in the utility fundNet decrease in revenue projected for FY 2011 is \$790,000.

- Increase in Expense:
74% increase in electricity costs since 2005
64% increase in health care costs since 2005
- Utility Imbalance:
For every dollar the Town spends collecting trash, the Town bills sixty cents. For every dollar the Town spends running its utility operations, the Town bills in-town residents about seventy cents. A thousand gallons of water currently costs the Town about \$3.88 to produce, but the Town sells it for \$3.35. It costs the Town about \$6.49 to treat a thousand gallons of sewage, but the Town only charges \$3.30.
- Cuts in the Budget:
The Town departments have been asked to reduce expenses further, but still provide Town core services. The budget estimate, with these additional reductions, still results in a gap of \$437,000 (starting from a revenue shortfall of \$790,000). \$167,000 is for the general fund and \$270,000 is for the utility fund.
- Expense Reduction Options:

Select Reductions in Force (RIF)	\$100,000 to \$200,000
Across the board reductions in pay	\$58,000
Reductions in Town Share of Health Insurance	\$45,000
Eliminating Projects	\$120,000
Total	\$323,000 to \$481,000
- Fee and Tax Options:

Water and Sewer Rates	\$100,000 to \$200,000
Refuse Collection Fees	\$21,000
Cigarette Tax	\$125,000
Real Estate Tax	\$92,000
Meals Tax	\$180,000
BPOL	\$16,000

B) Summary of Expense Reductions and Revenue Increases Available to Close the Budget Gap

There was discussion regarding the best way to close the \$437,000 gap. Following is a synopsis of that discussion:

- There are 61 personnel positions for the Town, with 58 being currently filled. The Town could eliminate the unfilled positions or cut into existing positions.
- The Mayor and several Council members were against pay reductions. Mentioned that if you do this, plus have them pay a percentage of their health insurance, the employees would be getting hit twice as hard as they did not get a raise last year, and will not be getting one this year. The Town Manager indicated that this also would be

hard for those employees who are getting near retirement years, as not getting raises and reduction in pay greatly affects that.

- The projects that could be eliminated are Celeste Park, putting in utility lines, and work at the fire department at Floyd Avenue, but comment was made by the Town Manager that the work at the fire department would stay in the budget.
- The majority of the cuts would be hitting staff.
- The flip side to this would be to adjust the water/sewer rates that are increment (over a five to eight year period). - Went over the comparison chart that was handed out to Council that showed that the Town has the lowest utility rates when compared to surrounding areas. Also looked at the Town's utility fund profit/loss and the loss before meals tax transfer. As of now, proposed rates would be going up to \$3 to \$5 a month (\$60 to \$70 annually for residential customers), and industrial customers would be anywhere from \$200 to \$300 monthly). Want to keep rates competitive to attract businesses to the Town.
- The refuse collection went up to \$2 a month two years ago. Propose going up an additional \$1 a month.
- Looking at implementing a ten cents per pack cigarette tax, as the Town currently does not do this.
- The Town's real estate came down two cents last County assessment; looking at the Town putting back that two cents.
- Went over what the meals tax would generate. The Town's meal tax is currently at 5%.
- Regarding BPOL, looking at ways to exempt businesses under \$100,000 or less in gross receipts to help them during this tough economy, but it would add another \$30,000 to have to come up with to make up the \$437,000 gap. Town does not want to hurt businesses that are now struggling.
- Looking at other ways to juggle the other reductions to come up with a balanced budget. The Town Manager stated that he and the Finance Director would like Council's guidance on things that work for Council.
- Discussed doing employee furloughs. One suggestion was for employees to take 24 days off during the year for those that may want to go hunting, or needing additional days off. It was also mentioned that if staff does take time off, it would have to be scheduled so as not to leave the departments understaffed. Also mentioned that those that have four weeks vacation, it may be difficult to take that much additional time off. It was also questioned if it would be possible for employees to take that much time off without pay. The Town Manager stated that when he and

the Finance Director figured up 5 furlough days for each employee, the total amount came to \$58,000.

- It was discussed again that the employees could not handle being hit double with reductions, as it would affect morale and productivity.
- On projects, the Town Manager and Finance Director put some things back into the budget that they thought were a necessity to get the jobs done, although the department heads had eliminated them.

C) Input from Council on Options Presented

A synopsis of Council's input:

- Thinks it is an easy thing to not fill staff positions that are vacant now, which consists of the Planner and an Investigator in the Police Department. It was noted that the Town Manager had left the Chief of Police position in for public safety operation.
- At some point and time in the future, need to take into account the new government health care initiative on how it will affect the Town, and make plans for that as it impacts the budget.
- The across the board 10% reduction in health care for employees will kill morale and employee performance. Town Manager and Finance Director confirmed that at this time, have not had any indication from health carrier if they will be an increase/decrease for the year, but thinks it will be flat, but have budgeted 5% increase just in case it is not.
- Consider voluntary furloughs and make sure it is coordinated to not disrupt service.
- In favor of the cigarette tax increase.
- Discussed how the Town is subsidizing the utility rates out of the general fund.
- It was also pointed out that using the employees to balance the budget is just wrong.
- Discussed that the Town now has a state-of-the-art HVAC system at the Municipal Building to help keep electricity cost down.
- Discussed using either Town crew or trustees from the Franklin County Sheriff's Office to clean Town buildings in order to save approximately \$20,000 annually from janitorial needs.

- Discussed having some departments help other departments to keep costs down.
- Discussed the Town and County having an above the average benefits package, which has helped attract and retain employees.
- Discussed not being in favor of having employees pay a portion of their VRS, with the Town Manager and Finance Director stating that they think employees will not have to do this as they have enough revenue to play around with now.
- Town Manager mentioned that the Public Works Director stated that the \$500 fee for opening graves was not enough.
- Mentioned if the Police Department needed all the personnel that they have, specifically mentioning if the Town needs the investigative force. The Town Manager went over the number of employees in the Police Department, being: 12 Officers; two School Resource Officers; two non-sworn officers (clerks); two command positions; two Investigators (with one presently being vacant); and one Chief of Police (presently vacant). Some were not in favor of filling the Chief of Police position at this time.
- Mentioned that since production has been down, especially since the loss of an industry in-town, why is the Town still having to pay for an extra man at the Water Department. The Town Manager mentioned that he has discussed this with the Water Department Superintendent, and if you eliminate one position and have to backfill that position when someone would have to work overtime to make water by State requirements, it would still be structurally unbalanced to where the dollars come from, even if you shift this to another department. He further stated that the Town cannot pull another million gallons without having to work a 24 hour shift, and if you get into an overtime situation, the Town would be paying almost 2/3 of another person.
- Town Manager stated that the RIF is the easy way to help with the budget gap, and will see if he can form a budget out of the gate that preserves all the employees, and will look at ways employees can share in jobs, but if the Town has an event for a lateral move, it then becomes interesting. He reiterated that if he can go with the RIF, that is the direction that will probably suit.
- Went over the history of the Police Department being organized about two years ago, and the reason extra officers were hired. Comment made about thinking the citizens pay County taxes and that there is no need for another Investigator.
- Discussed that the Wastewater Treatment Plant operation is not solely based on water production as they are busy regardless processing wastewater, with the Town Manager stating that this department was operating lean.
- Comments made that if departments can be operated with fewer people, that is what it has to be.

The Town Manager commented that he and the Finance Director have enough information from Council to have them a budget package by April 12, which will be their recommended budget. Did mention that there have been a lot of cuts from the departments on their budget. He also mentioned that rolling the BPOL will help stimulate the budget.

It was the consensus of Council for the Town Manager and Finance Director to take into consideration when doing the budget everything that was mentioned by the Town Manager at the beginning of the work session as far as expense reduction options and fee and tax options.

The Town Manager stated that he believes that he and the Finance Director have enough information from Council now to have a budget for Council that will be zero balanced. Will also have for Council a list of the projects still in the budget.

Comment made that if the Town Manager and Finance Director get down in the figures and there are still some figures too low, need to use the Town's access funds. Comment also made that the fund balance is not a sacred cow like everyone thinks.

ADJOURNMENT

At 8:35 p.m., motion was made by Council Member Strickler to adjourn, seconded by Council Member Greer and carried unanimously.

Steven C. Angle, Mayor

ATTEST:

Patricia H. Keatts, Town Clerk