

**ROCKY MOUNT TOWN COUNCIL
FISCALY YEAR 2010-2011
BUDGET WORK SESSION NO. 3
MAY 12, 2010**

The May 12, 2010 Fiscal Year 2010-2011 Budget Work Session No. 3 meeting of the Rocky Mount Town Council was held in the Council Chambers of the Rocky Mount Municipal Building located at 345 Donald Avenue, Rocky Mount, Virginia at 5:00 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 present: All members of Town Council as noted, Town Manager C. James Ervin, Assistant Town Manager/Community Development Director Matthew C. Hankins, Finance Director Linda Woody, Town Attorney John T. Boitnott, Accounting Technician I Amy Gordon, and Town Clerk Patricia H. Keatts.

APPROVAL OF AGENDA

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

The Mayor requested that the agenda be amended to include the following items:

1. Continuation of discussion regarding Pigg River dam.
 2. Acceptance of paving bid.
 3. Closed Session item: Section 2.2-3711(A).5 - Discussion concerning a prospective business or industry, or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community (Two items: (1) Cox property; and (2) potential expansion of existing business).
- Motion was made by Vice Mayor Dillon to approve the amended agenda, seconded by Council Member Lester and carried unanimously by those present.

CONTINUATION OF DISCUSSTION REGARDING PIGG RIVER DAM

Mr. Chris Fewster with Anderson & Associates came before Council at their request with updated information that Council requested during their regular Council meeting of May 10, 2010 regarding Mr. Fewster obtaining additional information from U.S. Fish & Wildlife Service (USFWS). Mr. Fewster handed out to each Council member an up-to-date breakdown of the project budget.

Mr. Fewster highlighted the following:

- The Town can use money for stabilization of the banks with a caveat.
- All of the budget figures on the spreadsheet are the same as before, except for the bank restoration, which indicates a tipping fee of \$12,850. Tipping fees has been replaced with restoration at the dam site as a project item. Steel and concrete rubble from the demolition of the dam shall be recycled where possible and remaining material disposed of in a manner that limits any use of the landfill. The Town can coordinate any use of the landfill with Franklin County.
- Cofferdam material will be reused as part of the bank restoration when applicable, such as fill material behind native stone used along the proposed stream bank between the dam site and Furnace Creek.
- Expanding scope of work a little bit to do restoration downstream and USFWS is amenable to this. Will have to look at cost for the work downstream and at that time, the Town can make that decision on whether or not to proceed.
- Hopes the Town can look at using local stone to put in the river instead of buying out of a quarry because local stone will make it look more natural. There was consensus from Council that they were in agreement with this, with Council wanting involvement from Anderson & Associates on this project.
- Consensus of Council that local contractors to be used, giving them an opportunity to quote the work. Discussed that if local contractors can quote inner and outer stream work, and if they are qualified, they can work with them. Mr. Fewster stated that he has already sent to USFWS two local contractors name and information who have worked with this type of work in the past.

Mr. Fewster stated that in short, he is pleased with USFWS and will need to work hand-in-hand with them to make this a successful project. Confirmed that he has talked with Mr. Larry Moore with Franklin County and the County cannot waive the tipping fees, but can get a variance from this. Discussed using base of material to re-use for the access road to walking trail. Stated that the timing and scheduling of the work is very important because after July 1, you can get back into the water to work and permitting timing is a time of 60 days. Late summer and early fall before rain sets in is the best time to do this work.

There being no further discussion, the Mayor entertained a motion.

Council Member Lester stated that he did not want anything to happen to anyone as before at the Blackwater Dam, and asked Council not to prolong a vote on this matter as there is no value you can put on life.

Council Member Seale stated that he was pleasantly surprised that USFWS is open to work in a cooperative matter, as the Town has looked at this for a while.

- Motion was made by Council Member Seale to take the option to work with USFWS, with the Town to cap its cost at \$30,000 for removal of the Pigg River Dam, with motion on the floor being seconded by Council Member Lester. There being no discussion, let the record show that the motion on the floor passed unanimously by those present.

ACCEPTANCE OF PAVING BID

The Town Manager explained that after consulting with Council regarding the awarding of the paving contract, the lowest bidder was S. R. Draper Company in the amount of \$412,109.49.

There was discussion between the Town Manager and Council regarding S. R. Draper Paving Company and the work they did for the Town last year, and having them do the work correctly this time. It was pointed out by the Mayor that the Town is bound by the bidding process. It was confirmed by the Town Manager that S. R. Draper Paving Company did fix the sections of paving that the Town had asked them to fix that could be fixed, and on the whole, the job they did met Virginia Department of Transportation (VDOT) specifications, with the Town's issues being met. The Town Manager also stated that he proposes to look at the specifications again. He also stated that after consulting with the Town Attorney, it was the Town Attorney's recommendation that the Town go with the low bidder, which was S. R. Draper Paving Company.

There being no further discussion, the Mayor entertained a motion.

- Motion was made by Council Member Lester to award the Town's paving contract to S. R. Draper Paving Company, who was the low bidder, with motion on the floor being seconded by Council Member Seale. Discussion ensued. Council Member Walker stated that he wanted the Town to have someone monitor the work being done by S. R. Draper Paving Company. The Town Manager explained that he had a conversation today with the Public Works Director and they will probably have someone look at the work. He further stated that last year, 80% of the work S. R. Draper Paving Company had done was correct, with 5% having to be completed. He also explained that the work was completed by the Town holding their retainage, and he will not pay this year until the work is inspected, like last year, retainage or not. He pointed out that he will ask the Public Works Director for his ideas on getting someone to look at the paving work, possibly a retired VDOT person familiar with this type of work. There being no further discussion, let the record show that the motion on the floor passed unanimously by those present.

FISCAL YEAR 2010-2011 BUDGET WORK SESSION NO. 3

A) Overview of Cigarette Prices in and Around Rocky Mount and Discussion of the Proposed Ten Cent Tax

The Town Manager gave Council an overview of the proposed cigarette tax:

- The Town has surveyed the price of cigarettes in and around the Town in order to provide good data for a decision and discussion on the proposed cigarette tax.

- If prices were generally similar, then a ten cent tax on a pack of cigarettes might influence purchasing trends. If there was a wide variety in the price of a pack of cigarettes, then the actual price would not be a driving factor in where people choose to shop.

Cigarettes inside of Town are priced (all prices after sales tax):

| | |
|---------------------------|--------|
| - Wal-Mart | \$4.20 |
| - Sheetz | \$4.20 |
| - CVS | \$4.27 |
| - Panda (C-mart) | \$4.46 |
| - Jones Produce | \$4.50 |
| - Kroger's | \$4.70 |
| - Food Lion | \$4.82 |
| - Riverside Minute Market | \$4.98 |
| - Shell (Stop-In) | \$5.13 |

Cigarettes outside the Town are priced (all prices after sales tax):

| | |
|-----------------------------|--------|
| - One Stop Shop (Doe Run) | \$4.70 |
| - Raven's Country Store | \$4.82 |
| - One Stop Shop (220 North) | \$4.92 |
| - 40 West Food Fare | \$4.96 |
| - Plateau Plaza | \$5.24 |
| - 619 Minute Market | \$5.24 |

- The same brand of cigarettes sells for a high of \$5.24 at Plateau Plaza and the 619 Minute Market, and a low of \$4.20 at Wal-Mart and Sheetz. Since this is over a dollar difference, it is not likely that a ten cent tax at the local level will alter shopping patterns.

- If a person is currently shopping at Jones Produce for cigarettes or Riverside Minute Market, they already have in-town options that are substantially less, which they pass up in order to shop at those locations. This data generally supports the concept that people shop where they are treated well and where the location is convenient to their route to and from work.

- Additionally, with the proposed tax, cigarettes at Wal-Mart and Sheetz will be nearly 50 cents less than nearby non-town locations.
- Given the current prices, a ten cent tax on cigarettes will not change shopping patterns or drive cigarette sales outside the Town. This conclusion is supported by other localities that have adopted a similar cigarette tax. The Town of Vinton adopted a 20 cents tax in Fiscal Year 2009 - 2010 and reports no observable change in purchasing patterns.

The Town Manager confirmed that the approximate revenue for the proposed cigarette tax is \$125,000.

It was pointed out by the Mayor that Council had a couple of ways to look at the proposed cigarette tax: (1) user tax; or (2) if you drive out-of-town to buy cigarettes, you will use more than 10 cents in gas. He concluded by stating that this is something the Town has to decide.

The Mayor polled Council on whether or not to allow the Finance Director to advertise for the proposed cigarette tax:

- Council Member Greer: No for him.
- Council Member Lester: Yes for him.
- Vice Mayor Dillon: Doesn't really care for it, so a no for him.
- Council Member Seale: This tax is not something that is going to change people's buying habits, which was similar to when the Town put one penny on the meals tax. And although this is a user's tax, a lot of taxes are already like that. Would like to know that if the Town does not do this, where will the money come from to help balance the budget. As for him, it is a yes to proceed with advertising.
- Council Member Strickler: Not comfortable with it, but yes for him.
- Council Member Walker: Not comfortable with any new taxes, so a no for him.
- Mayor Angle: Yes for him.

The Mayor informed the Finance Director that four out of seven were in favor for advertising, directing her to advertise the proposed cigarette tax.

B) A Review of the Town's Water and Sewer Rates and the Proposed Rates for Fiscal Year 2010-2011

The Town Manager informed Council of the following:

- Currently, the Town charges \$3.75/1,000 gallons for the first 3,000 gallons; \$3.35/1,000 gallons from 3,001 to 10,000 gallons; \$3.25/1,000 gallons from 10,001 to 50,000 gallons of usage; and \$3.15/1,000 gallons for each thousand gallons

above 50,000. The average 5,000 gallon bill under this rate is \$35.80 (\$17.95 for water and \$17.85 for sewer). Rates are doubled for County residents.

- With the meals tax subsidy, the break-even rate for the combined utilities results in a 5,000 gallon bill of \$50.91. This is similar to the \$48.00 combined for the Western Virginia Water Authority. Other bills near Rocky Mount are \$60.00 for Henry County; \$75.00 for Bedford County; and \$54.00 for the City of Bedford.

- The recommendation is to lower the price for the first 3,000 gallons to \$3.25 from \$3.75. This will result in a reduction in the bill for those on the Town's senior and disabled discount plan of \$1.70 a month. A scaling base charge is proposed for all other customers based on meter size. A non-senior or non-disabled residential user would see a water base charge of \$2.00 and a sewer base charge of \$4.00 without any change in the rate per 1,000 gallons. This results in an increase of \$3.45 per month due to the reduction in the charge for the first 3,000 gallons.

- The new average 5,000 gallon bill would be \$39.25 for a Town resident, up from the current \$35.80. This is still approximately \$10.00 below the calculated break-even combined rate, but the rate can be adjusted in smaller increments in future fiscal years. Ideally, the Town would adjust rates over the next five fiscal years to reach the break-even point.

The Town Manager pointed out that all told, he and the Finance Director believe that the \$3.45 change will increase the water and sewer revenue approximately \$149,000 and is a step to keep a trend in the right direction. He further pointed out that the Town should have a five to six year plan for cost versus income.

There was much discussion between the Town Manager, Finance Director, and Council regarding the proposed increase:

- Council Member Lester
 - Right now, Town is paying water and sewer expenses from fee structure, from real estate taxes, and meals taxes, and at some point and time, would like to see the real estate and personal property tax structure come down; plus, would like to get it back even where it should be when costs for utility services is where it should be. Compared using apples to pay apples, and oranges to pay oranges.
- Council Member Seale
 - Questioned if there was a provision that qualified for hardship for real estate taxes, with the Town Manage confirming that this is the same as what he had said earlier about the elderly and disabled.

- Council Member Greer
 - Finance Director confirmed to Council member Greer that the Town has approximately 2,800 customers, with an average income for the Town with new structure approximately \$90,000.
- Council Member Lester
 - People who own land with no dwellings on it are subsidizing the utility bills out of the real estate taxes when they pay.
- Mayor Angle
 - Finance Director confirmed to the Mayor that the money used to subsidize utility rates come out of the General Fund, which are made up of basically the business licenses, meals tax, and real estate tax.
- Council Member Walker
 - May need to look at what Council Member Lester is talking about the real estate taxes not paying for utility taxes at a later date.
- Mayor Angle:
 - It will be at least three more years before this can be looked at. The proposed fee rate increase is for paying for that service. The Town needs to pay for itself somehow for these services.
- Vice Mayor Dillon
 - Does not think individuals can stand the fees, mentioning that the Town is currently paying for a private sewer for a private developer, and can't see how the Town can have citizens continue to pay more now. Referenced percentages in the past for utility services. The Finance Director confirmed to Vice Mayor Dillon that the figures are actual but for the fiscal years of 2010 and 2011. Vice Mayor Dillon stated it was hard for him to understand the percentages when looking at 2011, 2003 and 2007, and this year has a 15% plugged in for the water system, which comes out of the Public Works Department, also confirming that basically 1/4 of everything the Public Works Department does is water and sewer related. The Town Manager and Finance Director confirmed to Vice Mayor Dillon that the prior figures are actual expenses for water and sewer.
- Council Member Lester
 - The Finance Director confirmed to Council Member Lester that ideally, water and sewer should pay for itself.
- Vice Mayor Dillon and Council Member Lester
 - Discussed between themselves the reference Vice Mayor Dillon had made regarding the private developer (Oaks at Rakes Tavern) not paying for itself and citizens having to pay for it.

- Mayor Angle:
 - The discussion between Vice Mayor Dillon and Council Member Lester is a debate for another day, but right now, Council needs to decide on whether or not to propose an increase, not do the increase, or look at another alternative.

- Council Member Lester
 - If the Town does the increase, need to do it over time. Town Manager stated that one alternative is to have someone with a lot of experience with this to look at the best way for the fee structure to be increased over time, mentioning that the Town of Vinton just conducted a five-year rate with a firm, with their Council adopting those rates for five years in the future. He also stated that for the Town, there will still be a gap between now and December. Council Member Lester stated he is against a firm doing a study and should be coming from the Town auditors, believing that the Town Manager and his department can do this. Town Manager stated that it is an interpretation of numbers. Council Member Lester stated that he is not for increasing the tax rate, but is for looking at the correct way it is to be paid.

- Mayor Angle
 - Needs suggestions regarding increasing the fee, looking at some other alternative, or leaving it alone.

- Council Member Seale
 - Finance Director confirmed to Council Member Seale that based on industrial and residential use, the revenue increase from the fees is approximately \$149,000. Council Member Seale stated that the Town needs to get down to balancing the budget, and thinks the water and sewer rates have been adjusted for industrial users from time to time to be more friendly, and every time the Town has looked at surrounding areas, the Town is low in its fee structure. He further stated that he knows times are tough for some people, and if the Town does go to proposed rate and advertise, the Town can back off from that during the public hearing.

C) Advertising

The Mayor polled Council on whether or not to allow the Finance Director to advertise for the proposed utility rates:

Council Member Greer: Leave it as is.

Council Member Lester: Recommend to advertise rates.

Vice Mayor Dillon: No for him.

Council Member Seale: Support to be advertised, and may make adjustments later.

Council Member Strickler: No for him.

Council Member Walker: No for him.

Mayor Angle asked that instead of having the rate at \$3.45, would Council support a \$2.00 rate.

Council Member Greer: No for him.
Council Member Lester: \$2.50 for him.
Vice Mayor Dillon: No for him.

The Mayor stated that it seemed to be a consensus to leave the rates as they are.

Council Member Greer: Yes for him.
Council Member Lester: No for him.
Vice Mayor Dillon: Yes for him.
Council Member Seale: No for him.
Council Member Strickler: Yes for him.
Council Member Walker: Yes for him.

- Mayor Angle
 - At at some point and time, the Town will have to look at the rates as the Town cannot leave it at a deficit.
- Council Member Greer
 - Council needs to balance the budget.
- Mayor Angle
 - The Town did propose a decrease in the BPOL.

The Town Manager went over some options to balance the budget since it would not include a utility rate increase:

- Proposed capital spending would be optional.
- In March, talked about a 2% pay cut for employees.
 - Mayor Angle, Council Members Lester and Strickler voiced opposition to any pay cuts to the employees, stating that the Town cannot balance its budget on the back of its employees. Council Member Lester stated that furloughs should not be forced.
- Continue position freezes, depending on turnover during fiscal year. Had a recent resignation (retirement) in the police department, which was not factored in Fiscal Year 2011 budget. Finance Director confirmed that there would be no scheduled retirements in the departments. Town Manager confirmed that the hiring freeze is universal unless that person is essential, with him defining this with Council. Further mentioned that staff is really working hard to cover where there are vacancies, mentioning the Planning Department working hard to do this due to the vacancy of a Planner. Council Member Lester stated that he would like to see the Chief of Police vacant position be left vacant, with the Mayor stating that the Chief of Police position needed to be filled.

- Do not have much latitude with vendors since some of the staff is out that was proposed to do the custodial services.
- On the income side of the budget, can cancel BPOL reduction; and Town still has holiday pay, or it could be used as a 1% cost of living for the employees. Council Member Lester suggested leaving the holiday pay in the budget and at such time to spend it, then see if the Town can afford to do so.
- May be able to finish this year with \$200,000 from this fiscal year to the good from the Fund Balance.

D) Insurance Rates and Employee Contributions

The Town Manager stated:

- Were able to wipe out increase in insurance rates due to low rates and low insurance claims. Council Member Seale mentioned the Council's line item for Council insurance coverage, and that Council is asking the employees to take a cut and not raise the cost of living for any employee, but the insurance health benefits for Council members have not been reduced, and he does not feel good asking employees to take a pay cut when Council members on the Town's health insurance get about a \$5,000 annual benefit.
- The health insurance may cost employees approximately 1%. The Mayor stated that he does not think this should happen because the employees have not had a raise in two years and he thinks the Town should pick up the 1% increase in the health insurance for the employees that are affected.

E) Advertising Deadlines for the Budget

The Town Manager stated that he believes he and the Finance Director can confidently balance the budget.

The Finance Director went over the budget advertising deadline dates. It was also confirmed that the Fiscal Year 2011 budget would be advertised for a public hearing to be held June 7, 2010 at 7:00 p.m., with the actual consideration of adoption to take place during the regular Council meeting of June 14, 2010 at 7:00 p.m.

CLOSED MEETING

There being no further discussion the Mayor entertained a motion to adjourn to go into *Closed Meeting* to discuss the following:

- Section 2.2-3711(A).5 - Discussion concerning a prospective business or industry, or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community (Two items: (1) Cox property; and (2) potential expansion of existing business).

At 6:22 p.m., motion was made by Council Member Lester to go into *Closed Meeting* under the items proposed, seconded by Vice Mayor Dillon and carried unanimously by those present.

At 7:05 p.m., motion was made by Council Member Walker to come out of *Closed Meeting* and to reconvene the meeting back into open session, with motion on the floor being seconded by Council Member Lester and carried unanimously by those present.

CERTIFICATE OF CLOSED MEETING

Whereas, the Town of Rocky Mount Council has convened a *Closed Meeting* on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

Whereas, Section 2.2-3712 of the Code of Virginia requires certification by this council that such *Closed Meeting* was conducted in conformity with Virginia Law;

Now, Therefore, Be It Resolved that the Rocky Mount Town Council hereby certifies that, to the best of each members' knowledge: (1) only public business matters lawfully exempted from open meeting requirements under this chapter and (2) only such public business matters as were identified in the motion by which the *Closed Meeting* was convened were heard, discussed, or considered in the meeting by the public body.

Steven C. Angle, Mayor

- Motion was made by Council Member Greer certifying that: (1) only public business matters lawfully exempted from open meeting requirements under this chapter was discussed; and (2) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or consider in the meeting by the public body was discussed. Motion was seconded by Council Member Seale. The Mayor swore to adopt the motion on the floor by Council Member Greer that this was all that was discussed as defined in Section 2.2-3412 Code of Virginia. Voting yes were 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 Mayor reported that no action was taken.

Steven C. Angle, Mayor

ADJOURNMENT

At 7:08 p.m., motion was made by Council Member Seale to adjourn, seconded by Council Member Greer and carried unanimously by those present.

Steven C. Angle, Mayor

ATTEST:

Patricia H. Keatts/Town Clerk

/phk