

**ROCKY MOUNT TOWN COUNCIL
FISCAL YEAR 2012
BUDGET WORK SESSION NO. 4
MAY 16, 2011**

The May16, 2011 Fiscal Year 2012 Budget Work Session No. 4 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 4:00 p.m. with Mayor Steven C. Angle presiding. The following members of Council were present:

Council Members Bobby M. Cundiff, Jerry W. Greer, Sr., P. Ann Love, Robert L. Moyer, and Robert W. Strickler and Vic Mayor 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, Chief of Police David Cundiff, Public Works Director Cecil Mason, Wastewater Treatment Plant Superintendent Timothy Burton, Water Plant Superintendent Bob Deitrich, Fire Chief Charlie Robertson, Accounting Technician 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 to amend the agenda by adding an item to discuss regarding Town going paperless as much as possible.

- Motion was made by Vice Mayor Walker to approve the amended agenda, seconded by Council Member Cundiff and carried unanimously.

FISCAL YEAR 2012 BUDGET WORK SESSION NO. 4

Prior to the meeting, Council had received a copy of the draft Fiscal Year 2012 Budget and Capital Improvement Plan for review.

The Finance Director directed Council's attention to the following items that they had requested to bring back before them for review and consideration:

A. Utility Fund Reductions

The Town Manager and Finance Director presented the following to Council:

- Council directed staff to adjust the budget to provide a balanced Utility Fund without the proposed adjustment in utility rates. Council was given a report that reviews the changes proposed. Capital and Operational items were removed to offset the reduction in revenue.
- Additionally, the Finance Director had calculated the estimated cash available at the end of the current fiscal year to pay Utility Fund expenses and the date that the fund will run out of funds to pay expenses. A chart of the Utility Fund cash flow was given to Council.

TOWN OF ROCKY MOUNT				
UTILITY FUND				
CASH BALANCE / RETAINED EARNINGS				
NOTE: Retained Earnings is negative due to bond pay-off (\$2,061,747) / due to general fund; also, projected depreciation (\$671,500)				
				(2,568,927)
Cash at beginning of year (from Cash Flow Statement, 6/30/10)		327,557		
Projected cash at end of year (net from revenue less expenses)		(258,071)		
Cash at end of year (from revenues less expenses) (no depr)			69,486	
Revenues per month (steady stream) (less depr & connections)		182,408		
Expenses per month (steady stream) (less depr)		203,775		
Beginning cash		69,486		
		REV	EXP	CASH NET
July		182,408	(203,775)	48,118
Aug		182,408	(203,775)	26,751
Sept		182,408	(203,775)	5,383
Oct -- cash will gone during October 2011		182,408	(203,775)	(15,984)
Nov		182,408	(203,775)	(37,352)
Dec		182,408	(203,775)	(58,719)
Jan		182,408	(203,775)	(80,087)
Feb		182,408	(203,775)	(101,455)
Mar		182,408	(203,775)	(122,822)
Apr		182,408	(203,775)	(144,190)
May		182,408	(203,775)	(165,557)
June		182,408	(203,775)	(186,925)

- Based on current year estimates, the Utility Fund averages \$203,408 in expenses a month and is currently bringing in \$182,408 in income a month. Starting the year with an estimated \$69,486, the fund will run out of cash in October. Council will need to appropriate funds in October from the General Fund (tax dollars) to the Utility Fund in order to pay salaries and expenses.
- The Town's Water and Waste Water Plant managers have outlined essential capital items needed at their facilities. In the event that these items cannot be funded via revenues from rates, staff recommends using debt to accomplish these repairs and proposes that the utility fund's capital needs, as well as the Town's long term rate structure, be addressed in an October work session.

The Town Manager and Finance Director pointed out capital improvement items that were cut from the budget, as shown in the following chart:

TOWN OF ROCKY MOUNT		
UTILITY FUND		
CUTS OF \$240,000 - FY 2012 BUDGET		
WWTP -- UV system	100,000	
WWTP repairs for existing UV system (add)	(10,000)	
WTP - Variable freq finished pumps (3)	20,000	
WTP - streaming monitor	6,000	
WTP - pump room floor	12,000	
WTP - settling basin	11,000	
WTP - var freq pumps (2)	20,000	
WTP - upgrade SCADA	7,500	
02.5000.3000 water - contractual (engineers)	10,000	
02.5000.6009 materials	5,000	
02.5000.7000 capital outlay	5,000	
02.5050.3000 contractual (engineers)	5,000	
02.6000.3000 contractual (root & other)	15,000	
02.6000.7010 infrastructure (projects)	5,000	
02.6050.3000 contractual	2,500	
02.6050.3300 repairs	1,000	
02.6050.3341 lab testing	2,000	
02.6050.5500 training	1,000	
02.6050.7000 capital outlay	5,000	
02.6200.3000 contractual	2,000	
02.6900.9959 contingency	15,000	
cuts total		240,000
SUMMARY OF CUTS:		
Total Operating (non CIP) cuts from:		
02.5000 water distribution	20,000	
02.5050 WTP	5,000	
02.6000 sewer collection	20,000	
02.6050 WWTP	1,500	
02.6200 utility billing	2,000	
02.6900 non-departmental	15,000	
total operating cuts		63,500
CIP items		176,500
total operating & CIP cuts		240,000

There was much discussion between Council, the Water Plant Superintendent, and the Town Manager regarding items that were left in the Water Plant capital improvement plan, with them specifically discussing the emergency generator and the emergency connection for the portable generator. The Water Plant Superintendent explained that a hard wire quick connect is the best way to go for employee safety. He further explained the process of getting an emergency portable generator from other localities in time of a disaster. There were questions from Council Member Cundiff expressing concerns he had on how the figures were gathered on the money needed in the amount of \$300,000 that was quoted originally, with the figure now being \$100,000. The Water Plant Superintendent explained that the figure was from three years ago, but that in reality, it would more than likely be less than that. He also explained that he had documented quotes on other items requested for the capital improvement items. Vice Mayor Walker suggested that the funding that was in place for the Expedition vehicle be placed into the Water Department account in order to get what the Water Plant

Superintendent needed to get the job done. The Town Manager emphasized that the figures going forward are true figures for those items that are needed right away, and the ones in the future are ballpark figures, and as the departments get closer to spending, they will get three quotes to determine the best one.

Council Member Cundiff mentioned he would like to pull funds from somewhere in order for the Waste Water Department to get the UV system. The Town Manager explained that when this is done, you are taking funds from the General Fund, which is taxpayers' money, and would be subsidizing the purchase of the UV system, which should come out of the Utility Fund.

There was discussion amongst the Vice Mayor, Town Manager and Finance Director regarding if it matter if the funds came from the General Fund or Utility Fund. The Town Manager explained that the Utility Fund is set up to where it pays for itself, and currently it is not doing that, and that the General Fund is tax payers' money, and it is frowned upon by the auditors to take money from the General Fund to pay for expenses that should come out of the Utility Fund, with the auditors looking at this process as being a shell game.

The Town Manager emphasized that as of right now, the proposed budget is balanced.

There was also discussion about how the \$675,600 depreciation is figured into the budget, with the Finance Director and Town Manager explaining the process of how this works, and that it is required by accounting rules to account for depreciation, with it not being cash, but it has to be put in the budget.

Discussion ensued on what to do with the money once the Wastewater Treatment Plant debt is paid off in 2014, with the Town Manager explaining that Council can decide at that time what those funds will be used for.

On another matter, Vice Mayor Walker explained to Council that prior to coming to the meeting, he had met with Mr. Johnny Singleton (owner of Riverside Minute Market) regarding the proposed 20 cents per pack cigarette tax, with Mr. Singleton stating he is against it because he believes it is an unfair tax targeting those who smoke cigarettes, but if the Town does go forward and impose such a tax, to go only ten cents per pack cigarette tax. There was discussion amongst Council and the Town Manager that the proposed tax is a user tax, the same as meals tax, and it is a choice, and not the same as property or real estate taxes.

Council Member Cundiff referenced the Community & Economic Development account that had \$40,000 set aside for blighted structures, and requested Council's consideration of taking \$20,000 of that money and setting aside for the Wastewater Treatment Plant proposed UV system, further stating that after the first \$20,000 is used for blighted structures, to revisit the need to spend the other \$20,000. The Assistant Town Manager explained to Council that the \$40,000 is what it is going to take to spend on the proposed blighted structures now, which would help eliminate blight and derelict structures in those sections of Town where they are located. He

further stated that there are some activities going on inside of these houses that would be eliminated once they are torn down. Council Member Cundiff stated that he is not against tearing down the blighted structures, but would like to free up \$20,000 for the budget to use for the proposed UV system. The Wastewater Treatment Plant Superintendent came before Council and explained the UV system, stating that it is not needed right now, but if the Town gets one violation, the department would have to go to full testing, and as of right now, they are testing at a reduced schedule. He further explained that the full testing would be mandatory. He also explained that the advantage of getting the UV rebuild is to stay at the reduced schedule, saving man hours. The Town Manager expressed that he agrees that the UV system needs to be done, but he would like it to be done without doing away with the funds set aside for the derelict structures. The Assistant Town Manager confirmed that it would take approximately \$5,000 per house to tear down. There was discussion regarding the Assistant Town Manager coming back before Council with what the actual costs were after four or five of the derelict buildings are torn down. The Assistant Town Manager explained to Council Member Greer that the Franklin County Building Inspector's Office has given the Town permission to proceed with tearing down the structures, with Council Member Greer stating that if by July the Assistant Town Manager can have four to five homes torn down, he is for leaving the full \$40,000 in the budget to take care of demolishing the derelict structures. The Assistant Town Manager confirmed to Council that he will come before Council in June on what properties will be torn down, then he will advertise in July regarding this matter.

Council Member Love questioned what was going to be done with the remaining money in the budget, and discussion ensued on using some of those funds to seal the Water Department's pump room floor, and possibly look at fixing the sediment basin.

Council Member Cundiff mentioned that after there is more information gathered regarding the water accountability, he would like to look at the proposed utility rates in September or October, with Vice Mayor Walker agreeing with this.

B. Cost of Living Allowance for Staff

Let the record show that currently, the proposed budget includes a 2% cost of living adjustment. The cost to the General Fund is \$53,023 and the cost to the Utility Fund is \$15,371, for a total of \$68,394. A proposed alternative is a \$600 one-time stipend (or split into two times of \$300 each), with a cost to the General Fund of \$31,003 and a cost of \$7,751 to the Utility Fund for a total of \$38,754.

The Town Manager confirmed that the Christmas bonuses were still in the budget. Discussion ensued over the past history of raises given to the Town employees, and that over the past two years, none has been given. The Mayor indicated that as he has stated in the past, he is for giving the Town employees a 2% cost of living adjustment (COLA) raise, further stating that Council cannot balance the budget on the back of the employees. There was much discussion regarding whether or not to keep the 2% COLA; give a stipend; and whether or not to give the Christmas bonus.

Council Member Moyer offered several alternatives to giving a COLA for this time due to the economy, with Council Member Greer and Vice Mayor Walker agreeing that this is not the time to do a COLA due to those citizens being out of work due to the economy. Council Member Love voiced an opinion that she believe the Town employees deserved the COLA at 2%, along with the Mayor. The Town Manager confirmed to the Mayor that the proposed budget was balanced and it included the 2% COLA and proposed Christmas bonuses.

At this point, the discussion turned to the Town employees' insurance premium, with the Town Manager explaining that Anthem and Delta Dental had given quotes of premium increase of 8.3% and Delta Dental premium increase of 3.7%. He pointed out the following: Based on our current contribution schedule, employees with single only coverage will see no change in out of pocket costs, employees with employee and child coverage will see an increase of \$8.66 a month, employees with employee and spouse coverage will see an increase of \$11.90 a month, and employees electing the family plan will see an increase of \$22.76 a month. The Town's share of the increase will cost \$29,069. The Finance Director had budgeted for a 5% increase and has, therefore, needed to allocate an additional \$5,662 from General Fund contingency. Prior to the meeting, a summary of this information was submitted to Council from the Finance Director. The Town Manager pointed out that in the event that a COLA is not part of the budget, these changes will result in negative take-home-pay for employees with these plans.

There was further discussion on how best to address the issue of pay raises for the Town employees, with Council Member Moyer suggesting giving the Town employees a \$600 stipend. Council Member Love asked if the \$600 was given, would the Christmas bonuses still be given to the employees, with Vice Mayor Walker stating he would prefer not to. Council Member Moyer suggested other ways that the Town employees could be compensated, such as a day off (i.e., birthdays, with Town employee working the day before and after birthday). Council Member Strickler asked if the Christmas bonuses could be discussed again in October in order to see if at that time, a Christmas bonus could be given to the Town employees, with the rest of Council (except for the Mayor and Council Member Love) stating they would rather it be discussed and settled at this time. Council Member Moyer suggested that the Town employees be given the \$600 stipend, with \$300 of that being given to them July 2011, and the other \$300 at the beginning of December 2011. Vice Mayor Walker asked if he would put that in the form of a motion, with him making the following motion:

- Motion was made by Council Member Moyer to give the Town employees a \$600 stipend, with \$300 of that being given to them July 2011, and the other \$300 at the beginning of December 2011; for the Town to pick up the extra tab on the increase in health and dental insurance premiums; for the Town to eliminate the 2% COLA; and no Christmas bonuses be given to the Town employees. Let the record show that the motion on the floor was seconded by Vice Mayor Walker. Discussion ensued. Council Member Love stated that she does not feel good about the motion on the floor regarding the Town employees' stipend, stating that she does not think the \$600 stipend is enough.

There being no further discussion, the Mayor called for a roll call vote. Voting in favor of the motion on the floor were Vice Mayor Walker and Council Members Cundiff, Greer, Moyer, and Strickler. Voting in opposition to the motion on the floor were Mayor Angle and Council Member Love. Let the record show that the motion on the floor passed five to two.

Let the record show that the Public Works Director came before Council stating it was his understanding there was a wage freeze, but he understands that several Town employees received wage increases. Council so noted.

C. Municipal Building Cleaning

The Assistant Town Manager came before Council stating that they had asked staff to identify alternatives to the Town's current system of providing custodial services for the Town facilities, with him pointing out the following:

- As background, the Town advertised for custodial services at the end of the last contract, which had been renewed the maximum number of times. The Town advertised for cleaning services at the Municipal Building, the Police Department, the Farmers' Market, the Depot, and the restrooms at Mary Elizabeth and Mary Bethune Parks.
- The Town received four acceptable proposals, with the lowest being from Sarver Cleaning Service for \$1,660 per month. The Town engage Sarver with a one-year contract, renewable for a maximum of two additional years. Sarver has made diligent efforts to hire local employees to perform the service. Additionally, Sarver provides the cleaning tools necessary to perform the job.
- Additionally, then-Fire Chief Dillon asked that the Fire Department be able to hire its own cleaning person independent of the Town's contract. The Fire Department pays a person \$150 per month to clean its facility, which does not require the frequent cleaning of the heavier-use facilities.
- As alternatives to the current operation, Council had suggested that the Town examine either hiring an additional staff person to take on the duties or engaging trustees from the Franklin County Jail. Staff has spoken with both Mike Thurman, the Franklin County Facilities Director, and Lt. Martin, who oversees the Franklin County Sheriff's Department's trustee program, and Lt. Martin advised that trustees may not work unsupervised, so the Town would have to provide full-time supervision and transportation. He also advised that while his staff believes most trustees are trustworthy, the Town should still take security precautions it does not now take, such as locking up work in desks overnight when cleaning would be performed. He also advises that he does not believe the Franklin County Jail could provide enough trustees regularly. Mr. Thurman advised that Franklin County uses trustees in the Franklin County Courthouse Complex and at the Franklin County Landfill, and that they have approximately 15 working on a regular basis under tight supervision. It was also pointed out that Franklin County employs a full-time supervisor, who works 3:00 p.m. to 11:00 p.m., Tuesday through Saturday, to oversee the trustees in the Franklin County Courthouse Complex, and that tight supervision is essential. He also advised that the supervisor frequently has to retrain trustees due to high turnover. Mr. Thurman advises that facilities (such as the Franklin County Library and Franklin County Government Center) use contracts similar to the Town's to

clean. (For example, the Franklin County Government Center contract is \$3,000 per month, and the Franklin County Westlake Library is \$780 per month). With the inability to depend on the trustees regularly, and with the burden of additional staff to supervisor and oversee the work, a recommendation using that alternative cannot be made.

- The Public Works Director estimates that a full-time employee would be required to take on the cleaning duties in-house. He estimates that 75% of that employee's time would be dedicated to cleaning duties, at an annual cost of \$24,857 (\$23,673 base, plus 40% benefits = \$33,142 x .75 = \$24,857). At that cost, the Town would still be paying \$3,155 more per year than what is being currently paid for cleaning services.

The Assistant Town Manager stated that he and the Public Works Director strongly recommend that the Town stay with the current system, as it provides the greatest benefit at the lowest cost.

Council Member Greer stated that at least now, Council knows what is all involved with this.

It was the consensus of Council for the Town to stay with the contractor that is in place now.

D. Paperless Council Packets

The Mayor stated that this was added to the agenda at this request.

The Town Manager informed Council that the Town spends an estimated \$4,000 annually preparing the Council packet. He also stated that it is possible to deliver the packet electronically via either a CDROM or over the Internet. He pointed out that a new line item is proposed for \$10,000 to purchase equipment to migrate to electronic council packets. This would be for Account 01.1101.7007 (Audio & Video Equipment). It was also mentioned that funding can be moved from vehicle eliminated from the Town Manager's budget.

Discussion ensued between Council and the Town Manager regarding the best type of equipment to purchase that would best suit the needs of Council to receive and review Council packets, with the best one being some type of tablets. It was also discussed that before purchasing any, Council would like to see one and how it works. Council Member Love indicated that she is not against the Town going paperless on the Council packets, but she would purchase her own and not use Town funds to do so.

It was the consensus of Council for the Town Manager to look into the Town going paperless and bringing a tablet for them to see how it works.

SCHEDULING OF FISCAL YEAR 2012 BUDGET PUBLIC HEARING

Council set the Fiscal Year 2012 Budget public hearing for June 6, 2011 at 7:00 p.m.

ADJOURNMENT

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

At 6:55 p.m., motion was made by Council Member Strickler to adjourn, seconded by Council Member Moyer and carried unanimously.

Steven C. Angle, Mayor

ATTEST:

Patricia H. Keatts/Town Clerk

/phk