

The Town of Nashville Town Council held a Called Meeting on Monday, March 23, 2020 at 3:30 PM in Town Council Chambers. Members Present: Mayor Brenda Brown, Mayor Pro Tem Kate Burns, Council Member Louise Hinton, Council Member Lynne Hobbs, and Council Member Larry Taylor. Absent: None. Staff Present: Randy Lansing – Town Manager, Lou Bunch – Town Clerk and Human Resources Director, Sam Sanchez – Finance Director, Lee Brown – Public Works Director, Marguerite Bishop – Parks, Recreation and Cultural Resources Director, Chris Joyner – Fire Chief, and Anthony Puckett – Police Chief.

1. Mayor Brown called the meeting to order at 3:30 PM and welcomed those in attendance.

Mayor Brown stated that we are presently in a time like we have never experienced before; people are going to be losing their jobs and people are not able to get out and spend money. She added that for this budget, the Council will have to take it at a whole face value and will need to work diligently as a group to focus on how they can make the Town run without putting any more burden on the citizens. She commented that the Town is not going to get much money coming in for the fourth quarter of the budget; she has talked with some other mayors and they feel the same way. She stated that they have to be very diligent in going through the budget to make sure it is the best it can be for everyone concerned – the Town, the departments, and the citizens.

2. Mayor Brown called on Mrs. Sanchez to begin the budget work session.

Mrs. Sanchez thanked everyone for coming. She stated that they wanted to present this information to the Council to give them extra time to consider some potential rate increases that may be necessary to eliminate the burden on property taxes. Mrs. Sanchez stated that they will review the NS Gulley Fire Tax, Monthly Recycling Fee, Monthly Sanitation Fee, Monthly Water Base Fee, and the Utility Customer Deposit. She emphasized that there would be no proposed property tax increase for FY 20-21. The goal for the fee considerations are to reduce the burden on property tax and the amount of Fund Balance appropriated.

Mrs. Sanchez began with the NS Gulley Fire Tax increase which she stated is needed in order to begin the Fire Station II Capital Project. She noted that the current NS Gulley Fire District valuation as of 2/1/20 is \$397,636,539 and with our current rate of \$0.12 the total balance is \$477,164. With an allowance for 98.7% collection rate, we can expect to collect \$470,961. An increase to \$0.15 would bring the total balance due to \$596,455. With an allowance for 98.7% collection rate, we can expect to collect \$588,701, which is an increase in revenue of \$117,740. She noted that this would give us enough money to get started with the project. She also pointed out that she has provided the Council with a preliminary budget for the Fire Department, which includes the increased revenue and a new line item called Transfer to Capital Project Fund. Mrs. Sanchez is proposing a transfer of \$100,000 into the Capital Project Fund to begin construction of the fire station. Council Member Hinton asked how to calculate the revenue for this tax. Mrs. Sanchez explained that you take the current valuation multiplied by \$0.15 then divided by 100. You would then multiply that figure by the collection rate.

Mrs. Sanchez also noted that she included a sample of the Capital Project Ordinance for this project in the supplemental materials. She stated that for the coming fiscal year we are budgeting \$100,000 and we would just be looking at getting started on the projected for consulting, engineering, and architecture. She noted that if we have a clean audit, then in either October or November we could go to the Local Government Commission (LGC) to begin the debt approval process. Council Member Taylor asked what the cost of the entire project would be. Mrs. Sanchez replied that we are not entirely sure at this time. She stated that the Capital Project Ordinance has it listed at \$1.4M, but that we think that we will come in way under that figure. Council Member Taylor asked if that included land acquisition as well as construction. Mrs. Sanchez replied that it does. She also noted that she has provided a potential loan amortization schedule for a \$1.3M loan at 3.25%APR for a 20 year term. The annual payment would be around \$89,000 for 20 years. She noted that the increase to the tax rate would cover that. Council Member Hinton questioned the cost for the fire station. She stated that when the station was presented in August, that Council was told that the cost would be \$1,000,000 not \$1,400,000; she questioned why that cost went up. Council Member Hinton asked if it would cover personnel. Mrs. Sanchez replied that it would not. Council Member Hinton asked Chief Joyner if there would be three employees on three shifts. Chief Joyner replied that there would only be one additional employee per shift, which gives five employees on each shift. Mr. Lansing explained that Chief Joyner will be taking one person from the existing fire station and putting that person at the new station with the new employee. That would leave three employees at station one and two employees at station two. Mayor Brown commented that we will not need that until we have the new station. Mr. Lansing replied that was correct.

He noted that there will not be a station to man in this coming fiscal year and that we are assuming that it will take a full twelve months or more to build the station. Mrs. Sanchez commented that they are only proposing \$100,000 for the proposed budget and that it will take a while to go through the LGC's debt approval process. She noted that she would like to get that process started as soon as possible since rates are as low as they are. Council Member Hobbs asked what the plans are for the accumulated Fund Balance for the fire district. She noted that there is \$69,000 and asked if those funds would be drawn down so they could be applied in to the project. Mrs. Sanchez replied that she thinks that is a good idea and noted that they are going to use some of that this year. Chief Joyner added that they have already taken \$10,000 of that for the carport this year.

Mrs. Sanchez began discussing the recycling fee increase. She noted that this increase is being proposed so that we can recover the contracted cost. She stated that we currently charge \$4.50 and she is proposing moving this fee to \$5.26. She stated that the Town has received notice that the contract fee will increase by \$0.66 and that we were already operating at a deficit of \$0.10. The fee increase to \$5.26 would simply just cover the cost of the contract. Council Member Hinton noted that last year we increased it by \$0.66. Mrs. Sanchez replied that we increased it to \$4.50, but we are currently paying \$4.60 which includes a surcharge for fuel. She noted that for the past three years we have been operating on a deficit on that contract. Mrs. Sanchez stated that if we do not increase the fee we will be operating at a deficit of \$0.76, which over one year's time totals \$25,007.04. She commented that this would be a burden on the property tax if the Council chooses not to increase the fee. Council Member Hobbs asked if there were any other companies other than Waste Industries that we could look at. Mrs. Sanchez replied that we could look at others. Mr. Lansing commented that he has reached out to Republic and has put in four requests, but he has not been contacted back. Council Member Hinton stated that we need some competition and he needs to reach out until he hears something back. Mayor Pro Tem Burns commented that it does not say much for their customer service. Mrs. Sanchez stated that she has done business with Republic in the past; their service is okay but they do raise rates over time. Mayor Pro Tem Burns asked if we knew what their rates are. Mrs. Sanchez replied that they are about the same and that they change based on the market. Council Member Hinton commented that a lot of cities are doing away with recycling simply because the rates continue to go up and China is no longer accepting recyclables. She stated that the cost of doing business has gone through the roof and that at one time it was a really good deal for us, but that now it is not. She stated that we do want to be good citizens and recycle as much as we can, but when it becomes a pinch on the citizens we will need to reconsider. Mayor Pro Tem Burns commented that people who want to recycle will then have to do it on their own and it will cost way more. She thinks that we will have quite a few citizens that will be really annoyed if they have to go off on their own to recycle and that they will question why they are part of a town if the town will not be providing services like this. Mrs. Sanchez commented that her town uses Waste Industries for recycling privately and that it is around \$35.00 per month, which is quite a bit more expensive. Mr. Lansing stated that he will continue to reach out to Republic.

Mrs. Sanchez stated that the reason they are requesting a sanitation fee increase is so we can recover operating and capital replacement costs. She commented that the Council is aware there are some issues at the yard waste site. Mayor Brown stated that she does not understand why we are having issues all of a sudden. Council Member Hinton asked if the State came in. Mrs. Sanchez replied that they did and she has included the Sanitation Notice of Violation in the materials. Council Member Hinton commented that they have been doing this for many years and asked why they have not cited us before. She stated that she called Jamey Baines about it and that he said that we had been in compliance. She asked if it was a different person that came in for the inspection or if it was a different mandate. Mrs. Sanchez stated that it is the same mandate but it is a violation of our permits and the materials that they are allowed to pile up. She noted that there were mixed materials that were not supposed to have been used. Mayor Pro Tem Burns asked what the options are for fixing this without having to pay a lot of money. Mr. Brown stated that fixing it is going to cost a lot of money. He noted that there are tight deadlines with high expectations listed in the violation notice. He stated that he expects that we will do our part to make it right; moving forward the justification is there to share that cost with the residents with a reasonable fee to dump it at a local landfill because we cannot use our site. He noted that Al Collie, who owns a local landfill, has been very generous with offering us affordable rates to dump what we have. He stated that moving forward it looks like it would be best for us to use his site rather than ours and to reconsider what we want to offer as a service to the town and how we want to maintain our site going forward. Mayor Pro Tem Burns asked what the rules were, how we broke them, and why is it happening now. Mr. Brown explained that the NC Department of Environmental Quality came in a few months ago for an inspection and that the rules that were broken are in the violation letter.

Council Member Taylor asked what needs to be done to correct the site. Mr. Brown replied that we are under strict order to haul away all of the debris that is currently on site. Mrs. Sanchez noted that

all materials there are considered contaminated. Mayor Pro Tem Burns asked if we were supposed to separate the street sweepings from the yard waste. Mr. Brown replied yes. Council Member Taylor asked where we are supposed to haul the materials away to. Mr. Brown replied that we are hauling it away to an appropriate permitted landfill, which is currently Al Collie's site. Council Member Hinton stated that it is costing us \$16,000-\$18,000. Mayor Brown noted that it is \$78 per load. Mr. Lansing noted that we have a contract now with Al Collie to haul out of there and dispose at his landfill what we can; we still have to figure out what to do with the rest. The street sweepings from now on will be placed under roof at the Town Shop and will be taken by the dump truck load to the transfer station to be disposed of. We will have to pay \$68 per ton tipping fee, but that will ensure that those are disposed of at a proper location. Mayor Pro Tem Burns asked if the other materials are those that used to be picked up for the farm. Mr. Lansing replied that it did, but the farmer stopped coming and it has been piling up ever since. He noted that there was a landfill report that was required to be completed annually, but it has not been done since 2016. He commented that when Mr. Brown was looking at what we were deficient on for NCDEQ reporting and this report was one of those. When he started working on the back report, it raised flags and questions. Mr. Lansing stated that they reached out to NCDEQ to figure out what could be done for the site. He noted that our site is permitted to be a temporary holding facility until we ultimately dispose of the materials where they need to go. Mayor Pro Tem Burns asked if we could get the site cleaned up and just have usable materials then maybe we could find someone who would want it. Mr. Brown stated that the material has to be managed in such a way with volume and it needs to be determined what kind of materials we want to keep on site and off site. He stated that those are some of the questions that need to be answered through citizen input or Council direction to determine the best use for the site once the notice of violation has been resolved. Mayor Brown asked what the report was that had been delinquent. Mr. Lansing replied that it is in the violation notice which reads "The Town of Nashville is in violation of 15A NCAC 13B .1402 (g)(1)(A) in that an annual notification has not been submitted to the Division since June 20, 2016."

Mrs. Sanchez stated that we are going to take care of as much of that in the current fiscal year as we can to try to avoid as many fees and fines as possible. She commented that we have not been properly disposing of these materials and so we need to start doing that. She noted that she included a preliminary budget for Sanitation, which includes a \$40,000 increase in Transfer Station Fees to haul off waste materials. Additional tipping fees are also included in the Stormwater budget to haul off yard waste. Mrs. Sanchez stated that our current rate for Sanitation is \$14.00 and the proposed fee is \$18.78. A 4-year history of Garbage and Yard Waste Rates shows that we are currently operating at a deficit. With no rate increase, we are looking at a deficit of \$491,655 for FY20-21. This does include the cost of a garbage truck. With the proposed rate increase, we are looking at a deficit of \$352,845 for FY 20-21. She noted that she believes that with this rate increase, we will recover the cost of the garbage truck (capital replacement cost) over time. Council Member Hobbs asked if we will be looking to finance the garbage truck. Mrs. Sanchez replied that we will, but that we have \$183,000 set aside in the Capital Reserve Fund for it. She also reminded the Council that they approved a budget amendment last month to move \$120,000 to the fund. She informed Council that some of those funds will be used as well.

Mrs. Sanchez stated that she used the Utility-Basis Approach to fee setting method to determine the proposed rate. She explained that for this method the capital replacement cost is used rather than the actual capital costs for the year. This is used because it produces a steady rate. Using this approach, you should also account for risk factors negatively impacting the system, such as a bad debt expense. Mrs. Sanchez stated that this method does generate a steady, predictable fee year by year and you are able to recover the cost of capital over time, but it may not generate enough revenue to cover the actual cost of large capital projects or unforeseen expenses since. Mayor Brown asked how much debt we would end up with after this budget. Mrs. Sanchez stated that she has not proposed any debt for this garbage truck, but there will be some small loans for vehicles which will be less than \$500,000. The debt payment for those would be \$12,000 per year. Mayor Pro Tem Burns referred to the 4-year history of the rates and asked if we need to increase the rate that much if we will operating with a positive \$30,000. Mrs. Sanchez stated that she will explain that in more detail later, but we want to cover our capital replacement costs year by year. She noted that while this year we will have a deficit, other subsequent years will have a surplus which will be used to cover the cost of the capital over time.

Mrs. Sanchez stated that the first step is to determine the capital replacement cost. You first assign a replacement cost for each capital item and an estimated asset life based off of the capital improvement plan. This determines the annual capital expense, which is \$66,095 for the five capital items in the Sanitation Department. She explained that rather than use the \$380,000 cost for the garbage truck, we will use \$66,095 every year to produce the steady rate. Mayor Pro Tem Burns asked if this assumes that we will pay for these items outright and not finance them. Mrs. Sanchez replied that yes and that ideally this money would be put aside in the Capital Reserve Fund and then be used when it is time to

purchase the replacement item. In step two, you determine the total cost. She stated that the total annual operating cost is \$479,215. You then add the capital replacement expense (\$66,095). Bad debt expense (8% or \$43,000) was not included in the rate calculation. Which leaves a total expenditure of \$545,310 for the cost of garbage, yard waste, and recycling. The next step is to determine the monthly cost per customer. There are around 2,420 customers, which means the annual amount due per customer is \$225.33 or \$18.78 monthly, which is an increase of \$4.78 per month. Mrs. Sanchez noted that this assumes that all customers pay on time.

Council Member Hobbs asked what we have in place to collect on the bad debt. Mrs. Sanchez replied that we use debt set-off and are considering using bank attachments. She stated that she would like to revamp the application fee for services to include some more information to allow that. Mrs. Sanchez noted that we currently have around 8% of accounts that are delinquent. Council Member Hinton pointed out that at one time we had more than 20% that were delinquent.

Mrs. Sanchez stated that we had looked at other options since sanitation is an increasing expense. She informed the Council that the Town reached out to two vendors to look at contracting the garbage service out, but only heard back from one vendor. The analysis determined that it is still more cost effective to provide garbage service rather than to outsource. Mayor Brown commented that we are at the vendor's mercy when we outsource and she likes that we are sticking with our own truck.

Mrs. Sanchez then gave the justification for the Water and Sewer Fee Restructure. She stated that the goal is to get a steady recovery of capital replacement costs and fixed costs, and to be able to qualify for grants. She noted that we recently applied for a couple of grants and were denied; several points were taken off because our rates are quite low. Mayor Brown stated that she read some about that and asked about universal grants, which she stated cannot ding us because we do not have debt. She stated that we have to start doing some grant writing to get us some relief. She asked who is responsible for writing grants for the Town. Mr. Lansing replied that for these asset inventory grants we used a company that has a very good track record; unfortunately we did not score enough points to receive those, in part because our rates in comparison to those that received the grants are considerably low. He added that the Department Heads have written several grants. Mrs. Sanchez stated that the proposal is to eliminate the Federal Mandate Fee (\$6) and impose a base fee. The proposed water base fee for in-town would be \$7.87 and \$18.90 for out of town. Mrs. Sanchez provided the Council with a five year history of the rates and noted that water and sewer rates have not been increased in five years. Council Member Hobbs asked what the Federal Mandate fee was for. Mrs. Sanchez stated that it has been on our books since at least 1995 and that it is basically a base fee to cover the cost of testing which is federally mandated. She also provided the Council with a five year history of water and sewer revenues versus expenses. Mrs. Sanchez stated that for FY 20-21 if there were no change to the rates, we would have a deficit of \$442,767. With the proposed rate changes, we would have a deficit of \$119,517. Mayor Pro Tem Burns asked what was causing this massive deficit. Mrs. Sanchez replied that it is from increases to the budget, which she has provided in the supplemental materials.

Council Member Taylor questioned the statement that we have not had a rate increase in five years. Council Member Hinton agreed and stated that one had been passed on to us several years ago from Rocky Mount. Mayor Brown commented that they will probably pass another one to us this year. Mrs. Sanchez stated that we have reached out to Rocky Mount and that they do not know of an increase at this time but it is still too early to tell. Mrs. Bunch commented that in 2017, we had a 2.1% increase in sewer. Mrs. Sanchez stated that she went back through the financial software and did not see any rate increases. Mr. Lansing commented that it does not sound like it was ever implemented. Mayor Pro Tem Burns asked to review the proposed budget for Enterprise to see where the big increase came from. Beginning with the Water Fund, Mrs. Sanchez noted that there are increases to salaries due to the market study and also noted a slight increase for the meters. She also pointed out that the budget has been restructured completely so that we can see better the cost per treatment site and per lift station to determine the efficiency of each site; those expenses have been broken out and are just estimates because we do not have that historical data. Mr. Lansing also noted that the revenues are projected as less than the current year.

Mayor Pro Tem Burns questioned Professional Services which is going from \$2,675 to \$50,000. Mrs. Sanchez explained that it includes a contract. Mayor Pro Tem Burns asked about the meters. Mrs. Sanchez noted that it was requested to increase, but the amount is recommended to stay flat at \$140,000. She pointed out that there is the requested column and the recommended column; they should look at the recommended column for the budget. Mayor Pro Tem Burns asked if what was once in 1300 – Utilities is now what is being broken out. Mrs. Sanchez replied that it is. Council Member Hobbs asked about the \$310,000 for Capital Replacement Cost in Non-Departmental. Mrs. Sanchez explained that the Capital

Replacement Cost is something that we should be budgeting for year by year. She stated that the health of the Enterprise Fund is determined by the Net Position and that there is an expense which goes against the Net Position for depreciation expenses, and she is calling that expense the Capital Replacement Cost. She noted that over the past five years, the depreciation expense has been roughly \$310,000 each year. Since that number affects the Net Position, it is recommended to include a depreciation expense in the budget. This amount will be included in the budget and transferred in to the Capital Reserve Fund every year. She noted that over the past several years, we have not done any major capital improvements or infrastructure projects. She commented that we have some aging infrastructure and meter issues, and that it is time to replace those. Mrs. Sanchez stated that by putting away these funds into the Capital Reserve Fund we will have some money to take care of major infrastructure projects down the line. She noted that one major project could easily cost a million dollars; our ending Net Position is around \$10M, but one major project could impact that.

Council Member Taylor asked Mr. Brown if we have not replaced all of the meters in town one time and if we still have meters that need to be replaced. Mr. Brown replied that there are some that have not been replaced and there are some that are aging out. Council Member Taylor commented that we started this replacement project several years ago, with so many done each year, and hired outside workers to come in and do the work. He then asked if this was not done. Mr. Brown replied that we did. Council Member Taylor asked if we spent the budgeted \$140,000 but we still did not get them all replaced. Mr. Brown replied that they have 2,500 meters, but can only buy 500-600 at a time. Council Member Hinton commented that we have been doing this incrementally. Mayor Pro Tem Burns stated that this is a never ending project because as soon as you get the next phase in then the ten year old meter has aged out and needs to be replaced. Council Member Taylor asked if we have made it throughout the town at least once and replaced them all. Mr. Brown replied that from what he has seen come out of the ground this year, he would say that they have not all been replaced. He added that a majority of them have been replaced at one point or another, but not all have been replaced.

Mrs. Sanchez continued and explained that she once again used the Utility-Basis Approach to Fee Setting. The goals of this approach are to recover the capital replacement costs (depreciation), to recover the fixed costs and variable costs separately, and to recover risk associated with serving customers outside town limits. The first step is to determine the capital replacement cost. This figure is taken from the audit report and is around \$310,000 year after year. She then provided an analysis of various meter sizes to determine if it would be appropriate to charge different rates for different size meters. She noted that most of the meters we have are 5/8 inch meters, which are the most common and least expensive at \$205 per unit. She also pointed out that some customers have a 6 inch meters, which are very costly at \$5070 per unit. Mrs. Sanchez stated that most municipalities charge a base fee surcharge based on the meter size that you have. She provided an analysis for the Council to show possible annual revenues this would generate. She noted that this was not included in the rate calculation. The next step is to determine the fixed versus the variable costs. Mrs. Sanchez stated that these are based on the proposed budget and the capital costs and meter fees are included in the fixed costs. She noted that the water fixed costs are higher because of the meter fees. The total fixed cost is \$4,105,517. Our contracted rates from the City of Rocky Mount are around \$3.30 per 1,000 gallons for water and \$5.34 per 1,000 gallons for sewer, based off of 6,000 units. The next step is to determine the outside Town risk factor. This is based on the area in square feet of the Town (120,376,497) and the ETJ plus the Town (292,391,371). Since the ETJ plus the Town is 2.4 times larger than the Town, the outside Town rates and fees should be 2.4 times higher than the in-Town rates. Mrs. Sanchez noted that this is in line with other municipalities. The next step is to structure the rates based on customer types and average usage. Based on an estimated 3,045 customers in FY 19-20, the total usage for water is 266,605,500 and the average monthly use per customer is 7,296. Using all this data, Mrs. Sanchez calculated the following fees and rates: in-Town water base fee, \$23.66; out of Town fee, \$56.78; in-Town sewer base fee, \$21.73; out of Town fee, \$52.15; in-Town water rate, \$3.78; out of Town rate, \$9.08; in-Town sewer rate, \$7.43; and out of Town rate, \$17.83.

Mrs. Sanchez pointed out that with this structure, you would have higher base fees and lower rates. She stated that the pros of this strategy are that you would have steady revenue, it covers all non-variable costs including capital replacement, and there is lower loss due to leak adjustments or loss of large users. The cons are that the smaller users bear more of the cost burden and the average user experiences a larger percentage increase compared to large users. Mrs. Sanchez commented that at this time, she does not propose to use this structure but she wanted to provide the information so that they can understand. She referenced the Town of Enfield, which does use this method and charges a larger base fee with lower rates. Mrs. Sanchez stated that for a rate comparison, she looked at other municipalities with the same water source and then those with the same rate structure to show how Nashville's rates compare. She stated that in both situations, Nashville's fees are lower than the average.

Mrs. Sanchez informed the Council that although they are not recommending the above strategy at this time, they do wish to establish a water base fee that covers capital costs. She noted that 50% of the Capital Replacement Cost is \$155,000 (the other half would be applied to the sewer fee) and the meter replacement cost is \$140,000, for a total of \$295,000 that needs to be allocated. Based on the data, the proposed in-Town water base fee is \$7.87 and the out of Town base fee is \$18.90. Mr. Lansing asked what the fee is now. Mrs. Sanchez replied that we do not have a base fee right now; we have the Federal Mandate of \$6.00 for both in and out of Town customers. Mayor Pro Tem Burns asked if we are going to change the name of this then could they notate on the bill in parenthesis that this was formerly known as the Federal Mandate Fee so that people do not think it is a new fee. Mrs. Sanchez replied yes. She then showed the Council a comparison of the revenue for old versus new fees. Based on our current rates, a 1,000 gallon user would pay \$35.18 for water and sewer. With the recommended rate, a 1,000 gallon user would pay \$37.05. She noted that if they had chosen the full cost recovery method, the user would pay \$56.60. Mrs. Sanchez also noted that our largest out of Town user will not see much of a change at all, however if they had chosen the cost recovery method this user would have seen a decrease. She commented that over time the full cost recovery method would have yielded slightly more revenue. She also pointed out that in order to qualify for grants, you want to have a rate of \$33.00 per 5,000 gallons for water and sewer. Mrs. Sanchez noted that the rate she is proposing will still not be enough, but it will get us headed towards being able to qualify for grants.

Mrs. Sanchez gave a summary of the proposed increases per customer, based on in-Town 1,000 gallon users. Sanitation would increase by \$4.78, or \$57.36 annually; recycling would increase by \$0.76 per month, or \$9.12 annually; and the water base fee (formerly Federal Mandate) would increase \$1.87 monthly, or \$22.44 annually. The total amount of increases would be \$7.41 monthly, or \$88.92 annually.

Mrs. Sanchez stated that the last item she wanted to discuss is an increase to the Utility Customer Deposit. The goal of this increase is to reduce risk of non-payment of the final bill. She is requesting to increase the deposit for customers that will not provide their Social Security Number from \$100 to \$150. She informed the Council that by having the Social Security Number it helps us collect bad debts. She recommends leaving the deposit at \$100 for those that do provide their Social Security Number. Mayor Pro Tem Burns asked if it has always been an option for people to not provide their number. Mrs. Sanchez replied that some people do not have one and some just refuse to give it. She noted that we cannot refuse them service. Council Member Hobbs commented that it became important when the state put the Debt Setoff program in place. She explained that the way we get our money back through that is from tax refunds and garnishments. Mrs. Sanchez stated that some people are not comfortable with it and that is fine, but that does create an increased risk for the Town when it comes to debt collection. She explained that there is really no other way to collect a bad debt without that information. Council Member Hobbs asked how our deposits compare with other similar sized towns. Mrs. Sanchez stated that it is in line and is sufficient, but there needs to be something for those that do not provide the necessary information. Mr. Lansing commented that many towns require the deposit to be two months of the highest usage at that address in the last twelve months. Mayor Pro Tem Burns asked when the customers get their deposit back. Mrs. Sanchez replied that they receive it immediately after their final bill is generated. She noted that our average customer uses 3,400 gallons and their total bill is \$68.08; normally a month and a half has gone by before the final meter reading is made, so on average the \$100 deposit can cover that final bill. Council Member Taylor stated that this type of situation has been a problem in the past and asked if we have anything in place to change the name on a deceased account owner's account to another family member who has taken over the residence. Mrs. Sanchez stated that she was not aware of that issue, but that we do have a lot of old information that probably needs to be cleaned up. She stated that she would just need some type of sufficient documentation to transfer the account name. Mr. Lansing asked if it were possible that we were still holding on to the original deposit. Council Member Taylor stated that we would still have the original deposit and so that money would still be there. Mrs. Sanchez explained that our financial software is not capable of doing a transfer and so we would have refund the person and then take the money back.

Mr. Lansing informed the Council that they will need to submit a request to the County for the NS Gulley Fire Tax increase. The Council reached consensus to proceed with that request. Council Member Hinton asked who sets the \$0.15 cap. Council Member Hobbs replied that it is set by the state legislature. Mr. Lansing informed the Council that they will formally vote on this item on April 1st.

Mr. Lansing provided the Council with a proposed budget for the Parks, Recreation and Cultural Resources Department. He stated that as of right now all of our programs have been put on hold due to the pandemic. He commented that with our Director vacancy, it will be extremely difficult, if not impossible, to interview people for that position without knowing where that person would be working or what they would be doing for programs. He stated that he was hoping to get consensus from the Council

on the budget for FY20-21, which would put in place the possibility of leasing a facility within the confines of the budget and give us the ability to then advertise for a PRCR Director. He commented that if we could begin now then we could likely have someone in place by the end of June/early July and by then hopefully normal activity would have resumed.

Mr. Lansing stated that the proposed budget is \$167,000 and includes a full-time Director, part-time staff, and \$30,000 to lease a facility. He informed the Council that 108 Boddie Street is available. This property is owned by Adam Williams, who is in the process of repairing the building. To suit our needs, we would need a storage area, an office, and a smaller second office. This would reduce the square footage down so that the occupancy is under 300 people and does not require an Assembly classification or a sprinkler system installed. Mr. Williams is willing to do this with the Town contributing \$9,000 to the cost. For a multi-year lease, rent would be \$1,200 per month. For a one year lease, the rent would be \$1,500. Utilities are not included, but would be significantly less than \$1,000 per month. Mr. Lansing stated that with renting this facility, there is a \$165,000 savings from the current year's budget. Mayor Pro Tem Burns asked where the \$9,000 is figured in to the budget. Mr. Lansing replied that it is not because that would be an expense incurred in the current year. Council Member Taylor asked if we have that money available in the current budget. Mrs. Bishop replied that we do. Mayor Pro Tem Burns asked who would be writing the grants and running the programming under this current proposal. Mr. Lansing replied that the PRCR Director would plan out the programming and the part-time staff would do a lot of the implementation of the programs, along with contracted staff. He stated that he does not know if the Director would be able to do much grant writing without having an assistant. Mrs. Bishop agreed that the Director would not be able to do it. Mayor Pro Tem Burns stated that if she recalls correctly then this means that without a full-time assistant they would only be running the current programs that the department offers and not anything more. Mrs. Bishop commented that would be her best guess. Mayor Brown commented that we do not know who the new Director will be, nor what his vision will be. Mayor Pro Tem Burns commented that she does not mind bringing in someone so they can share their vision, if the Council has the understanding that if a Director takes a look at the budget and says they cannot do anything with this budget that they can all sit back down and look at the budget. She added that if it were her looking at this budget she would wonder what she could possibly be doing with \$22,000, which is nothing. Mayor Brown commented that you have to look at how many children are going to be involved in these programs, that you cannot have a million dollar program with only five or six children coming, and that they have to look at the big picture. Mayor Pro Tem Burns commented that she thinks this budget is just far too low to run anything. Mayor Brown commented that the Council does not need to block everything and that they need to have a vision.

Council Member Hinton expressed concern about leasing a building. Mayor Pro Tem Burns commented that we do not have a place for the person to go or for them to program; she asked what we are hiring this person to do. Council Member Hinton asked if we are going to redo Boddie Street to accommodate that building. Mr. Lansing stated that he understands there was a proposal at one time in the past to make Boddie Street a one-way street, which would give us 33 drive-in parking spaces between Church Street and Washington Street. There are currently only 11 spaces, which have not been repainted since the street was repaved. Council Member Hobbs stated that to her parking is not a recreation question; it is a question for the downtown to get more people down there, but that she is receptive to the idea of doing whatever we can do to help making parking more viable. Council Member Hinton stated that the plan did not go through because people did not want to "box in" the downtown with a one-way street. Council Member Hobbs stated that it is only one one-way street and since it is in blocks you do not have to go a long distance in order to get back to Washington Street. Council Member Taylor added that there are only two residents that live on that street. Council Member Hinton asked if the Scooter Station had said that people could not park in their lot. Mayor Pro Tem Burns stated that they are using the lot right now. Mr. Lansing stated that we cannot use their lot for recreation, but the store will allow parking during Blooming Festival. Council Member Hinton commented that the Town should have never sold that lot.

Mr. Lansing stated that of the available buildings in town for recreation, this building is by-far our best option. Mayor Pro Tem Burns stated that she thinks it meets the size and price requirements. Council Member Hobbs commented that it is substantially less than the property on W. Nashville Drive. Council Member Taylor asked if the flooring will be tile. Mr. Lansing replied that it would be, but we could put anything we want in there. Council Member Hobbs asked if they could use cubicles to make the office space available. Mr. Lansing replied that if we did put walls up in the space then we would be over the 300 person occupancy. Mrs. Bishop added that if this is going to be a public space, you would need to be able to lock up anything that is not considered public in an office. Council Member Hobbs stated that the County uses something that is not a cubicle, but it does give a wall effect; she commented that she does not know what that cost would be in comparison. Mayor Brown asked if the Town would have to pay to get the building ready. Mr. Lansing replied that the owner wants a \$9,000 contribution to

put in the storage and office spaces. Mayor Brown expressed concern over giving this money for the space. Council Member Hobbs commented that our option would be to then only pay \$1,500 for rent. Mr. Lansing stated that if we do not pay the \$9,000 then the owner would want more money for the rent. Mayor Pro Tem Burns asked to clarify that if we did a one-year lease the payment would be \$1,500, but if we did a multi-year lease it would be \$1,200, and that the \$9,000 would be required no matter what. Mr. Lansing stated that if we did not want to contribute the \$9,000 then that amount would be most likely be put towards the rent.

Council Member Hinton asked if we were going to do this before they hire a Director. Mr. Lansing stated that it would be up to the Council, but that he does not see how we can move forward with hiring a Director if there is no place for that person to go or without being able to tell that person what they are going to be doing. He informed the Council that the soonest this building would be ready is May 15th, but if they cannot have a Director in place until July then the schedule would be more relaxed. He stated that if the Council is open to making Boddie Street a one-way street, then that would take a little bit of time to do. Council Member Hobbs stated that she believes they need to move forward with recreation and if they do not then they will lose it. She commented that this is part of the impetus they need right now to help the town move forward into the vision that they have and that she thinks this is a factor that helps the downtown area. Council Member Hinton asked if they could table this until they see what is going to happen with the economy, and stated that they may have a better vision in the next month or two. Mayor Pro Tem Burns stated that things are going to recover and we are going to return to normal; she thinks they should move forward as though things will return to normal because she knows that they will. She commented that the longer that they sit on this the harder it is going to be to regain anything. Mayor Brown stated that she hates that the owner will be charging us \$9,000 to fix a building that we are going to rent from him. Mayor Pro Tem Burns replied that we can choose to not pay, but then he would add it to the rent. Council Member Hinton asked Mr. Lansing to find out what the rent would be if we do not contribute the \$9,000. Mayor Brown stated that she does not want to put that much money into something that we do not own. Mayor Pro Tem Burns asked the Council what their response would be if the rent were \$2,200 - \$2,300 per month. Council Member Hinton replied that they have not even looked at the building, nor been in it. Mrs. Bishop commented that there is really not much to see right now since the building is still under construction. Mayor Pro Tem Burns asked Mr. Lansing to figure out what the cost would be without the \$9,000 and then asked the Council if they could unofficially agree at that point or if they have to meet again. Mr. Lansing stated that they have a meeting on April 1st.

Council Member Taylor asked Mr. Lansing if the owner was willing to sell the building. Mr. Lansing replied that he did not ask him if he wanted to sell it and that he did not know that any of the Council would even consider the idea purchasing a building for Parks and Recreation. Council Member Hobbs stated that she personally thinks at this point leasing would be the better option because she envisions having a community center in the future where this could be housed with other things. Mayor Brown commented that she also envisions having a dog park; she stated that she had a person tell her that they wanted to move to Nashville but chose Rocky Mount because they had a dog park and we did not. Mayor Pro Tem Burns noted that there is also an employer in town who is having difficulty hiring for a high level position because that person is looking for family activities and things to do which are nowhere to be found; she commented that we do have an actual problem where people are not moving here because we are not offering the programming or facilities that other people are looking for. Council Member Hinton suggested having that employer build a facility. Council Member Hobbs stated that when it comes to a community center she thinks that public-private partnerships would be a great way to go.

Council Member Taylor asked what amount is included in the budget for the lease. Mr. Lansing replied that there is \$1,500 per month, plus \$1,000 for utilities. Council Member Taylor stated that they are not going to do any better than that amount. Mr. Lansing noted that the budget includes one full-time person, part-timers, and \$22,000 for programming, and commented that it is a "bare bones" budget. Council Member Hobbs asked if there is anything behind the building in the alleyway. Mr. Lansing stated that there are 2-3 parking spaces behind it. Mrs. Bishop noted that it would just be enough for the staff to park off the street. Mayor Brown asked Council Member Hinton to explain what the problem had been the last time the Council discussed making Boddie Street a one-way street. Council Member Hinton stated that people did not want to box in the street and that the County was also thinking about asking the Town for their part of Boddie Street on the other side of Washington Street to also make that one-way. She stated that there were a lot of people that did not want it to be boxed in. Mayor Brown stated that she thinks a lot of people may be ready for it now with the lack of parking. Council Member Hobbs commented that with the future growth that they are hoping for in the downtown area they will have to address the parking. Mayor Brown commented that they also need to put up some signs for parking in the courthouse parking lot and some common decency signs to allow people to back out. Council Member

Hinton stated that she harkens back to that the Town used to own the lot on the corner of Boddie Street and Church Street and that we literally gave it away. Mayor Pro Tem Burns stated that now it is gone and they need to think of something to work towards for the future. Council Member Hinton stated that the Council needs to have vision too, and that there was no vision when they sold that property. Mr. Lansing asked Council Member Hobbs if it is public parking over by the jail. She replied that it is a public lot, but she cannot say. Council Member Taylor stated that he thinks it is supposed to be public parking beyond business hours, but from 8:00-5:00 it is strictly County parking. Mr. Lansing stated that the lot is nearly 2/3 unoccupied except for on court dates and the attorneys seem to find parking right in front of the stores. Mr. Lansing also informed the Council that he has inquired with the County to see if their cameras can see well enough across the street to determine if there are people who have been parked somewhere for more than two hours, without us having to chalk tires. Council Member Hinton stated that we used to chalk tires on a regular basis. Chief Puckett explained that there is a case in Federal Court claiming that chalking tires is a violation of the Fourth Amendment. Council Member Hinton commented that maybe the Scooter Station would sell the Town back that lot. Mr. Lansing stated that he will not; he has plans for a building.

Mr. Lansing stated that they have presented a lot of information today, but he hopes the Council can understand the need for the rate increases for recycling. He commented that he will look into the question of whether or not we can discontinue curbside recycling and recognized Mayor Pro Tem Burns' concerns about paying the Town but losing services. Mayor Pro Tem Burns commented that then we would have people throwing it all away, which would create an even bigger issue. Council Member Hinton commented that recycling used to be a good deal until the prices started going up. Mr. Lansing stated that it was pointed out that depreciation has never been budgeted in for the Water and Sewer Funds and although past Councils have put some money aside for large projects, there are no replacement plans for our fragile infrastructure. He commented that just today a water leak was sprung when the Fire Department hooked up to a hydrant. He also noted that construction being done to overlay the roads is enough to cause water leaks. He stated that with the depreciation being factored in, we can now set those funds aside for infrastructure replacement. Council Member Taylor asked if we could use the money that we saved when the Town switched to slurry paving for these projects. Mr. Lansing pointed out that Powell Bill funds are used for roads, and the Water and Sewer funds are proprietary funds. Mayor Brown asked if there was a grant for these projects. Mr. Lansing replied that there could be. Council Member Hinton commented that all over the state the water and sewer infrastructure is in terrible shape and that the State understands this and is probably going to have to help out the various municipalities. Mr. Lansing pointed out that this is why they do the asset inventory assessments, which is grant money to help you hire consultants to assess the condition of your infrastructure. He stated that we had applied for two \$150,000 grants for both water and sewer, but we did not score well enough to be awarded the grants. Those grants that were awarded went to towns with higher water and sewer rates than ours. He stated that Mrs. Sanchez pointed out very clearly that if we restructure those rates and have the base fee capture more of our costs then we would slowly get those points back. By restructuring the rates, it would bring in the revenue that we need to account for our operating costs. He noted that if our projections are right we are not going to even be covering those with our current rate structure in the upcoming fiscal year. Mayor Brown commented that this is why we need to get some businesses here. Mr. Lansing acknowledged that it would help.

Mr. Lansing noted that the schedule for this budget is to have a proposed balanced budget presented to the Council by April 7th, and then in subsequent meetings the Council can go through that budget line by line if desired. He noted that based on the statement from Zee Lamb, Mrs. Sanchez has cut our projections on sales tax and a few other items. Council Member Hinton commented that Mr. Lamb stated that revenues are really going to be down, and that he told his departments not to request anything new for the upcoming budget. Mr. Lansing commented that the Council had instructed the staff to take a look at including several things, but that many of those will not be able to be done. He stated that they have included the salary study, but removed the cost of living increases, the two new positions in the Police Department, and two police vehicles. Mayor Brown asked if they would still be getting the other two vehicles in the Police Department. Mrs. Sanchez stated that even with the cuts, she has still included three police vehicles. Mayor Brown commented that she thinks they really need two additional officers for nighttime. Mr. Lansing stated that the budget does include getting started with the new fire station. Mrs. Sanchez stated that it does also include the three new firefighter positions. She also noted that it includes the Comprehensive Plan. Mayor Pro Tem Burns asked to see what the budget would look like with the additional officer positions. Mrs. Sanchez replied that it would require about a \$250,000 appropriation from Fund Balance. Mr. Lansing commented that this is the time that our revenues are likely to take a hit and that we need to be conscious of that. He stated that he thinks that they will see that they are being presented with a budget that is a responsible reaction to that. Council Member Taylor stated that in years' past there has been a sizeable amount that they have been able to put towards the

Capital Reserve Fund; he asked how much is anticipated to go towards that this year. Mrs. Sanchez stated that we are using around \$500,000 of the Capital Reserve Fund to fund some projects this year, but there will be some that will be allocated towards the fund this year. Mr. Lansing asked how much there is in Fund Balance. Mrs. Sanchez replied that there is around \$8M. She stated that she does not mind putting everything back in the budget and then showing the Council what the amount of Fund Balance appropriated would be. Mr. Lansing suggested leaving it as it is and then telling the Council what it does not include and then let them decide what to add back at the budget meetings. He noted that any additions to the budget would then have to come from Fund Balance or the Capital Reserve Fund. Mrs. Sanchez stated that the budget will include the fee increases that she discussed today.

Mayor Pro Tem Burns mentioned that Mr. Lansing had brought up in a prior meeting what Tarboro is doing with developers to bring in subdivisions and asked if the Council would like to put a plan like that in place for a year to see if anyone takes us up on that offer and possibly increase our revenue. Mr. Lansing stated that Leigh Ballance is also interested in doing more with shell buildings like Tarboro does where the Town would pay the interest until the building is sold and at that time the Town would get the interest back. Council Member Taylor asked about the progress at the commerce park. Mr. Lansing replied that it looks good; there is a signed contract for the building and three-phase power has been installed. Wi-Fi is still not available. He informed the Council that the Town will have to be a pass-through for some money that Carolinas Gateway Partnership has received for the prospect, and this will be on the agenda for April 7th.

3. There being no further business, Mayor Brown called for a motion to adjourn. Council Member Hinton made the motion, seconded by Mayor Pro Tem Burns. There being no discussion, Mayor Brown called for a vote. The motion was unanimously approved (4-0).

Mayor Brown declared the meeting adjourned at 5:07 PM.



Brenda Brown, Mayor

ATTEST:



Lou C. Bunch, Town Clerk