

CITY OF SALISBURY  
BUDGET WORK SESSION  
MAY 5, 2015

Public Officials Present

Council President Jacob R. Day  
Councilman John "Jack" R. Heath  
Councilman Timothy K. Spies (*arr. 10:15 a.m.*)

Council Vice President Laura Mitchell  
Councilwoman Eugenie P. Shields (*lft. 1:20 p.m.*)

Public Officials Not Present

Mayor James Ireton, Jr.

In Attendance

Assistant City Clerk Diane C. Nelson, CMC, City Administrator Tom Stevenson, Assistant City Administrator Julia Glanz, Internal Services Director Keith Cordrey, Deputy Director of Public Works Amanda Pollack, and Salisbury-Wicomico Planning and Zoning Director Jack Lenox

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The City Council convened in work session at 10:00 a.m. in Conference Room 306 of the Government Office Building to discuss components of the FY16 Budget.

Stormwater Account

Deputy Director of Public Works Amanda Pollack reviewed the Stormwater Account which is new to the Public Works Budget in FY16, followed by a question and answer period by Council.

Discussion topics included:

- Administration of the Stormwater Account
- First year projected revenue and collection of fees
- Entire Streetsweeper Account moved to Stormwater Account-a best management practice-garners nutrient credits from the State for Stormwater when Streetsweeping is being done
- Plans for scheduling/quantifying/measuring/calculating Streetsweeping efforts
- Projects to be funded from Stormwater revenues, strategies for pursuing the projects and associated grants in conjunction with planned Capital Improvement Projects

Personnel Committees

Administration and Council scheduled the Personnel Committees for the Budget Work Session to be held May 13, 2015 from 10:00 a.m. – 12:00 p.m., providing staff an opportunity to share concerns regarding *needs not met* in the budget.

Internal Services – Finance

Internal Services Director Keith Cordrey reviewed the Departmental Goals for the Finance Department as listed below, outlining steps already taken or to be undertaken this year toward achieving those goals.

- 1) Conduct analysis of City's Fiscal Structure to ensure we are maximizing existing revenue sources – *better assigned individuals to each revenue line*
- 2) Implement additional collection resources for delinquent accounts – *delinquent accounts not to be collected by Pete Golba (City Attorney's Office) are transferred to Delmarva Collections*
- 3) Implement audit recommendations – *better grant administration/management, balance sheet account reconciliation, and project reporting*

- 4) Evaluate options for enhanced online and electronic payments – *better payment methods and increased customer service for customers, reduce merchant fees*
- 5) Review options to improve funding of Post-Employment Medical Benefit (OPEB) costs – *discovered Actuary assumed 90% participation and actual is 58% -will have Actuary restate*

Mr. Cordrey continued with review of the Budget Analysis for the Finance Department, highlighting specific budget line item amounts, qualifying increases/decreases as applicable. Thereafter there was a question and answer period by Council.

Discussion topics included:

- No critical items in Finance
- Monitored replacement program cycles for computers and fleet vehicles
- Feasibility of a monitored road repair cycle
- Availability of wellness programs post retirement (none presently in place)
- Status of the Comprehensive Annual Financial Report (CAFR) – not a FY16 Goal but working on accumulation of 10 years required data for the report
- Auditing (513010) – adjusted to accommodate auditor assistance if needed with GASB 67 and 68 –new pension reporting provisions
- Consulting Fees (513400) – adjusted to accommodate Crystal Reports for better grant and project reporting
- Computer Software (534502) – adjusted to accommodate last year’s MUNIS Annual Support Fees increase which required a budget transfer last year
- Travel (555503) and Training (555504) – adjusted to accommodate training for new health care reporting and Government Financial Officers Association (GFOA) Training
- Collections (559800) – adjusted to accommodate maximum fee amount which City could incur from Delmarva Collections
- Delmarva Collections remittance and billing cycle with City
- Computer Hardware – adjusted to accommodate replacement of old computers
- Re-class of Accounts Payable II position – acts as Payroll backup and missed in Evergreen Study

### Department of Planning and Zoning

Salisbury-Wicomico County Planning and Zoning Director Jack Lenox presented his 3-line budget, explaining how the City contracts and pays for services from the County Department, which funds support general administration and which funds support City Council initiatives, and lastly that all accounts were level funded for the FY16 Budget. Thereafter there was a question and answer period by Council.

Discussion topics included:

- Annexations –which department and budget - Planning & Zoning, Public Works, City Administrator
- MUNIS access for Mr. Lenox – is limited access necessary?
- City and County Comprehensive Plans in conjunction with Zoning Code
- Need for uniformity with Code Books (City and County)
- Form and Design Based Code – *(Mr. Lenox to research costs/success rate with other municipalities)*
- Fire Inspection
  - Part of Planning & Zoning for 3 years in conjunction with reassigning to Fire Department
  - Outlined inspection and re-inspection processes, pros and cons
  - 3 Full-Time Inspectors
  - Mr. Lenox emphasized *no money to be made in Fire Safety*
  - Not involved with Fire Service Agreement
  - Allowed to test during day now – major change
  - Private companies inspect/test for insurance companies
  - How to control costs – economy plus efficiency

## Mayor's Office

City Administrator Stevenson presented the Mayor's Office Budget, reviewing the Organization Chart, Departmental Goals, and Budget Summary. Thereafter there was a question and answer period by Council.

Discussion topics included:

- Budget History for the Assistant City Administrator position
- Public Information Officer
  - Approved last year and shown as reporting to City Administrator, this year the Mayor – *Mr. Stevenson to research*
  - All Press Releases from Public Information Officer
  - Public Information Officer is for City information, not political information

## Human Resources

City Administrator Stevenson presented the Human Resources Budget, reviewing the Organization Chart, Departmental Goals, and Budget Summary. Thereafter there was a question and answer period by Council.

Discussion topics included:

- Positions upgraded – Associate, Manager (*missed in Evergreen Study*)
- Employee Assistance Program
- Employee Housing Incentive Programs
- FY14 or FY15 proposed increases for 6-8 people? (*Messrs. Stevenson and Cordrey to research*)

## Debt Service

Internal Services Director Keith Cordrey reviewed the City's Debt Service, highlighting differences from last year which included last year's refunding of the 2004 Bond, this year's principal portion of the Firehouse Loan, and this year's plan to fund all Capital Improvement Projects from bonded debt. He continued with review of specific line items in the Budget Analysis including Insurance, Unemployment Insurance, Liability Insurance, *Live Near Your Work* and *House Keys* Programs, followed by review of Marina, Parking, and Community Development line item transfers. Thereafter there was a question and answer period by Council.

Discussion topics included:

- Concerns with funding all Capital Improvement Projects with bonded debt
- City properties in Flood Plains – (*Mrs. Pollack and Mr. Holland to research*)
- Concern with magnitude of OPEB unfunded liability and ways to reduce City liability
- *Set amount* in lieu of *percentage* for City contribution to retiree health benefit
- Retiree Health Benefit as employee retention tool and specifically Police Department retention tool
- Continue benefit for all employees? Continue benefit for Police Department only?
- Community Development - Corporation Manager and Grant Specialist – 2 positions with separate responsibilities as discussed or 1 position with all responsibilities – issues and concerns
- Definition and purpose of, along with plan for Community Development Corporation in conjunction with funding \$500,000 as requested
- Salisbury Neighborhood Housing Service – private organization which already receives City funds

## Financial Health

Mr. Cordrey presented an overview of the City's Financial Health, which overall has remained the same as last year and included financial trends, benchmark ratios, and budget highlights as follows:

- Net Assets – most notable is unrestricted (\$ 2.49 million) unfunded liability for Other Post-Employment Benefits (OPEB)
- Benchmarks
  - General Fund Balance – STRONG at 32.5% (> 15% is considered strong)
  - General Fund Balance Projected – STRONG at 22.6% (> 15% is considered strong)
  - Unassigned Fund Balance – STRONG at 24.0% (> 8% is considered strong)
  - Unassigned Fund Balance Projected – STRONG at 15.9% (> 8% is considered strong)
  - Debt to Market Value – Adequate at 3.42% (< 3% is strong and 3 - 6% is adequate)
  - Debt Per Capita – Adequate at \$ 2,298 (< \$1,000 is strong and \$1,000 - \$2,500 is adequate)
  - Annual Debt Service – Adequate at 6.66% (15% is typically a recommended cap)
  - Water and Sewer Unrestricted Balance – STRONG at 54% (> 25% is considered strong)
  - Parking Authority Unrestricted Net Position – Needs Improvement at 16.6%
- Budget Highlights
  - A one-step increase for all personnel (excluding sworn police officers)
  - Additions and Reclassifications
    - Additions – Community Development, NSCC, Police
    - Reclassifications – BPI, Community Development, Finance, HR, Pretreatment
  - Proposed 2.0% decrease in Water and Sewer Rates – when combined with previous two years decreases of 2.5% and 6.5%, rates will have been decreased by 11% over last two years
  - Proposed Sewer-Only reduction – average reduction would be 22%
  - No changes proposed for Real or Personal Property Tax Rates
  - Capital Projects – \$ 8.7 million

Mr. Cordrey reviewed the City's top three Strengths as follows:

- 1) Unassigned Fund Balance
- 2) Water Sewer Project Funding
- 3) Overall Financial Position

Mr. Cordrey reviewed the City's top three Weaknesses as follows:

- 1) Debt Capacity
- 2) Water and Sewer Fund Operating Account Balance
- 3) Budget Sustainability and Unfunded Liability (OPEB)

Mr. Cordrey reviewed the Top Increases and Decreases to Revenues as follows:

- Increases:
  - OBC Taxes, EMS Revenue, Rail Road Utilities,
  - School Zone Camera, Administrative Fees, Highway User
- Decreases:
  - Rent Earnings, Donations
  - Municipal Infractions, Admission & Amusement Taxes

Discussion topics included:

- Present Financial Health at first Budget Work Session; include trend lines with graphs
- Reclassifications in the City Clerk's Office
- New parking meters and parking study (*Mr. Cordrey to follow-up on study*)
- Assessments, General Fund Expenses, Capital Projects and funding, Bond issuance
- How to address/neutralize weaknesses
- Three years of reduced water/sewer rates – now not enough funds to operate
- Auto replenishment of water/sewer operating account from portion of tier in water bill
- Public Works reduced huge unfunded liability in City's Infrastructure
- Operating costs when new Wastewater Treatment Plant is online
- Adopted Capital Improvement Plan without discussion of EDU charge – maintain level or change?

- Concerns with budget line items which may be underfunded to meet actual expenses creating need for budget amendments later in FY16
- Criteria for items to be on the *Critical Items List* – compile list and revisit each Critical Item
- Analyze and reimburse Operating Account for funds used for Capital Projects that should have been come from Capital Funds designated for those projects

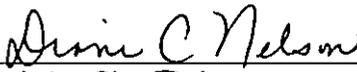
Summary of Council Consensus following ALL discussion:

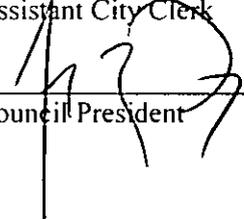
There was Council consensus to:

- tag the *Live Near Your Work* Program as a possible adjustment, doing away with the program in favor of maintaining the *House Keys* Program
- keep the City Grant Specialist position – would like to see job description – should coordinate and seek grant opportunities
- remove Community Development Corporation \$500,000 funding request and associated Manager position, tag it to be revisited if necessary
- eliminate reduction in water/sewer rates by 2%, tag it to be revisited as a possible adjustment
- keep the (*Urban Services*) sewer-only rate reduction in budget
- revisit OPEB Policy

The next Budget Work Session will be held on May 6, 2015 from 2:00-4:00 p.m. for discussion of all items on the *Revisit List*.

The Budget Work Session adjourned at 1:39 p.m.

  
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Assistant City Clerk

  
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Council President