

**THE MAYOR AND BOARD OF COMMISSIONERS
OF THE TOWN OF ERWIN WILL MEET IN SPECIAL CALLED WORK
SESSION ON
MONDAY, MAY 24, 2010 @ 5:30 P.M.
IN THE ERWIN MUNICIPAL BUILDING BOARD ROOM**

AGENDA

1. **MEETING CALLED TO ORDER**
 - A. INVOCATION
 - B. PLEDGE OF ALLEGIANCE

2. **AGENDA ADJUSTMENTS /APPROVAL OF AGENDA**

3. **OLD BUSINESS**
 - A. Solid Waste Collection Service RFP and Service Options
 - B. Community Center Rental Agreement

4. **NEW BUSINESS**
 - A. Proposed Fire Department/Town Personnel Consolidation
 - B. Presentation of Budget Draft and Budget Notes for Discussion
 - C. Set Work Session for June 1, 2010 for Budget Message and Proposed Budget

5. **ADJOURNMENT**



Town of Erwin

To: The Honorable Mayor and Board of Commissioners
From: Bryan T. Thompson, Town Manager
Subject: Solid Waste Collection Service RFP and Service Options

The following include the comments by Mac Hunter. The check marks indicate that the suggestion has been made in the RFP document. The stars indicate the need to sit down with Mack to work on appropriate language to address his concerns. Also there are hand-written notes that I've made just for comment and notations. Also, please find the updated version of the RFP for your review.

Additionally, Staff would like to entertain a conversation with the Board about the possibility of bringing this service in house.

- Cost of Equipment
 - One large truck with arm/claw - \$200,000 (approximate guess)
 - Pay cost over 4 or 5 year term (in event of 4 years at 4% interest - \$208,000 calculated as simple interest, but actual cost will be higher)
 - \$52,000 per year (based on estimate)
- Cost of Operation not including personnel
 - Maintenance per year - \$5,000
 - Fuel per year - \$10,000
 - Maintenance and fuel include leaf machine (very much estimated)
- Labor
 - 2 new hires at roughly \$25,000 per year – total \$50,000 per year
 - Benefits at about \$10,000 per person – total \$20,000 per year
- Yearly expenses for first 4 years
 - \$137,000
- Yearly expenses after first 4 years (assuming the equipment is paid off and in good working order)
 - \$85,000
- Accounting for increases in fuel and personnel along with increases in the cost of repairs and other materials and also benefits – average a 5% increase over the 4 years

- About \$90,000 per year after initial 4 years (then we can assume a 3% increase each year for the increase of cost of doing business)

\$6.72 per month per residents for the first 4 years if we want to cover all expenses on a yearly basis. Or \$5.19 if we wanted to schedule the user fees to where the capital equipment purchase is covering the purchase of equipment over a 10 year period while operating funds and fund balance can cover the actual 4-year debt service.

Breaking it down by solid waste services it looks like the following (if we go with the \$6.72 number)

- \$6.25 Residential Curbside Pickup
- \$3.05 Recycling
- \$6.72 all other solid waste

Total per month per residence (assuming 1700 residence locations) = **\$16.02**

However, if we pay back the capital equipment with operating funds and fund balance and do not look at the service fee in covering this cost (thus tax dollars will supplement the initial cost) the breakdown will look like the following:

- \$6.25 Residential Curbside Pickup
- \$3.05 Recycling
- \$4.41 all other solid waste

Total per month per residence (assuming 1700 residence locations) = **\$13.71**

This will be about a \$3.00 increase per month per citizen from what they are currently paying and this includes recycling. These are rough numbers.

If we want to keep the monthly rate low for the citizens and not have the user fee pay back the capital purchase then we will go in the hole in the amount of the purchase price and finance charges of the capital equipment. However, the benefit would be the presumed solid service that is being provided and more autonomy on how things are done. It is certainly a tradeoff. Not like it is a good argument (as I think things should pay for themselves) but the leaf machine was purchased with tax dollars and there was no increase to the user fee for the leaf pickup service. Therefore, with leaf pickup services we are currently in the hole unless we adjust our user fee to cover the cost of leaf pickup and the cost of maintenance, repair, fuel, personnel, and debt service associated with the service.

We can, however, sign a contract with a solid waste service provider for a three to five year contract and then start saving money to purchase the equipment outright and then provide the service with a user fee that covers the cost of operations and not equipment as the equipment will have already been paid for in full. This still means that tax dollars will subsidize the initial purchase of the equipment, but at least we will not be increasing

debt service. We will also want to make sure that we put away funds for the eventual replacement of the capital equipment. This would be based on a depreciation schedule for that equipment. But at least in this approach, the Town would be starting one step behind rather than two (one step behind because the Town purchased the equipment upfront but will have to put away for depreciation; but not two steps behind due to the financing of the vehicle and having to put away for depreciation).

The issue is really, what do we want to see long term, and in the long term where will we be better off? If we continue to outsource the service then we will not have any committed costs except the contract cost. However, we will be subject to the cost increases that are passed on. Additionally we will be paying for the profit margin established by the service provider. What's more, if the service provider does not offer this service on a large scale, then there will be a lack of economies of scale that will otherwise keep the cost of the service low by contracting it out. At this time, Republic for instance does not offer this service around here and to provide this service to us, they are having to change a few things; which probably means that the cost of their contract will be higher than if they already provided the same or similar services to surrounding areas or in general.

In many respects this is a guessing game. And again, the fundamental question is, what level of service do we want and what price are we willing to pay to have the service provided (and imbedded in these questions is "what control over this service do we feel we need or do we desire?").

No easy decision here. And it would be a risk bringing it in house as we've not been in the business of providing this service and thus there are plenty of unknowns. But to be fair to ourselves and to the tax dollar, I cannot help but think that we may be better off doing it in house.



Town of Erwin

To: The Honorable Mayor and Board of Commissioners
From: Bryan T. Thompson, Town Manager
Subject: Community Center Rental Agreement

This item on the agenda was tabled at the last meeting to be considered at this work session. The primary concern or issue brought up relates to the fundraising provision in the rental agreement for the Community Center. The Board requested that Staff review the agreement document and bring all other concerns that may exist to the Board for consideration of possible future action to alter or amend such language to best serve the intent of the Board and the benefit of the public.

The following includes the current language of the Community Center Rental Agreement, and outline of other issues that the Board may want to consider as defined by Ms. Pollard with reference to the current language of this document.



Town of Erwin

To: The Honorable Mayor and Board of Commissioners
From: Bryan T. Thompson, Town Manager
Subject: Proposed Fire Department/Town Personnel Consolidation

Fire Chief Ricky Blackmon and I met earlier this week at the request of Chief Blackmon. At this meeting, Blackmon described a difficult situation that the FD is and has been in for the past couple of years. The situation as described has to do with his full-time fire fighter personnel and the amount of turnover the Department is having.

The FD has 4 full-time employees. Over the past couple of years, the FD has seen approximately 85% turnover in these positions according to Blackmon. The primary cause for this turnover, according to Blackmon, is the fact that the FD is not tied in with the State Retirement System. Many other FDs are tied into the Retirement System on account that those FDs are functions of local jurisdictions (Towns, Cities, Counties). As the FD in Town is not a function of the Town of Erwin, it is not eligible to receive this benefit.

Blackmon wishes the Town to consider taking on the full-time positions by running these positions through the Town payroll, which would make these employees full-time town employees and thus eligible for these benefits.

Blackmon indicated that all costs associated with doing this would be fully reimbursed by the FD to the Town. This includes cost associated with salary, health benefits, 401K contributions, State Retirement contributions, and any other ancillary cost. Blackmon also indicated that the FD would be willing to pay a set fee for administration of this program to the Town.

I informed Blackmon that there are a number of concerns that I have with this proposal, and that I would research the merits of the proposal and that I would also research my concerns in order to better determine the feasibility of this proposal. I also informed Blackmon that this matter would need to be brought before the Board of Commissioners for their consideration as well.

I am currently still researching the matter and will try to have relevant information ready to present to the Board at the workshop.

My concerns are generally as follows:

- Will NC Retirement System allow this if the FD is not a “full” department of the Town of Erwin (i.e. town has full fiduciary responsibility and authority over the FD, the FD is fully incorporated under the Town’s incorporation [that is that the two entities are not separately incorporated], the Town has all personnel authority for fulltime employees, etc)
- Who does the hiring, firing, disciplinary actions, etc
- Workers compensation insurance – will this increase the Town’s rate by a significant amount
- Do the FD employees have to be under the same insurance package as other employees? If so, how will this impact the group premium?
- If the employees are responsible to the Chief and to the Town, will this cause problems? The Chief is elected by members of the Department and is not responsible to Town Management. Thus the employees in the FD will be serving the Chief and Town Management at the same time, but neither the Chief or Town Management will have direct recourse in instances of commanding legitimate authority or command over the employees. This could put the employees in an uncomfortable position in certain instances
- If the Chief were to fire an employee and that employee is a minority and the employee brings legal action for wrongful termination due to discrimination; what is the exposure of the Town as the employee is a Town employee?
- If a FD employee is terminated the Town would pay unemployment benefits to that person. Of course the FD would have to cover this cost; however, often the “invoice” for such payments does not come to the Town until one to two years after the claim has been paid by the State (this is due to the backlog and has been the experience of the Town). If the Town was to enter into this relationship but then dissolves this relationship and then only later does the Town get this invoice, how can we make sure that the FD will be obligated to pay as the employee was a Town employee in fact?
- Are there other legal and practical issues that can adversely impact the Town with such a relationship?



Town of Erwin

To: The Honorable Mayor and Board of Commissioners
From: Bryan T. Thompson, Town Manager
Subject: Presentation of Budget Draft and Budget Notes for Discussion

Following is the 2010-2011 draft budget. The budget, at this time is balance; however with the use of fund balance. Also, please note that the department budget requests have been strongly scaled back from their original proposals. Please not further that the top items and projects identified by the Board at the annual retreat are not included in the balanced budget.

The items that the Board identified at the retreat can be found on a separate spreadsheet attached to the budget. The spreadsheet identifies the project or item and attaches to it a price tag. Note, the Chicora Project has no amount attached to it as it is difficult to say at this time what the cost will be. It is also understood by Staff that this project will be funded by Fund Balance appropriation.

Furthermore, the separate spreadsheet that illustrates the projects and items not included in the budget at this time also denotes the current Fund Balance of the Town and also illustrates the revenue associated with \$0.01 of tax on property.

The budget document comes complete with prior year comparisons and a column illustrating the cost differential on a line item and departmental bases. You will note that the combined budget totals for revenues and expenses differ from current year operating budget by less than \$3,000. Though costs continue to increase to provide the services that the Town provides, the Departments have worked diligently to keep such costs down and have work to develop departmental budgets that are reasonable in light of the economic conditions of the day.

Please also make note of the "Notes" column in the budget document. Such notes are there to provide further insight to particular line items for various purposes.

Staff has prepared this budget in a much more simplified and less complicated format that the prior year's proposed budget. This was done to enhance clarity. Rather than providing several completed budget options; this presentation provides a balanced budget as a baseline (which

simply maintains current operations), and then provides options for adding projects and other items to the budget at the discretion of the Board.

Staff seeks to gain additional direction from the Board in order to make finalized adjustments as required or desired. This will enable Staff to develop a completed budget message prior to the June 1 deadline and have the same presented to the Board at or before the June 1 deadline.

If you have any questions or concerns, please feel free to call at any time.



Town of Erwin

To: The Honorable Mayor and Board of Commissioners
From: Bryan T. Thompson, Town Manager
Subject: Set Work Session for June 1, 2010 for Budget Message and Proposed Budget

As required by law, the Budget Message shall be presented to the Board of Commissioners by June 1, 2010. With the direction of the Board at this workshop, Staff will be able to finalize this document and have it ready to present at or before June 1. Tentatively, Staff suggest the scheduling of a workshop for this date in order to present the Budget Message.