



SOUTH HILL TOWN COUNCIL

SPECIAL MEETING MINUTES

FRIDAY, APRIL 9, 2021, 9:00 A.M.

A special meeting of the South Hill Town Council was held on Friday, April 9, 2021 at 9:00 a.m. The work session, which was held to review the Town's proposed budget for FY21-22, took place in the Council Chambers of the South Hill Town Hall located at 211 South Mecklenburg Avenue, South Hill, Virginia 23970. Attendees were asked to wear a mask/facial covering. Anna Cratch took the minutes.

Those in attendance were Mayor Dean Marion; Council members: Alex Graham, Delores Luster, Mike Moody, Shep Moss, Ben Taylor, and Joseph Taylor; Staff members: Kim Callis, Anna Cratch, Sheila Cutrell, and Carol Hutchinson; and South Hill Enterprise Staff Writer Jami Snead.

Mayor Marion called the special meeting to order. He and Town Manager Kim Callis thanked everyone involved with assembling the FY21-22 proposed budget.

Mr. Callis asked that questions be reserved until after he finished sharing his PowerPoint presentation (attached). He commented as follows. This is one of the most challenging and largest budgets we've had. A lot of this has to do with infrastructure. No tax rate increases are proposed. There is an increase in the water rates for those consumers of more than 50,000 gallons (probably 20 large customers). We have a water/sewer fund deficit of just over \$660,000 this year largely because of infrastructure issues. We are recommending just over \$800,000 to be taken out of our general fund. We've roughly got \$139,000 in general fund expenses that will be paid out of fund balance. We've got almost \$2,000,000 in capital expenditures for the general fund. Our general fund rates are unchanged, and they have remained unchanged for quite a while. We have to put in a new northeast sewer line. Our sewer system is at capacity. We have to pay attention to our water and sewer fund infrastructure. We are going to have to spend money to keep both systems operating efficiently. Our rates are lower than many of our neighbors. Because of the pandemic and some of the financial challenges people are facing, we chose not to increase our rates this year. As we are at least 10% below where we need to be to cover the cost of operations, we feel we are going to need to phase in some rate increases in the next couple of years. We treat the leachate from the Southside Landfill Mecklenburg County, the Brunswick County Landfill, and others from time to time. Without that leachate, which could disappear in the blink of an eye if these landfills decide to take them somewhere else, we would have had to go up on rates long ago. We are looking at a remote meter reading system, which will allow the readings to be taken in a couple of hours versus 2½ to 3 days. The system will also send us a message if something appears out of line during the month. We have pumps at several pump stations that are 20 years old. We have replaced a number of them that failed with CARES Act money, but others still need replacing. There are also five different lines that need to be sliplined.

For the sake of new members, Councilman Ben Taylor requested Mr. Callis go over the water redundancy, which he did as follows. Right now, our water comes in from the RRSA into what is called Vault A, just on the south side of Town near Park View High School. Water then goes through Town. We fill all of our tanks and it can stay in our system for a while. If something happens to that line, we are without water. We have a couple million gallons in our tanks, when full. For a variety of engineering and scientific reasons, tanks are not always full, so we have two to three days supply under normal conditions.

Putting in this redundant loop means that if one line goes down, we still have a way to get water to our hospital and throughout the Town.

Questions Section:

Councilman Joseph Taylor: Regarding the midsize SUV for the Police Department, are we thinking one vehicle a year?

Kim Callis: We have a schedule for vehicle replacement and whenever a vehicle goes out of service, Chief Bowen looks at the pricing of available vehicles and tries to do what makes sense. An SUV typically works better because it is more conducive to all of the equipment they need. That said, if it makes sense to buy a car, we will, but we have moved towards SUVs in recent years.

Councilman Joseph Taylor: They are harder to pick out on the road when I am driving so it frustrates me a little bit <smile>.

Kim Callis: All of our newer vehicles are equipped with cruise lights. While the SUVs don't have striping, they have shadowing so you can see where "Police" is on them.

Councilman Ben Taylor: We had also talked about the possibility of electric vehicles.

Kim Callis: Chief and I started that conversation a couple of years ago. We are looking to see if and when it makes sense. Most of our police cars are around Town and a lot of electric vehicles can go 200 to 300 miles on a charge. There is a charging station at Kahill's. As technology changes, people may be able to charge them at home with a dryer plug, but there is some expense to that, so we'll evaluate it along.

Councilman Joseph Taylor: When you refer to redundancy on the Northside water infrastructure appropriation, this is a new pipe in a new location, correct?

Kim Callis: Yes.

Councilman Joseph Taylor: Where is that location? Is it adjacent to the existing pipe?

Kim Callis: It is in another location altogether. We hope to be able to use a lot of the easements we have obtained for the sewer line for the water line but what will happen is where water comes into Town, it will branch off. The water line will come down Highway 58 a certain length and then be connected to Thompson and Alpine and go back north just where the sewer line is. Eventually, the RRSA would love to see a separate pipe that extends along the bypass for them to serve La Crosse and Brodnax. As the system operates now, the water comes into South Hill through Vault A and goes all through our system. It then comes down on Atlantic Street and goes down to La Crosse and into Brodnax. La Crosse and Brodnax may get water that is four or five days, two weeks... I don't know how old the water could be. There is nothing wrong with that because the water is constantly moving. This way the RRSA gets some redundancy too. It is up to them to build that pipe, not us.

Councilman Joseph Taylor: On the same page, replacing the rotors in both ditches for wastewater treatment, will another ditch be required with the addition of Microsoft? They are a huge water consumer and wastewater distributor. What is the long-term plan if there is a need for another ditch?

Kim Callis: Microsoft is a big water consumer, but they are not a big wastewater discharger. Most of their discharge will be office toilets flushing. They build these cooling towers and tanks, so they are able through evaporation to recycle much of their water. That said, right now, our wastewater plant can handle 3,000,000 gallons/day. The ditches are large enough to handle 4,000,000 but to get from three to four million, we would have to build a new clarifier at the plant at a cost of between five and ten million dollars. Lawrenceville just did an expansion a few years ago and it was \$8,000,000. At such time we need to expand, that is what we would be looking at. Right now, we consistently treat 1,000,000 gallons/day and we are licensed for up to three. It is not that simple. Sewer treatment is dependent upon not only volume but the strength of the sewer that comes to you. The Town of Farmville has a smaller treatment plant, but they have very little industry. They have colleges, restaurants, and hotels. Most of their sewer is

clean. We have industrial strength sewer that we need to treat. Us treating our 1,000,000 gallons is probably equivalent to others treating 1,500,000 to 2,000,000.

Kim Callis: One of the things Carol Hutchinson and I have been working with Chief Bowen on is our Police Department salaries to make sure we get our starting salaries for our police officers to where they are equal to or better than our competitors. We have made big strides in that and we recommended a 5% cost of living increase. The state is recommending 5% for their employees, but it is 7% for the state police and law enforcement. Mecklenburg County is 5%. Wayne Carter is looking at something higher for the Sheriff's Department. We are going to have to look at that down the road to make sure we can keep our Police Department appropriately staffed.

Kim Callis: We got good news yesterday. We had budgeted for a 10% increase in medical insurance, and we heard yesterday it will probably be between 3 and 4%. We are shopping around. That is not hugely significant, but it will save a few thousand dollars. We will continue to offer employees the same packaging plans. We offer employees the opportunity to participate in a high deductible plan or a traditional plan. About half choose the high deductible. I use the high deductible. Unfortunately, with my recent experiences, that cost me a few dollars, but that is the chance you take.

Councilman Moss: I saw that we've got \$1,500,000 budgeted for a new Public Works building. Where is that location? What are we rebuilding/remodeling/replacing?

Kim Callis: What we are doing is where the blue building now sits, where the parking lot is between the blue building and that old cinderblock building, we'll go perpendicular to the blue building.

Councilman Moss: What is the purpose of that building? Is it something we can use the current Exchange for?

Kim Callis: No, it will have some offices, bays where we can put vehicles in and wash them, and meeting space for the Public Works guys. A lot of it is open bay space.

Councilman Moss: So, it will go between the Exchange and the blue building, in that area?

Kim Callis: No, if you are going down Main Street, the building is on your left, it will be perpendicular to the blue building. Instead of paying for that out of fund balance, we are recommending we finance it as part of the GO Bond. We are recommending for much of this, that we issue a \$9,800,000 GO Bond to pay for the water and sewer, Public Works building, and the rotors at the WWTP.

Councilman Moss: Under parks and recreation, the enclosed special events trailer for \$21,000, what is that trailer for? What is the purpose?

Kim Callis: We have a lot of plastic fencing that we move around from time to time. Every time an event happens, our guys go to the Exchange, get all the plastic fencing, stack it on a flatbed and they take it to the correct venue, Centennial, Parker Park, or wherever it may be. They then erect it and when the event is over, they stack it and take it back. We will be able to store everything in this trailer, and whenever it is needed, we will get the trailer and take it to the event location.

Councilman Moss: So, what size trailer is that? \$21,000 is a lot of money.

Kim Callis: It's a big one.

Sheila Cutrell: The trailer is 8.5' wide. The trailer cost is \$7,090. What's more expensive, \$12,279, is the fencing/barricades to go in the trailer.

Councilman Moss: Shouldn't that be reflected instead of a \$21,000 trailer?

Kim Callis: We can change that; that's easy.

Councilman Moss: Are there any grants available for the \$425,000 meter reading system?

Kim Callis: We'll look. Generally, when local governments get grants, it is for infrastructure that benefits low-to-moderate income neighborhoods, but we can certainly look. I can tell you on the \$4,500,000 sewer line, we applied to EDA for \$1,000,000 in grants. It is very competitive; we don't know if we are going to get it or not. We cannot count on it.

Councilman Moss: How often on average should the \$92,000 truck with the crane be used?

Kim Callis: Every week. They check every sewer pump station.

Councilman Moss: But I'm saying will they need a crane every week?

Kim Callis: I don't know the answer to that.

Councilman Moss: I mean we just bought a \$200,000 motor grader with 20 hours use on it. It is my understanding we are going to be at about a \$1,000,000 deficit. Is this something they need on a regular basis or is it something that can be rented as we need? I don't know how often we need it. That is my question.

Kim Callis: We have a crane right now that we use a lot. It will only lift 4,000 pounds. This is very special equipment. It is the type of thing when you need it, you need it right now. What we are told by our folks that do this is that you just can't go to Rent Equip or somewhere else and ask for it and have it right there.

Councilman Moss: Can we find out an average of how much we use it? If it is something we use every day or once a week, that is different than if we need it in an occasional emergency situation.

Kim Callis: Yes.

Councilman Moss: I'm not saying we don't need it; I'm just asking how often we need it.

Kim Callis: Keep in mind this is a truck with a crane on the back of it.

Councilman Moss: Yes Sir.

Councilman Moss: What type of trailer is the trailer for the generator at \$11,000?

Kim Callis: One heavy enough to support the weight (Sheila Cutrell read the specifics.)

Councilman Moss: Ms. Cutrell, does it say enclosed trailer?

Sheila Cutrell: No, it is not enclosed, because the generator is actually mounted on the trailer.

Councilman Moss: \$11,000 is a lot of money for a trailer that is not enclosed.

Sheila Cutrell: This is priced off of the Sourcewell contract.

Councilman Moss: Just a suggestion, I don't have anything to do with his business, but I know Freeman Outdoor carries trailers that he hauls tractors on. I know he has heavy-duty trailers and it may be worth getting a price comparison. I will tell you \$11,000 for a flatbed trailer is a lot of money.

Kim Callis: It is interesting that you say that. We agree wholeheartedly. This number is an estimate for budgeting purposes only. As part of our new procurement policy, we will do just as you just said. We want to do it locally if we can.

Councilman Moss: I also noticed and have been told that the cost of living payroll averages should be about 5%. Is that across the board, every employee?

Kim Callis: Yes, that is what is included in the budget. It is a cost of living adjustment.

Councilman Moss: I notice the state is using 1.5%. If we are going into a deficit year, not that I don't want to take care of our employees (that is not what I am saying), I am asking why are we so much higher than the COLA average from what I have been reading.

Kim Callis: The information we have from the state was that the state was looking at 5% for education and in some cases higher than 5% for education, an average of 5% for others, and 7% for the state employees. I called Wayne Carter and asked him what he was going to do, and he is mirroring what the state is doing. We know we have a deficit year. A lot of it is because of this infrastructure that we need to do. We are trying not to increase rates to cover the cost of that because of the pandemic. We have been fortunate in that our employees have continued to work, but the other side of that is they have been exposed to things. They have gone over and above in a lot of cases.

Councilman Moss: They have done a phenomenal job. That is not the reason for my question.

Kim Callis: I understand.

Councilman Moss: I am just asking fiduciary questions; that is all I'm doing.

Kim Callis: If we had to cut something, we would recommend you cut something else other than the cost of living.

Councilman Moss: Sure.

Councilman Ben Taylor: Where did you see 1.5%? I haven't seen it.

Councilman Moss: I just googled it, State of Virginia COLA average. It has been as high as 2.8 maybe three years ago. This year it came up 1.5%. Maybe, I didn't Google something right. You gave me an answer. That is all I asked for. I did it just this morning.

Councilman Moss: You said the Colonial Theatre's request has gone down.

Kim Callis: No, they requested \$175,000 for next year; they requested \$155,000 for this year. The committee recommends leaving the funding at this year's level of \$155,000, not granting the increased request.

Councilman Moss: Can someone explain to me the whole Colonial funding situation. I know about the tax increase. I'm not asking about that. I really don't want to hear that part of the story anymore. According to the Town minutes, that funding was set up until the debt service was paid off. It is my understanding that the debt service was paid off in 2018. In fact, you have confirmed that to me. So, if that agreement has expired, if funding is going to continue, why has a new agreement not been set up? Why has the old agreement continued to be followed when it should have expired? And how are we funding a for-profit LLC that to my understanding refuses to provide financials when we are requiring other organizations to provide financials for their funding?

Kim Callis: To try to answer those in order, at the June 2008 Council meeting, we had a proposed amendment to the meals and lodging tax to increase it from 4.5 to 5.5% to pay the debt service on the 2008 GO Bond for the Colonial Theatre and other infrastructure. That was approved, so we went up on the 1% for the Colonial. Then in April 2016, this came up again before the Council, and Mayor Horne repeated that he had talked with the locally owned restaurants and hotels and they told him they had no problem with the meals and lodging increase as long as the 1% was earmarked for the Colonial. There was no original earmark with the original so they requested that the additional revenue generated from the 1% increase adopted in FY09 be henceforth earmarked to meet the needs of the Colonial Center for Performing Arts; motion carried unanimously. What has happened since then is that 1% generates \$400,000, and the Colonial has requested only those amounts that were needed to meet its operating expenses. It was set up as an LLC by the attorneys and tax people because that is the way it had to be done to get the funding. A private investor purchased them; he or she didn't want his/her name out there. While they are an LLC, that Theatre functions to provide performing arts and entertainment opportunities for the general public. It does not cost any children or adults anything who wish to participate in any plays. It is very much like a sports complex like Parker Park. We spend \$500,000 to \$600,000 on Parker Park to provide that. The Theatre provides a venue for kids who may not be interested in sports to participate in other types of activities. Almost 1,100 kids participated in something over there in the year 2019. That building back in the day had fallen into disrepair —

Councilman Moss: None of that is answering my question. I appreciate the background information. I am very familiar with the background information. I have not been made privy to the 2016 minutes that you just read. I am almost astonished that I haven't, as many conversations as you and I have had about this, but that is fine. It still does not answer to the fact that we are funding a for-profit LLC that my understanding now was asked by the Budget and Finance Committee to provide financials, and they refused to do so. I'm just curious how we continue to fund under those situations when other organizations are having to do it. Where is the fairness and transparency in that? And now I understand that all of a sudden, they want to unwind the LLC and make it a nonprofit. On the surface, that really stinks to a lot of people. It is as if they have taken the money that they have received for all of these years, and now the questions are being asked. Also, in our CDA meeting, my intentions are not reflected in the way the motion is written, but I have discussed with other CDA committee members that were in that meeting, we as a committee removed that funding request from our request because we didn't want to have anything to do with it. As fiduciaries of that committee and public money, we didn't feel like it should be appropriate (to use your words) to have in our budget. We were not comfortable with that to run it through our organization anymore. That is what the intent of our motion was. In agreement with the

members that I have spoken with, that is what we voted to do because our group didn't want to touch it anymore.

Kim Callis: That is a conversation for outside this meeting because I think it would be informative to bring in legal counsel to speak to the CDA about the reason all of that was set up and why. While the CDA members may have a fiduciary responsibility, a lot was questioned about what has been done. Members that were on the board since then do not have a fiduciary responsibility to what happened in the past, only going forward. The reason for the unwinding is it had been planned for earlier. This again is not the place to discuss it, but the CDA would have been responsible for the Colonial and the Chamber of Commerce. The Chamber of Commerce wanted to spin off and be independent of the CDA, and they have done a wonderful job at that. So, when that happened, the plans to hire an executive to oversee both of those organizations changed, there was no need to do that, so there was a wait-and-see approach. The Colonial was ready to be unwound at that time. Earl Horne wanted to go ahead and do it. We went to him and said the Chamber wants to do this; can we put a hold on this for a little bit until we see how this works out? That is what we did. The Chamber is doing a magnificent job. They decreased their budget request by \$160,000. It looks like they are going to be successful. Now there is no need to hire an Executive Director for the CDA, so it makes the most sense to unwind the Colonial now, instead of two years earlier and convert it to a not-for-profit. There are a lot of moving parts there.

Councilman Joseph Taylor: Councilman Moss, it is my understanding the charitable designation will ensure their books are available for review, which I think is what everyone would like to see.

Councilman Moss: It should have been done all along. It is just a slap in the face to all of our other businesses.

Kim Callis: All I can tell you is that while it is an LLC, it was done that way to get financing that would otherwise cost the taxpayers a lot more money. Without the historic tax credits, it very likely would not have happened. That is why it was an LLC. That LLC functions to provide a service to this community that retail businesses do not provide.

Councilman Moss: Are you aware that it is two LLCs?

Kim Callis: I am not aware of the whole setup other than —

Councilman Moss: Well Budget and Finance should have been aware of it since they are recommending the budget request. Do you realize that it is two LLCs?

Councilman Joseph Taylor: Is that information from the State Corporation Commission?

Councilman Moss: Yes Sir.

Councilman Joseph Taylor: I'd be interested in a printout at some point.

Councilman Moody: We were aware of one LLC. If there was another LLC, I'm not aware of it. I can only tell you that Budget and Finance looked at the entire situation. I have to agree with you; I am not very keen on the idea of providing the Town funds for operating the LLC as a private business, but we looked at it as the overall process. We have been assured that the LLC is in the process of working toward a nonprofit status. Of course, we all know that takes time. Hopefully, that will be done by the end of this calendar year. If so, when the LLC is no more, the Colonial can apply to be nonprofit. They cannot get any nonprofit funding until they are nonprofit. We looked at funding them for the coming fiscal year just to get them through the next fiscal year.

Councilwoman Luster: It's a transition.

Councilman Moody: It's a transition period, and we understand it takes time. If we had cut off all of the funds now, we were afraid the Colonial would have to shut the doors. That would not be a benefit to the Town or the community. We had to weigh out the options. That is why we are making the recommendation to simply fund it as it was last year with no increase to give them time to get everything straight to go from an LLC to a nonprofit.

Sheila Cutrell: I was just going to comment. Typically, with historic tax credits, you do have multiple LLCs. There is typically one set up to handle the state tax credits, and another set up to handle federal tax credits. A lot of times there is another LLC set up for management. The one example that I have been involved in, there were three LLCs and an LP set up to handle its transactions.

Councilman Ben Taylor: If I may also add onto what Councilman Moody said, I think there is some consensus, I hear you, not being able to look at the books, but it is also a private LLC. I can't look at your books.

Councilman Moss: But I'm not receiving funding for it, big difference.

Councilman Ben Taylor: Let me finish. No, no it is not because these LLCs with historic tax credits were set up throughout the state. We heard Douglas Freeman High School, Henrico County, Washington Lee University... there were three or four others that we heard of, so they are out there. While it does go against the grain, I can't argue it is a private LLC. What was the value of the Colonial?

Kim Callis: We financed \$2,250,000.

Councilman Moss: To no fault of their own, because of the pandemic, they were not able to operate this past year. Has Budget and Finance researched what happened with the funding that they received last year?

Kim Callis: We —

Councilman Moss: I'm asking Budget and Finance.

Councilman Joseph Taylor: I'll let the Town Manager answer that. The Colonial presented us with expenditures.

Councilman Moss: Can I see that because I haven't been presented it?

Councilman Joseph Taylor: There is a consensus that construction having been completed, infrastructure in place, and complete renovation that even if there was a lack of consistency that you speak of, they are now transitioning to a point of accountability with the charitable organization and the mission has been accomplished. We weren't even on Council at the time; however, that to me is an important benchmark and is particularly encouraging to hear that if that transition to the charitable organization can take place this calendar year, it makes the budgeting a lot more consistent.

Councilman Moss: It is my understanding, and maybe Mr. Mayor you can speak to this, they were supposed to unwind almost three years ago now. Something is not right.

Kim Callis: Everything is right. I just explained why they weren't unwound.

Councilman Moss: Should the funding this year be based on performance if they do open their doors, if they do have shows —

Councilman Ben Taylor: Do you want to gut the Colonial?

Councilman Moss: I didn't say that.

Councilman Ben Taylor: What are you saying? The questions you're asking are leaning in that direction. Do you want to gut the budget?

Councilman Moss: I didn't say that.

Councilman Ben Taylor: What are you saying other than throwing darts and seeing what will stick on the wall? Are you proposing to gut the financial situation with the Colonial? That is my question to you.

Councilman Moss: You mean remove it out of the budget?

Councilman Ben Taylor: Yes.

Councilman Moss: Yes Sir, I do.

Councilman Ben Taylor: Okay, so you are willing to take a stand in the South Hill community that you want to gut the budget for the Colonial Theatre?

Councilman Moss: Under the current —

Councilman Ben Taylor: No, no that is my question.

Councilman Moss: Well I am going to answer your question.

Councilman Ben Taylor: Okay, please do.

Councilman Moss: Under the current situation, the way that it is being funded as a for-profit LLC and it is not currently operating and will not provide financials as other organizations that you have requested information from, then absolutely I would suggest that you gut it.

Councilman Ben Taylor: Okay.

Councilman Joseph Taylor: But even though, and I understand there is an inconsistency, it is in the highest of likelihood the last year that they will continue to be a private LLC. Can we not go one more

year to sustain this important cultural institution? Taylor Law Firm is not an important cultural institution. It is for-profit, 100%. So is Memory Makers.

Councilman Moss: Absolutely.

Councilman Joseph Taylor: Although that is probably more culturally interesting than Taylor Law Firm, the point is if we can get through this one more year, I think it is worth this budget appropriation to stay in place so we can get them through. There were no shows in 2020, and —

Councilman Moss: And there are probably not going to be any in 2021 and that is to no fault of theirs. I'm not —

Councilman Joseph Taylor: I know you are not saying it is, of course, and it may be 2022, but it gets us into a point where they can legally be in a position to be both transparent and (at least as I am hearing from you) be more appropriately budgeted from the Town of South Hill. So, if we can get through one more year.

Councilman Moss: I am just curious what we're funding because they are not open.

Councilman Joseph Taylor: I think it is important with all government institutions; unfortunately, it is a little different in the private sector. There is a value to continuity in leadership to the expertise that they bring whether that is our Town Manager, Town Clerk, Finance Director, Human Resources... they bring a level of expertise of knowledge. To gut the salary, I'm not suggesting you are saying that, but to remove the budget appropriation means they don't get paid because they are not making any money in ticket sales, then we lose our program coordinator (or whatever her title is) and the other individuals who work there. There is a value in consistency in personnel. We can't just drop everyone from the payroll there and expect to hire people who are both competent and most importantly long-serving employees of that institution. So as much as you're complaining about the inconsistency, we have got to preserve both the institution of the Colonial Theatre as well as the individuals who work there, who prior to the COVID crisis, I think by all accounts did a very impressive job.

Councilman Moss: Again, I'm not saying that I don't support the Colonial Theatre. I am questioning the method. I don't want anyone to put words in my mouth. Some people in here are very good at doing that, but I am questioning the method of how it is being done. That is what I am questioning, not the funding, it's the method.

Councilman Ben Taylor: And we've told you before, there is no argument. The idea of funding something and not being able to look at the books bothers everyone, but the way the private LLC is set up (and I'm no lawyer), we can't look at it.

Councilman Moss: And we don't have to fund it.

Councilman Ben Taylor: Well, then it is my question to you, are you going to gut the Colonial? Let me ask you this. Talk about not participating, our parks, 35% of the people that participate in our parks are residents of South Hill. The other 65% are not from here, but yet we provide that service to people that live outside the corporate limits. That Colonial serves a purpose for the merchants here. It is huge. We would have a snaggletooth area right on the corner if the Colonial weren't there.

Councilman Moss: And I don't want that either.

Councilman Ben Taylor: If we don't fund it that is what we are going to have because to your point, people are going to leave. Then who is going to turn it into the nonprofit?

Councilman Moody: If I may, I have listened to all this. Councilman Moss, I understand exactly where you are coming from, I understand where a lot of the taxpayers are coming from, and I'm a taxpayer just like everybody else. I am not crazy over it, but it's a legal matter that we unfortunately are not allowed to get into the middle of. Like the rest of them, I'm not an attorney so I can't speak to all of the legalities of it, but I think it would be fair to say that we as a Budget and Finance Committee are simply recommending this for the next coming fiscal year as a short term investment for the long term gains of the Town and community. That is how we are looking at it. Hopefully, the LLC will be dissolved, the nonprofit will be in place, but we are looking at it and presenting it for this fiscal year.

Councilman Ben Taylor: We were assured that was the process. We hope it can be done tomorrow, but I don't think it will be done tomorrow. I do think it will be done quickly.

Mayor Marion: This is a question to the Budget and Finance Committee and Sheila Cutrell. The committee was led to believe this process is in process. On the appropriation of the \$155,000, can it be prorated out? Let's say for example this thing unwinds by the end of the year and the \$155,000 is approved, is the full amount paid or is it installments?

Councilman Moody: I asked if we could appropriate the \$155,000 in two installments. An example we used is if the Colonial LLC is dissolved by the end of December, then they would no longer be the Colonial LLC to be funded with the \$155,000. The appropriation is still to go to the CDA for distribution, but even if the LLC is gone away with in December, they are still going to need funds to apply for the nonprofit status. If we took away the funding, there would be no money there for them to even open the doors if it were possible in February, March, or April. That is why we were recommending to go ahead and fund them for the entirety of the fiscal year and give it (\$155,000) to the CDA for disbursement.

Dean Marion: Does that disbursement take place July 1?

Sheila Cutrell: Not July 1, but sometime during the month of July.

Dean Marion: But protocol would be the full amount?

Sheila Cutrell: Yes.

Councilman Graham: Is there any kind of time limit on what they are projected to do? I understand they wanted to unravel some years ago and then that changed. Are we really sure they are going to do it this coming year?

Councilman Moody: The goal that was stated is by the end of this calendar year, December.

Councilman Ben Taylor: That is what we were told.

Kim Callis: Actually, the Budget and Finance Committee asked that question, and it was directed by the Committee to make this happen. Sheila Cutrell and I have already reached out to the attorney that set all of this up and he told us over the telephone that a couple of things have to happen. We then met with Robin Jones who does the books for the Colonial and with Kim Jackson who does the audit for the CDA. They concur with what the attorney told us about a couple of things that need to happen, and we said we want to get this ball rolling. What we are trying to do is get through the budget process and let the CPAs get through tax season. The attorney is Dan Gecker. We are trying to arrange a time so we can get this thing going and we want to get it done soon, not in the last quarter.

Councilman Graham: Everyone feels confident this will be the last budget —

Councilman Ben Taylor: We felt so strongly about the whole issue in general (can't speak for Councilman Honeycutt; he wasn't there but he did too) that we brought the entire staff in and Earl Horne and asked them very pointed questions about the situation and the unwinding because it gives everyone heartburn. We have the expectation this thing will be unwound. If it is not, that is a whole different situation.

Councilman Graham: Everyone feels very comfortable that it is going to be unwound by the end of the calendar year?

Councilman Ben Taylor: Yes, I feel like that.

Councilman Moody: And that is what we were basing our current recommendation on.

Councilman Ben Taylor: A lot of tough, direct questions were asked.

Councilman Moss: You mentioned we are lining up the attorney and accountants to unwind. Are we paying for this unwinding?

Kim Callis: Indirectly, the Town does because the Town funds the CDA, but it will be up to the CDA, the accountants, and the attorneys of the CDA and the Colonial Center to work together to draft the appropriate documents to make it all happen. The Colonial Center and the CDA should each bear their share of it. Generally, what has to be done is a note receivable has to be forgiven and the Articles of Incorporation have to be set up for the nonprofit.

Councilman Moss: And how much is that note receivable we have to forgive?

Kim Callis: \$3,800,000 on the CDA's books. All that is is it represents the value of the assets at the Colonial. The CDA did not lend the Colonial Center that money, but because the LLC is private, (this is what gets into all of the complicating factors) it had to be set up as it was a legitimate entity for tax credit purposes. We are working on it.

Councilman Moss: I appreciate the time you gave me to answer my question. I appreciate the Budget and Finance Committee's efforts to look into it.

Councilman Joseph Taylor: What was the \$20,000 outlay in General Fund expenses under Capital Outlay for?

Kim Callis: That was set aside to do the audiovisual equipment in the Council Chambers.

At 10:14, Mayor Marion called a five-minute break.

Kim Callis: Councilman Moss, you had a question about the crane. I just caught up with Nelson Ratcliffe and the answer is, it is needed once or twice a week, on average.

Councilman Ben Taylor: I think a lot of stuff came about because of this ice storm. We had some situations that we don't normally have. When that pump station is down, it's down and you have to have something to get in there and fix it.

Kim Callis: We have an environmental obligation to make sure it is right. One of the things that I did not mention is what is not in this budget. We deferred \$326,000 in vehicle or equipment purchases because there were things we felt like we needed to do, but we felt we could stretch it for another year.

Sheila Cutrell: I had \$268,000 for four pieces of equipment; two pickup trucks, a dump truck, and the backhoe.

Kim Callis: The other thing we did is there was a request for two additional staff members in Public Works and we felt like we could squeeze by without those because they would be devoted to trash cleanup around Town. There are two new police officers. We have been short-staffed in the Police Department for a while. The positions are things we might be able to do through Penmac or places like that. There are advantages and disadvantages with using temporary help. The disadvantage is they must be supervised. The advantage is if it is not working out, it is Penmac's problem, not ours.

Kim Callis: At our April 12 Council meeting, we will ask for a motion to advertise a Public Hearing for the FY21-22 budget at the May 10 meeting, so there will not be a Public Hearing this Monday night. We will just have a request to advertise it for May at which time the public will be able to comment. That is the normal process.

Councilman Ben Taylor: I hope people will try to get this word out. Budget and Finance had this conversation with the Town Manager. We are growing, and a lot of good things are happening in our community. With that growth comes some expense, such as water and sewer; it is inevitable. I think it is our job to make the public realize that as these projects and Microsoft come in. It costs to do business. Coupled with the bypass with the highway department a couple of years down the road, it is going to cost some money to get in that game. We are going to have some expenses coming our way in the next several years from a lot of different areas. Hopefully, meals and lodging will grow, we'll get back to normal, our tax revenue will pick up a little, and we won't be facing these shortages. It is kind of like putting off almost \$300,000 worth of stuff that we need. It is a good thing because our Town is growing, and a lot of good positive things are happening.

Kim Callis: One of the things in addition to that, everyone knows about Microsoft. Microsoft is an incredible thing for this County, Town, and region, but as Wayne Carter shared, it is going to take a few years before we start recognizing the benefit of that.

Councilman Moss: Didn't he tell us about five years?

Kim Callis: When you start really seeing it and then as they grow, it should go.

Councilman Moss: But we've got to hold over between here and there.

Kim Callis: It's not just that. Microsoft is a good community partner. With Microsoft comes other challenges that we have to figure out, and we will because we have started the conversation. They are a huge water user. The membership of the RRSA has to be planning to expand that plant to meet the demand for new industrial users. The RRSA plant is licensed at 4,100,000 gallons/day. The capacity is

there to expand it to 7,000,000. I remember when we built the plant, there were four or five contracts because I worked with Gail Moody at the SPDC on all of that, and it was over \$11,000,000 for just a couple of them. So, expanding that plant, you are probably going to be looking at at least eight figures. The RRSA will have to figure out how to pay for all of that, and we'll ask for partnerships. The other thing you have to remember is yes we are going to be selling water to Microsoft, but we buy our water from the RRSA, so if we sell 1,000,000 gallons worth of water, that doesn't mean we are going to get the profit. Their sewer discharge is very little.

Councilman Moss: I thought I understood Mr. Carter to say that Microsoft will have to pay for these infrastructure improvements.

Kim Callis: He did say that.

Councilman Ben Taylor: I don't know that he said they will pay but they have paid in the past.

Councilman Moss: He certainly indicated they would help us. Who knows?

Kim Callis: Frankly, we have put the possibility out there to please help with our water line. We'll see whether it is going to happen or not. There is going to be growth with them, and that is coming, but it is not here now.

Councilman Joseph Taylor: I also want to mention to that end a three-pronged success I'm seeing that I am so excited and thrilled about: 1) Microsoft, large scale employer and transformative figure, 2) second location of a fairly new business in Lundy Layne (I have no connection with that business and or the personnel involved with it, but the fact that she is building another location is encouraging. It means people are buying her product and she's investing in the Town), and 3) Pizza Hut gets demolished and within two weeks, it is being rebuilt (Pizza Huts aren't being built everywhere across America. Those workers there are not making six figures. It is not producing the highest amount of tax revenue for the Town but it keeps a spot filled, it's not a vacancy, and it's providing a food service in Town. You just don't see a lot of Pizza Huts popping up.) Continuing that food service, another satellite location in a small business, and then a large-scale employer... I'm thrilled; I'm so fired up for South Hill right now!

Councilman Moss: And the car dealership; to fill that void is going to be huge; it's awesome.

Councilman Joseph Taylor: Yes.

Councilman Ben Taylor: Well we don't want snaggletooth openings in the Town. Vacant buildings and lots just aren't good.

Everyone was thanked for their part in the budget process.

Mayor Marion adjourned the special meeting at 10:29 a.m.

VALIDATION

Minutes approved this _____ day of _____, 20_____.

Anna B. Cratch, Town Clerk

Dean Marion, Mayor

Town of South Hill
 Proposed Budget
 Fiscal Year 2021 - 2022
 April 9, 2021



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Summary

General Fund Budget	\$12,231,522
Water & Sewer Budget	<u>\$12,742,634</u>
Total Town Budget	\$24,974,156

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Key Elements

- No tax rate increases
- Chamber/Retail - \$150,000
- Utility rate increase for consumption >50,000 gal.
- Water/Sewer Fund deficit - \$663,429
- Fund Balance Transfer - \$802,296

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General Fund

<u>Department</u>	<u>Approved FY 2021</u>	<u>Proposed FY 2022</u>
Mayor and Council	\$ 93,544	\$ 76,012
Finance and Administration	696,782	725,560
Town Manager Department	287,120	298,320
Business Development Department	175,420	280,090
Non-Departmental	200,500	186,800
Police Department	2,508,091	2,656,840
Fire Department	570,885	633,232
Code Compliance Department	272,322	254,450
Municipal Services Department		
Director	151,415	162,325
Street Maintenance	1,953,492	1,782,740
Solid Waste	1,043,611	846,710
Fleet Maintenance	301,267	327,370
Facilities Maintenance	270,720	1,910,134
Parks & Grounds	596,784	847,465
Library	22,000	22,500
Community Development	<u>1,526,792</u>	<u>1,440,974</u>
Total	\$ 10,670,455	\$ 12,231,522

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General Fund Capital Expenditures

- Police Department
 - 2021 Midsize SUV 45,000
- Fire Department
 - Roof Repair 30,000
 - Firefighting Hose 45,000

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General Fund Capital Expenditures

- Street Maintenance
 - Slip Line South Hill Avenue 35,000
 - Slip Line E. Atlantic Street 39,000
 - Scorpion II Attenuator 29,000
- Solid Waste
 - 8 yd Front Load Dumpsters (9) 12,500

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General Fund Capital Expenditures

- Fleet Maintenance
 - 75 Ton Hydraulic Press 5,000
- Facility Maintenance
 - AED Emergency Defibrillators (7) 11,000
 - Public Works Building 1,500,000

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General Fund Capital Expenditures

- Parks & Grounds
 - Softball Complex Fencing 155,400
 - Toro Groomer 3040 31,000
 - Special Events Enclosed Trailer 21,000
 - John Deere Z970R Mower 13,000
- Total General Fund:**
 - Capital Expenditures 1,971,900**

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General Fund Rates

Tax	FY 2021	FY 2022
• Real Estate	\$.34/100	\$.34/100
• Personal Property	\$1.50/100	\$ 1.50/100
• Machinery & Tools	\$.38/100	\$.38/100 (nominal)
	\$.30/100	\$.30/100 (effective)
• Bank Franchise	\$.80/100	\$.80/100
• Communications (State)	5%	5%
• Meals/Lodging	5.5%	5.5%
• Cigarette Tax	\$.15/pack	\$.15/pack
• Minimum BPOL	\$ 30	\$ 30
• Contracting BPOL	\$.16/100	\$.16/100
• Retail BPOL	\$.14/100	\$.14/100
• Repair, Personal Bus. Svcs.	\$.30/100	\$.30/100
• Financial, Real Estate, Prof.	\$.40/100	\$.40/100
• Wholesale BPOL	\$.05/100	\$.05/100
• Peddlers BPOL	\$ 500	\$ 500
• Residential Bldg. Permit	\$30 Min/\$.12 sq. ft.	\$30 Min/\$.12 sq. ft.
• Commercial Bldg. Permit	\$30 Min/\$.15 sq. ft.	\$30 Min/\$.15 sq. ft.
• Signs	Based on sign price- Minimum \$30	Based on sign price- Minimum \$30

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Water & Sewer Fund

Department	Approved FY 2021	Proposed FY 2022
Water Distribution	\$3,538,294	\$4,791,705
Sewer Collection	5,159,363	5,922,028
Wastewater Treatment Plant	<u>1,385,685</u>	<u>2,028,901</u>
Total	\$10,083,342	\$12,742,634

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W & S Capital Expenditures

- Water Distribution
 - Northside Water Infrastructure 2,000,000
 - Radio Read Meter System 425,000

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W & S Capital Expenditures

- Sewer Collection System
 - Northside Sewer Infrastructure 4,512,700
 - Betty Lane Station Pump 24,000
 - Mountain Creek Station Pump 34,000
 - Usemco I Station Pump 26,000
 - Sewer Rehabilitation 281,300
 - Ford F550 Flatbed with Crane 92,000
 - Trailer for Backup Generator 11,000
 - Easement Sewer Jetter 22,700

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W & S Capital Expenditures

- Wastewater Treatment Plant
 - Replace Rotors in Both Ditches 1,074,000
 - Floating Aerator 32,500

**Total Water/Sewer
Capital Expenditures 8,535,200**

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Water & Sewer Rates

Water Rates	FY 2021	FY 2022
• <10,001 gallons	\$ 6.33	\$ 6.33
• 10,001 to 50,000 gallons	5.96	5.96
• 50,001 to 100,000 gallons	4.64	4.90
• >100,000 gallons	4.48	4.90
• Bulk Water	.01/gallon	.01/gallon

Sewer Rates 110% x Water 110% x Water
Leachate Rate \$.03-.033/gallon \$.033/gallon

• Minimum Bill - Residential W&S	\$ 5.25	\$ 5.25
• Minimum Bill - Commercial W&S	\$45.13	\$45.13

Connection Fees	FY 2021	FY 2022
• Water	\$1,000.00	\$1,000.00
• Sewer	\$1,500.00	\$1,500.00
• Irrigation Meter	\$1,000.00	\$1,000.00

Out of Town Service 2 x In Town Rate 2 x In Town Rate

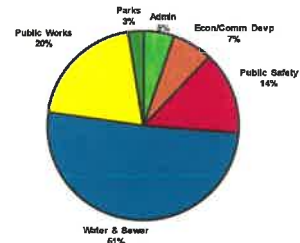
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Water & Sewer Rates Fiscal Year 2022

Consumption (x 1000 gallons)	1.0	3.1	10.1	50.1	100.1	500.1	1000.0
Base Rate	6.33	6.33	5.96	4.90	4.90	4.90	4.90
Consumption Charge	6.33	19.62	60.20	245.49	490.49	2450.49	4900.00
Service Charge	2.50	3.00	7.00	75.00	75.00	75.00	75.00
Sewer Charges @ 110% x Water Rate	9.71	24.89	73.92	352.54	822.04	2778.04	6472.50
Total Charges	18.54	47.51	141.13	673.03	1187.53	5303.53	10447.50
Monthly Increase	.00	.00	.00	6.14	14.00	363.65	800.63

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Expense Distribution



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