

MONDAY – 5:30 P.M. MARCH 29, 2010 SPECIAL COUNCIL MEETING

The City Council of the City of Elizabeth City held a Special Meeting on the above date in the City Council Chambers of the Municipal Administration Building with Mayor R. A. McLean presiding. Those Council Members attending were: J. M. Baker, M. E. Brooks, L. Hill-Lawrence, L. A. Hummer, R. E. King, J. A. Stimatz and J. B. Walton. B. S. Meggs was absent. City staff attending were: City Manager R. C. Olson, Deputy City Clerk V. D. White, Human Resource Director K. W. Felton, Planning Director J. C. Brooks, Police Chief C. E. Crudup, Finance Director S. E. Blanchard, Fire Chief L. M. Mackey, Public Utilities Director P. A. Fredette, Inspections Director S. E. Ward, Electric Director K. F. Clow and Parks and Recreation Director B. V. White.

Mayor McLean established a quorum was present and called the meeting to order. He called upon Councilman M. E. Brooks for the invocation after which the Pledge of Allegiance was given to the Flag of the United States of America.

1} APPROVAL OF THE AGENDA:

Mayor McLean called for approval of the agenda.

A motion was made by Mayor Pro Tem L. A. Hummer, seconded by Councilwoman J. M. Baker to approve the agenda as prepared. Those voting in favor of the motion were: Hummer, Baker, Brooks, Hill-Lawrence, R. E. King, J. A. Stimatz and J. B. Walton.

2} PRE-BUDGET DISCUSSION:

Mayor McLean called upon City Manager R. C. Olson for comments on the upcoming budget.

Mr. Olson stated the Fiscal Year 2010-2011 is going to be a very difficult budget for us. We have seen some substantial decreases in our revenues and we have also experienced some substantial increases in some of our costs. This is going to be probably the most challenging year the City of Elizabeth City faced since FY 2001-2002 when Governor Easley captured our sales tax money and caused us a great deal of problems back in that particular time. He went through the power point presentation and answers questions as he went though the presentation. The pre-budget work session is tonight and your first actual budget work session

is for May 3rd. There is another one on May 17th, May 25th, June 7th and hopefully we will have the public hearing around June 14th. The final adoption of the budget will be on June 28th.

He went over the three major accounts of the City in 2009-2010. They are as follows:

General Fund	\$20,399,998
Electric Fund	\$39,333,416
Water/Sewer Fund	<u>\$ 7,964,775</u>
Total	\$67,698,189

Our revenue outlook is very bleak. Our sales taxes will remain flat, interest rates are not expected to increase and building permit fees are not expected to increase.

In the FY 2010-2011 Recommended Budget we will see decreases as follows:

Decreased in General Fund Balance	\$535,587
Increase in Retirement Contribution	\$190,000
Increase in Health Insurance	\$185,000
Increase in Property Insurance	\$ 30,000
Decrease in Sales Tax Revenue	\$200,000
Decrease in Building Permits	\$ 12,000
Decrease in General Fund Interest Income	\$130,000
Decrease in Impact Fees	TBD

Within our Property Taxes:

There is no projected growth
The Existing Tax Rate = \$.45 per \$100 valuation
1¢ = \$137,000
Total of \$5,710,000 including motor vehicles

Within our Sales Taxes:

Total of \$2,450,000
13% less than received in FY 08/09
Will receive about \$125,000 less due to County tax increase last year

As of February 28, 2010 our cash balances were:

General Fund	\$5,860,320*
Electric Fund	\$3,636,043

Water/Sewer Fund	\$1,520,218
Stormwater Utility Fund	\$ 724,164

*The General Fund Balance includes \$1,812,892 in restricted Powell Bill funding.

Our personnel costs are as follows:

0% COLA]
 26% Increase in Retirement Percentages (\$190,000)
 Are requesting no additional positions

Possible reduction of 4 positions in various City departments

As to Insurance costs:

10% increase – Health Insurance (Additional \$185,000)
 28% Increase – Property Insurance (Additional \$30,000)

The following are our Existing Debt:

General Fund

 Installment Purchases

 Police vehicles, fire pumper, rescue pumper, street sweeper, leaf machine,
 side loaders, computers, park property

Water & Sewer Fund

 Installment Purchase

 Vacuum truck, water and sewer improvements

State Loans

 Improvements to Water and Wastewater Treatment Plants

The following are our debt payment reductions:

General Fund

Street & Sidewalk Improvements	\$186,229
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Total General Fund	\$186,229
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Water/Sewer Fund

Annexation	\$372,123
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Vacuum Truck	\$ 26,472
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State Loans	\$ 30,398
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Total Water/Sewer Fund	\$428,993
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He continued by saying that staff has prepared a draft 2010-2011 recommended budget but it is not balanced. The following shows how much each fund is out of balanced. You can see there is very little capital expenditure included in this budget.

General Fund	(-\$750,000)
Electric Fund	(-\$800,000)
W/S Fund	+\$80,000

You have some very critical policy related decisions that need to be made in order to balance the budget. They are as follows:

- Raise Taxes
- Raise fees for services
- Privatize certain city functions
- Decrease the level of services offered
- Decrease the number of employees
- Decrease employee benefit package
- Decrease the City's reserve funds below target amount
- A combination of all of the above

He opened up the meeting for questions from Council.

Councilman Walton stated that our next budget meetings isn't until May 3rd and he feels that we should start our meetings in April.

A motion was made by Councilman R. E. King, seconded by Mayor Pro Tem Hummer to call a Special Meeting on the 12th of April at 5:30 p.m. for the sole purpose of the City Manager presenting a balance budget to Council. Those voting in favor of the motion were: King, Hummer, Baker, Brooks, Hill-Lawrence, Stimatz and Walton. Against: None. Motion carried.

Following additional discussion regarding the proposed budget meetings, Councilman King asked to make the following motion.

A motion was made by Councilman R. E. King, seconded by Mayor Pro Tem L. A. Hummer to schedule an additional budget work session meeting on April 19, 2010 at 5:30 p.m. with dinner to be served. Those voting in favor of the motion were: King, Hummer, Baker, Brooks, Hill-Lawrence, Stimatz and Walton. Against: None. Motion carried.

3} INTERLOCAL AGREEMENT FOR CONSOLIDATION OF CITY/COUNTY PARKS AND RECREATION SERVICES:

Mr. Olson said during the meeting on January 25, 2010 city staff presented a draft of the proposed Interlocal Agreement for consolidation of City and County Parks and Recreation Departments. During the Board of County Commissioners meeting on March 15, 2010, the Commissioners approved the Interlocal Agreement. Under the agreement the City would maintain all parks in the County. The City would develop the budget. The County would pay 55% of the net expenditures and the City would pay 45% of what the actual costs of the budget. The City Manager would prepare the budget and present it to the County by April 1st of each year and all existing assets would remain with the respective entities. The capital assets that the City owns would remain ours. The County parks and equipment would remain theirs. The real property would be retained by each respective entity. The agreement is for five years, July 1st, 2010 to June 30th, 2015. There is a one year termination provisions. If either party is unhappy they can get out of that five year agreement with a one year termination provisions. Also one of the items within the Interlocal Agreement is to create a Parks and Recreation Advisory Board which would be made up of one City Council Member and two citizens and one County Commissioner and two county residents. City staff has been working with County staff concerning the consolidation of the two budgets.

Mayor McLean stated he would like to look at the numbers again because he has some concerns about this agreement. He doesn't see a strategic plan or what happens if the County doesn't approve the budget as presented to them by our staff. When we talk about 55% are we talking about net cost. Suppose revenues do not come up as proposed. Do they still kick in the 55% of the unrealized revenues? Are they totally in agreement with that?

Mr. Olson replied that yes they were.

Mayor McLean asked what were the advantages to us going with this. There are no cost savings for these total responsibilities being dumped on us. There is no money for administrative costs.

Mr. Olson said right now you have to remember the County's Parks and Rec Department is a very small department. It only includes two employees while the City's Parks and Rec Department has twelve full time employees. The advantages are the City has historically been involved in the recreational aspect of it. We have an existing agreement with the County that the County will pay a percentage. The County's contribution in this year's budget is \$414,160. They also pay one half of the costs of the Senior Citizens Center which is \$67,000.

A motion was made by Councilwoman J. M. Baker, seconded by Councilman R. E. King to approve the Interlocal Agreement for consolidation of City and County Parks and Rec Services.

Councilman Brooks stated he would like to see the budget for this item before he votes on it.

Mayor Pro Tem Hummer asked if Fun Junction would still be operational.

Mr. Olson replied that we would take over under this agreement the maintenance of Fun Junction. That is something that we would be working with the County on.

Mayor McLean said he really didn't think that we wanted that because to even make it work it is going to cost a lot of money. If Fun Junction was not a part of it he wouldn't see any problems with the agreement. He thinks that we should take a long look at this agreement a little bit further because as you know there is a law suit that is still pending as a result of a death that took place at Fun Junction. It is next to a junk yard also it isn't going to work. It hasn't worked to date and that should tell you something. He would hate to see the City take on that type of responsibility until we have had time to look at it. We don't need Fun Junction with the things that we are planning with some youth activities.

Mr. Olson said if you have those types of concerns then maybe the Council should table action on the agreement until staff can provide you the information.

Mayor Pro Tem L. A. Hummer made a substitute motion, seconded by Councilman J. A. Stimatz to table action on the proposed Interlocal Agreement with Pasquotank County regarding the consolidation of the Parks and Recreation Departments of the City and the County until further information is received. Those voting in favor of the motion were: Hummer, Stimatz, Baker, Brooks, Hill-Lawrence, R. E. King and J. B. Walton. Against: None. Motion carried.

4} ADJOURNMENT:

There being no further business to come before the Council at this time, Mayor McLean called for a motion of adjournment.

Mayor McLean adjourned the meeting at 7:34

Dianne S. Pierce-Tamplen, MMC
City Clerk

Roger A. McLean
Mayor