

MONDAY – 5:30 P.M. APRIL 18, 2011 BUDGET WORK SESSION

The City Council of the City of Elizabeth City held a Budget Work Session on the above date and time in the City Council Chambers of the Municipal Administration Building with Mayor R. A. McLean presiding. Council members in attendance were: Mayor Pro Tem L. A. Hummer, Councilors J. M. Baker, L. M. Hill-Lawrence, B. S. Meggs, J. A. Stimatz and J. B. Walton. Councilmen M. E. Brooks and R. E. King were absent. City Staff attending were: City Manager R. C. Olson, Deputy City Clerk V. D. White, Finance Director S. E. Blanchard, Public Utilities Director P. A. Fredette, Electric Director K. F. Clow, Parks and Recreation Director B. V White.

Mayor McLean established a quorum was present and called the meeting to order at 5:30 p.m. He welcomed those attending. He called upon Councilwoman L. M. Hill-Lawrence for the invocation after which the Pledge of Allegiance to the Flag of the United States of America was given.

1} APPROVAL OF THE AGENDA:

Mayor McLean called for approval of the prepared agenda.

A motion was made by Mayor Pro Tem L. A. Hummer, seconded by Councilman J. A. Stimatz to approve the agenda as presented. Those voting in favor of the motion were: Hummer, Stimatz, Baker, Brooks, Hill-Lawrence, King, Meggs and Walton. Against: None. Motion carried.

2} DISCUSSION OF FISCAL YEAR 2011-2012 RECOMMENDED BUDGET:

Mayor McLean called upon City Manager Olson for comments.

Mr. Olson stated that during our last budget work session we quit with one department left in the General Fund and that was the Parks and Recreation Department and he asked to defer it to this meeting. There is a substantial amount of difference in our 2011 budget and our 2012 budget. As you can see personnel services were estimated at \$1,030,982. We have a number of positions that we are recommending to Council. It includes one full time park maintenance worker, two part time maintenance workers and three concession stand workers. That is why you see the big increase in the personnel services. Operating expenses is \$473,582 and almost all of that is related to programming

at South Park. Increased utilities costs are the primary reasons associated with that. The capital expenditure is \$537,500 and \$400,000 is for the splash park and the other \$137,000 is associated with equipment to be purchased for the upkeep and maintenance of South Park and River Road Soccer complex. Other expenditures are \$81,128. The total amount to the Parks and Rec budget went from \$1.4 million to \$2.2 million. You also see the number of budgeted positions went from 11.5 to 15. Looking at the Capital Expenditures the splash park is \$400,000, a new pickup truck is \$21,000, \$76,000 of that is for a Toro Mower for the ball fields. \$27,000 is for a F450 truck which is a small medium size dump truck and then you have some other field maintenance for \$10,000. We are recommending that we do installment purchase financing on these items and it would be a five year financing issue.

Ms. Blanchard stated that in the Parks and Rec budget the County pays 55% and the City pays 45%. With the increases that we are proposing the County would be paying a total of \$840,000. This is about \$180,000 more than they paid this year.

Mr. Olson said we did involve representatives of the County in the Parks and Recreation Budget. The Assistant County Manager was over here and we discussed prioritizing which capital equipment and went into a great deal of detail concerning why the Budget would be increasing. He will be upfront with you as he knows the Commissioners will have a problem with the budget going up that amount. That is net revenue that is received. There is some revenue that is included in the General Fund for concession stand sales, tournament sponsorship and organized program revenue.

Mr. Stimatz asked if the Parks and Recreation Board has given a formal recommendation on the Splash Park. He knows how Bill Trueblood thinks it is a good idea but do you have any idea how the others feel about it in general. He knows they talked about it but the last time he talked with Rickey he said that they had not taken formal action on it. He is getting push back from people saying that it will be competing with Meads Pool. His personal thought is you are going to get the Pop and Mom crowd and the ten and under crowd. The swimmers are going to go to the pool.

Ms. Hill-Lawrence asked if the \$400,000 includes the purchase of the land.

Mr. Olson replied that we have not identified the purchase price but we believe the \$400,000 hopefully will be able to cover it all. We are looking at roughly \$150,000 for the actual splash park and \$150,000 for a bath house and then the other \$100,000 for the land.

Mr. Walton stated that the Youth Task Force gave him permission to give an endorsement to the proposed Splash Park. We need to do something for our youth and to him this is one of the things that even the Daily Advance endorsed it over the weekend as a great idea. Initially it was just an idea but the more we talked about it at the Task Force meeting the more it became something that could become a reality. That is where we are now. It would have been nice if he could have been a part of the Recreation Committee because the more they hear it the more they might become more positive with the idea. We have got to carry the message back to them that we are definitely for it. It is not a plaything that we are trying to endorse as we are trying to get something that will become a reality for the children. It is hard for a splash park to compete against a swimming pool but he thinks everybody went out and looked at the swimming pool and said we need to tear this down and build it back up. He would hate to put \$50,000 into something that we don't have any control over at all. We can control this splash park.

Mr. Olson said the County will not pay 55% of the costs. Included in the Parks and Rec operating budget is the salaries of the individuals that will be operating that facility. We do believe in all likelihood that the park will be self sufficient and be able to cover its operating expenses but there is no way we would be able to recover the capital construction costs of \$400,000. We will probably have two or three persons working at that facility.

Mayor Pro Tem Hummer said since we are talking about two different age groups entirely she doesn't see how this would be in competition or affecting the pool. She thinks it is two different things and it would serve two areas of the community. The other thing is she distinctly remembers last year we took a tour of Meads Pool and at the end of it we said that we, the City Council, did not want anything to do with it. Then this contractor comes along and he is going to open it and then we get letters asking for a lot of money. Which is it? She thought that was going to be on the contractor who wanted to open the pool and she thought we were not going to have any part of it.

Mr Olson said the operator of the pool is soliciting donations from a number of different groups and entities and you received the first part of last week a request for funds and that was the first time he was aware that he was asking for a contribution from the City. To his knowledge we have never subsidized Meads Pool. It has always been a County related function and it is not included in our Inter-Local Agreement. We specifically withdrew that particular facility out of that agreement because of Council's concerns about how run down it was. A new pool would cost roughly \$2.5 million. That is basically the Parks and Recreation budget.

Mayor McLean said this is in line with what we said we would do at the outset. This is for the young kids. If you want to see one that is outstanding go to Smithfield. They do have a pool tied into their splash park. He is real proud of what the Council is considering doing. So far he hasn't had anybody say that they didn't want us to do it. This is something that we should really work on getting it done.

Mr. Olson said the next department in the General Fund that we did not discuss is the Senior Citizen Center. Pasquotank County pays one half of the cost of this particular facility. As you can see personnel costs are down a little. Operating expenses stayed relatively the same. Capital expenditures are \$4,000 which includes a new copier. We try every year to purchase some new folding chairs and tables to keep it modern. The Senior Citizen Center's overall budget has decrease a little bit.

Mr. Olson said that we have identified three software packages that can be used for cemeteries. They average about \$7500. Of course the software is the least of the expenses. It is filling the data base that you have. He will be giving you more information during the budget process for that.

Mr. Olson said now we are getting into our enterprise funds. The first one he would like to go over is the Stormwater Utility. Looking at the revenue side we are anticipating from residential of about \$200,000 and commercial about \$190,000. Miscellaneous revenue of \$3,000 with total revenue of \$400,000. We charge \$36.00 per residential lot and \$.01 per square foot for commercial with a minimal of \$36 paid by any commercial entity. Some of the recommended expenditures will be salaries and wages is \$29,000. GIS inventory is \$75,000, Roanoke Avenue Phase III is \$100,000 and the Fairgrounds is \$75,000. The Stormwater Utility Fund will not issue any debt.

Mr. Stimatz said they have not issued their report yet but the things on here like the GIS Inventory these are the key issues that the group has identified. That is to get the mapping done so we know what our system looks like because we haven't known what it looks like. The Fairgrounds project is a critical program because it impacts Hughes Boulevard, end of Cedar/Maple/Colonial and also Sawyertown/Pennsylvania because thirty years ago they diverted the water out past the old Fairgrounds behind Perry Glass past the old landfill to Knobbs Creek. At some point that broke and nobody fixed it. DOT opened up the blockage that kept it from crossing back over Hughes Boulevard into Factory so we have been using that for a retention pond and pumping it back to Factory in through Sawyertown. This is a critical piece and between this and Elizabeth Street project we are going to see some significant progress in the Second Ward drainage. This is a big project and impacts a lot of people and a lot of families that were subject to flooding. Again, he will remind everybody that 40% of the

City is built on a swamp and it still is sitting in a swamp even though there aren't any trees.

Mr. Olson said the next fund is the Electric Fund. He went over the revenues that we are generating. We are anticipating from our retail customers \$37,488,852, late fees \$500,000, interest earned on investments is \$11,000, other finances sources is at \$3.5 million and that is for the second delivery station and miscellaneous revenue is \$467,000. Your total revenue anticipated for this fund is roughly \$42 million. The operating cost for the non-departmental is \$2.2 million, Customer Service is \$514,000, Electric Distribution is \$60 million, Load Management is \$1.1 million, IT is \$108,000 and Purchasing is \$180,000 for a total operating cost of \$2.2 million.

Mayor McLean said that he would like to see a 20% decrease in the amount of transferred funds that we take from the Electric Fund and put in the General Fund. That would demonstrate to the citizens that we are making an attempt to help them solve their problems. Our utility balance now is not good. This money would stay in the Electric Fund to make sure that the Electric Fund is sound because there is no way this side of the hot place that we can ask people to give additional funds to support the Electric system. As he looks at this overall budget we have ways of doing that and he is impressed with what he has seen in terms of how we can do that. What is going on with the State right now is we have House Bill 457 and Senate Bill 459 which is a study of the 32 cities utility services in northeastern North Carolina. This is the first time that the Legislature gets involved. They are saying that we need help. It disappoints him about ElectriCities because every time someone wants to help us they come up with a way of saying well we have already tried that before and it didn't work. He encourages ElectriCities to work with our Legislature to help us find a solution for our problem. There is a 35% gap between what we pay and what non-ElectriCities pay. We need to close that gap.

Mr. Olson continued by saying he thought that we could go through the Electric fairly quickly. What you have is IT services, we have two full time positions funded between the Electric and Water & Sewer departments. The overall expenses in that department dropped from \$120,000 to \$108,000 and that was because there was no capital expenditure. The next item is Warehousing/Purchasing. Those expenditures stayed relatively the same. The Non-Departmental personnel expenses are \$120,000, operating expenses are the line item that shows you where the power will be. Other expense is \$1500. The highlights of the Electric Department are group insurance/retirees are \$120,000 a year. The purchasing power for resale is \$31.65 million. Payments to the General Fund are \$600,000 and that is in lieu of services payment to the General Fund and payment to the General Fund in lieu of taxes is \$1,050,000. Customer Service that is split among the different water, sewer and electric funds. We are

proposing a one person increase in Customer Service to help with some of the service related issues that we have been experiencing. Everything else stays roughly the same. The \$48,675 in capital expenditures is part of the phone system that we discussed earlier. The Electrical Distribution personnel costs are roughly the same. Operating expenses have come down a little bit. Capital expenditures are basically where you will find the \$3.5 million for the sub-station. We had an extremely hard time balancing the Electric Department budget this year. Load Management stays the same. The major capital expenditure is \$70,000 for switches. We have \$65,000 for our weatherization program. We have discontinued the water meter rebate as we have had no one to come forward in the last two years.

Mr. Olson stated in the Water and Sewer which is the last fund for us to do. Revenue is \$94,000, water revenue is \$4.6 million, sewer revenue is \$2.6 million and water and sewer surcharge is \$230,000 and sewer service fees at \$150,000. You may remember when the lady from the LGC was here we discussed how we may want to look at redistributing our water and sewer rates as our water rates are high and our sewer rates are low. Since we have a combining fund we can go ahead and do a reallocation of those costs but it really wouldn't do much good. The bottom line is we are still staying roughly the same. If Council wants us to look into that we would be happy to have someone come in and do a rate analysis for us.

Mr. Olson stated one of the things that you requested at an earlier budget meeting was information on our debt. He briefly went over explaining in detail the entire debt of the City.

Mr. Olson stated the Wastewater Treatment Plant personnel costs are roughly the same. Operating expenses are fairly close, capital expenditures is also about the same and the total amount is \$1.5 million. The major expense in the Wastewater Treatment Plant is \$400,000 and is for utilities. We will have an engineer working with us over the summer and one of the areas he will be looking at is how to reduce our overall utility costs at the Wastewater Treatment Plant. We are hopeful because of his engineering background and he is a PhD candidate. The department with the highest utilities is the Wastewater Treatment Plant. A contractual service of sludge removal is \$260,000 and a dumpster service at \$28,000.

Ms. Blanchard said in Water and Sewer Maintenance we have \$835,000 for customer service, \$783,000 for operating expenditures, \$125,000 for capital expenditures and there is 17 positions in that division. The operating expenditures have increased. Maintenance of vehicles had to be increase because of the current expenditures in this year's budget. We had to increase

automotive supplies and a few other operating expenses. We have \$125,000 for pump station improvements.

Mr. Olson said that is a quick overview of the City's operating budget. During the first budget meeting you had a number of questions.

Mr. Stimatz said in the Urban Forestry Commission charter they are supposed to come to Council with their budget and he assumed they had no budget. The Commission is suppose to come before Council in March and let us know what they need. Since they did not appear he presumed that they did not have any requests.

Mr. Olson stated he included in the Parks and Rec budget \$3,000 for additional trees.

Mr. Olson said you requested a break down for each fund which we passed out at the beginning of the meeting. We need to apologize because the one we originally send was hard to understand so we changed it so that you would be able to understand it. He has had some discussion with the Labor Attorney and there are some concerns with the issue of the employees paying for insurance on a sliding scale based on income and he needs to do some more investigating. We are still investigating matching the 401K dollars by employees only. That is hard to do. The assumption we discussed at staff meeting and in all likelihood we believe the employees that make less than \$40,000 would not have the financial resources to match the 401K. Those that make above \$40,000 are able to partially match. He doesn't know how he can generate the number for that. A breakdown of capital outlay by funding source we are working on. The constructions costs are included in that one spreadsheet that we handed out. The car take home policy was also included in some documents we handed out. We had a great deal of discussion this morning with the Chief of Police concerning the camera maintenance both in car and security cameras we have. The Chief is in the process of getting an agreement for the cameras. The initial price he had was \$12,000 but we believe that is a little on the high side so we are looking at that now. We still need to review investigating cutting 911 and animal control expense until County executes an agreement. The cemetery mapping he briefly touched on for \$7500. That is just the software. The Finance Committee discussed the non-profits request today. They were of the agreement that we would not look at the non-profit funding until some time in August.

Ms. Hummer said that is correct. Also, in the police budget we recommended that Council consider increasing the number of security cameras by two per year starting this year.

Mr. Olson said that concludes everything that he needed to discuss with Council. Are there any specific items you want us to bring forward to the next meeting? That meeting will be May 2, 2011.

Mayor McLean said he would like to say he would like for the Chairperson of the Finance Committee to call a Special Meeting of the Finance Committee to meet with Fire and Parks and Rec. Also for Public Works we still need a copy of the deferred maintenance plan prioritized. You have another week to get that straight. We want to look at the items that we feel as though we should accomplish in this Fiscal Year. We want Public Works to prioritize those items for our review. That gives us a chance to review them and make any changes we feel are needed. He thanked the Manager and staff for spending time with Council today.

3} ADJOURNMENT:

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

A motion was made by Councilman J. A. Stimatz, seconded by Mayor Pro Tem L. A. Hummer to adjourn the meeting. Those voting in favor of the motion were: Stimatz, Hummer, Baker, Hill-Lawrence, Meggs and Walton. Against: None. Motion carried.

Mayor McLean adjourned the meeting at 7:25 p.m.

Dianne S. Pierce-Tamplen, MMC
City Clerk

Roger A. McLean
Mayor