TUESDAY – 5:30 P.M. APRIL 28, 2009 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 S. S. Atkinson presiding. Council members attending were: J. M. Baker, D. B. Evans, L. A. Hummer, R. E. King, B. S. Meggs, E. K. Rivers, J. A. Stimatz and V. C. Watts. Staff members attending were: City Manager R. C. Olson, City Clerk D. S. Pierce-Tamplen, Finance Director S. E. Blanchard, Parks and Recreation Director J. D. Overman, Public Utilities Director P. A. Fredette, Planning Director J. C Brooks, Inspection Director S. E. Ward, Human Resource Director K. W. Felton, Fire Chief L. M. Mackey, Police Chief C. E. Crudup and Electric Director K. F. Clow.

Mayor Atkinson asked to say that a former Mayor of Elizabeth City, Mayor Sid Oman passed away yesterday. Mr. Oman was Elizabeth City's Mayor from 1989 to 1991. The funeral services will be at 11:00 Saturday morning, May 2, 2009 at the Great Bridge Baptist Church. We want to keep his family in our prayers and thoughts.

Mayor Atkinson called upon Councilman R. E. King for the invocation followed by the Pledge of Allegiance to the Flag of the United States of America.

1} APPROVAL OF THE AGENDA:

Mayor Atkinson called for the approval of the agenda.

A motion was made by Mayor Pro Tem J. M. Baker, seconded by Councilwoman L. A. Hummer to approve the agenda as presented. Those voting in favor of the motion were: Baker, Hummer, Evans, King, Meggs, Rivers, Stimatz and Watts. Against: None. Motion carried.

2} REVIEW OF OUTSTANDING ISSUES FROM BUDGET WORK SESSION OF APRIL 20, 2009:

Mayor Atkinson called upon City Manager Olson for comments.

Mr. Olson stated there were a number of questions that came up during the first budget work session. We only had one week between the two work sessions and we had a council meeting in between that we had to prepare for. We do not have all the answers to some of the questions you raised but he will try to

address most of those. There was a discussion about moving one of our employees from the Street Fund back into the Powell Bill Restrictive Fund. That would free up $39,808 within the unrestrictive part of the General Fund. We would need to increase our appropriation out of the Fund Bill Account by an equal amount of $39,808. The Council also had recommended that we had funding for the purchase of all the fire pagers and that is $10,800 and of course the bad news we received last week is our Health Insurance rates are increasing by 11.7%. We had included in our budget a 5% increase so the net affect in the General Fund is $78,396 so we have a deficit of $49,388. We will discuss later on what we need to do to come up with that additional money or different options available. What you will see in each one of our utility accounts is the amount will need to increase to fund our increase in health insurance costs.

There was a question concerning the street sweeper. We currently have an Elgin street sweeper and it is a 1995 year model. It has 71,410 miles on it. It is a hydrostatic not a vacuum type street sweeper. What we are proposing to replace it with a similar hydrostatic type street sweeper. If he remembers right, it was an expenditure out of the Powell Bill Funds.

We had a fairly lengthy discussion concerning Sanitation expenses. Because we haven't had a lot of time to really think through possible options, members of staff did meet with one of the private hauling companies here in town to discuss the option of privatization and whether or not there would be a cost savings. Based on the outcome of those discussions it appears for basic trash service and that is recyclables and garbage our price is as cheap if not cheaper than what a private company can do it. The private company said they are not interested in hauling brush, leaves or any of the other stuff. Right now our base rate for sanitation is $13.00 per month. We would have to raise it to $18.50 to make it a 100% self sufficient. We are looking at options of maybe changing our recyclables schedule from once a week to once every other week. However, when we made that decision two-three years ago we basically supplemented it with the inmates we had working for us. The actual cost savings is very minimal in that area. Most of our expenses are associated with leaf pick-up and also white goods pick-up. It is more of a policy decision whether or not you want to stop doing that type of service to the citizens. What he has proposed in the budget is no increase, keep it at $13.00. If we want to make it 100% self sufficient we need to go to $18.50. That is one of the options we have. It would free up in essence $368,000 within the General Fund that could be used for other purposes.

There was a question concerning the fire inspection contract we presently have with the County. That particular method of payment was determined in 2000. The percentage based on that is 60% to the City and 27% to the County and 13% to Camden County. The City uses 67%, Pasquotank County uses 23% and

Camden uses 10%. These numbers of inspections do not include schools, foster homes and daycare facilities. The formula we have right now is a fairly fair formula. We would not propose any changes or negotiating a new formula at this particular time. One thing we are looking at is whether or not we should charge capital items to this particular budget. We haven't in the past but based on our other agreements we have determined all capital expenditures such as vehicles should be counted toward the overall fire inspection budget and that a percentage be paid by each respective entity.

You had a number of questions concerning the child safety seat program. The certification requires 2 personnel to perform each install to protect liability issues. Certified personnel needed to cover demand at stations, community events and for NC Highway Patrol Checkpoints and currently receiving funding for safety seats from 3 entities annually: Safe Kids Coalition, Governor's Highway Program and General Motors.

Chief Mackey advised it is a double check system. It pays to have everyone certified at the station and it does not place an undo demand on our personnel as far as scheduling, plus the fact it helps us in receiving grants from the above three different agencies that fund the child safety seats.

Mr. Olson continued by saying the cost associated every two years for recertification of each personnel plus the cost of the instructor is $3400.

The above is a recap of the first budget meeting. We did not because of the late hour was able to get to the Stormwater Utility and he would like to pick up from there.

Mr. Rivers said he did not see anything on the PAL program and he would like to see the monies placed in that fund. He does not want it to slip through the slots.

Mr. Olson said the option is to provide $15,000 for the PAL Program. The funding question is in front of you and where it goes is another issue which he thinks we need to get the money issue taken care of first.

Mayor Pro Tem asked if PAL had given us any numbers yet?

Mr. Olson said he thought they said twenty. He believes the County funded them to the tune of $20,000 if he remembers right. They are working with the County on the gym and some other activities. He is pretty sure what they requested from us was $20,000.

Councilwoman Hummer said if she is not mistaken we have $20,000 in Council Contingency Fund why can't that go for PAL and not have to make the deficit any larger.

Mr. Olson said it can be used for that. If you remember last year we just put in there for the City Council to make any type of payments to 501-C-3 corporations or non-profit corporations. We just put $20,000 in the budget as a holding place within the budget so you can spend that money however you deem fit. Last year you gave money to the Food Bank, Tabernacle of Faith and the Homeless Coalition, Coast Guard Day and New Beginnings. That is why we put the $20,000 in there so you could give money to organization you think are worthy of it. He would be very reluctant to spend that $20,000 for the PAL Program. That means you would have no additional funding throughout the entire year.

Mr. Stimatz said at some point we ear marked $20,000 for unspecified use to Oak Grove. Was that a one-time ear mark?

Mr. Olson replied we ear marked those funds the last two years. There are none in this year's budget because those funds were ear marked for drainage related projects and it is included in the Stormwater Utility this year. We are actually fixing the problem.

Ms. Watts said Mr. Rivers specifically made that $20,000 contingency fund for Oak Grove and if she has to we will go back and look at the record. She doesn't know how it got switched over to the storm drains out side of it just being put there.

Mr. Olson went over the potential revenue resources for the Stormwater Utility. They were as follows:

Residential Revenue	$200,000
Commercial Revenue	$185,000
Miscellaneous Revenue	$ 2,000
Retained Earnings	$508,000
Total Revenue	$895,000.

The expenditures would be as follows:

Salaries and Wages	$ 85,000
Contracted Services	$110,000
Transfer to Roanoke Ave	$160,000
Transfer to Oak Grove	$535,000
Capital Outlay	$ 5,000
Total	$895,000

As Council is aware we have had to redesign the Oak Grove project. The Roanoke Avenue project is moving forward. We are running into some property issues associated with Roanoke Avenue. Any discussion concerning those issues should be done in Closed Session. It is our intention to move forward with both of these projects. Oak Grove will have some preliminary work back to the City Council by your last meeting in May. Roanoke Avenue is basically Phase II of the project is what we are working on. That includes a number of storm water retention ponds and of course Phase III of Roanoke Avenue is the pumping station down off of Charles Creek and Herrington general area. We will provide the Council with the percentage of people's salary that should be allocated to this particular fund.

Mr. Olson proceeded with the overview of the Electric Fund. He stated the revenue is as follows:

Energy Sales	$ 38,150,000
Late Fees	$ 450,000
Interest Earned on Investments	$ 100,000
Payment from W/S Fund	$ 284,985
Retained Earnings Appropriated	$ -0-
Miscellaneous	$ 349,331
Total	$39,333,146

The Fiscal Year 2009-2010 Budgeted Operating Costs are as follows:

Non – Departmental	$ 1,901,086
Customer Service	$ 554,729
Electrical Distribution	$ 2,927,633
Load Management	$ 1,151,794
Information Tech	$ 103,574
Purchasing	$ 194,690
Total Operating Costs	$ 6,833,416
Less Other Revenues	$ 1,183,416
Total Operating Costs	$ 5,650,000

Maintenance of Trees	$ 50,000
Maintenance of Lines	$ -50,000
Add Health Insurance Inc.	$ 14,108

Councilwoman Watts asked if he had brought anything to us about the prepaid meter system.

Mr. Olson said no he has not as we are still doing our research. We had identified a prepaid meter and they have stopped making that meter. The substitute meter that particular company decided to go with is considerably more expensive like $150 - $200 more per meter. We are looking at three other type systems right now. We are working with ElectriCities towards that option. We have had conversations with the City of Bryan, Texas which has a very effective prepaid metering system. We are working towards that. The City of LaGrange is going to an electronic metering system that accomplishes part of what we want to accomplish but that system is very expensive. It allows them to shut off the meters from City Hall. That system is entirely different than the metering system we are looking at. We have been doing a lot of work on this issue but we are not ready to bring it to Council yet.

Mr. Olson advised the highlights of the IT Department are as follows:

Contracted Services	$28,834
Program Updates	$10,500

Highlights of the Purchasing/Warehousing Services are:

Personal Services	$109,017
Operating Expenditures	$ 35,673
Purchasing Fund Total	$194,690

The cost for Purchasing/Warehousing Service Level is $20,000 and is for the C/O underground fuel tanks.

The Non-Departmental Service Level Summary is as follows:

Personal Services	$ 91,000
Operating Expenses	$34,310,086
Total	$34,401,086

The highlights Electric Non-Departmental Service Level are:

Group Insurance-Retirees	90,000
Purchase for Resale	$32,500,000
Payment to GF – Lieu of Services	550,000
Payment – Lieu of Taxes	$ 1,100,000

The Customer Service Level Summary is as follows:

Personnel	$ 326,740
Operating Expense	$ 169,989

Capital Expense	$ 58,000
Customer Ser Fund total	$ 554,729

Customer Service Service Level (Electrical Department) is as follows:

Bank Charges	$ 48,800
Capital Outlay	$ 58,000

The electric distribution service level summary is:

Personnel	$1,190,390
Operating Expenses	$1,185,943
Capital Expense	$ 551,330
Total	$2,927,633

The highlights pf the Electric Distribution Service Level are:

Maintenance & Repair of Lines	$525,000
Line Improvements	$485,000
Capital Outlay	$ 66,300

The Load Management Service Level Summary is as follows:

Personnel Services	$342,029
Operating Services	$630,675
Capital Outlay	$179,000
Total	$1,151,704

The highlights of the Load Management Service Level:

Maintenance & Repair of Generators	$170,000
Weatherization Program	$ 75,000
Water Heater Rebates	$ 1,000
Attic Insulation	$ 3,500
Switches	$ 75,000

Mr. Olson said he would like to start the overview of the Water and Sewer Fund.

Revenue in the Water and Sewer Fund are as follows:

Antenna Rental	$ 110,000
Water Revenues	$4,700,000
Sewer Revenues	$2,600,000
W/S Surcharge	$ 230,000

Sewer Service Fees	$ 100,000

The added Health Insurance Increase is $17,244

Information Technologies Service Level Summary is as follows:

Personnel Services	$ 48,660
Operating Expenses	$ 46,215
Capital Expenditures	$ 6,000
Total	$ 100,785

The non-departmental service level summary is as follows:

Personnel Services	$ 40,000
Operating Expenditures	$ 306,500
Other Expenditures	$2,506,881
Total	$2,853,381

The highlights of the Non-Departmental Service Level are:

Debt Service W/S Improvements	$354,810
Debt Service Well Improvements	$434,712
Payment-Loan Principal	$820,861
Payment-Loan Interest	$239,290
Annexation Principal	$355,452
Payment to Electric Fund	$284,085
MACS-Payment for Services	$250,000
Total	$2,739,210

The Customer Service Level summary is as follows:

Personnel	$ 326,740
Operating Expenditures	$ 113,595
Total	$ 440,335

The Water Treatment Service Level summary is as follows:

Personnel Services	$ 467,570
Operating Expenditures	$ 876,102
Capital Expenditures	$ 9,500
Total	$1,353,172

The highlights of the Water Treatment Service Level are:

Utilities	$144,000
Chemicals & Lab Supplies	$350,000
Contracted Services	$155,000
Capital Outlay – Equipment	$ 9,500

The Wastewater Treatment Service Level summary is as follows:

Personnel Services	$483,931
Operating Expenditures	$934,051
Capital Expenditure	$ 44,000
Total	$1,461,982

The highlights for the Wastewater Treatment Service Level are as follows:

Utilities	$330,000
Contracted Services	$260,000

The Highlights of the Water and Sewer Maintenance Service Level are:

Maintenance & Repair water meters	$160,000
Contracted Services	$160,000
Pump Station Improvements	$105,000

The Water and Sewer Maintenance Service Level summary is:

Personnel Expenses	$803,507
Operating Expenses	$785,668
Capital Expenditures	$106,000
Other Expenditure	$ 59,945
Total	$1,755,120

Mr. Olson stated that concluded his overview for this meeting.

Mr. Stimatz said he had a couple of things from the memo on April 17th. He just wants to make sure you are going to come back with the answers. You are going to come back with an exact amount on the IT Study. He asked about the status of the facilities assessment and any potential impact on this or next year's budget. We deposited funds to the Building Improvement Fund last year and do we need to discuss that or not? The question is if we are going to improve buildings how we do it if we don't save money for it. The Tree Commission Budget, he is assuming there isn't one. They are required in the ordinance to make a report to us with a budget. He would like to follow up on the question of a PAL coordinator, part time or full time is needed.

Mr. Olson asked when you need a rap up meeting on your budget.

A motion was made by Councilman J. A. Stimatz, seconded by Councilwoman V. C. Watts to postpone the meeting scheduled for May 4th to a date roughly two weeks hence to be determined after a survey of Council on any available dates. Those voting in favor of the motion were: Stimatz, Watts, Baker, Evans, Hummer, King, Meggs and Rivers. Against: None. Motion carried.

3} <u>ADJOURNMENT</u>

There being no further business to come before the Council at this time, Mayor Atkinson adjourned the meeting at 7.51 p.m.

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Dianne S. Pierce-Tamplen, MMC
City Clerk

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Stephen S. Atkinson
Mayor