

MONDAY – 5:30 P.M.

MAY 14, 2012

BUDGET MEETING

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 J. W. Peel presiding. Those members attending were: Mayor Pro Tem J. B. Walton, J. M. Baker, M. E. Brooks, R. T. Donnelly, L. M. Hill-Lawrence, L. A. Hummer, K. K. Spence and J. A. Stimatz. City staff members attending were: City Manager R. C. Olson, City Clerk D. S. Pierce-Tamplen, Human Resource Director K. W. Felton, Planning Director J. C. Brooks, Finance Director S. E. Blanchard, ECDI Director R. Cross, Police Chief C. E. Crudup, Public Utilities Director P. A. Fredette, Inspection Director S. E. Ward and Fire Chief L. M. Mackey.

Mayor J. W. Peel established a quorum was present and called the meeting to order at 5:30 p.m. He called for a moment of silent reflection after which he led the Pledge of Allegiance to the Flag of the United States of America.

1} APPROVAL OF THE AGENDA:

Mayor Peel called for adjustments and approval of the prepared agenda.

Mayor Pro Tem J. B. Walton asked to add discussion of the Second Delivery Point if time permits.

A motion was made by Councilwoman L. A. Hummer, seconded by Councilwoman J. M. Baker to approve the agenda as presented to include the above noted item. Those voting in favor of the motion were: Hummer, Baker, Brooks, Donnelly, Hill-Lawrence, Spence, Stimatz and Walton. Against: None. Motion carried.

2} FISCAL YEAR 2012-2013 RECOMMENDED BUDGET:

Mayor Peel called upon City Manager Olson for comments.

Mr. Olson stated he would start with our utilities and then go into the General Fund. There seems to be a lot of undecided things with the General Fund. He would like to start with the Stormwater Utility. We have increased the Retained Earnings Appropriated from \$59,897 to \$159,897. In essence we have added \$100,000. The Fund Balance which is presently about \$470,000. Of course the other financing source is the payment for the Roanoke Avenue Phase III

drainage project. The increase in the revenue is directly related to the \$300,000 for contingency. During one of our discussions they wanted a little bit more money so they could go ahead and work at the prioritizing different needs within the storm water utility. Councilman Stimatz's committee is forwarding to the entire Council a report here very shortly which would prioritize the needs within the Storm Water Utility. The only thing we have done is we have increased the Fund Balance and shifted that over to the Contingency. If we do not spend the \$300,000 Contingency then the amount of the Appropriated Fund Balance will decrease accordingly. It should be a wash. Mr. Olson said if the Storm Water Commission comes back with less than the \$300,000 then the amount of the Fund Balance Appropriated would be the same.

Councilman Stimatz said the Stormwater Development Commission has been looking at this issue.

Mayor Pro Tem Walton said we said we would follow the same rules that we established at the last budget work session. We said we would come in and go over what Mr. Olson has prepared for us and if need be at the end we would come back and make statements. Are we going to continue with those rules?

Mayor Peel said he thinks that is fine Mr. Walton. It makes sense if we did that at the end of each section. You want to go through all the sections and then ask questions. It doesn't matter to him which way we do it. What is your pleasure?

Mayor Pro Tem Walton stated he just doesn't want to have one person talking all night.

Councilman Donnelly stated to let's follow the rules that we established to begin with. He can live with that.

Councilman Stimatz said if you want to look at the minutes from the last meeting he specifically said if there were specific questions or clarifications that we needed at the time in order to make clear to everyone he reserved the right to say that. That is why he raised his hand. He has a significantly \$100,000 change in this budget but if you don't want to hear about it then it is ok.

Mayor Pro Tem Walton said no body recognized you to talk. You just started talking. Somebody needs to clear this up.

Councilman Brooks we have got to start. What happened last time when we were going over the City of Elizabeth City proposed budget, it was one topic was being discussed and Mr. Mayor you said wait until he goes over the whole thing then we will discuss it. He thinks that is what Mayor Pro Tem Walton is referring

too. Are we going to use that as a procedure mandate we need to let him go through everything and then you can come back and address what you wish?

Mr. Olson said going to the Electric Fund what we have done is we have revised downward our major revenue sources. They are as follows:

Electrical Sales	\$38,422,000
DOT Reimbursement	853,000
Late Fees	475,000
Other Financing Sources	<u>4,975,000</u>
Total amount available	\$44,462,866

Mr. Olson continued by saying when we look at our electrical sales and what we anticipate what our costs of Electricity to be we anticipate a margin of \$6,183,581 or a gross margin of 16%. He stated the following is the Fiscal Year 2012-2013 Budgeted Operating Costs:

*Non-Departmental	\$ 2,492,469
*Customer Service	504,475
*Electrical Distribution	7,690,067
*Load Management	1,335,271
*Information Tech	387,606
*Purchasing	<u>192,559</u>
TOTAL OPERATING COSTS	\$10,602,387

The following are the highlights of the Electric Non-Departmental Service Level:

*Group Insurance – Retirees	\$ 210,000
*Purchase of Resale	32,238,419
*Payment to General Fund In Lieu of Services	600,000
*Payment to General Fund In Lieu of Taxes	1,050,000
*Debt Service – 2 nd Delivery Point	277,389
*Debt Service – Fixed Area Network	45,000

The following are the highlights for the Electric Distribution Service:

*Maintenance & Repair-Lines	\$ 350,000
*Line Improvements	350,000
*Church Street Improvement Upgrade	131,000
*Knobbs Creek Bridge Project	722,000
*Fixed Area Network	554,545
*Capital Outlay-Equipment	332,000

Distribution Line \$ 3,500,000

The following are the highlights of Load Management:

*Maintenance & Repair-Generators	\$ 180,000
*Weatherization Program	160,000
*Heat Pump Rebate	20,000
*Attic Insulation Rebate	5,000
*Capital Outlay (Switches)	35,000
*Capital Outlay Equipment	156,700

The following is the revenue for the Water and Sewer Fund:

*Antenna Rental	\$ 123,194
*Water Revenues	4,550,000
*Sewer Revenues	2,679,509
*W/S Surcharge	230,000
*Sewer Service Fees	150,000
*CDBG Grant	750,000

The Highlights for the W & S Non-Department:

*Debt Service W/S Improvements	\$ 354,810
*Debt Service Well Improvements	59,156
*Payment-Loan Principal	820,861
*Payment-Loan Interest	147,636
*MACS-Payment for Services	300,000
*Debt Service Crescent Drive	40,000
*Debt Service Brooks Avenue	60,000
*Debt Service FAN	<u>100,000</u>
TOTAL	\$ 1,882,463

The Highlights – Water Treatment are:

*Utilities	\$ 195,000
*Chemicals & Lab Supplies	300,000
*Contracted Services	102,000
*Water Line (Pasq. Co.)	115,000
*Purchased Water (RO)	516,512

The Highlights - Wastewater Treatment:

*Utilities	\$ 195,000
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Contracted Services \$ 325,200

The Highlights – Water & Sewer Maintenance:

*Contracted Services	\$ 250,000
*Pump Station Improvements	105,000
*Capital Improvements:	
*Replace Water Meters for FAN	989,000
*Brooks Avenue	280,000
*Crescent Drive	194,000
*S Road Street	750,000

Mr. Olson continued with the review and presented the following General Fund Highlights:

- *No growth in property valuation this year
- *No major changes in revenue projects in budget
- *Residential sanitation fee proposed to increase by \$2 not \$1
- *City has received a 2% wellness credit for health insurance
- *Discussed establishing the Sanitation Dept. as a separate enterprise Fund, but decided not to do it this year
- *Add \$2,500 to the Legislative Budget for Council discretionary travel
- *Belief that the City is being charged too much for tax collection by Pasq. Co.
- *Requested an IT conversion plan be drafted
- *Upgrades to Police/Fire rations: 911 will pay for police upgrades (\$4000). Radio improvement at hospital needs to be increased by \$20,000 to \$120,000. Should be able to have 2/3 of the project reimbursed. Net savings - \$35,000
- *Staff has provided the Finance Committee with a copy of the vehicle matrix, which staff is further refining by establishing vehicle replacement parameters

In the Manager’s budget you have special enhancement of projects, a tax increase, Charles Creek Park Pavilion, Radio updates for police/fire, the ladder truck, improvements to Edgewood Park, cameras for police cruisers, technological upgrades, and the former middle school renovation. There have been discussions at the Finance Committee meetings but no decision has been made on any of these items yet. There is still a lot of work to do on the budget. It took us three meetings to get through the budget this time. Usually we do it in two meetings so we have spent a lot of time on specific line items and the Finance Committee has asked for a lot of information concerning some specific items. Then we have \$1.7 million in installment purchases that is in the General Fund. The above is a very quick overview of the work the Finance Committee has done so far.

Councilman Stimatz said the discussion that he remembers from the camera thing was it is not clear what the criteria for placing the cameras is. We seem to have areas where there are nine cameras in the Second Ward north of Elizabeth Street. Over a third of the cameras are in one ward. He knows there are problems in other places. What we are asking about was what is the criteria for establishing where cameras go and when do they get moved. The thing he asked about on the PAL van was how much of the Parks and Rec van is being used by PAL. If 10% use of that van is used by PAL then we need to claim that 10% as part of what we are providing to PAL. Another issue is the burial notification penalty. He wanted the data on notifications since we put this into effect.

Mr. Olson stated he discussed this issue with Clerk and there have been approximately 150 notices. He is not saying that is all of them but that is the number we have received. Sometimes the data is given after the fact but he would say we have a paper trail on 90% of all the burials.

Mr. Stimatz said the thing he was going to mention earlier had to do with the Storm Water Utility budget and based on our earlier meetings and then what happened at the Finance Committee. There was a misunderstanding of his presentation of what SWUC had discussed. We thought there was only \$200,000 in contingency and at that point only about \$100,000 of it was spoken for. We had about \$100,000 that we could make recommendations on. That was considered by the Finance Committee as asking for an additional \$100,000 and that wasn't the case. After talking with Paul he has sent out a memo to the committee letting them know what things we looked at and of the non obligated \$200,000 we obligated all but about \$27,000 of that. He is waiting to hear back from everybody. He went over the items that they did look at. They were: \$15,000.00 for community outreach. That specifically has to do with meeting our mandate under the Storm Water permit and it was a key issue for people in the Storm Water Task Force. They didn't know what was going on and they didn't know the status of projects and they didn't know when they were going to be completed. In other words they were totally in the dark. That was one part of that and the other part is to create a proactive program to keep people from putting leaves, clippings and branches in the streets which then go down the drains and clog up the system and create drainage problems. The second item was the continuation of our mapping and inventory process. We know what is there and where it is but we don't know what condition it is in and who owns it and what it is supposed to be doing. We have earmarked \$75,000 to do that. The third one is in order to understand how the system works we have to have some idea of what is going on, so we need to put some rain gauges around the City and not just rely on the Coast Guard rain gauges and some stream gauges which will tell us the height of water in certain areas so we can understand that when every thing is working one inch of rain equates to X inches of water. If we

have more than X inches of water then that will tell us that something is wrong in the system that we need to fix. \$12,750 was already earmarked for the Knobbs Creek study. That is our portion of half of the County's portion. The other thing that we would like to look at is the Tiber Creek Drainage area between Ehringhaus and Main and Pritchard to the waterfront. That is the other thing that we put in there. He just wanted to let Council know the direction that we are going in on that issue.

Mayor Pro Tem Walton asked how much was put in for the rain gauges.

Mr. Stimatz replied \$8,000. These figures are just preliminary numbers from us and they are just recommendations.

Mayor Pro Tem Walton asked how many more times do we meet for a 5:30 p.m. before we go to the budget hearing. He really doesn't like the way things are being done.

Mr. Olson replied that he thinks we have one more meeting. The Finance Committee has two meetings and the City Council has one meeting before we bring it back to you the first meeting in June to call for a public hearing.

Mr. Walton said the people on the Finance Committee has a big jump on us because they go to the Finance Committee and they approve things and then you bring it to us and we don't have but one more meeting before it is time to go to public hearing. He knows he doesn't have enough time to digest all this information. You have five members of our Council at the Finance Committee making decisions for the complete council and that is not good because when you bring us something back we are almost to the point of having to approve it. If we have to vote on something you already have five against three. One other thing did you include the \$246,000 in the Building Fund that he asked you to include in it.

Mr. Olson replied no as there is nothing earmarked from that fund at this time.

Mr. Walton said that means that you are not listening to some of the other Council members.

Mr. Olson replied if there are specific items that can be diverted to that fund because that fund is a restricted fund. It has to be used for capital construction. He knows of very few things that we have in the budget that would qualify. We have a couple of air condition units for about \$15,000 and that is all that would qualify for that particular budget. The ECMS is a County facility so you cannot use that funding for that. It can only be used on City facilities. Only those

items included in the Public Building Fund Capital items are the only items that will qualify.

Councilwoman Hummer said she understands Mayor Pro Tem Walton's concerns. She believes it was at the last regular meeting that she said that the full Council should look closely at the Budget and she didn't mean that arbitrarily, she meant it is a complicated budget this year and we made very few recommendations if any from the Finance Committee and she felt like the full Council needed to go through the whole thing if necessary.

Mr. Olson said there have only been five to six recommended changes by the Finance Committee such as the two cameras, corrections because of the 911 funding and the Senior Citizens Center van, but there has been very little directions to date.

Councilwoman Baker said it was her understanding of the Finance Committee was that they would review the budget prior to us getting the budget. If there were things that they should make recommendations on, they would make those recommendations to us. She can't go to the Finance Committee meetings as she has to rely on the Committee to make those decisions and she does. If we have questions they can come up to this meeting. We have to trust our committees as we can't be everywhere. She trusts that our Finance Committee is doing a good job in looking at things that need to be looked at.

Councilman Donnelly asked Mr. Olson the \$2 increase on the Sanitation Fee does that takes the Sanitation Department out of the red.

Mr. Olson replied no as we are still \$3 short per month per household.

Mr. Donnelly said his second comment he worked very hard going through the matrix that you originally gave us and now you gave us a new one with a new formula which looks a little simpler, but why is 100,000 miles a cap.

Mr. Olson said it is a guideline that most places use. The police car has a heavy duty chassis and if a normal individual was driving them they could easily go 125,000 – 135,000. A police officer as we all are well aware of are kind of tough on vehicles.

Councilwoman Hill-Lawrence said she wanted to go back to the Late Fees amount. She thinks that \$475,000 is an awful large amount to anticipate for late fees. She knows we are up in arms about the rate increase but she thinks we need to be up in arms about anticipating that amount of money in late fees. Maybe we need to go back and look at this figure. How much is the late fee?

Ms. Blanchard replied that it is 5% of the late bill. It depends on how big the bill is.

Ms. Hill-Lawrence said we need to look at that. She can't understand being so concerned about a rate increase and not being concerned about how much is being charged for the late fees because some can't pay their bill.

Mr. Olson said if we decrease that amount we would have to increase everyone else rates accordingly. If we wanted to get rid of the \$475,000 worth of late fees we would have to raise everyone's utility bill by 1.25% here in the City. That is to balance the budget because it is a balanced budget now.

Ms. Hill-Lawrence said we look at how we can cut that because if people are having a hard time paying on time and paying period, then 5% of what their bill is and some people have \$800 bills per month that is quite a bit. Can we look at ways that we can perhaps cut back?

Ms. Blanchard said there could also be a potential cash flow issue with that because the customer that are now paying on time and if they know they are not going to get a penalty then they are going to wait to pay it at the last minute also. It is also an incentive for people to pay on time.

Mayor Pro Tem Walton said on the billing you stated that you got the billing today and you came up \$166,000 short, what was the bill.

Mr. Olson replied the bill was right over \$2 million.

Mr. Walton said he read in another memo that you sent us that you got your bill on the 10th and paid it on the 15th. He thinks one of the Council members said something about trust. He tries to use the voice of trust. He goes back to the second delivery point. He knows Ms. Hummer and he asked the City Manager to bring back as many options as he could for us to decrease the amount of the increase which we were trying to put at 5% at one time. People talk about \$189,000 interest but by cutting it back to 3.92% we saved the citizens about \$370,000. Now, if we could have cut it back more we could have saved the citizens even more. From the memo he got the other day we could have cut it back even more. Couldn't we City Manager?

Mr. Olson replied no we could not.

Mr. Walton said you did it when it was over scale. When you got your bill the other day you said we had to do certain things. These are the options. You said we could put a million dollars in the transformer. That is what you said in the memo.

Mr. Olson said you are talking about two separate issues here. You are talking second delivery point and not the overall things with the electrical department but they are inter-related but they are two separate and distinctive issues.

Mr. Walton said you said we could have two transmission points rather than four. That is an option. That is all he asked you to bring him back before. You found an option then and why can't you find the options when we ask you for them. We had a meeting on the 23rd and we said bring back the options. On the 26th you sent the same options that we left there with. We had a called meeting for no reason at all because you gave us the same information that we left there on Monday. You gave us another option a few days ago. Do you not consider that an option?

Mr. Olson replied no because that option was given to you because the project came in at \$4.7 million not \$3.5 million.

Mr. Walton said it had nothing to do with the transmission as it is the same substation. It would have been the same substation with two less transmission points. We could have talked about \$200,000- \$400,000 less if your numbers are correct.

Mr. Olson said he doesn't think you understand what that memo said. That memo specifically said that when you add the second delivery point transformers and the transmission improvements it came in at \$4.7 million. You only have budgeted \$3.5 million. We are doing some revaluing engineering to get that down and we will not be able to construct two of the circuits out of the four that we need.

Mr. Walton said you are eliminating two of the transmission and do them later on he guess. That is the same thing you could have done the first time.

Mr. Olson said the bottom line is the \$3.5 million. It doesn't change anything. He doesn't follow you.

Councilman Brooks said he is back at the late fees. We asked the city manager to bring us back possible ways we can not pass such a large increase on the citizens. We started out with 5% and we ended with 3.92%. He was reading the minutes and you said the 3.92% was the lowest we could go. What he is looking at is we balanced the budget by raising a percentage of that in the electric rates because of past efficiencies. You said the budget is now balanced.

Councilwoman Hummer said she feels it is important that we have the budget meetings like we are having tonight. The Finance Committee meetings are not

televised and this gives the public a chance to see what we are doing. We have a room full of city employees who are here tonight who have heard rumors that they might lose some of their benefits, so she thinks this is very important. We have one more meeting in May that we can have another budget meeting and we have the whole month of June right up until the 30th before we have to adopt the budget. We can have more budget meetings if we desire. For instance, on page 15 of your handout the specific enhancement projects for the tax increase, this was something that she felt needed to come to the full Council because a lot of it was not discussed in our retreat. She thinks it is very important that we take a good look at this. There are several things that have been added to the budget or taken out of the budget. She asked the question about a figure of \$25,000 additional going to the Arts Council which is one of the community grant recipients and she thinks we usually get those requests with paper work and she asked the question of who requested this, she has asked it twice, and she is yet to get an answer. These are some things that we need to look at and we need to do it in front of the camera.

Councilman Brooks said he sees in this budget we are also raising the taxes to take care of some items. What do we have to do to give our employees a cost of living? What do we have to do to make sure that our employees get something?

Mr. Olson replied that for every 1% increase to city employees equates to \$100,000. Remember that goes through all the benefits too.

Mr. Brooks said that sounds like a lot of money but he was just looking at the General Fund Installment purchases financing and he sees up here that we got a dog park for \$23,200. What he is not understanding is if we can't even consider giving the employees a COLA but we can take under consideration \$23,200 for a dog park. The employees have been stagnated. This is what they make and this is it but yet we consider \$23,200 for a dog park. He would like to see what we can do to show our employees that they are appreciated more than just because they have a job. Everyone wants to see some kind of way that they are appreciated. He would like to see some numbers. It seems like we can raise the fees for everything else but not our employees who are the ones that are doing the work and the services and we can't do anything for them. He is surprised that it doesn't spark some kind of concern in the hearts of council. We are not here to impress each other but to see that the City is more efficient and to look out for our employees that is doing the service for the City.

Mr. Walton said he is going to bring this up one more time. He feels you should have brought back the options of not having four transmissions but only two.

Mr. Olson said the cost of the delivery point was set a number of years ago at \$3.5 million. Now the project is coming in at \$4.7 million, \$1.2 million higher. We have to look at ways to bring it back down to \$3.5 million so we can live with the 3.92% rate increase the council took.

Mr. Walton said you still could have done that prior to then. You could have done that on the 26th but you brought us back the same information that we gave you. We could have taken those two circuits points out and it would have lowered it from the \$3.5.

Mr. Olson said it is still going to be \$3.5 million.

Mr. Walton said no you said it would be \$3.1 or \$3.4. That is what your email said. You could and should have brought back that option.

Mr. Olson said what you would have done if he had brought back that option. Lower it from \$3.5 million to \$3.1 million.

Mr. Walton said you would have given us the chance to do that. This time you didn't give us a chance, you did it on your own. Maybe somebody that voted for you can explain it to me better as you can't explain it by what you are saying.

Mr. Olson said the engineering estimate that we received was \$3.5 million in 2009.

Mr. Walton stated now you are sending us an email saying you could have taken two of the circuits out. That could have been an option earlier.

Mayor Peel called for the pleasure of Council regarding the \$16,500 being taken out of the Building Fund.

A motion was made by Councilman J. B. Walton, seconded by Councilwoman L. A. Hummer, to use \$16,500 from the Building Fund for the purchase of 2 air conditioners. Those voting in favor of the motion were: Walton, Hummer, Baker, Brooks, Donnelly, Hill-Lawrence, Spence and Stimatz. Against: None. Motion carried.

Mayor Peel called for a motion regarding looking at a COLA for the city employees.

Councilman Spence said he has said this before and he will say it again. He thinks we should work really hard to try to give our employees something

because one way or the other somebody is going to get something. He will say this again, if you take care of your people, your people will take care of you. We need to do all we can to try to make it. He knows we are tight for money but we haven't given them a raise in three or four years but yet we require more from them. He use to work for the City and he knows what is required of our employees.

Councilwoman Baker stated she wanted to state for the record that she agrees with everyone that employees need incentive and they need raises, but as she says every year for this is eleven years now, she would like to see us go to a merit system. Those that produce more get more and those that set around and collect a paycheck don't get as much.

Councilman Spence said since that was stated he would like to say that is kind of hard to do. That is why we pay the supervisor their salaries. It is the supervisor's responsibility to make sure that everyone pulls their load. It is not the employees to make them selves work. If they get paid \$1000 to do nothing that is what they are going to do.

Mayor Pro Tem Walton said he agrees with Councilman Spence. Ms. Baker may care more about Ms. Lawrence than she does Mr. Walton so Ms. Lawrence would automatically get an increase. There is no reason to do it that way.

A motion was made by Councilman M. E. Brooks, seconded by Councilman R. T. Donnelly to instruct the City Manager to bring back for consideration several ways to give our employees 1, 1½ or 2% raise. Those voting in favor of the motion were: Brooks, Donnelly, Baker, Hill-Lawrence, Hummer, Spence, Stimatz and Walton. Against: None. Motion carried.

Mayor Peel said the following is the Specific Enhancement Projects for the Tax Increase:

*Charles Creek Park Pavilion	\$175,000.00
*Radio Upgrades for Fire/Police Depts.	122,000.00
*Ladder Truck	900,000.00
*Improvements to Edgewood Park	25,000.00
*Cameras for Police Cruisers	15,000.00
*Technology Upgrades	65,400.00
*Former Middle School Renovations	<u>75,000.00</u>
TOTAL	\$1,377,400.00

Mayor Pro Tem Walton asked if you have five people present at a meeting then that is a quorum. Can the Finance Committee meet without the rest of us? He feels left out somewhat.

City Attorney Morgan replied that the Committee can meet. It is a duly constituted committee of the Council but it is an open meeting. All the open meeting laws apply.

Mayor Peel said he was looking at adding one more work session. He thinks we are all open to having an additional meeting.

A motion was made by Councilman R. T. Donnelly, seconded by Councilwoman L. M. Hill-Lawrence to add another Budget Work Session on Monday, May 21, 2012 at 5:30 p.m. in the City Council Chambers of the Municipal Administration Building. Those voting in favor of the motion were: Donnelly, Hill-Lawrence, Baker, Brooks, Hummer, Spence, Stimatz and Walton. Against: None. Motion carried.

3} ADJOURNMENT:

There being no further business to come before the Council at this time, Mayor Peel adjourned the meeting at 7:00 P.M.

Dianne S. Pierce-Tamplen, MMC
City Clerk

Joseph W. Peel
Mayor