

**MONDAY-5:30 P.M.**

**MAY 16, 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. Those council members in attendance were: J. M. Baker, M. E. Brooks, L. M. Hill-Lawrence, L. A. Hummer, R. E. King, B. S. Meggs, J. A. Stimatz and J. B. Walton. City staff members attending were: City Manager R. C. Olson, City Clerk D. S. Pierce-Tamplen, Police Chief C. E. Crudup, Parks and Recreation Director B. V. White, Fire Chief L. M. Mackey, Finance Director S. E. Blanchard, Planning Director J. C. Brooks and Human Resource Director K. W. Felton.

Mayor McLean established a quorum was present and called the meeting to order at 5:30 p.m. He called upon Mayor Pro Tem L. A. Hummer for the invocation after which he led the Pledge of Allegiance to the Flag of the United States of America.

**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 R. E. King to approve the agenda as presented. Those voting in favor of the motion were: Hummer, King, Baker, Brooks, Hill-Lawrence, Meggs, Stimatz and Walton. Against: None. Motion carried.***

**2} RATE AND FEE INCREASES:**

Mayor McLean called upon City Manager R. C. Olson for comments.

Mr. Olson stated as Council is well aware of we had a Finance Committee meeting this morning and at that particular time city staff had recommended a series of fee increases and the Finance Committee has now forwarded them to you for recommendation. The first one he would like to discuss with you is an increase in what we charge the Internet Sweepstakes Cafés Business or Privilege licenses. Existing fees are \$100 per machine and we do limit the number of machines under the UDO to 20 machines. This generates roughly \$6,000 annually. He made reference to a survey conducted by the State's Finance Directors that determined our rates are one of the lowest in the state. Based on the research from this survey the Finance Committee is recommending that we

charge \$2,000 per location and \$500 per machine. This has the potential of generating \$36,000 annually in additional revenue to the General Fund.

Councilman Stimatz said he likes the idea of raising any privilege and license fee that we can. He is all for it. Compared to all the other privilege licenses that we have on the books this is extremely high and is there potential for us to be taken to court for that. When you compare all the other things on our list he doesn't think there is one that exceeds \$100.

Mr. Olson replied that there are a few. First of all under State Statute a lot of those fees are governed by State Statute and we can't touch those. This is basically virgin territory as the Council is well aware. This is a use that is basically illegal under North Carolina State Statute but there are three court orders in place right now that allows this type of use to continue to operate. The issue we have especially when we instituted the feedback in February 2010, at that time we thought the fee was the appropriate fee. A lot of cities have determined through their own research that these entities make a lot of money. That is why they have passed along a number of fees based on per machine or per location. There are three locations that are presently in some sort of litigation. Fayetteville is one and you can see they have \$1000 per location and \$2500 per machine. That is definitely at the upper limit. We believe that our fees would be right in mid-range. You have one community that charges \$25 per location and no machine assessment. The growing number of these charges \$2,000 per location and anywhere from \$500 to \$2500 per machine. We believe that is a reasonable amount. We have been told that as long as you treat all businesses in a like manner then there is no problem with it. When you start discriminating based on like type of businesses different fees is where you have a constitution issue. This is one of the hot issues that is coming up right now. There is a lot of feedback coming back from various jurisdictions. He would not be surprised if the legislature goes ahead and makes this type of use legal and limits how much local municipalities charge in privilege and location fees for them. He believes that will probably happen before the end of this legislation session. Our local representative is in favor of taxing this type of use.

Mr. Brooks said since we have no guidelines to go from he finds it amazing. What he is having a problem with is he noticed that the top end is like \$2500 per machine and the low end is \$250 per machine. He understands the benefit of the City getting that revenue but we have a problem with anybody coming in with any kind of business. How do we get from the top end to the bottom? Do we just throw a number out there and we are just trying to squeeze every penny we can get.

Mr. Olson said you can see by the survey you have towns anywhere from 2000 to up to 100,000 people so there is a wide range of population. There is really

no rhyme or reason what a jurisdiction charges it is whatever they feel comfortable with. One charges a flat fee \$5,000 for twelve machines. Then you have one who charges \$1,000 per business and \$500 per machine. One even charges \$1000 per machine plus gross receipts. They have to provide how much money they are making to that jurisdiction. We hear stories that these are very profitable businesses. The state is not taxing them at this time.

Mayor Pro Tem Hummer said that we had a lengthy discussion this morning in the Finance Committee on this issue and she has to agree that she thinks that we should share in the wealth. We don't get revenue from so many things that goes to other agencies like the schools. We are always asking staff to check with other cities and see what they do so she doesn't think that we can sit here and give it away. This is revenue and we need revenue always. This is a business that we are running. The recommendation was to bring it to full council for approval.

***A motion was made by Mayor Pro Tem L. A. Hummer, seconded by Councilman R. E. King to approve the \$500 per machine fee as well as the \$2,000 fee per location for the Internet Sweepstakes Cafés. Those voting in favor of the motion were: Hummer, King, Baker, Hill-Lawrence, Meggs, Stimatz and Walton. Against: Brooks. Motion carried.***

Mr. Olson said the next set of fees is Parks and Recreations. This item went before the Parks and Rec Advisory Committee last Thursday night and they forwarded a favorable recommendation to the City Council. The Finance Committee heard this at their meeting this morning and they too are recommending approval for a number of increases in fees.

Parks and Recreation Director White explained the increases that they are proposing. One that comes to mind for her is the field preparation. At this time if an organization wants to have a softball tournament out at Enfield. There are three adult fields out there. They would pay \$50 per field per day to have those fields prepped. Also, they would have to pay \$25 per hour for a site supervisor to be there. \$50 to line off a field and drag it and put all the markings on it doesn't even cover our expenses. That is why we increased that by \$25 more. She discussed several proposed increases explaining why staff is proposing the increases.

Mr. Olson stated based on our scenarios that we have run and the work that we have done the fee structure that city staff is proposing would generate roughly \$20,000 - \$25,000 in additional income within the Parks and Rec budget. The increases for the most part are very small in nature. This item did come to the

City Council back in September of 2010 and Council took no action on the proposed increases.

***A motion was made by Councilman R. E. King, seconded by Councilwoman B. S. Meggs to approve the proposed increases for the Parks and Recreation Department. Those voting in favor of the motion were: King, Meggs, Baker, Brooks, Hill-Lawrence, Hummer, Stimatz and Walton. Against: None. Motion carried.***

**3} CITY EMPLOYEE HEALTH INSURANCE:**

Mayor McLean called upon City Manager Olson for comments.

Mr. Olson stated when he prepared the budget that you have in front of you we were under the belief that we would have a 5% increase in our health insurance costs. We found out three or four weeks ago that we would have a 5% decrease in our total health insurance costs. Because of the decrease it will save the City roughly \$200,000 a year in health insurance premiums which now is about \$2 million a year. In the General Fund the net change will be \$128,913, the Electric Fund \$21,100, the Water and Sewer Fund \$20,085 for a total net change of \$170,098. He went over the rates that will take effect July 1, 2011. There would be no increase planned for the vision and dental insurance. He put in his original budget that we would charge the employee \$25 per month for the health insurance to help defray that 5% increase. Now that we are not facing an increase we are recommending that the \$25 be removed as a charge. This went the Finance Committee two meetings ago and they recommended that it come forward to the full City Council with a recommendation to remove the \$25 charge to the employees. It is just a modification to the original budget.

**4} CAPITAL OUTLAY EXPENDITURES:**

Mayor McLean called upon City Manager Olson for comments.

Mr. Olson presented a power point that reflected the capital expenditures that we are proposing. By funds they are:

General Fund	\$1,073,545
Electric Fund	\$4,101,675
Water & Sewer Fund	\$ 161,175
Stormwater Fund	<u>\$ 288,405</u>
TOTAL	\$5,624,800

In the General Fund Capital Outlay, this a dollar for dollar. We have a computer for Planning, Midgett Building Ceiling, air condition unit for the Gardner Building,

Fire computers, Fire Thermal Imaging Camera, GPS antenna, GIS server, Parks and Rec Fencing for a total amount of expenditures within the General Fund on a dollar for dollar basis is \$79,600. In the Electric Fund, we have upgrades the Customer Service computer, Customer Service billing service, distribution equipment, Energy Management SCADA, Energy Management Switches for a total amount of expenditures within the Electric Fund on a dollar for dollar basis is \$576,675. Under Water and Sewer there is the Customer Service Equipment, Wastewater Spectrophotometer and Maintenance Pump Station Imp for a total of \$142,175 and under Stormwater Fund is Stormwater improvements at \$288,404. Under the Powell Bill Fund is a crew cab, roller for a total of \$57,000. Then we have a grant that has the Fire MDT's for \$85,500 but the County is paying \$79,500 and the City \$6,000. Under Capital Reserve there is the automated phone system at \$57,000. Under Reimbursable State Funds is \$15,000 which is electric underground fuel tank. Under the Senior Center which is funded 50% with the County is the senior center copier and chairs for a total of \$6,400. We have on Installment Purchase in the General Fund is the administration car, police cars (5), fire SUV, Inspection car, Parks and Recreation crew cab, Toro mower, truck, topdresser and splash park to a total of \$830,245 with a payment of \$130,000. Under the Electric there is the second delivery for \$3.4 million with a payment of \$445,000.

When asked why he chose to purchase MDT's instead of something less expensive Fire Chief Mackey explained the request for the MDT's for the fire department. Chief Mackey stated the computers that we are requesting are office computers and the MDT's that will go into the front line and fire inspections vehicles. That includes both the hardware and the software packages. When we are talking about \$8,000 to \$10,000 per vehicle we are not just talking about a laptop computer. We are talking about the whole system that goes into it. The wiring and anything needed to make the unit operational plus the software. You have to utilize computers that can run the software that you are using. We cannot run the firehouse data system that we are utilizing on smaller units. It is not just our research and doing research on background on what type of computers that we can use. We looked at other fire departments of the cities police departments that have tried to go to different types that have gone to Ipods and such and they just won't hold up. We have had a police car that has rolled over a couple of times and when they pulled the computer it was still running. All they had to do was switch it to another truck. That is the type of durability that we are looking for in the system that we utilize. The computers that we are talking about buying for our office they are in line with the IT study which recommends that every three years you roll over your computers under the warranty that the manufactures give to you. What we are trying to do now is basically transition our computer system each year we will buy a certain number of computers and that includes software. That not only upgrades our computer system it upgrades the software too because we are transitioning from

the older software system that was in our computers. What we are trying to do is transition from Windows Seven and Office Ten and also go in line with the recommendation of the IT study. If every three years we change up every computer that is in the fire department over a three year period we will stay constantly in line with new technology as far as our computers.

Mr. Stimatz said we decreased the fire marshal's inspection program, reduced the staff and he would assume we have freed up at least one vehicle. Is that factored into the fact that we are asking for a vehicle?

Chief Mackey said we are not getting a new vehicle for the Fire Prevention Bureau. That vehicle is still in use. We are going to have to surplus three 90's model vehicles. These are staff vehicles that have well over 100,000 miles on them but we have still been using them. That inspector's vehicle is one of those vehicles.

Mr. Olson stated under the Electric Fund we have the installment purchase of the second delivery point of \$3.5 million. Those funds are in this year's budget and because we are still working on the land acquisition it will be in next year's budget. There will be some savings with the second delivery point verses what we are presently being charged from Dominion Power. We will save \$.38 cents per kW but it only amounts to about \$20,000 a year. We presently are charged a lease service charge to Dominion to the necessary delivery point.

Mayor McLean said last year we increased the utility rates to businesses to help cover this \$3.5 million. Will there be a carry over to next year from this year to help offset this cost. If you started charging an increased utility rate for last year and we had no expenditures to offset that increase in utility rates that will tell him that we should have money set aside to cover this expenditure.

Mr. Olson stated because of the problem we are having in acquiring property with the second delivery point we have spent a lot of money on site work, soil work, appraisals, etc. We have to do an analysis on each site we look into. There is some savings though.

Mr. Stimatz said he would like to go back and ask what the Finance Committee decided on the splash park.

Mayor Pro Tem Hummer stated we really haven't had a discussion regarding the splash park yet.

Ms. Hill-Lawrence said there is \$400,000 specified for the splash park and we know that is not the amount that is needed for that. You also have here that

\$42,000 will be paid yearly. You said earlier in a previous conversation that it will probably be two years for the actual building.

Mr. Olson replied that if Council approves the splash park with this budget the splash park will be operational by June 1<sup>st</sup> of next year. The plan is to borrow the whole amount of money and put it in the bank and pay as needed.

Ms Meggs said she has had more people to say to her they are not in favor of this splash park and they don't want us to spend \$400,000 for it. She has had more people to say to her that they cannot believe that the City is going to do this. She just has to be negative about it.

Councilman Walton said he doesn't feel it is being negative as the people that you are talking too if that is what they are saying that is what you are hearing. If you talk to the children that is not what they are saying. In this city we do look out for the senior citizens and we do a good job of that. We look out for the public recreation because we support middle school sports, we support high school sports and we support college sports, but we do nothing for little kids from the age of three until they get to the middle school age. You cannot participate in sports until you get to the seventh grade in this City. We as a group do not do anything for those age kids. We had rather wait until they get on the back end and become teenagers and put them in jail. All we are trying to say is for \$42,000 a year to look out for the kids that are from three to fourteen. That group is being denied. This is one way that we can do it. Start talking to those mothers that have kids in that age group and see what they say about the splash park. If we go to the senior citizen center and talk about the splash park they probably wouldn't be for it but if you go to the middle school and they have all the sports they want to play he is sure that they wouldn't say much about it, but you go talk to those mothers. They will tell you what they would like.

Mayor Pro Tem Hummer said she would like to make a recommendation to address Councilman Stimatz. We had called another Finance Committee meeting for next Monday because we are getting down to the end of the budget. We really haven't had a discussion on all aspects of the splash park. She thinks we need to educate the public. Council members are taking the heat so to speak and we are being asked why we don't fix the streets rather than spend that money on the splash park. The public doesn't realize that street repairs come out of Powell Bill money. That needs to be explained. She thinks that we need to have the discussion on the splash park next Monday. Also, the Youth Committee has seen some drawings and we need to show these drawings and really bring all this out so everybody will know what we are talking about. Then if it gets voted up or down at least it all has been explained.

Ms. Baker said earlier on that she was not against a splash pad so much as a splash park but she is against spending \$400,000 on property. She would like to see us put one on property that we already own. To go out and buy property that we do not currently own she thinks is a mistake. She is getting the same comments that Ms. Meggs is getting.

Mr. Stimatz said the Finance Committee is set up to look at budget items and give us recommendations but more importantly has Parks and Rec ever made a formal recommendation and without that why should we take any action.

Mr. Olson said the Parks and Rec Committee received a presentation but he doesn't think they have taken any formal position on it.

Mr. Stimatz said it would be nice if the Finance Committee had something ahead of time before they consider it.

Ms. Hill-Lawrence said she hasn't seen a plan and she feels that we should have a plan that we can share with the public. We need to keep the public informed on what we are trying to do.

Mr. Walton said he thought we were through with this item but then a council member had to bring it back up to cause a division again. It is a pretty good person to do that expertly. He calls himself the devil advocate and that is what it is because everything has been going pretty smooth. When the personnel task force met and got the telephones it was ok. He set back and just let it go. All these other committees are working we let it go but when we get to the splash park that is the part that he couldn't stand. If he had been inclusive on that Recreation Committee he probably could have explained it better than anybody else could have explained it, but the Mayor couldn't put him on that committee because we had other people that are trying to divide again. He knows he would have worked hard as he could have on that committee. They probably would have made a decision to vote on it by now. The County Commissioners are hard core. It takes somebody like him to say something to them that they probably won't like but he would say it to them. The splash park for little kids is still the best thing to do and \$42,000 for ten years is a lot but he thinks there are a lot of little kids round here that would enjoy it. If you don't think those kids are important then keep investing in other things and continue to divide a Council as you are doing.

Mayor McLean asked how much did South Park cost.

Mr. Olson replied over \$2 million.



Mr. McLean said he wants to make sure the public is aware that when all this money was being spent that we spent over \$2 million for five baseball fields, over \$1 million for soccer fields and he thinks we are talking about the splash park being self sufficient and self supporting in terms of what the people will be paying on a day by day basis. He went back to what Mayor Pro Tem Hummer was saying. We just need to look at it in the Finance Committee and come up with the design so we can show the public what we are doing relative to trying to take care of the young kids. What we are proposing is being done in other cities throughout the state. He thinks when we talk about costs and unless we know the total costs for everything we have done thus far to say we shouldn't do something because of costs may not be what we want to say we want to do.

Mr. King said the Advisory Board is in agreement to the splash park and they have voted in favor of it. They are on board with the park. We voted on it. We just haven't brought it before Council yet.

Mr. Olson stated to not belabor the splash park but the \$400,000 is a figure that we put in our budget. What we have done is we have looked at three or four of the parks that have recently been built round this area and we took \$175,000 which is the average price of a park being built and added \$150,000 for restroom/concession and \$150,000 for purchase of property. That is how we got to the \$400,000. That is the budget that we will live with unless we come back before Council for additional funds.

## **5} CHANGES IN THE MANAGER'S RECOMMENDED BUDGET:**

Mayor McLean called upon Mr. Olson for comments.

Mr. Olson stated we decreased the employees' payment for insurance in the General Fund. The Council at the last meeting decided to waive the payment in lieu of taxes for the Housing Authority. That is a deduction of \$17,500. We are proposing an increase in Internet Sweepstakes Café fees at \$30,000. Increases concession stand revenues at \$25,000. Parks and Rec fees as we discussed earlier is an additional \$25,000. The debt amount of revenue when you look at the offset we are about \$5,200 less in revenue than what is included in his manager's budget. However, when you look at the expenditures side mainly due to the decrease in health insurance we saved \$191,613 in savings. One of the items that came up this morning in the Finance Committee is included in the budget by \$25,000 for improvements in the park on Hopkins Drive. That is an additional \$25,000. We have a savings on the expenditure side of \$191,613 so total within the General Fund there is a net savings of \$161,413. He presented you a balanced budget and now there are \$161,413 additional monies in there. Within the Electric Fund we have had some changes also. \$11,000 is revenue generated for charging employees health insurance. The decrease in health

insurance is \$32,200 so the net savings in the Electric Fund is \$21,100 over what he proposed. In the Water and Sewer Fund it is very similar with \$13,200 in health insurance and our expenditures decreased by \$33,000 so the net savings within the Water and Sewer Fund is \$20,085. What staff needs is general direction from Council on where do we go from here. The Finance Committee is still reviewing three or four departments concerning their budgets. That will be done Monday. We will also discuss the splash park. Staff needs some sort of general direction on where do we go from here.

Mr. McLean said we are still in budget work session with the Finance Committee. He thinks we need at least two more meetings before we bring it to the full Council. Whatever comes to Council will be the recommendations from the Finance Committee in terms of providing direction to the staff that you need to have. The direction that you are going to get will come from the entire Council based on the recommendations from the Finance Committee. That is the way he sees it.

Mr. King said last year we did \$20,000 in our contingency fund he would like to see an increase in that. He would like to see it increase by \$30,000. He would like to see the total to be \$50,000. We spent \$27,000 total this year.

Councilwoman Meggs said she doesn't have her book tonight but she has worked on this non-profit and we assumed it was still going to be the \$20,000 but if you want to give \$50,000 then we can work on that. She is of the opinion that whatever we put down as non-profit that we do that all the way through the year and she thinks this business of saying ok we are going to have \$20,000 for non-profits and then somebody comes up and wants \$17,000 for the homeless and somebody else wants additional funds. If that is the way we are going to do it then there is no need in having a budget.

Mr. King said he agrees with Ms. Meggs. He thinks when it is time for the non-profits to come and give their presentation they should come before Council and ask for the money and let Council be the one to say yea or nay.

Ms. Meggs said we have letters from different non-profits have sent in for what they want.

Mr. King said he thinks that we should honor their requests and we should have a closing date for non-profits to apply for the budget. They should have been in by now.

Mr. Olson said recently we haven't been putting in the closing date. We have a dozen funding requests from non-profits right now. They have been shared with the Finance Committee about two meetings ago.

Mayor Pro Tem Hummer said she would like to recommend or suggest but first she would like to clarify one thing. Under the changes to the General Fund budget, the \$25,000 for the Edgewood Park it was the recommendation of the Finance Committee that it would be put in the budget as a recommendation so that should remain in there as a recommendation. Also, how long has it been since employees received a cost of living?

Mr. Olson replied they have not received a cost of living in two years. His budget will be the third year that they have not received a COLA.

Ms. Hummer said this has been a bad year and we have no guarantee that next year is going to be any better. Her recommendation is for 1% COLA which comes out to \$130,000 and that added to the \$25,000 for the Edgewood Park leaves \$6,000 and that could be put toward the non-profits. That would give the non-profits \$26,000. That is a start anyway. She would like to have that considered and discussed at our Finance Meeting.

Councilman Brooks said he has been doing a lot of listening. When you talk about \$166,000 because of the savings in the health insurance and you say that is money that you have to figure out what to do with. He thinks we fail to realize as we talk about this money but we quickly want to give it away. Our infrastructure is still bad. He hasn't heard anyone say anything about fixing any street anywhere. In other words he is telling the people on Brooks Avenue, South Road Street and the back part of Main Street is bad to come up here. We are doing the budget. The infrastructure is bad and we are talking about the extra money that we have and your streets are bad and they are talking about giving it away. Your streets are going to be still bad. His plead to those listening is to come up here and complain and let the Council know that you want your streets fixed in front of your house. They are talking about extra money and the first thing we talk about is giving it away. He is asking those people that are running to him all the time talking about the street in disrepair to come up here and voice your concerns. Every time someone runs for Council they always talk about the repair or infrastructure or the high electric rates. Let's stay focus and stop giving away the money.

Mr. Walton stated that he said something a couple of meetings ago about giving each employee their birthday off, how much would that costs us.

Mr. Olson said it wouldn't cost anything dollar wise but it would costs us in productivity. You would be surprised how much productivity is lost in one lost day of service. We will bring back the figures.

Mayor Pro Tem Hummer stated she has brought up Main Street and Church Street on numerous occasions and she has been told there will be some work done on Church Street. What the public doesn't understand is that we cannot overlay the streets until the water and sewer problems are rebuilt under the street. That is a hard thing for the public to understand and to understand that we just don't have the money to do the infrastructure repairs under the roadways. It is sad but true. These budget meetings and Finance Committee meetings are about putting things on the table and we are all free to put whatever we want to on the table.

**6} MISCELLANEOUS BUDGET DISCUSSION/DIRECTION:**

Mayor McLean called upon Mr. Olson for comments.

Mr. Olson stated that we still have the Public Works Department, Building Inspections, Planning and Police. Planning and Inspections will not take very long because they are very small. Paul has five departments and that will take considerable time. We also need to bring back the splash park and that will be at the Finance Committee meeting Monday morning.

Mayor McLean said lets say Public Works and splash park Monday morning and then the following Monday we will do the remainder of Police, Building Inspections and Planning. Public Works is the main one that is left. We will also put discussion of an additional fire inspector.

Mr. Olson advised that at this time we do not have any items for the agenda for the Work Session.

It was the consensus of Council to hold the regular scheduled work session and have the presentation of the splash park.

**7} ADJOURNMENT:**

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

***A motion was made by Councilman R. E. King, seconded by Councilman J. A. Stimatz to adjourn the meeting. Those voting in favor of the motion were: King, Stimatz, Baker, Brooks, Hill-Lawrence, Hummer, Meggs and Walton. Against: None. Motion carried.***

Mayor McLean adjourned the meeting at 7:31 P.M.

---

Dianne S. Pierce-Tamplen, MMC  
City Clerk

---

Roger A. McLean  
Mayor