

MONDAY – 5:30 P.M. JUNE 4, 2007 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 Charles L. Foster presiding. Council Members attending were: J. M. Baker, M. E. Brooks, L. A. Hummer, B. S. Meggs, D. K. Stallings, J. A. Stimatz and J. B. Walton. E. K. Rivers was absent. Staff attending were: City Manager R. C. Olson, Deputy City Clerk V. D. White, Finance Director S. E. Blanchard, Parks and Recreation Director J. D. Overman, Human Resource Director K. W. Felton, Electric Superintendent K. F. Clow, Fire Chief W. C. Pritchard, Police Chief C. E. Crudup, Planning Director J. C. Brooks, Inspections Director S. E. Ward and Public Utilities Director P. A. Fredette.

Mayor Foster opened the meeting by welcoming those attending. He gave the invocation after which City Manager R. C. Olson led the Pledge of Allegiance to the Flag of the United States of America.

1} APPROVAL OF THE AGENDA:

Mayor Foster called for action regarding the prepared agenda.

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

2} POWERPOINT PRESENTATION AND CONTINUED DISCUSSION OF FISCAL YEAR 2007-2008 RECOMMENDED BUDGET – ELECTRIC FUND:

Mayor Foster called upon City Manager R. C. Olson for continued discussion on the proposed budget.

Mr. Olson stated that City Staff has prepared a power point concerning the transfer of funds from the Electric Fund to the General Fund. Included in this year's budget is \$1,050,000 to be transferred from the Electric Fund to the General Fund. That is a direct transfer. There is also roughly a half million dollars in there for services related items that pays for himself and Sarah's salary and other related items. The total going to the General Fund is \$1,500,000. This equates to roughly 3.3% if the Electric Fund Budget. Eliminating the transfer would allow the City to lower the proposed rate increase to .5% to offset

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the loss of Electrical Fund Revenue. The City would need to increase property taxes by \$.10. This would raise the City's ad valorem tax rate from \$.40 to \$.51 per \$100 valuation and Council has already given a tentatively approval to a \$.01 increase already to that would be a total of \$.11. Basically, the \$.10 times \$120,000 gives you the \$1.2 million that is needed to take care of this. One thing that was interesting to staff when we did the detail workup was that we have 3,137 customers that reside outside the city limits so any type of ad valorem tax increase you give they would not pay. Included in that is the tax exempt property inside the city that do not pay taxes. There are 376 customers that are tax exempt but they are in fact some of our largest users. The proposed 4% increase in the electric rate will bring in an additional \$1.2 million. It is recommended that Council approve the 4% increase in electric rates effective July 1, 2007. In addition, staff recommends that the three policy changes also be implemented as follows: making mandatory the installation of load management switches for all city customers; eliminating the monthly load management credit; and requiring developers to pay the cost for underground service installation in new subdivisions.

That is basically where we are at the moment. Staff needs general direction from Council as we still need to prepare the Budget Ordinance to bring forth at the public hearing that is scheduled June 12, 2007.

Councilwoman Baker asked the names of some of the tax exempt customers.

Mr. Olson replied that it would be the Albemarle Hospital, City and County Buildings, Schools, Federal Courthouse, COA, ECSU and a number of churches to name a few.

A motion was made by Councilman J. A. Stimatz to accept staff's recommendation to approve the 4% electric increase in addition approve the three policy changes as stated above. Councilwoman B. S. Meggs seconded the motion.

Councilman D. K. Stallings said that there is no where in the budget in the Electric Department that you could find any cuts. He knows that you said that you tried but to him it doesn't look like you tried hard enough.

Mr. Olson said that the real issue is when we cut out the \$2 million for capital construction in the Electric Fund, we take out any sort of padding that we had. We based that \$2 million on doing so many homes and if those homes don't get

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built, then there isn't a savings to us. We do have two or four large line items. A half million dollars for line repairs and \$450,000 for another item but it is very expensive to run the electric utility. We are paying anywhere from \$2,000 up for a single home. Some of our larger transformers for our larger industries are \$16,000. The substation improvements can run up to \$1 million for them.

Mr. Stallings said that even with that you did not bring forth any recommendations for phasing the 4% in or tabling it for six months and then bringing it up. Once we approve the budget you are saying 4% right then. At least he thought that you would come back with a second option.

Mr. Olson said that the issue that staff faced here is Council had established a targeted fund balance of \$7 million. At the end of June we will have \$7 million. Phasing it in you are going to be dropping it below that \$7 million thresh hold.

Councilman J. B. Walton said that in some of the figures that you were talking about earlier to him the calculator does not match up with them. You said that you had to transfer \$1,050,000 so it could equal out to what we are trying to accomplish. But, then you say if you increase the percentage to \$.51 that it would raise \$1.2. He thinks that \$.50 would get us to what we need to be.

Mr. Olson said what we have there is you have to remember the 3.3% of your operating revenue in the electric fund is transferred to the General Fund. That is what we are looking at. What we are not making up is that we need \$1.2 million balance in the Electric Fund. That necessitates a 4% rate increase. Even though we are only transferring \$1,050,000 he is telling you that if you did the ad valorem and raised the tax rate you would still have to have a half percent increase in the Electric to make up for the additional money that you don't have.

Mr. Walton said that at the end of December of last year it was at \$10 million and at that time we were told that we needed \$150,000 each month and that would take us up to 20 months before that would have played into view.

Ms. Blanchard replied that we would be at \$7 million at the end of this year.

Mr. Walton said that he is sort of torn on whether to go electric rate increase or increase in taxes. The Electric Fund increase will touch everybody. If you put more people into the low to moderate income crime and everything else is going to increase. But, if you put it on the property taxes the tenants would have an increase in rent anyway, so it kind of balances itself out. But, what would you Rather do? Do you want your crime rate to go up because we have talked about

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curfews, but these kids are shooting at each other in midday? Nine o'clock does not make a difference. It is according to what you want to do.

Councilman Stimatz said that he thinks as far as phasing this in we have held off for 18 months and we are not going to pass on 6% this year. That sounds like we have phased it in pretty well. We have kept the increases away from the pocket books of our citizens. He has a real problem with transferring any burden to the property owners. His real concern is that we have so many rental properties that are going to be a very attractive target for the owners of those rental properties to say his taxes went up. They will raise the rents and blame it on the property tax going up. It won't keep those same people from conserving electricity anyway. It is going to make everybody even more miserable. The other thing that it does it takes the responsibility for conserving electricity away from the people that are supposed to be responsible and that is the person that uses it. He has a real problem with shifting that to the taxpaying property owners within the City.

He has one question about the load management switches. Is that a switch on your meter or is it on specific items within the home.

Mr. Olson replied that it is on specific items in the house. You have one for the hot water heater and one for the air condition. He doesn't think that we have a good handle on how many that it actually is either. It is mandatory to put them on any new homes.

Councilman Brooks asked what will happen with that 5% rider. Is that a permanent fixture? You keep talking about the 10% in 18 months and then we talk about we have it down to about 4%. If you take that 5% and add it back on you are still at 9%. Is that rider a permanent fixture that came up last time when we were talking 10%? It looks like the rider is a permanent fixture and we have just assumed that it is going to be there until when.

Mr. Olson said that Ken Raber discussed that with you a little bit when he was here last. We were told that it would be on for only 24-months and it has been on for 20 months. Mr. Raber told us that he didn't see it coming off anywhere in the near future.

Councilman Walton asked how the impact fee was coming along. He thought that there were no lots in the Fourth Ward but all of a sudden while riding

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through the neighborhoods and what he thought were back yards or side yards houses are coming up everywhere in that ward. He doesn't know if it is a duplicate in the other wards or not. How is that going?

Ms. Blanchard replied that we are hoping that we will have more commercial impact fees.

Mr. Olson said that we have had quite a few developers to come in and pay their impact fees in the last sixty days but we are still far below what we budgeted for. Most of the Stormwater impact fees have been collected.

Councilman Stallings asked how many customers are outside the city limits and how many in the ETJ.

Mr. Olson replied that at least 85%. We have some up in the Commerce Industrial Park, Lover's Lane, Brickhouse Point and others that are not in the ETJ.

Mr. Stallings said that is something that we need to look at and the possibility of bringing them into the ETJ for next year.

Mayor Foster called for the vote on the motion.

Those voting in favor of the motion were: Stimatz, Meggs, Baker, and Hummer. Against: Brooks, Stallings and Walton. Motion carried.

3} STREET PAVING PROJECT 2007:

Mayor Foster called upon City Manager Olson for comments.

Mr. Olson stated that the other item on the agenda is a discussion of the street paving project 2007 and he would like to have our Public Utilities Director to come forward and present this to you. We did the final workup with Barnhill Construction Company last Friday and they made a number of suggestions to us.

Mr. Fredette stated that essentially there are three modifications and they are as follows:

- 1} Delete Willow Street and replace with Fifth Street
Fifth Street from East Ward Street to East Broad Street

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| | Approximately 1,250 yards – Estimated Costs | \$17,500 |
| 2} | Delete the section of East Broad from north Poindexter Street to Third Avenue. East Broad Street from Third Avenue to North Road Street. Approximately 4,800 yards – Estimated Costs | \$67,200 |
| 3} | Delete Section of Crescent from Hopkins Drive to Rochelle Drive. Subject to the review of the Sewer Report and design work we may defer the entire Length of Crescent Drive until 2009. Crescent Drive From Rochelle Drive to Rivershore Road Approximately 4,500 yards – Estimated Costs | \$63,000 |

Councilman Walton asked for an update on all capital expenditures to date.

A motion was made by Councilman J. A. Stimatz, seconded by Councilman M. E. Brooks to approve the three modifications as noted above. Those voting in favor of the motion were: Stimatz, Brooks, Baker, Hummer, Meggs, Stallings and Walton. Against: None. Motion carried.

4} ADJOURNMENT:

There being no further business to come before the Council tonight, Mayor Foster called for a motion for adjournment.

A motion was made by Councilman J. A. Stimatz, seconded by Councilwoman B. S. Meggs to adjourn the meeting. Those voting in favor of the motion were: Stimatz, Meggs, Baker, Brooks, Hummer, Stallings and Walton. Against: None. Motion carried.

Mayor Foster adjourned the meeting at 6:40 p.m.

Dianne S. Pierce-Tamplen, MMC