

**MONDAY – 5:30 P.M.      JUNE 04, 2012      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 J. W. Peel presiding. Those attending were: Mayor Pro Tem J. B. Walton, Counselors J. M. Baker, M. E. Brooks, R. T. Donnelly, L. M. Hill-Lawrence, L. A. Hummer, K. K. Spence and J. A. Stimatz, City Manager R. C. Olson, City Clerk D. S. Pierce-Tamplen, Deputy City Clerk V. D. White, Fire Chief L. M. Mackey, Planning Director J. C. Brooks, Electric Director K. F. Clow, Inspections Director S. E. Ward, Public Utilities Director P. A. Fredette, Finance Director S. E. Blanchard, Parks and Recreation Director B. V. White, Human Resource Director K. W. Felton and Interim Police Chief J. Manley.

Mayor Peel established a quorum was present and called the meeting to order 5:36 p.m. He called for a moment of silent reflection after he led the Pledge of Allegiance to the Flag of the United States of America.

**1}    AGENDA ADJUSTMENTS AND APPROVAL:**

Mayor Peel called for approval of the prepared agenda.

***A motion as made by Councilwoman L. A. Hummer, seconded by Councilman K. K. Spence to approve the agenda as presented. Those voting in favor of the motion were: Hummer, Spence, Baker, Brooks, Donnelly, Hill-Lawrence, Stimatz and Walton. Against: None. Motion carried.***

**2}    CONTINUED DISCUSSION OF FISCAL YEAR 2012-2013 RECOMMENDED BUDGET:**

Mayor Peel called upon City Manager Olson for comments.

Mr. Olson stated tonight's work session basically concentrates on the three enterprise funds that we have. We would like to start with the Stormwater Utility Fund. It is a very straight forward budget. As you can see the base budget is \$218,170. There are \$11,427 in additions and/or deletions and \$1,225,000 in proposed projects. Then you have the total amount in the Stormwater Utility budget at \$1,454,597. We estimate that we will receive \$200,000 in residential revenue and \$195,000 in commercial revenue. To make this budget balance we are looking at using retained earnings of roughly \$59,897. That will still leave the fund balance in the Stormwater Utility above \$400,000. Other finance source is \$1,000,000 and that is directly associated with the Roanoke Avenue Project.

Interest earned is \$400 and the total revenue will be \$1,454,597. The expenditure side of the budget is we do have some of our GIS people's salaries at \$29,597. That amount does include the 1.5% COLA that was given. We have \$200,000 in Contingency that is basically undesignated at this time. We are still waiting for Councilman Stimatz's group to come back with their series of recommendations of what projects we will be doing besides the Roanoke Avenue Phase III project. This is the third and final phase of the Roanoke Avenue project. We do estimate the project to be roughly \$1 million and we are in the final design phases right now and will shortly be permitting and hopefully this project will begin some time in November of this year. Because it is a \$1 million price tag we do propose debt financing of \$1 million. Of course as we have historically done we do include the first year debt payment in the budget which is \$225,000. The million dollars will be over a five year period. That gives you a total amount of the Stormwater Utility of \$1,454,597.

Mayor Pro Tem Walton asked what the contingency would be used for.

Mr. Olson replied that there are a number of projects that the Stormwater Advisory Committee will be bringing forward to the City Council. The \$200,000 right now is undesignated. When Councilman Stimatz brings forward his initiatives which he believes will be very shortly.

Councilman Stimatz stated he gave his copy to Mayor Pro Tem Walton. It was also in the minutes. He stated it was \$15,000 for outreach and marketing, \$8,000 for gages and meters, \$85,000 to continue the mapping and everything else, \$60,000 to begin work on the Tiber Creek Basin and \$12,750 to pay our portion of the grant to the County for the Corp of Engineers project. There may be one other item.

Mr. Olson said those are the priorities of the Stormwater Committee and that is what the \$200,000 will be used for. He thinks for budgetary purposes the \$200,000 contingency is within the scope of work.

Mr. Olson continued by saying in the Water and Sewer Fund proposed budget the base budget for the IT Non-Departmental Customer Service, Water Treatment, Wastewater Treatment and Water and Sewer Maintenance for a total of \$6,675,955. We have deletions of \$67,727 creating a new base budget of \$5,608,228. We do have some additional pumps for the Wastewater Treatment Plant that is included in some testing. There is really no other new equipment in other cost centers in the proposed budget. The revenue sources are antenna rental at \$123,194, water revenues at \$4,550,000, sewer revenues at \$2,679,509, water and sewer surcharge at \$230,000, sewer service fees at \$150,000 and CDBG grant at \$750,000. He then went over a chart showing the Water and Sewer Fund Debt payments. The highlights of the Non-Departmental

Water and Sewer Service Level is Debt service improvements at \$354,810, Debt Service Well Improvements at \$59,156, Loan Payment Principal is \$820,861, Payment Loan Interest at \$147,636, MACS payment for services at \$300,000, Debt Service for Crescent Drive is \$40,000, for Brooks Avenue at \$60,000 and Debt Service for FAN is \$100,000 for a total of \$1,882,463. The highlights of the Water Treatment Service Level is Utilities is \$195,000, Chemicals and supplies is \$300,000, Contracted Services is \$102,000, Water Line (Pasquotank County) is \$115,000 and Purchase of Water (RO) is 516,512. The highlights of the Waste Treatment Service Level are utilities at \$400,000 and contracted services are \$325,200 and most of that is associated with sludge removal. The highlights of the Water and Sewer Maintenance Service Level are contracted services is \$250,000, pump station improvements is \$105,000, capital improvements are: replace water meters for FAN is \$989,000, Brooks Avenue is \$280,000, Crescent Drive is \$194,000 and S. Road Street is \$750,000. South Road Street will be paid for hopefully by the CDBG grant. Crescent and Brooks we are doing something unique on those particular projects and that is the costs of doing the sewer line is in the Water and Sewer Maintenance budget and the cost to fix the streets afterwards is in the Powell Bill budget. In order to get a little bit more done we did something a number of years ago on Church Street very similar.

Mayor Pro Tem Walton asked if the FAN project is tied into with the utility bills.

Mr. Olson replied that is correct. Right now we have 98% of all of our electric meters can be read just by driving a vehicle up and down the streets. The Fixed Area Network will allow us to bounce it off these little boxes and then bring it back to city hall. The issue with the Fixed Area Network is we only have about 14,000 water meters that are fixed area network compatible. We do have to upgrade a number of our meters to do that. That is why the bulk of our expenses are in the Water Department. Very little of the expenses like about \$554,000 is in the Electric Fund for that project. A number of years ago we did start a meter replacement program. We are spending roughly \$120,000 a year replacing a thousand meters. Because of the budget constraints in the Water and Sewer we stopped that two years ago and this will allow us to continue to replace a number of our water meters. Some of the water meters we did over the last three years have what is called an earth device which is electronic reading because of its low voltage it will not be able to reach the fixed area network so we are going to have to go in and put a higher voltage signal on them. All the meters that we buy now have the 100 signal on them. The dilemma that we are facing is that for us to go with the fixed area network to help the electrical customers we need to also integrate that into the water meters. The problem is the electric side is almost complete now but we are going to have to replace 4200 water meters and staff does have a concern whether or not that can all be done in one calendar year. We had those members of City Council that have been here for a number of years know we did

an analysis and brought it before you roughly 18 months ago. The payback on that is roughly six years. It will allow us to go ahead and decrease staffing level of at least two to three people as meter techs. That is what we are going to use for some of the savings. The employees will be reassigned. One individual has already retired and we have replaced him with a temporary who realizes what is going on there. We will have two employees that will have to be migrated to different departments.

Councilman Brooks asked what happens if there are no openings for them.

Mr. Olson responded that Council gave him directions to keep them on the work force. There will be attrition and everything else, retirement in other departments. It is our intent through attrition or retirement to utilize those two employees. It will be almost a year before we can move them out of that department.

Mr. Olson went over the way that we sell electricity here in Elizabeth City. We anticipate our electric sales next year to be \$38,422,000 and we are going to be purchasing \$32,238,419 from the Eastern Power Agency which means our gross margin will be \$6,183,581 which is a gross margin of 19.18%. That does reflect a 3.92 percent increase in the electric rates. You have our gross margin sales at \$6,183,581 and then you have financing proceeds. We have the \$3.5 million dollars for the second delivery point, we have \$554,000 for the fixed area network and then we have \$175,000 for a truck for the electric utility. Those projects are being proposed to be debt financed. We do have the NCDOT Reimbursement for the Knobbs Creek Improvement and the Church Street improvements at \$853,000. That is a pass through and whatever those two projects cost NCDOT is going to pay us. Then we have late fees of \$475,000 and other miscellaneous revenues at \$587,866 for total revenue available of \$12,174,447. You add that to the purchase power of \$32,238,419 so the total budget amount is \$44,412,866.

Mr. Olson stated the major revenue sources in the Electric Fund are Electrical Sales is \$38,422,000, DOT Reimbursement is \$853,000, Late Fees are \$475,000 and other financing sources is \$4,075,000 for a total of \$44,462,866. He proceeded to explain to Council the synopsis of how we arrive at our budget from electric sales.

Councilwoman Hill-Lawrence said she has noticed that we have started the 3.92% increase in this billing cycle but we are preparing for the July 1<sup>st</sup> budget. Is there a reason for that?

Mr. Olson answered by saying because we needed the revenue as soon as possible. We were trying to get additional revenue in there. He can provide you

with how much additional revenue we generated in the months of May and June when we get the bills. He can tell you exactly how much we got. He believes we are looking at \$150,000 additional revenue. In the month of May we are looking at about \$165,000 but those are all projections. He will get the actual amounts and send them to you. In the Electric Fund Project Budget the base budget total is \$37,855,027, additions/deletions totaled \$482,679 for a minimum base budget of \$38,337,706. New Equipment is \$490,115, new projects is \$5,585,045 for an overall total of \$44,412,866. The budgeted operating costs are as follows: Non-Departmental is \$2,492,469, Customer Service is \$504,475, Electrical Distribution is \$7,690,067, Load Management is \$1,335,271, Information Tech is \$387,606 and Purchasing is \$192,559 for total operating costs of \$10,602,387. The highlights of the Electric Non-Departmental Service Level area: Group Insurance-Retires is \$210,000, Purchase for Resale is \$32,238,419, Payment to General Fund in lieu of Services is \$600,000, Payment to General Fund in lieu of taxes is \$1,050,000, Debt Service for the second delivery point is \$272,389 and Debt Service for the FAN is \$45,000. The highlights of the Electric Distribution Service Level is: Maintenance and Repair-Lines is \$350,000, Line improvements is \$300,000, Church Street Extended upgrade is \$131,000, Knobbs Creek Bridge project is \$722,000, FAN is \$554,545, Capital Outlay-equipment is \$332,000 and Distribution Line is \$3,500,000. The highlights for the Load Management Service Level are as follows: Maintenance and Repair – generators is \$180,000, Weatherization Program is \$160,000, Heat Pump Rebate is \$20,000, Attic Insulation Rebate is \$5,000, Capital Outlay-Switches is \$35,000 and Capital Outlay Equipment is \$156,700.

Councilwoman Hummer stated in 2010 when we raised electric rates for commercial customers \$390,000 it was for debt payment on the second delivery point. She assumed that would remain there and be available whenever we did that project, but we had to raise rates again this year for the second delivery point. That money from 2010 had to go for the purchase of the Lowry property. These things are very hard to explain. We have raised rates twice for the same thing. This is very hard to explain to the public.

Mr. Olson replied what we did is in last years' budget we had a debt payment of \$390,000 which we have not issued any debt yet. We still have not issued any debt yet and we won't be issuing debt until probably some time in September or maybe October because of rules associated with the LGC. The \$390,000 that was built in the budget this year for the debt payment had to be used to pay for the Lowry property of \$450,000 because we had no other revenue source available to pay for that. We executed a contract with them and said we would close as of May 1<sup>st</sup>. We have closed on the property and the property is now ours.

Ms. Hummer continued by saying as we go along on the day to day process it is very hard to keep up with it. It was only a few weeks ago that she asked the questions of what happened to that \$390,000. You told me then that it had to go for the purchase of the Lowry property. It is just even though you give us a lot of information there is some things that are part of the day to day operation of running the City that we haven't figured out for ourselves. She doesn't feel good about these things. She doesn't feel good having to raise the electric rates twice for the same debt service. We haven't started the project yet.

Councilman Spence said the hotels in the areas that pay a certain tax, is that paid to the City?

Mr. Olson replied that is paid to the Tourism Development Authority and it is 6% occupancy tax of which we get roughly \$55,000 a year. Throughout the year Council allocates to items such as Port Discovery, the Fireworks, the Boat Races, etc. Everything in that fund has to come back to the City Council for approval.

Mr. Spence said what fund is the \$55,000 put in?

Mr. Olson stated we don't put it anywhere. We have to submit an application and in some cases such as Port Discovery TBA cut a check directly to them. It is not shown on our books. The fireworks we submitted a request for \$7500 and they will send us the check directly.

Mr. Stimatz said he saw Ms. Youngblood from Hopeline and she indicated she would come back in and ask for additional funding because they have lost some grant funding. Right now their request is at \$12,500. She is asking for \$15,000 now. This is not a community service grant. Hopeline has been off that table for a number of years for lots of reasons.

***A motion was made by Councilman J. A. Stimatz, seconded by Councilwoman J. M. Baker to increase Hopeline's contribution from \$12,500 to \$15,000 in accordance with their recent request.***

Mayor Pro Tem Walton said he hates to recap things and bring things back up because we do have a process and he thinks we are following the process this time, but prior to this we gave a community grant to a group we didn't follow our process. If we are not going to follow our own process we need to go back and change the way we do things because it is a bad parent to tell a child something and then do the opposite themselves. Are we going to continue to use the community grant process or are we going to do what we done recently and just start making motions, passing them and keep right on going about our business.

Mayor Peel said this is not out of the community support money. It is separate.

Mayor Pro Tem Walton said he knows that but his point of reference is we are starting to get off the path of what we try to tell our citizens to do. If you tell our citizens to do certain things and they break that principle we penalize others. Now we come right here and things that we did in the past if it worked then all of a sudden we say let's make a motion at the table and the motion goes through. That is not good. We need to go back and change the policy to make sure everybody has the same type of consideration because he is pretty much down the line that Ms. Hummer has talked about earlier. If we tell the commercial customers that we are going to raise their rates a certain percentage to do a certain second delivery point that is what we should have stuck too. We shouldn't all of a sudden say we are putting it all in the pot and then we can take it out any time that we want too. That is not good business. We should have handled that the same way we handled the Building Fund. He has been trying to get us to spend that money for three years and we couldn't find a way to do it and now all of a sudden we are spending \$191,000 of those dollars. He has been asking for three years to try to spend it. Something is not right about that. We are either satisfying a certain group and not the other group and that is not the way things should be. Everybody should be treated the same way all the time. Mr. Stimatz said Hopeline came up and submitted another application. He doesn't mind doing that but the way we did it before we had council members on this board that were so staunch against non-profits they wouldn't give non-profits \$10,000 at one time. All of a sudden we are giving \$25,000. We are not that way. We shouldn't be two minded in the way we do things. He doesn't feel good about it.

Mr. Brooks said he understands what Mayor Pro Tem Walton is saying. Hopeline did the process like it should have done. They submitted a letter. He thinks what Mayor Pro Tem is alluding to is AoA. The people of AoA were under the impression that we didn't want to give them the \$25,000. That was no where near it. We are talking about a process. He made a motion to table it in order for them to come up here and make their presentation in person. No one seconded the motion.

Mayor Peel called for a vote on the motion.

***Those voting in favor of the motion were: Stimatz, Baker, Brooks, Donnelly, Hill-Lawrence, Hummer, Spence and Walton. Against: None. Motion carried.***

Mr. Brooks said we have a process and it wasn't followed. If he was AoA he wouldn't come up here either. It is a done deal. They have their \$25,000. He thinks some people were under the impression that some members of Council were not in favor of giving AoA the funds and that is not the way it is. We were

trying to send them through the process just like everyone else. We have people out in the community sending letters based on that and he wants them to understand that we were not anti AoA, we were trying to make sure the process that we have established would go through. We were trying to follow this process that City Council established.

Ms. Hill-Lawrence said she is a little confused. She thought that the \$25,000 that we voted to give AoA was in addition to what they could submit for because they were having a financial emergency. Is that not correct.

Mr. Olson responded by saying the \$25K is an amount that basically is guaranteed to them. It is an earmark in the budget just like Hopeline is an earmark within the budget. If AoA wishes to apply for additional money then they can apply for additional money for their program if they want too. But, in his budget you are giving them \$25K and he thinks since it is an earmark that is why that was done.

Mayor Pro Tem Walton stated what happened it was not blessed by City Council to do that prior to it being put into the budget. It was put into the budget and then we came back and voted on it. The proper process would be for us to go through with that. We need to raise the non-profits from \$50,000 to \$75,000 for his conscience to be on the right side. That is the only way he would feel good about it because if a person feels like they can just put anything in the budget and it gets passed anytime you are creating something that doesn't need to be created on any council. AoA got blessed, not from Council, as it was from being put in the budget prior to us doing what the proper way to do it was.

Mr. Stimatz said if he remembers the motion at the time it was to reduce the amount from \$75,000 to \$50,000. It turned into a discussion of AoA and all Council did was agreed that we would keep it at \$75,000. Remember it is the manager's budget until we vote on it. If you don't change it then that means that you agree with the manager. Right now the manager's budget has \$75,000 in community support grants. \$25K which he has penciled in for AoA. That is his budget. All Ms. Hummer wanted to do was reduce the amount. It turned into a discussion of AoA unfortunately and if it had stayed on the subject which was the amount and not the recipient in the process, we wouldn't be here. As of right now the budget has in it and it is the manager's budget and if you don't like what is in it, then make a motion to change it. That is how we have been doing it for the last six years and it hasn't changed.

Ms. Baker said she would like to remind Council that a month and a half ago she brought information about communities that support the Arts. So many communities do support the Arts. AoA has the ninth largest budget as far as other Arts Councils in the State. Most of these communities have a line item



number and it is not specifically a community support grant but it is a line item number which would reflect the manager's budget in support of the arts. It is a benefit to our community and its citizens. The thing is to do what other Art rich communities do and that is to support the Arts because it brings jobs and tourism and better programs for our youth.

Ms. Hummer stated she has stated several times that AoA was not being eliminated that there was still money in the budget.

Mr. Brooks said the reason AoA came into the discussion was because someone was talking about how critical it was that we give them \$25K. That was the reason the discussion came about. He felt that AoA should come up and tell us why they needed that much money. At no time did anyone on this Council say that we would not give AoA any funds. We were trying to make sure they followed the process like all others have to follow.

Mayor Peel said he is sure that Ms. Twiddy would be happy to come before us on Monday.

Mayor Pro Tem Walton said he would like to still see those minutes where Ms. Hummer made that motion. He can't see her making the motion and it passing the way it passed. You have the same people voting the other way anyway. He doesn't remember that motion being made.

Ms. Hill-Lawrence said we have helped organizations who have had emergencies in the past. We helped the Hugh Cale place not too long ago and why are we debating this now.

Mr. Brooks said the Boys and Girls Club came before us and made the argument for that money because they were in critical need of the money. They made their pitch on why they needed the money. That is all we are asking is that AoA follows the process that we expect others to follow.

Councilman Stimatz said he thinks that is not right. The process is we have \$75,000 in the budget. When we get around to looking at everybody then AoA can come up and make their case. Quite frankly, if they don't make their case we can always un-earmark the \$25K. It is not set in concrete. So let them come up and not let everybody else come up is unfair.

Mr. Spence said this has to come back up again. We are not giving them \$25K. They have to come up just like everybody else does so it is not unethical as nobody has promised them the \$25K. We just said it is in the budget.

Mayor Peel said he doesn't think that is correct.

Mr. Olson said if Hopeline submits him a request for \$12,500 we would write them a check. They are in the budget. If AoA presents him with an invoice for \$25K since it was earmarked by City Council we would write them a check for \$25K also.

Mr. Spence said so what Mr. Stimatz said a few minutes ago was not correct. The manager just said if they come tomorrow with an invoice and give it to him for \$25K he is going to write them a check.

Mr. Olson said that would be after July 1, 2012 if you approve the budget that is in front of you right now. So far you have made \$566,162 worth of changes to the manager's budget. If you approve the manager's budget everything stays in the budget. These are the changes you have made so far excluding the \$2500 you just added for Hopeline. That is what you have done to the Manager's budget. City staff will go back and make those changes and prepare a budget ordinance for Council to have at your next meeting. Then hopefully you will go ahead and approve that budget ordinance at your June 25<sup>th</sup> meeting.

Mr. Spence said to make this thing to move forward what you are saying is this: the \$25K is in the manager's budget but it can be taken out.

Mayor Pro Tem Walton said Mr. Spence made a good suggestion at our last meeting when we were talking about the police vehicles. If we take something out of the budget we shouldn't start grabbing to put it some place else like we did last year and this year. He thinks it should go in that rainy day fund that Ms. Hummer always talks about because if you have a budget already made and you don't use all that money it should go somewhere where if later on we need additional money we won't have to go to the General Fund and take it out of there.

Ms. Baker said before we adjourn the group insurance for the retirees in the non-departmental budget \$210,000, does that decrease every year?

Mr. Olson replied no it is increasing. He thinks we spend roughly \$600,000 a year for retiree's group insurance. That is just the electric department as we have General Fund employees too.

Ms. Baker asked if we were still paying for retirees insurance. She didn't think we were. She thought we had stopped that.

Mr. Olson said in 1996 we changed the policy where at that particular time if you had 20-years of service and you retired you received health insurance until you reach Medicare and then we would pay your Medicare Part B Supplement. We

have 60-70 employees that we still have a liability out there that we will have to continue to pay. We still have quite a number of employees, Sarah, Dianne, Karl, Katherine, Ricky that are grandfathered in. In 1996 it went from 20 years to 30 years.

Councilwoman Hummer said she has been asked some questions about the dog park. The fact that it will be located on SPCA property the two questions that she has been asked are: What about liability? Are we required to carry insurance and if so who pays for that.

Mr. Olson replied that is part of our liability policy as we have liability on all of our facilities, parks, etc. He doesn't think we can easily pull out what that potential payment would be. It would probably be \$200-\$300. We are covered. On another note, we did hear from the County and they do not want the County Park in the budget so that has been removed. It is reflected in the budget.

### **3} MISCELLANEOUS/WRAP UP:**

Mr. Brooks said he notices when you walk out on the pier at Fish Park it is submerged under water. Why wasn't that raised.

Ms. White responded that it is rotten and to fix it we would have to start all over with CAMA. We repaired it the best that we could with what we had. If you want a whole new pier we will have to look at it further. It has gone under water every time the water comes up.

Mayor Pro Tem Walton said during the whole process that we have been going through Councilwoman Hill-Lawrence volunteered to take the Edgewood Park out of the budget. He thinks it was voted down. Some things must have not been clear to her. We really never did vote on the 3 cents property tax increase. We did vote on the 3.92%. If the process had been made better we probably should have said do you want this to happen but we never did vote on it. He still thinks we should vote on the dog park. He doesn't think we should do the dog park in this budget. We are raising taxes, sanitation fees and just raised the electric and he doesn't think the dog park should be in this budget.

***A motion was made by Mayor Pro Tem to remove the dog park from this budget. Motion failed due to the lack of a second.***

Councilwoman Hill-Lawrence asked if the 3 cents tax increase was still in the budget.

What are you asking for those 3 cents to cover?

Mr. Olson replied yes it was. In essence it covers everything you talked about. It is hard for him to pull out everything because you have modified the manager's budget somewhat. It covers the new fire truck for \$100,000 and it covers the COLA at \$133,000 in the General Fund.

Mr. Donnelly asked what percentage did the health insurance go up on city employees.

Mr. Olson replied it went up 5.8%. It was really 7.8% but we got a 2% credit and it took it down to a net of 5.8%.

Mr. Donnelly said he has been rethinking some things that we have been discussing here on Council and he has taken into consideration the points of view that came out during the last meeting. Individuals having a little difficulty with pay increases and he has been talking to several people through-out the community and trying to get a feel to where they are coming from regarding a COLA. The thought was presented to him that possibly we can come up with an alternative approach to the COLA. We can leave the decision up to the employee. Let the employee decide if they want a 1.5% increase and if they do they may have to pay a portion of their health insurance. If they choose not to take the COLA they may have the health insurance paid for completely. Just the message he has been getting from the people in the community. Don't kill the messenger.

Mr. Brooks said he walks with this one. This has been running through his head because we had three residents come up and say that the city employees don't need a 1.5% increase. One of them was a retired military, one brought all these fantastic figures up and they didn't make any sense. They don't see these guys when the electric goes off two or three o'clock in the morning and the employees have to get out of bed. They don't see these guys when the sewer lines bust and they are sitting in a ditch twelve feet deep. He was appalled for them coming up and saying what they did but since you went in that area there is something that has been eating at him for a long time. The guy that is retired military, well they gave us a raise but it was so small at the time but they did give us one. He knows because he is also retired military. When he was on active duty when they didn't give him a raise whether he didn't do anything or not but he would be aggravated. We have already voted for it and we don't let this ride on the back of the employees. We don't say you do this or you do that. The 1.5% will stand and he doesn't see any reason why anyone sitting on this council will try to reverse something that we have done for our employees. We can't let one or two people in the community stop us from doing something for our employees. He is out in the community almost every day and he has never heard that sentiment.

Ms. Hummer stated she had no further comments.

Ms. Hill-Lawrence stated she is not putting down anybody from any raise but she cannot understand the logic in raising the taxes to give somebody a raise. It doesn't make sense to her. In all of her corporate years we never raised taxes to give someone a raise. It has nothing to do with the employees. Are we actually helping our employees when we give them 1.5% raise? They will be giving it back in taxes. The landlords have already told her they are going to be raising their rent because they aren't taking a loss. What is the rational? What are they gaining? When you have to raise taxes 3% to give them a raise that we are going to take that is robbing Peter to pay Paul. They are not going to see that raise. They are not going to see the essence of that raise at all.

Mr. Spence said the taxes are going up 3% rather we give them a raise or not. If we approve the budget and take the pay raise out for staff it will still be 3%.

Ms. Hill-Lawrence said no we would vote on it.

Mayor Peel asked if there was anything else of substance regarding the budget that we need to talk about.

Mr. Olson stated what staff will do is prepare a budget ordinance which reflects all the changes that City Council has made to the manager's budget. We will present this budget ordinance back to City Council for the public hearing next Monday.

#### **4} ADJOURNMENT**

There being no further business to come before the Council at this time, Mayor Peel adjourned the meeting at 7:21 p.m.

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Dianne S. Pierce-Tamplen, MMC  
City Clerk

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Joseph W. Peel  
Mayor