

The City Council of the City of Elizabeth City held their monthly work session on the above date and time in the City Council Chambers of the Municipal Administration Building with Mayor C. L. Foster presiding. Council members attending were: J. M. Baker, L. A. Hummer, B. S. Meggs, E. K. Rivers, D. K. Stallings, J. A. Stimatz and J. B. Walton. Councilman M. E. Brooks was absent. Staff members attending were: City Manager R. C. Olson, City Clerk D. S. Pierce-Tamplen, City Attorney W. H. Morgan, Deputy City Clerk V. D. White, Public Utilities Director P. A. Fredette, Planning Director J. C. Brooks, Fire Chief W. C. Pritchard, Inspections Director S. E. Ward, Parks and Recreation Director J. D. Overman, Finance Director S. E. Blanchard, Human Resource Director K. W. Felton, Police Chief C. E. Crudup and Electric Superintendent K. F. Clow.

Mayor Foster opened the meeting and welcomed those attending. Councilman D. K. Stallings gave the invocation after which he called upon Human Resource Director K. W. Felton to lead the Pledge of Allegiance to the Flag of the United States of America.

1} APPROVAL OF THE AGENDA:

Mayor Foster called for approval of the prepared agenda.

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

2} UPDATE ON THE HUGHES INTERCEPTOR SEWER/WATER LINE:

Mayor Foster called upon the City Manager for comments on this item.

City Manager Olson stated this particular project has been in the works for roughly two years now. The City did receive a \$2 million grant and we are anticipating that we will receive a CDBG Block Grant for part of this project. We are in the critical stage of this project because we need to get it out to bid to meet the deadlines associated with the different grants that we have received. He called upon Public Utilities Director, P. A. Fredette to come forward and give an update on this particular project.

Mr. Fredette reviewed the project as it stands today. The project is to redo the pump station on Rum Quarter Road and to extend a force main on the way up to the corner of Knobbs Creek Road and Hughes Boulevard. Along with the project is an extension of a water main along Hughes Boulevard from Main and Pritchard Streets to Halstead Boulevard. The other part of the project is the connector of a water main.

This week the City received favorable news from the North Carolina Department of Commerce that the water project would likely receive a CDBG grant in the order of \$480,000. We have also received an informal notice that the railroad would allow the City to construct our sewer force main in their right-of-way. The preliminary design took a rather jagged looking route from Mill Street to Broad Street along the Hughes Boulevard corridor to avoid conflict with the railroad and Hughes Boulevard. The license from Rail America will cost the City about \$100,000 plus \$20,000 to redesign the force main. Offsetting that cost will be avoidance of a \$50,000 license fee to cross the railroad tracks in four to five locations, an estimated savings of \$250,000 in construction costs and savings of approximately one month in the time for construction of the pipe line.

The Environmental Assessment for these projects has been completed and is currently being published in the Environmental Record. As of November 13th the 30-days notice period will be complete and a finding of no significant impact will be issued at the end of the notice period. We do expect to be able to do that by the end of November

We expect to put the project out to bid by the end of November. We will open the bids at the first of the year. We would then award the bids in mid January with construction start date to follow in February 2008.

There is a sister project to this and that is the construction of a sewer pump station near the intersection of Hughes Boulevard and Knobbs Creek Road. That design is nearing completion. It will follow approximately the same time line.

Mr. Olson said that he would like to caution City Council that the estimates shown are roughly a year old, however, over the last year what we have seen is the costs of materials have stayed fairly flat and also there is not a lot of work in the marketplace right now. We still believe these costs estimates are right in the ballpark. As you can see the sewer line project costs \$2.6 million. We do have the \$2 million Clean Water Trust Fund Grant which requires us to have that money spent by September 1st of next year. We are going to have to come up with the local match of \$628,365 which was included in this year's budget. The water line segment of the project is \$480,000 and we are hoping to get a grant for \$456,000 and we should know something by the end of this week. Our local

match is 5% or \$24,000. The total costs of both of these projects is \$652,365.00

3} UPDATE/PRESENTATION – HUGH CALE REVITALIZATION STRATEGIES GRANT:

Mayor Foster recognized City Manager Olson for comments.

Mr. Olson stated that Councilman Rivers asked that this item be placed on the agenda for the work session to discuss the status of the Hugh Cale Grant and disposition of assets that were acquired by the City through this grant. He called upon Planning Director J. C. Brooks for an update.

Ms. Brooks stated that the City has acquired 20 parcels of property with this grant. She gave a power point presentation showing all 20 parcels. The property at 520 and 524 South Road Street is the site of the Hugh Cale Resource Training Center. The City utilized \$667,405.44 of Hugh Cale grant money to build this facility.

The City acquired, via a contract for sale from Elizabeth City Neighborhood Corporation 709 South Herrington Road, which has been leased to Tabernacle of Faith for a homeless shelter. The City still owes \$44,116.65 to ECNC for the purchase of the property.

Councilman Rivers said that the reason why he asked that this item be placed on the agenda was he knew that we have November 17th coming up for the contract deadline for the job training resource center for the agency to run it. It is time for renewal and most leases come up thirty days prior too. About six months ago he asked the City Manager and we have two sources of information that was given at that time. They were stating that we could not do this until five years was up. After they studied and reviewed the request, they sent a letter back saying that as long as it stayed with the intent of the grant. With it being one year after specifically that he notices that the City reap in a lot of nonconforming lots and he thinks it looks good in the area. We might want to consider putting houses back on those lots and making the lots green spaces that would be necessary. It looks good like those two on Road Street. It is amazing to see where this project was started and where it is now. He thinks them bringing it to a close the Job Training Center that the original grant writers of the grant who applied and submitted the information and they are providing services in that location that we need to go ahead and that way we have always said that we need to keep politics out of the community. The community uses that facility and he does not know how many of you have had the opportunity to go for the CNC training and the program after five that is working with the GED Program. You have opportunity of using that center seven days a week. He thinks that it

is a great resource and he thinks that we need to go ahead and instead of renewing the lease we need to go ahead and transpose that piece of property to the OIC. What are the procedures for doing that Mr. Olson?

Mr. Olson replied that there are two different issues here. We have two separate documents. We have the sub-recipient agreement which expires November 17th of this year. Then we have a separate lease agreement for the facility with OIC which is a ten-year lease agreement with two five year renewal options. It expires in 2016 with the first ten year option and then everything else takes us to 2026. If the Council wants to give the property to OIC there are a number of things that will need to take place. Just before the meeting he spent 40-minutes with the Director of DCA. There has been a letter writing campaign by several citizens in the community. You received a copy of some of the correspondences that have been sent to DCA. As we did with OIC original sub-recipient agreement before any action could take place on this particular matter these complaints will need to be addressed. These allegations in the letter have to be addressed by city staff to the satisfaction of DCA. In addition, the State will need to approve the transfer of ownership prior to the Council approving the transfer of ownership. Also, Ms. Sims is requesting that we seek new opinions concerning some potential conflict of interest of members of City Council based on the allegations in the letters. We need to provide a copy of OIC's rental and use policy to the State immediately so that they can review it to see if it is consistent with the guidelines that HUD and the DCA have adopted. Things have basically changed as of late this afternoon on this issue. He would advise the Council to not take any action on this at tonight's meeting. And, that we go ahead and respond to the allegations that have been made in the letter dated October 18th 2007. He thought that these letters were all the same letter but he is mistaken after reviewing them. We have letters that have been executed by 26 different individuals and sent to the State. Some of them are the same letter and some of them are different letters or a cut and past version of the original letter. They are not all the same and City staff will have to respond to the satisfaction of DCA. Also, the State is requesting that we take no action on this until we have a chance for them to respond to these letters and most likely they will come down for a monitoring visit. City staff has a great deal of frustration over this matter because we are getting mixed signals from DCA. We request certain advisory opinions from DCA and we get an opinion back that we believe we can hang our hat on and subsequently someone goes directly to HUD on this issue and they get a different opinion that is contrary to what the State has told them. He expressed staff's frustration to Ms. Sims and she will be talking to the director at HUD to discuss how we handle these types of issues when they do come up. To put it mildly he thinks the State has some gray concerns about the issues that were included in the letter and we have been told and/or ordered to have this stuff answered immediately. It says ten days but she wants a response in 48-hours. He is expecting additional correspondences from Charlie

Thomson and there will probably be additional things that we will have to do before any action can be taken by this Council on this matter.

Councilman Stimatz said that he would like a little more clarification on why it is such a good idea to transfer to any non-profit. This is a \$658,000 investment by the Federal Government in this community and we are going to turn around and hand it over to somebody and he would like to know what other than feeling good about it why we would want to do that.

Councilman Rivers replied that you have in a lot of communities where there are vacant schools they turn them over to non-profits organizations to be able to run it. This grant was written by the River City OIC and the City. Ms. Bernadette Stafford was the Community Development Officer along with Ms. Sharon Goodson. Those three put the grant together and this was a first grant of this kind that was issued in the State of North Carolina. Ten communities were selected and the Elizabeth City Neighborhood Corporation, the Hugh Cale OIC and the Faith Tabernacle homeless shelter and they were the three that put together the information. Elizabeth City was the conduit like the Airport Authority, whereas the Airport Authority is doing the legwork but when you have to start applying for different funds you have got to use the City or another government agency as your conduit and based off of that they did a great partnership utilizing the grant funds. The homeless shelter was one of the main things that made our grant so strong. Over the five years that he has been setting on Council he has seen where three or four organizations wrote the grant and then he has seen after a certain amount of time after the elections, politics gets in it. The training center has come out to be a successful program and when you look into the community the City has salvaged some of the lots and cleaned them up. The grant has been utilized and helped that community. There has been quite a lot of controversy with the whole process. The grant was not supposed to be heartache for staff but was supposed to be a great investment for that community. Nevertheless time has taken place and now he looks at the first year on the Hugh Cale OIC that set foot in there and they are taking care of the electric bill and keeping the upkeep on the building. He just hates to see things to continue to be headache upon city staff. He does like one thing that he has noticed within the last year and that is one of the other reasons why he is suggesting this change and that is that things have changed in the community. He wants to make sure that the community stays involved. He asked for this at least a year ago. The lease is up for renewal so he feels that this is the time to do this.

Councilman Stimatz said that is a lovely story but didn't answer his question of why give a \$600,000 city resource to any non-profit specifically this non-profit which failed to perform in the grant previously and his other question is the lease is not expiring. The lease is for another nine years. The ability to use the

property is not being impeded by politics and the contract is in place. They can continue to lease it for ten years with options for another ten years. There is no politics in that and the only question is where it comes to performance. He does have some questions regarding that issue. Ms. Baker brought this up some time ago concerning the current uses of the property. In researching some things it is very specific in HUD where it says a unit of general local government may not change the use or planned use of any such property meaning the CDBG property unless we provide affected citizens a reasonable notice of an opportunity to comment on the proposed change. And, that we take steps to notify DCA that we are making those changes. We have a couple of things going on that in his understanding are not part of the parent grant. The after care program is not technically part of the grant. That is not to say that it can't be but he goes back to his point. These are federal regulations. He wants to do what is right. The question is asked is adding a church an appropriate use of the property. Instead of answering the question or saying that we will look into it and finding the HUD rules and doing what is proper, one of his colleagues was basically put down for even asking the question. So, he wants to make sure this thing is handled correctly by the City. He doesn't want to mix apples and oranges. There is a lease with OIC and they are ok in the lease and as long as they are performing in accordance with the grant there won't be a problem. If they deviate from the grant performance then we have an obligation to consider that. What we can do with it is a whole other issue. Again, he sees no reason to give them the property or to give anybody the property. It makes no sense. They have a lease and they can stay in there as long as they are performing in accordance with the grant specifications. No one is going to make an issue of it. He would ask that staff and particularly our Attorney find out what rules are we following. Why aren't we following these regulations?

Mr. Olson asked if he could respond to some of that. City staff is following the regulations that the State of North Carolina has imposed on us. You have to realize that HUD through the privacy agreement allocates resources to the State of North Carolina. North Carolina is required to adopt their own consolidated plan which cannot be any less stringent than that of HUD. A primary example is any eligible activity must have 51% low and moderate income beneficiaries with this grant proposal. The State has raised it especially in economic development grants to 60%. They have made it a little more stringent than that of HUD. The confusion and frustration of staff was the difference of opinions we get from the State of North Carolina people and the HUD Regional people that the sub-recipients may go behind the City's back to seek other types of advisory opinions. As the Council is well aware the opinion is based upon the information that you send to them. We have no problem forwarding a request for additional information to HUD but we also must have to agree on the factual situation that we send to HUD to make sure that we get a clear and accurate ruling. Ms. Sims agreed with him on that and he believes that there have been some mechanisms

in place that started about two weeks ago to stop that from occurring. The other issue is the change of use. He thinks we are confused about the change of use. Whenever we have a change of program we are required to have a public hearing. On tonight's agenda an item has been added where we are doing an amendment to Year 5 where we are transferring money from category to another category and we are required to have a public hearing. The change in use has not changed. The training center still has its primary function as serving as a training component. The programs that have been authorized based on our sub-recipient agreement with them are the CNC class, the GED class and one or two other classes that were included in the agreement. They are required to do that under the Sub-Recipient Agreement. However, they can offer different programs as long as they are not inconsistent. The use is the same. The overall use of the Center and the primary purpose is to basically benefit people of low and moderate income. When we met with Vickie Miller last week on our CDBG infrastructure we had a very lengthy discussion concerning changing use and what it really means. From the State's perspective as long as 51% of the individuals benefit from whatever that activity is and it is low and moderate income plus we meet one of the 14 national objectives. We have to basically keep that in the back of our minds.

Councilman Walton said that you said that we have to respond to those letters anyway. It is mute for us to put all this other political strategy in place now isn't it. That is what he is seeing as happening. He feels that everything is so timed convenient for it to come up now. He wished that he had this maybe two or three days ago so that he could have reviewed it. Everything is a bomb rush now and he doesn't like those types of things because it is politically motivated.

Mr. Olson said that he would like to assure council that this has nothing to do with staff. These are something that staff will have to address and respond to as we did a year ago when those other letters were sent to the State. We will do that to the best of our ability.

Mr. Walton said that with all these names out here they must have known a lot more about it than he did. Twenty-six people knew more than he did about it.

City Attorney Morgan said that he sent out a memo Thursday afternoon of last week and he thinks everyone has had a chance to see that. Basically, we have the right to transfer property to a non-profit entity as long as we can verify that entity is a 501(C-3) organization that is in good standing. We also are required to include restrictions in the deed to make restrictive covenants that are permanent in nature that require that the property will be used for a public purpose. In this case it would be to continuing the current use or similar use of the property. We then have to pass a specific resolution that includes the covenants to be included in the proposed deed. That resolution has to be

published in the newspaper on one occasion and then the transfer cannot occur until ten days after that notice has appeared in the newspaper. There are steps that we have to go through. This would be in addition to any restrictions that HUD may impose.

Councilwoman Meggs said that she saw where we are supposed to get a report once a month, do we get this report once a month from OIC.

Community Development Officer Mani responded by saying that if they have done anything then we get a report. The last report that he received was in September for the work that was done in August. We don't know what they have done in September and October yet. They have not sent us a budget for Year 5. Year 4 is finished and the money has been spent. We have requested the Year 5 budget but to date we have not received it.

Ms. Meggs said what do we do in order to get a report.

Mr. Mani replied that the reports that have come in essentially are the certificates of those having completed the CNA program. They were also supposed to do the GED program there. They haven't had any graduates from the GED. Nobody has taken the test and nobody has passed it. There is no GED program there. They might be teaching things but nobody has taken any test therefore there are no results. The only thing that we have is the CNA. There are those that are graduating. We have their certificates. There have been approximately 20-30 graduates.

Councilman Stimatz asked if they had reported any activity in their incubator program.

Mr. Mani reported no. The general rule of the City staff was to complete this grant by December 31st 2007 and apply for the next grant in February 2008. We didn't want to slow anybody down because we wanted to get this grant closed and over with. That was our goal. Anything that they do not provide actually slows down the program. One of the businesses is a Travel Agency that doesn't have license with the City. We questioned that but we don't know what the story is about why they don't have a license. We essentially decided to not pursue it because we want to finish the grant and apply for another one. So, anything in concluding this issue the transfer of property that would slow down the use of the grant because if the new one is approved essentially the letters that have gone out to the Inspector General's office will freeze the funds. They will start an investigation. Then we can't expend the money by December and then we can't apply for another grant in February. Our general policy is to spend the money in time and apply for the next one. Not to do anything that would slow that process down. Transferring the properties certainly will slow

things down or freeze the whole thing. Transferring the property would be a bad thing. The same as trying to figure out what they are doing on Sundays or what they are doing in the incubators, everything will slow it down. Our goal was to finish the money and then start the new one.

Ms. Meggs said that her problem in this is from the paper that we got the other day, where the debts had not been paid so far as the food was concerned and that concerns her. Does that have anything to do with the City's business?

Mr. Mani said no it doesn't as that is a private matter that they will have to take care of. It is not part of the grant.

Mr. Walton said that he doesn't think anybody is going to step up there because from the questions that he is hearing asked. Now, if someone did step out there and try to put forth the transfer and then the responses don't go through, it is not any use anyway. There is no use in trying to put a transfer in if the responses have to be answered and then DCA has to take the responses into consideration and then DCA might say that we can't go with that.

Mr. Olson said that is a possibility. The most recent experience that we have had is when we put OIC as the sub-recipient and we had ten to fifteen letters from the community that raised concerns about OIC's being a sub-recipient. We were adequately able to address those and clean the record with DCA and they allowed OIC to be a sub-recipient after that.

Mr. Walton said that he remembers all of that. But what he is saying now is some of the questions like the one that Betty just asked to him should not have been in placed to be asked. She said something about the newspaper and you know how that can be sometimes. We don't need to analyze OIC until Mani and the correct group need analyze. He knows that he doesn't know what is going on over there. For him to make a good decision he needs to know what is going on over there. He needs to know how the responses are going to come out before he sticks himself out there for something that doesn't make sense.

Mr. Olson said that he feels that each member of Council needs to do a certain amount of diligent work yourself making sure that you are comfortable with the actual process of deeding it over to OIC.

Mr. Walton said that he is very confident that they are doing a good job because he has seen a whole lot of kids running over there. It looks like Detroit when you go back. There are a lot of black kids there that are staying out of trouble. We said that is what this is all about, the at-risk kids. There is a lot of that going on.

Mr. Olson said that he would compliment OIC on their ability to run a very good after school program. He thinks that is definitely their flag ship program right now. It is not one of the programs that is included in the sub-recipient agreement but it is a program that does benefit people in the low to moderate income and is an asset to the community. In his personal opinion that is the strongest program that OIC has. He was in there last Thursday with Vickie Miller and she was very impressed with the number of kids that were utilizing that program.

Councilman Rivers said that he put it on the board but he has no problem and he is not trying to rush anything through. He thinks that we need to give the City Manager and City Attorney the opportunity and time to get the responses back to DCA and that way we can move forward. When this takes place he wants to make sure that no legalities are present. He does not want to put City staff in the middle of the legalities. He is not asking for a vote tonight. We need to respond to these letters so that way you can say that we following the correct path. When reading this letter it is real funny to him but we will let that take place and get it all cleared up to the satisfaction of everyone. Then we will come back for the vote.

4} REPORTS FROM COMMITTEES:

Mayor Foster stated that he would call on the respective committee representative and call for an update.

Albemarle Economic Development

Mayor Pro Tem Hummer stated that their meeting is not until Wednesday of this week; however, Councilwoman Meggs has an item that is coming out from the Community Image Committee and that will be on our regular agenda.

Central Communications Advisory Board

Councilman Stallings stated that the Board met on October 9th and that was the day of the election and he did not attend the meeting.

Elizabeth City/Pasquotank County Airport Authority

Councilman Rivers said that at the last meeting Mr. Olson gave an update and he thinks the most interesting thing on the agenda was the land use for the acreage of land that you probably heard about at the Pasquotank County Commissioners meeting. We are trying to make this project move forward. Mr. Olson is more technical when it comes to the questions regarding the use of acquiring the property for the first phase of the Aviation Complex. It is going forward and the Board would like for this project to move forward. There are agencies that are ready to announce three/four hundred jobs based off of the move of this project coming to fruition.

Mr. Olson stated that tomorrow he is going to Raleigh to meet with two agencies to see if we can secure \$1.5 million in grants for the Aviation Park. In addition it is his understanding that several members of the Board of County Commissioners are trying to help us acquiring the 100' strip of property that we need so that we do not have to use condemnation to acquire that.

Mr. Rivers said that he would like to say that Mr. Olson is doing an excellent job. He knows quite a lot about the airport and moving forward with gaining a lot of information about storm water management and all the other things that are going on. We noticed DRS has completed the drainage or storm water retention pond. Mr. Olson has been a very valuable contact and a tool giving that Board information and helping them to move forward with the information.

There will be a public hearing to discuss the environmental assessment and it is scheduled for November 7th at 6:00 p.m. in Courtroom C of the Pasquotank Courthouse. There was an advertisement that appeared in the newspaper and one of the newspapers printed it right while the other one did not. It has been corrected.

Fireman's Relief Fund Board

Councilman Stimatz advised that the Board has not met.

Joint Land Use Committee

Councilman Stimatz stated that they had not had a meeting.

Joint Redevelopment Committee

Councilman Walton advised that they had not had a meeting in some time.

North Carolina Municipal Agency

City Manager Olson stated that last Wednesday the Rate Committee for the Eastern Agency did meet. He will report in more detail in his FYI coming up. It does appear that there will be no rate increase anticipated this coming year and maybe as long as two years in the future based on existing conditions. He wants to caution everyone when he says that. There are a lot of things going on that the Eastern Agency cannot control, but we are optimistic that things will continue the way things are now.

Tourism Board

Councilman Rivers stated that on the Tourism Board the last time we met the Tourism Board did acknowledge and pass the request for 2010 in terms of the funding for the land options on the convention center. Then Mr. Olson met with the Board on Tuesday and on that he requested what we talked about moving forward on hiring the person for the position of contact person for the

convention center. They are going to decide the salary amount and it will be coming back to the Board and I will report on it at a later time.

We had an excellent year in terms of jet fuel sales and even the occupancy tax that we have received. The Fairfield Inn has gone on line and they are now a hotel and we are expecting to receive an increase in occupancy tax because we now have another hotel that we will be able to receive taxes from.

Elizabeth City Downtown, Inc.

Councilwoman Meggs said that the one thing that she thought maybe you would enjoy hearing is that we have somewhere between 21-22 empty buildings downtown that have no businesses occupying these places. This is one of the things that ECDI is working on. What we intend to do is to take a sign and place it in the windows showing it is for rent and how to get in touch with the owners.

Another thing that she would like to make sure that you put on your calendars is that November 23rd will be the kick-off for the holiday season for Elizabeth City and we intend to do the walk downtown as we have in the past. We start at the courthouse and then they will have a program there and then go down to the arcade and we will have the cider and homemade cookies with Santa Claus. Make sure you put that on your calendars.

Water Committee

Mayor Pro Tem Hummer said that the water agreement is still in draft form and she would yield to the City Manager.

Mr. Olson said that is basically where we are at the moment. We still have one or two issues that he has reported back to the Council on several weeks ago. We are still trying to work through those particular items. We are getting closer and that is the good thing. It does appear that we are going forward.

5} ADJOURNMENT:

Mayor Foster advised that there was no further business to come before the Work Session and he would entertain a motion for adjournment.

A motion was made by Councilman J. A. Stimatz, seconded by Mayor Pro Tem L. A. Hummer to adjourn the meeting. Those voting in favor of the motion were: Stimatz, Hummer, Baker, Meggs, Rivers, Stallings and Walton. Against: None. Motion carried.

Mayor Foster adjourned the meeting at 6:50 p.m.

Dianne S. Pierce-Tamplen, MMC
City Clerk

Charles L. Foster
Mayor