

MONDAY-5:30 P.M.

NOVEMBER 24, 2008

WORK SESSION

The City Council of the City of Elizabeth City held its first meeting of the month on the above date in the City Council Chambers of the Municipal Administration Building with Mayor S. S. Atkinson presiding. Council members attending were: J. M. Baker, D. B. Evans, L. A. Hummer, R. E. King, B. S. Meggs, E. K. Rivers, J. A. Stimatz and V. C. Watts. City 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, City Manager Intern R. A. Lyons, Human Resource Director K. W. Felton, Electric Director K. F. Clow, Planning Director J. C. Brooks, Public Utilities Director P. A. Fredette, Police Captain G. F. Koch, Finance Director S. E. Blanchard, Interim Fire Chief B. S. Overman and Inspection Director S. E. Ward.

Mayor S. S. Atkinson opened the meeting and welcomed those attending. He called upon Councilwoman B. S. Meggs 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 Atkinson called for action regarding the prepared agenda.

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

2} PRESENTATION OF CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFER):

Mayor Atkinson called upon Ms. Donna Winborne, Douglas A. Hollowell, P. C. Comments.

Ms. Winborne presented the City's Comprehensive Annual Financial Report for the year ending June 30, 2008. The Finance Department prepares the statements but it is the management's responsibility. Our responsibility is to express an opinion on those statements and they have done so. They have issues unqualified opinions on the Financial Statements and compliance over your major programs. An unqualified opinion is the highest level opinion you can receive and it means that the Financial Statements fairly presents in all material

respects the City's financial position, results of operations and cash flows for the year ending June 30, 2008. In the General Fund the net change in fund balance for the year was \$85,816.00. That was the increase in the total fund balance for the year. The percentage that the Local Government Commission likes to see available for expenditures is 33% without figuring in the Powell Bill. With the Power Bill it would be 20%. The unreserved Fund Balance at June 30th stood at \$3,356,214.00. The Electric Fund net change for the year had a decrease of \$392,716.00 and the Water and Sewer Fund there was an increase of \$888,432.00. One thing that she does want to mention this year is regarding your Water and Sewer Fund. This fund has had a difficult time in the past few years. Our Local Government Commission has made comments on it. By difficult she means that your current liabilities exceed your current assets. In order to overcome that you really need to look at either/or reducing your expenditures or increasing revenues to try and get that fund balanced out. The \$888,000 sounds pretty favorable but unfortunately you can't have a net profit like that and still be in a difficult financial position which is where the Water and Sewer Fund is. The reason being you can show a net profit and still have items that you are paying for that actually reside on your balance sheet which would be whether you bought equipment or in the Water and Sewer Fund case repaying quite a bit of debt. It is not going to go away because you have already obligated on the debt. You really need to look at increasing those revenues or reducing the expenditures or a combination of both.

She asked to point out one other thing and then she will take some questions. She always mentions to you whether the Finance Department received the Certificate for Achievement for excellent financial reporting. The staff received that certificate again for the 2007 Fiscal Year.

Councilman Stimatz stated he had some questions that he would like to ask.

1} How long has the Hollowell Accounting Fire been the City's auditor?

Ms. Winborne answered the last 15 years.

2} Would it be safe to say that the Letters of Engagement over that period have all required a compliance audit in accordance with Government Audit Standards issued by the Comptroller General of the United States?

Ms. Winborne answered they require a single audit.

3} Now, these are specifically an audit for compliance within major grant programs, and hasn't the Hugh Cale Revitalization Grant been included in the list of grants to be audited. Is that correct?

Ms. Winborne replied the Hugh Cale is part of your grant funds but it wouldn't necessary be part of your compliance of your major programs each year. We don't audit every program. We select what is major and what is non major.

4} Your 2008 report on the City's internal control over financial reporting and on compliances and other matters outlines your findings regarding internal controls. Is this correct?

Ms. Winborne said correct.

5} Now, as he reads this report you only consider the city's internal controls, but you quote "do not express an opinion on the effectiveness of the City's internal control over financial reporting". Can you explain what that means?

Ms. Winborne said that it is boiler plate language. We test the program that we select for their compliance. We don't give an opinion on the internal control. We go through a series of tests. There is a compliance test that we go through. She is not exactly sure what you are looking for.

6} Do you remember that your firm conducted an audit of ECNC's 2003 finances and documented that ECNC owed the City \$62,584 in misdirected program income.

Ms. Winborne said she can't remember that. Is there a problem?

Mayor Atkinson said he thinks probably would be the best thing is if we have detailed questions and to be fair to Ms. Winborne to have an opportunity to go back and look at the questions, to go ahead and highlight those questions but expect her to give us a detailed answer is a bit much at this point in time. He would suggest we write these questions down and give them to the City Manager and let him give them to Ms. Winborne.

7} Are you aware that we are currently conducting an outside audit of the Hugh Cale Revitalization Grant.

Ms. Winborne replied yes.

Mr. Stimatz said then he is confused since we are auditing ourselves for some problem regarding not accounting for cash or property. Why doesn't the audit report list this as a reportable condition or is it not considered a reportable condition that we are having to do an outside audit.

Ms. Winborne said it is not a reportable condition. You have to look at why you are being required to have that audit.

Mr. Stimatz said because we can't find the money. That is one reason. We haven't been able to account for all the program income in the grant. That is not something that you would necessarily look at.

Ms. Winborne said what she audited this year she did not report in her report. She only did 2007. She thinks that the audit that you are referring too goes back some time. This audit is on the fiscal year ending 2007.

Mr. Stimatz said that he understands that. He is just trying to understand the role of the auditor. Knowing that and later reading that in order to carry out your audit you would look at where we are at and then consider our internal control over financial reporting as a basis for designing your audit. In other words you look at the current situation to see if you need to amend your audit procedures. Is that correct?

Ms. Winborne replied that is correct.

8} Did you take into account the fact that we are having an external audit of that when you looked at our internal control?

Ms. Winborne replied that yes she did.

Mr. Stimatz asked what was your decision on that.

Ms. Winborne replied that she tested the amount that she thought needed to be tested given the situation.

Mr. Stimatz said that what he is looking for is we have somehow come to the position where we are missing in excess of \$140,000. We haven't adequately accounted for four properties and this is not your problem as it is our problem. He would like to ask what suggestions you would make to the City to avoid making these major account tracking errors in the future.

Ms. Winborne said she is not exactly sure about the number that you are talking about. She hasn't seen any findings or anything. And, as far as missing money goes, what she will say is that when she came before Council several years ago on the Elizabeth City Neighborhood Corporation and she mentioned then in her report that she felt like there was money that was owed back. As far as how you go about getting that back she does not know. She does not know what she could do to suggest how you get it back.

Mr. Stimatz said that he is not worried about how we get it back. As an accountant he is asking you what would be the best way to keep from losing it in the future.

Ms. Winborne replied that she thinks you have to make the decisions about who you give it too in order to insure that you do get it back.

Mr. Stimatz said he will go back again, it is not about getting the money back, you did inform us and the City knew that we were owed money. You make a very good report. It was very good, very precise and documented that this money was owed. Somehow that did not get translated anywhere in the City's books so that we tracked it and we lost track of it until we were reminded of it by DCA earlier this year. He is just asking you given that you reported it to us and we knew about it.

Ms. Winborne said there is a book of receivable revenue that is due and you have to know that you are not going to get it to get it in order to book it. But at least have a reasonable assurance that you are going to get it in order to book it. You just don't book revenue unless you either have it or you know in a certain amount of days you are going to get it. Otherwise you would have an allowance that would be netted against it. It would also be true of a liability. When she came before you on the Neighborhood Corporation it was on the Neighborhood Corporation's Financial Statement. She did book it as a liability because she felt it was due.

Mr. Stimatz said that he understands that but he is trying to understand why we as a City could lose track of that. We knew it was a liability that they owed us.

Mayor Atkinson stated that if you feel that you need to go further with this, you can just dot those questions down and Ms. Winborne will get those answers for you.

3} TREE ORDINANCE:

Mayor Atkinson called upon City Manager Intern R. A. Lyons for comments.

Mr. Lyons stated that he had put in each agenda packet a proposed tree ordinance that includes the changes that some members of Council had suggested along with the original ordinance that some members wanted to have included. He further stated that we have members for a Tree Commission that will be coming up later. There will be seven members with one alternate member. He reviewed the three changes that had been made to the proposed ordinance.

Councilwoman Hummer stated she had expressed some concern about unsafe trees and going on private property to spray, treat, prune and remove and having to notify someone. She clearly understands that but she thinks that we have gotten really broad with this and her concerns come down to whether or not the public works director has the time to monitor all the trees in this city. She would like to ask the City Manager a couple of questions. Does this mean that will have to eventually hire an arborist and also if we are going to cut some trees down we have to have a crane and we don't have that now. If we are going to make it this broad we have to be able to do what we are putting into law.

Mr. Olson replied if we want to effectively have a good tree ordinance eventually we are going to have to have the technical expertise to basically adhere to that particular ordinance. A trained individual that has that is an arborist. It would be nice to have that individual on staff. It is not his intention now to hire an individual with those qualifications. We do have a number of individuals in the community and on the Tree Commission that have that expertise. Some time in the future it would probably be advisable to hire someone with that expertise on staff. As to the equipment right now our electric crew has a chipper and a pole truck that we can cut trees with. We do have to hire in a crane for large tree removal.

Ms. Hummer said in effect we would have to have more money placed in abatement for this and at the present time we don't have enough money to even demolish the houses that we condemn. This would be an added expense to our abatement fund. Her last question is about the fine, \$500 for not complying. Is that a \$500 fine or \$500 for each day that you don't comply? This is a concern for instance if someone who perhaps is elderly and lives in an old home and has an old tree, how on earth can they afford to have something done about it let alone pay a daily fine.

Mr. Lyons said the way the proposed ordinance reads now it will be no more than \$500. That would be the limit that someone could be fined. It would not be a day basis.

Mr. Olson asked Mr. Morgan to address that question because he disagrees with Mr. Lyons. He believes each day constitutes a separate offense and it would be up to \$500 each day.

Mr. Morgan replied that is correct.

Mayor Atkinson said that he has a couple of questions. Number one if this were to be adopted, do we have everything in this application including the members of the Forestry Board and is it complete to go to the State for approval.

Mr. Lyons said yes as it could be ready to be mailed by tomorrow.

Mayor Atkinson asked if he or any of your associates that have worked on this with the Image group contacted the State to verify that this is ready to go.

Mr. Lyons replied that yes we had attended a meeting this past Monday in New Bern. There were State Members there and we gave them this Tree Ordinance and they have looked over it.

Mayor Atkinson said if we meet all the requirements to become a Tree City and this is a working document then he would agree that we move forward with approval and become a Tree City and if anything comes up that we might need to change we would have that ability. This item will be on our following meeting's agenda.

4} REVISION TO SIGN ORDINANCE:

Mayor Atkinson called upon Planner A. Cole for comments.

Ms. Cole stated that TA-01-08 is a proposal to amend the Unified Development Ordinance to update definitions and regulations of signage in the City and Text Amendment 01-08 addresses our Article 11 Sign Ordinance section. Keep in mind the stated purpose and intent of the Signs section is to protect the aesthetic character of the city and allow signs to serve their intended purpose through regulation. This particular text amendment was introduced to you in February of this year. Since that time it was formally referred back to the Planning Commission for additional review and comprehensive amendment and development in August. We are ten months into working on this particular text amendment. Planning Commission and staff are satisfied with the text amendment as prepared. There are a few sticking points that we have with the public however, they were invited every step of the way to participate in the discussions and the development of this particular ordinance. We held six public meetings with the stake holders and there were two stake holders meeting where the City was not invited to participate. She presented photos of Elizabeth City and what we have to offer when it comes to signage. She explained what each sign was and the use of such. We understood that we had to come up with a happy medium, something that would work for all. She then proceeded to go through the proposed ordinance citing any changes and pages they were located on that are currently being proposed. She answered specific questions as posed by members of Council. Several members of Council made suggestions to further amendments to the proposed ordinance.

5} ADJOURNMENT:

Mayor Atkinson asked if Council would permit in light of the time, he would suggest that we forego the Committee Reports. He adjourned the meeting at 6:53 p.m.

Dianne S. Pierce-Tamplen, MMC
City Clerk

Stephen S. Atkinson
Mayor