

MONDAY – 5:30 P.M.

DECEMBER 08, 2008

WORK SESSION

The City Council of the City of Elizabeth City held its last work session of 2008 on the above date and time 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, B. S. Meggs, E. K. Rivers, J. A. Stimatz and V. C. Watts. R. E. King arriving at 5:55 p.m. Staff members attending were: City Manager R. C. Olson, City Clerk D. S. Pierce-Tamplen, City Attorney W. H. Morgan, City Manager Intern R. A. Lyons, Deputy City Clerk V. D. White, Inspections Director S. E. Ward, Human Resource Director K. W. Felton, Finance Director S. E. Blanchard, Planning Director J. C. Brooks, Electric Director K. F. Clow, Acting Fire Chief B. Overman, Police Chief C. E. Crudup, Parks and Recreation Director J. D. Overman and Public Utilities Director P. A. Fredette.

Mayor S. S. Atkinson called the meeting to order and welcomed those attending. He called upon Councilwoman B. S. Meggs for the Invocation. After the invocation Mayor Atkinson led the Pledge of Allegiance to the Flag of the United States of America.

1} APPROVAL OF THE AGENDA:

Mayor Atkinson called for approval of the prepared agenda.

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

2} TEXT AMENDMENT TA-01-08 TO AMEND THE UDO TO UPDATE DEFINITIONS AND REGULATIONS OF SIGNAGE:

Mayor Atkinson called upon Senior Planner A. Cole for comments.

Ms. Cole stated that the staff has revised the sign ordinance text amendment based on the November 24, 2008 work session comments. She would like to note that this text does not include the prohibitive language for advertising signs (bill boards), pole signs, and impermanent special event signage at commercial locations. The ordinance in question is a long document and is what we consider a working document. Thereby any changes can be made if so desired. She

started going through the document and discussed each highlighted section answering questions from several members of Council.

Councilwoman Watts said that she would like to make a motion to table this item until we can come back together with the documents and having read them prior to the meeting.

City Manager Olson stated that the problem that we seem to be having is that this document has been change a number of times. What he would recommend is if you have a question or concern you share it with staff. We are not going to change this document until we sit all together and discuss those issues and get guidance from Council on what we should take out and what we should not. What happens when we start changing documents on you and they will not know which document we are speaking from? If we can let's take this document, make your comments and if you have concerns, share that with members of staff and then staff will bring those back in front of the governing body and discuss it.

Ms. Cole stated that she will bring back to Council the November 24th document that came to you from the Planning Commission and marry it with the changes that you see in this document. We will do our best at bolding, underlining and color coding. Let her also say for the record, we don't mind going through the document tonight but your Planning Commission does meet prior to your January 12th meeting. They would be able to have a recommendation to you prior to your meeting.

Mr. Olson said what he is hearing he is looking at most likely taking this to the February Planning Commission meeting, having them make a recommendation back to the City Council. We would then have a call for a public hearing at our first meeting in February and the public hearing on the ordinance would be at the second meeting in February with adoption some time thereafter.

A motion was made by Councilwoman V. C. Watts, seconded by Councilman J. A. Stimatz to table this item until Council has had a chance to read this document and study it thereby enabling members of Council to make any suggestions that they may have. Those voting in favor of the motion: Watts, Stimatz, Evans, Hummer, King, Meggs and Rivers. Against: Baker. Motion carried.

C} WATER RATE INCREASE:

Mayor Atkinson called upon City Manager Olson for comments.

Mr. Olson said at your last meeting you did receive a report from the City auditor concerning issues within our Water and Sewer Fund. You also received a copy of the LGC letter saying that we need to take appropriate action to increase our operating revenues within our Water and Sewer Fund. As Council is aware, he has asked Paul Fredette to go ahead and cut the operating budget within the Water and Sewer Department by 5%. That helps out some but it does not generate enough revenue to address the issues of the LGC.

He showed a power point showing that we aren't getting the revenues necessary to fund any of our capital projects or even fund our capital items within the operating budget. The revenue projects that we have made are about 10% off from what we had anticipated. We are seeing an increase in our maintenance costs. Chemical costs have also gone up and we did bill them into our budget, however, because our system has become older and older we are having a lot more special maintenance issues that we are trying to address. What ever reason our current usage is down. We are not selling the volume of water that we anticipated that we would sell. Those are the factors that basically are leading us in the direction of recommending a rate increase.

He then went over the current status of revenues. Presently it is a two step rate structure. We have residential and commercial. The anticipate water revenue within the residential and commercial for water is relative the same. However, when you go to the sewer there is a lot more revenue derived in the sewer from residential customers than there are from commercial customers. That deals a lot with not everyone has city sewer and we do have some customers outside the city limits with water that we do not provide sewer.

One of the issues that he has constantly informed the Council on is the amount of debt that we are carrying within the Water and Sewer Fund. Right now roughly 32% of all revenue goes to debt payment. In 2008 we have roughly \$2.3 million dollars worth of debt, 2.3 in 2009, 2.2 in 2010 and then we start seeing a drop off in 2011. We have in 2010 our annexation debt goes off and that is why you see the reduction from 2010 to 2011. The primary issue that we have within our Water and Sewer Fund right now is the amount of debt that we are carrying. He briefly went over what our uses are based on residential customers. We need to generate roughly \$850,000 of revenue within that account. City staff has come up with three possible options for the Council to consider. Option #1 is to keep our base rate where it is presently at, however we would not give you two units as we would only give you one unit. In addition to that to meet our revenue goal we would have to have a 3% rate increase on every unit of water that applies. Option #2 is what the city has historically done and that is just a flat across the board 11% increase on both water and sewer. Right now our new base rate would be \$21.80 for water and \$13.05 for sewer and per unit cost would go up from \$5.70 for water up to \$6.38 and \$3.60 for

sewer. Option #3 is one unit at base rate and then \$3.21 for sewer. When you are above ten units we would have what we call an inclining block rate structure. The more water you use the more you would pay. That is something that the Legislature debated last year and we did anticipate some legislature coming down that would make it mandatory on all municipalities to adopt a rate structure that was an inclining block rate structure. That did not occur. That particular option is put in there for that reason.

Basically what he is telling Council is that we need to generate roughly \$800-\$850,000 additional revenue. We have cut all we can cut within the Water and Sewer Budget right now. Any additional cuts in his opinion and Paul Fredette's opinion would affect the operation of the utility itself. What staff is looking for is some general direction for us to draft an ordinance and bring it back and then have the call for a public hearing and then the public hearing some time the latter part of January. Several members of Council asked for clarification of the three different options.

Mrs. Hummer asked to put on the table exactly what the citizens are looking at in the near future.

Mr. Olson said he has informed the Council as of February 1, 2009, the City is looking at a 4% increase in the electric. We have a meeting on Wednesday and we are cutting a substantial amount out of the operating budget of ElectriCities. However, the admin cost is only a fraction of the entire costs. That particular utility has a \$7 billion budget and he thinks only \$10-\$11 million of that is admin. He knows there are some concerns about high dollars associated with the director and that salary has been adjusted basically in half. A number of other things have been cut within that budget and we will be voting on that budget on Wednesday and he will provide the Council with a full report on that once the action is taken by the Board. The Interim Director of ElectriCities has done a great job working with several of us managers to cut down the operating expenses of that particular joint action agency. He will be coming to you in January with a 4% electrical rate increase.

Ms. Hummer said so we are talking about an average of \$5 increase in Water and Sewer. Can you project what a 4% electric rate would be?

Mr. Olson replied that it would be \$11 to \$12 and depending on what your usage is. Mr. Olson went over the three options and made comparison of each one. Several members of Council asked questions regarding the difference in the three options.

Mr. Stimatz stated he would like to see an Option IV that would include Option I without the 3% on the base rate. Leave the base rate as is, drop the one unit

and then adjust that 3% increase to everything above that to make up that difference in money.

It was the consensus of Council to have Mr. Olson bring back a rate design at our next meeting with a call for a public hearing based on what the recommendation is just so that we can get it implemented as quick as possible.

D} REMAINING ITEMS ON THE AGENDA:

Mayor Atkinson stated that in light of the fact that time is running out he would like to suggest to Council that we move the remaining items to the regular agenda.

A motion was made by Councilman J. A. Stimatz, seconded by Mayor Pro -Tem J. M. Baker to move Items #7-2 Closed Session- Consultation with City Attorney and Item #8 Discussion of Drainage from the Work Session Agenda to the Regular Agenda following this meeting and to move forward with Item #7-1 Closed Session – Discussion of Personnel. Those voting in favor of the motion were: Stimatz, Baker, Evans, Hummer, King, Meggs, Rivers and Watts. Against: None. Motion carried.

E} CLOSED SESSION:

Mayor Atkinson called for a motion to retire into Closed Session.

A motion was made by Councilman J. A. Stimatz, seconded by Councilman R. E. King to retire into Closed Session for discussion of Personnel as per NCGS 143-318.11(a) (6). Those voting in favor of the motion were: Stimatz, King, Baker, Evans, Hummer, Meggs, Rivers and Watts. Against: None. Motion carried.

Upon the end of the Closed Session:

A motion was made by Councilman J. A. Stimatz, seconded by Councilwoman V. C. Watts to return to regular session of Council. Those voting in favor of the motion were: Stimatz, Watts, Baker, Evans, Hummer, King, Meggs and Rivers. Against: None. Motion carried.

F} ADJOURNMENT:

There being no further business to come before the Council at this time, Mayor Atkinson adjourned the meeting at 6:59 p.m.

Dianne S. Pierce-Tamplen, MMC
City Clerk

Stephen S. Atkinson
Mayor