

**City Council Budget Work Session
June 6, 2022**

The City Council of the City of Elizabeth City met in work session on Monday, June 6, 2022 in Council Chambers, located on the 2nd floor of the Municipal Administration Building, 306 E. Colonial Avenue, Elizabeth City, NC.

MEMBERS PRESENT: Mayor Bettie Parker
Mayor Pro Tem Johnnie Walton
Councilman Billy Caudle
Councilman Kem Spence
Councilman Chris Ruffieux

MEMBERS ABSENT: Councilman Darius Horton
Councilman Jeannie Young
Councilman Michael Brooks

OTHERS PRESENT: Interim City Manager Richard Hicks
Chief of Police Larry James
Human Resources Director Monica Cole
Interim Electric Superintendent Karl Clow
Public Utilities Director Dwan Bell
Parks and Recreation Director Sean Clark
Grants Administrator Jon Hawley
Community Development Director Kellen Long
Fire Chief Chris Carver
ECDI Director Debbie Malenfant
IT Director Matthew Simpson
IT Systems Analyst Pedro Holley II
City Clerk April Onley
Executive Admin / Deputy City Clerk Doris Walton

Mayor Parker called the budget work session to order at 5:30 p.m. Councilman Spence provided the invocation, after which everyone joined for the Pledge of Allegiance.

1. Agenda Adjustments and Approval:

Mayor Parker asked the Council's pleasure on the agenda, as presented.

Motion was made by Councilman Billy Caudle, seconded by Councilman Kem Spence to approve the agenda as presented. Those voting in favor of the motion were: Spence, Ruffieux, Walton and Caudle, Against: None. Motion carried.

2. Statement of Disclosure:

The City Clerk read the statement of disclosure. No conflict of interests regarding items on the presented agenda were made.

3. Presentation – Recap of General Fund / Enterprise Fund;

Interim Manager Hicks gave a brief recap on the general fund, noting that the revenue neutral tax rate will be 58 cents, but 59 cents will be what is necessary to bring us in exactly what we brought in this year. He noted that we do not collect 100% of our taxes by the end of June, so we have to base our taxes on the last year's collection rate, which was 97.25%. The rate for the municipal service district is projected at .063 and based on 97.25% collection rate.

Mayor Parker asked if we're always around 97.25% for collection rates or does that vary? Manager Hicks said we've stayed pretty consistent over the years.

The current adopted water and sewer budget for FY 2021-2022 is \$11,862,212. Staff has requested \$15,446,098 in FY 2022-2023, but the recommended budget for FY 2022-2023 is \$10,283,50. The biggest difference between the recommended budget and the current budget is that money was borrowed last year to make purchases. There is no current loan payment in the FY 2022-2023 budget. No rate increases are proposed in the water and sewer fund, and it is balanced without the use of fund balance. The water and sewer fund does make a small contribution to the general fund yearly, and that stays the same this time around. No new positions are proposed. There is \$1,869,752 in the contingency fund that could be used for potential capital. Staff did provide a list of about \$6.5 million in capital requests that the Council could pick and choose from if they were so inclined. Total salaries in the water and sewer fund sit at \$1,686,857. If the Council determined they wanted to institute a 1% COLA, this would require \$16,869 in increases this fund; a 3% COLA would require an additional \$50,606. The cost of living index for this year is about 8.5%.

Mayor Pro Tem Walton asked if any employees were slated for increases. Manager Hicks said there are no increases or COLAs included in the budget. He was just providing information for the Council in case they decided they were interested in implementing some type of increases.

Manager Hicks continued with his presentation by showing several capital items that were not budgeted but had been requested by staff, including rehab for three wells at \$50,000; disinfection conversion at \$2.5 million; finish water pump rehab at \$50,000; building improvements at \$500,000; a drinking water well at \$250,000; a generator at \$300,000; raw water pump soft start at \$21,000; sample pumps at \$7,000; and additional anticipated costs of \$50,000 for a total of \$3,678,000. He'd requested that staff give their priorities, which were the well rehab, the finish water pump rehab, raw water pump soft start, sample pumps and additional anticipated costs, which totaled roughly \$178,000.

In wastewater treatment, there was \$594,538 in capital items, including gate valve replacement; SCADA upgrades; a spectrophmeter; an influent flow meter; a lime mixing tank; returned activated sludge pumps; a main drain pump station pump; by-pass pumps; a skid street loader; digester building rehab; and anticipated cost increases. Staff was also asked to prioritize this list, and they identified everything as priority except the spectrophmeter, which alone cost \$350,000, so that brought the total for the list down to \$341,752.

Water and sewer maintenance listed \$2,115,510 in capital costs, including failing infrastructure at \$500,000; Aydlett Circle and Parkview sewer replacement at \$950,000; water main improvements at \$500,000; Hemlock water line replacement at \$200,000; JCB backhoe at \$120,000; Silverado pickup at \$40,000; Dodge Ram pickup at \$40,000; 6" Goodwin by-pass pump at \$40,000; 4" Goodwin by-pass pump at \$37,000; ground penetrating radar at \$14,000; and 4,000 meters for the smart metering project at \$824,510. Priorities were identified as the Aydlett Circle and Parkview sewer replacement, the Hemlock water line replacement and the 6" Goodwin by-pass pump for a total of \$1,200,000.

Manager Hicks noted that he'd listed a few additional items in the long-range category as he felt the City would be facing several projects over the next few years and he wanted the Council to be aware of what they were so they could begin to think about how they might be paid for. There is a leaking force main valve that we cannot get stopped that will need to be dealt with in short order. The cost is going to be about \$150,000 to repair that problem. He said we'd also need an engineering alternatives analysis for water as we were nearing capacity at the treatment plant. If we reach 80%, we'd have to submit a plan for approval. We are currently advertising for firms to perform an analysis to assess our treatment plant and collection system to put together a plan for the state. Once the plan is reviewed by the state, we would be given additional flow to take us to 90% plant capacity, which would buy us more time. He pointed out that we're close enough to capacity that if it's a rainy season, we could go over 80%, so we need the buffer. He expected to have something back to the Council in July or August with additional information.

Mayor Pro Tem Walton said he'd like to know how much construction we had going on and when we were expected to max out. Manager Hicks confirmed he would get him that information. He added that through May, the City has taken in about \$350,000 in building permits and a normal year is only about \$75,000 or so. Community Development Director stated that for the month of March, the City had 21 new construction permits between commercial and residential. In other months, we've had as many as 30, so averaging about one a day. She noted that this was new construction only and not remodels or existing facilities.

Mayor Pro Tem Walton asked with the capacity we have now, when were we expected to max out. Manager Hicks said that it was hard to say because businesses use much more than residential homes will use. Director Long pointed out that a lot of the new businesses that they've done recently already have sewer permits in place, so they do take that into consideration.

Councilman Spence said he remembered the consideration about capacity coming up before and thought the previous manager said we had about eight years. Manager Hicks said in the prior year, we were at 78%. If we take care of some of the lines and infiltration, we may buy some additional time, but if things are left as they are, we definitely do not have eight years. He reiterated that if we had a wet season, we'd be over 80%.

Manager Hicks continued with the long-term items, including a Rockwell controller for four pump stations and Itron radios for meter reading. The cost for all capital "wish list" items was roughly \$6,388,048, and priorities rounded out at roughly \$1,869,842.

Mayor Pro Tem Walton asked about the smart meter replacement. Manager Hicks said he believed that dealt with the replacement of the existing water meters. Mayor Pro Tem Walton asked if that would complete the full replacement of all the water meters. Manager Hicks said he did not believe it would, as he was under the impression that we had very few smart water meters at this time. Mayor Pro Tem Walton noted that the Council had discussed spending \$5 million on water meters in the past, but they didn't do that. Manager Hicks said he'd seen some systems that were purchased in other municipalities that were obsolete in just a few years, so it really depended on what you got. Director Bell said they still have a large portion of meters that are not smart meters for water, and 4,000 would not be 50% of the main total.

Councilman Caudle pointed out that staff's priorities and the contingency total were the same amount. Manager Hicks said he'd told staff they only had that much to potentially work with without touching fund balance and had requested they cut their requests down to that number. Councilman Caudle asked if he agreed with staff's priorities. Manager Hicks said that in his opinion, the \$500,000 for failing infrastructure, the Aydlett Circle and Parkview sewer replacement and the Hemlock water line replacement were things that should be held off on for the time being. Councilman Caudle noted that if all of staff's requests were approved, that would wipe out the contingency and if there were problems, such as a sewer collapse or line breaks, they would have no extra money to work with. He understood the people who were sitting at the dais at this moment would not be the body that approved it, but it was still something to consider. Manager Hicks agreed that one major problem could wipe everything out. There was no large cushion. The City had so many needs in the water and sewer fund that he believed the Council was going to have to make some hard decisions about what the most pressing items were and start working on them.

A previous engineering analysis concluded that repair of the aging sewer lines to reduce infiltration was estimated at \$14,462,000, and that only includes about eight separate projects. There are 61 pump station repairs that need to be done, and 17 of the most critical were assessed in February of 2022 for a total \$5,253,000. A second assessment of the wastewater treatment plant was conducted and suggested \$5,900,000 in upgrades, which did not include expansion whatsoever. Manager Hicks pointed out that these issues alone were about \$25 million in needs and did not include anything he'd mentioned previously. He reiterated that the Council was really going to have to decide how to best use the contingency fund to work on some of the problems here. He noted that the City did have ARPA funding that could be used for some of these projects, and we also have grant applications pending as well. There is a second round of funding for infrastructure that opened sometime in September that he expected the City to apply for.

Mayor Pro Tem Walton said sometimes he was hearing that we could borrow money and sometimes he was hearing that we couldn't. What was the manager's opinion on our finances? Manager Hicks explained that due to the City's current financial health, the LGC was not going to allow them to borrow money; however, it was contingent on them getting the 2021 audit, reviewing it and approving it. He hoped that they would have it by the end of June. He said that the auditors were still asking for additional items and staff was still distributing them. Mayor Pro Tem Walton said that every time budget season came around, it felt like they had to end up rushing things and he wished that didn't happen. Manager Hicks agreed. He mentioned another problem he'd discovered was that often the City got grants that required a match, but the match was not budgeted and then there was a struggle to find the money to cover the match. Councilman Caudle asked if other cities move the money at the time they approve the grant. Manager Hicks said they do and that would be a best practice for Elizabeth City as well.

Councilman Spence said he was told they'd need \$50 to \$80 million to get their wastewater plant where it needed to be. Manager Hicks said they wouldn't require that at this time; that appeared to be long term. Councilman Spence noted that he was glad that had been stated because he felt sometimes there was a push to rush things for more than was necessary and he liked to hear the accurate numbers.

Mayor Pro Tem Walton asked if we'd cleared things up with the Coast Guard water issue. Manager Hicks confirmed that was up to date.

Manager Hicks said it would always be beneficial for the Council to know how much debt they could carry without it becoming a burden on the citizens.

Mayor Pro Tem Walton asked about the engineering firms who'd done the analysis of our wastewater and sewer. Were they coming back? Manager Hicks said both of them would be giving the Council a presentation in the next few months. Councilman Spence said he never understood why we had to hire a firm to go behind another firm to analyze what the first firm said, as it seemed like a waste of money. Councilman Caudle noted that we had a history of doing that from what he'd seen.

Moving to the electric fund, the current budget is \$33,666,588. The FY 2022-2023 requested budget is \$32,685,993 and the FY 2022-2023 recommended budget is \$32,359,600. There are no rate increases proposed and the budget does not utilize any fund balance. There are no increases in budgeted transfers. The electric fund makes two contributions as transfer to the general fund each year, one of which is the electric fund paying the general fund \$925,000 for ROI. The other transfer is \$600,000 and is the electric fund paying the general fund for services. There are no new positions in the electric fund. No new positions are proposed. There is \$395,524 available in contingency.

Mayor Parker asked if the position for the assistant city manager was still in the budget. Manager Hicks said it that it was not funded. Councilman Spence said that the City had an assistant city manager for many years and it was always budgeted. He asked if the position had been removed? Manager Hicks said he did not know if it was removed. Councilman Spence said the Council would have to vote for a position to be removed. Manager Hicks said he did not see it in the former year's budget. Mayor Parker stated that she remembered many conversations that some members of the Council had attempted to remove it and had voted against it. Manager Hicks said it could still be an actual position, but the proposed budget did not fund it. If the Council wanted that funded, they would need to identify another \$100,000 or so to make that happen. Councilman Caudle said that looking at the previous budget, everything was lumped together, so it did look like the position of the assistant manager was included, it just wasn't broken out to show it separately. Manager Hicks agreed that the position still existed, but it was not in the proposed budget. He reminded the Council that this was just a proposed budget and they could change anything they'd like between this and the actual budget.

Total salaries for the electric fund are \$1,901,700. If the Council wanted to consider a 1% COLA, it would cost \$19,017; a 3% COLA would be \$57,051. The CPI is 8.5%. The City is preparing to provide service to Sentara's medical office, which should be opening sometime between September and late fall. Once construction starts on the actual hospital, the City will have to start the main feed, which has been estimated at \$1.7 million. They have also asked for a separate, second feed from another substation for another \$1.7 million. Based on current cost of materials, that's believed to be up to possibly \$7

million now. This is a significant burden to the City. Manager Hicks said he believes the hospital should pay for the second feed. There are a few options, including the City building it and getting the money back through the rates over time or either having them pay it up front.

Mayor Parker asked what the reason was for the duplicate service. Manager Hicks explained that if one substation went down, it would automatically kick over to the other substation. Councilman Ruffieux asked about the cost for the second feed. Manager Hicks stated the original estimates had it at \$1.7 million, but materials have increased dramatically. Interim Electric Superintendent Karl Clow explained that although both feeds would be online, they would not be “active” at the same time. The main feed would run from the Church Street delivery. The second feed would run from the delivery behind the water plant. If the delivery dropped, it would automatically switch over to the second delivery point. This would allow them to remain fully operational without having to switch over to generational feed. Both feeds will stay “hot” at all times. Manager Hicks noted that the current hospital is owned by the County and is not taxed, but the new hospital will be taxed. Mayor Parker said it does sound like the duplicate service may be necessary to keep the hospital from having to rely on a generator. Manager Hicks noted you could always have a storm that was bad enough you lost all your delivery points and still had to drop to a generator, but this did decrease the likelihood.

Councilman Spence clarified that we had to give them the first feed, but we did not have to give them the duplicate. Manager Hicks said that was correct. He noted that construction had not started right now, and if it did have to start right now, we wouldn’t be able to do it because we didn’t have the funds and we couldn’t borrow money. Councilman Caudle asked what exactly was it that we were having to buy to construct this. Superintendent Clow said mostly transformers, wire, switches and things like that, which had been significantly cheaper this time last year and now cost an exorbitant amount of money. Manager Hicks pointed out that the electric fund budget was being eaten up by the purchase of transformers and wire because it had increased so much so quickly. Councilman Caudle said we’d been hearing for several years that the hospital was coming and it was going to require certain things, but now it seemed like everyone was in a panic. Someone needed to sit down with Sentara and tell them what was expected. Manager Hicks said the question was mainly whether they intended to pay for it upfront or not. When they break ground, the City needs to be ready.

Mayor Pro Tem Walton hoped that everyone would connect and get on the same page. Manager Hicks said that he, Superintendent Clow, Sentara and several other people met every few weeks to discuss. Mayor Pro Tem Walton suggested that other organizations also be involved. Superintendent Clow said we were using our own engineering firm and he felt that the needed parties were involved.

Councilman Caudle asked if we were certain that they would be paying taxes. Weren’t they non-profit? He heard it mentioned, but had we actually seen something that said they would be? Mayor Parker said that information needed to be researched and should be known at this point. If this much money is changing hands, we should already know that. Councilman Caudle said he just didn’t want to get down the road and hear, “Oh, by the way...” Mayor Parker said she believed they’d paid the County, so she felt they’d probably pay the City too. Manager Hicks said he’d find out and let them know.

4. Adjournment:

Mayor Parker asked for a vote to adjourn the work session.

Motion to adjourn was made by Councilman Billy Caudle, seconded by Councilman Kem Spence. Those voting in favor of the motion were: Spence, Ruffieux, Walton and Caudle, Against: None. Motion carried.

There being no further business to be discussed, Mayor Parker adjourned the meeting at 6:51 p.m.

Bettie J. Parker
Mayor

April D. Onley
City Clerk, NCCMC