

**City Council Work Session
April 22, 2024**

The City Council of the City of Elizabeth City met in Work Session on Monday, April 22, 2024 in Council Chambers, located on the 2nd floor of the Municipal Administration Building, 306 E. Colonial Avenue, Elizabeth City, NC.

MEMBERS PRESENT: Mayor Kirk Rivers
Councilman Johnson Biggs
Councilman Joseph Peel
Councilman Javis Gibbs
Councilwoman Rose Whitehurst
Mayor Pro Tem Kem Spence
Councilwoman Katherine Felton
Councilman Ronnie Morris
Councilman Johnnie Walton

MEMBERS ABSENT: None

OTHERS PRESENT: City Manager Montre' Freeman
City Attorney Bill Morgan
Chief of Staff Monica Cole
Finance Director Alicia Steward
Chief of Police J. Phillip Webster
Deputy Chief of Police James Avens
Electric Superintendent Donnell White
Interim Human Resources Director Anna Spence
Community Development Director Reggie Goodson
Public Utilities Director Dwan Bell
Public Utilities Deputy Director Raymond Staten
Parks and Recreation Director Sean Clark
Grants Administrator Jon Hawley
Fire Chief Chris Carver
ECDI Director Debbie Malenfant
IT Director Matthew Simpson
IT Systems Analyst Pedro Holley II
City Clerk April Onley

Mayor Rivers called the Work Session to order at 5:37 p.m. Mayor Rivers provided the invocation, after which Attorney Morgan led the Pledge of Allegiance.

1. Agenda Adjustments and Approval:

Mayor Rivers asked the Council's pleasure on the prepared agenda. Councilman Biggs stated that he had received an updated Budget-to-Actual report and would share that under the Finance Committee.

Motion to approve the agenda as amended was made by Councilwoman Katherine Felton, seconded by Mayor Pro Tem Kem Spence. Those voting in favor of the motion were: Biggs, Peel, Gibbs, Whitehurst, Spence, Felton, Morris and Walton. Against: None. Motion carried.

2. Committee Reports / Updates:

a. Public Utilities Committee – (Walton, Biggs, Spence)

Councilman Walton advised that the Public Utilities Committee did meet and the main point of discussion was the Rivershore Road Bridge. Director Bell shared that the project came in about \$1 million over from the bid totals. They are working with Secretary Buffalo to identify if there are any additional funding sources they can seek. Often when other cities are unable to use their allocations in a certain amount of time, those dollars are re-

allocated elsewhere, so it's possible that we may secure some that way. He expected to know something this week on that front.

Mayor Rivers clarified that we'd received \$1.9 million in funding to replace that very small bridge on Rivershore Road, but we were coming in with quotes for more than \$1 million over that price. Director Bell explained that the problem is this is not just the bridge itself; it's also stormwater and resurfacing the road. The bridge has been raised two feet to ease some of the flooding concerns. Staff has contacted Emergency Management to see if they can offer assistance. We do have a moratorium going on right now, but we have to figure out something quickly because that window closes in September. We're a little over \$1 million short on the project cost. This also includes tree removal and redesign. We ran into things we weren't expecting when this got underway. They ran into a 12-inch water line and another abandoned line that no one knew about and had to contend with those. The money must be spent by 2025 if we don't get an extension. Mayor Rivers pointed out that if we don't get an extension or other funding, we still have to put a bridge back up regardless. Do we have a contingency plan? We need something to float to the Council as a Plan B. We understand about the bat moratorium and the herring. We have to let the residents know. Director Bell noted that in the beginning, there was a lot of discussion amongst the residents because they didn't want the bridge shut down, but now that it's been shut down, they've decided they liked it better because it's slowed traffic down and they can walk their dogs over it and so on. Some residents have asked if it could be converted into something like a walking trail. Before we closed it, there was nothing supporting the bridge other than the culvert. He stated that he was not in favor of the City having to support the additional \$1 million, nor would he want to pull all of it from Powell Bill funding. He was hopeful that Secretary Buffaloe would be able to help us out here.

Mayor Rivers felt that residents are usually okay with construction as long as they know what's going on. They'll be okay unless we go over the timeframe we gave them and don't keep them informed. We need to keep them in the loop. A lot of the time, we know things but they don't and that gets them upset. He requested that the Committee make every effort to keep the residents informed. Councilman Biggs asked how much we have in Powell Bill now. Director Bell replied that we have over \$900,000 in there, but we have to deduct \$200,000+ for the current street resurfacing project, so we're somewhere around \$600,000.

Councilman Biggs shared that the Committee also discussed trying to break the project apart and separating the bridge work from the road work. Even on a clear day, the approach to the bridge floods badly. Part of the scope was to try to raise the road to ease the flooding. Some of that work is subbed out and there's a markup. We bid this twice and only had two bids come back, so what part of that bid package was not appealing to people? Was it the scope? The turnaround time because of the moratorium? I understand inflation, but is there something else that's not getting people interested in this one? Director Bell advised that they'd had a virtual call with the engineers and the next call would be with T.A. Loving to see what separating the street resurfacing part out might look like. The Providence Road Bridge had NCDOT heavily involved because they were inspecting it, but once we get this one fixed, we are going to get this back on their inspection schedule so we will have their assistance. It would be big for us to make sure that all bridges in the city are on NCDOT's inspection list so we can have their buy-in. Director Bell said he wanted to make sure we had all our ducks in a row before we put everything out there. Manager Freeman asked the Council how they would like this information pushed out. Mayor Rivers noted that by the next meeting they should have some more information and can provide an update. He just didn't want the residents left in the dark or in a position where they had to make their own assumptions or draw their own conclusions because we weren't being forthcoming.

Councilman Biggs questioned if they received the information and it proved to be very time-sensitive, could they add that to the next budget session. Mayor Rivers confirmed that would be fine since it was definitely a budget item.

Councilman Walton asked what the Committee's pleasure was at this time. Councilman Biggs suggested they take no action for the moment. Mayor Pro Tem Spence agreed.

i. Presentation – Rural Water (Given by Alicia Melton of NCRWA);

Director Bell introduced Alicia Melton of Rural Water to present the Elizabeth City Water and Sewer Rate Analysis. Manager Freeman stated that this would be monumental as the City went about making decisions, so he was excited to hear the presentation.

Mrs. Melton said she had been working on these numbers for the past few weeks and she would go over them as quickly as she could. She explained that she was with NC Rural Water, a non-profit organization that offered technical assistance and training in water and wastewater. About a year ago, the City and Rural Water first began discussing conducting a rate study due to financial problems and a big boom of growth. On April 14th, the LGC approved the City's 2022 financial statements. The unrestricted funds grew in 2022. Operating revenue received from water and sewer taps increased drastically in 2022, but operating income had a downward trend from 2019-2021. Large projects in water and sewer take a lot of funding. The unrestricted cash totals at the end of 2022 reflected \$4.4 million, which was enough for a decently sized capital project, but it could be better.

The City has a lot of development under permit, waiting to permit or will be out there in the next few years. In 2024-2025, we should expect a projected increase in connections. This may be conservative because it's based off of 2023 consumption. Existing and proposed growth for commercial and residential requires necessary investments in infrastructure. She asked staff what to include for the next five years. For FY 24-25, \$1.3 million was presented in the proposed budget for water infrastructure and \$909,000 for sewer, not including the pump station project because that's grant funded. This is capital that's paid for through the City's revenue stream. She included a minimum of water and sewer revenue to base her numbers off, which will provide a starting point for the City to consider. If we were to fund \$2 million in capital for the next five years, this is where we'd be. The unrestricted cash of \$4.4 million will not go too far and we should be adding to the savings account. For 25-29, just based off inflation alone, we are expected to go to \$8.9 million for water expenditures. Sewer would go \$7.4 to \$7.9 million, including capital and reserve. An increase to the structure, that rate increase would be around 22.06% for water and 10.37% for sewer. A standard residential customer in the city would increase by \$17 a month for 5,000 gallons. It sounds like a large percentage, but looking at the typical residential user, it's not a great deal of money on the bill.

There are ways to increase the revenues without increasing the rates: Elizabeth City has a lot of low-hanging fruit and could tighten up some policies. Many of our meters are aging out and near 20 years, which makes them inaccurate and likely to create water loss. If you have a residential unit, right now you're paying \$48.21 for both water and wastewater each month. A 10-unit apartment complex still pays the same thing, but there are 10 residential units in that building. You would think that 10-unit apartment building would pay an equivalency, but that's not the way the current policies are in place for Elizabeth City. Looking at a large amount of growth and apartment complexes, we need to make sure that Elizabeth City benefits as well as the user. We need to start billing per unit and not necessarily per meter in those cases. The unit of measurement right now is also at 1,000 gallons, but you're not capturing your revenue in the timeframe it's being used. If you were to bill a customer for every 10 gallons, they would be more aware of what they were using because it was in the same period. This can also cause many questions for Customer Service. Billing at smaller units allows you to recoup that revenue because customers are paying for what's used now.

The next policy is billing the volumetric charge for all consumption used. Even though it's nice to get 1,000 gallons included in the base rate and the reasoning is detailed, it's hurting the City in the long run. With base costs, they cover things like administrative cost, debt service, and costs that the City incurs whether we sell any water or wastewater. You want those costs to be covered by base. Volumetric rates should be those costs that go up with the market, treatments, etc. The City produces its own water, so there's a cost of production. It also purchases water from the County at \$7.77 per 1,000 gallons. As we treat our own wastewater, the water loss for system leaks is not as costly to us as it is on the County-provided side of the system. If we lose water on the County side, we pay \$7.77 for everything leaking through the pipe. There is a real cost to the 1,000 gallons. The base

rate for a residential customer inside city limits is \$25.10 minus \$7.42. In one year for water based off the 2023 numbers, we gave away 77.077 million gallons, equating to more than \$571,000. We could lose \$3.1 million in revenue over the next five years if that continued. With sewer, we could lose more than \$5 million. She understood why the policy was originally put in place, but now there is a significant amount of revenue being given away. We must hold the user accountable for what they use. Simply properly billing users for their usage could generate an increase of \$1.027 million in the next fiscal year alone.

Ms. Melton continued that another issue we are seeing is that we don't bill landlord accounts the same as other accounts. Property owner accounts only receive a bill if they go over 1,000 gallons. If they do not hit 1,000 gallons, they don't pay for water, sewer or trash, and that includes not paying for the base charge. During the assessment, she found that for landlord accounts, of 6,000 potential bills that could have been sent out, there were only 1,680 that were actually billed.

Mayor Rivers said that when the tenants come in, they should be changing it out of the property owner's name and into their own. Manager Freeman pointed out that it depends on the landlord. Some landlords will leave the services in their name and it won't flip to the tenant even if one is in the building. If those services are for a tenant who never hits 1,000 gallons of water a month, they'll only ever pay for electricity and none of the other services because it's set up as a landlord account.

Ms. Melton advised that as of right now, the City's rate of purchase from the County is \$7.77 per 1,000 gallons and we sell at \$7.42 per 1,000 gallons. We are supplementing 0.35 cent. For 2023, we were at an \$18,500 loss, not including everything we gave away in base rates. Councilman Biggs noted that also doesn't include any soft costs such as Customer Service having to answer questions and everything else. Ms. Melton confirmed that it did not, nor did it include leaks or maintenance or any other cost of business whatsoever. Out of everything that's been presented, if you choose to do nothing, at a minimum, you need to increase your volumetric charge to customers by 4.7% so you're not actively losing money. It is an issue because that side is growing and you have to create a water district and separate it out with costs and revenue on that side. It would be a burden to Finance and a burden to Public Utilities, but this is a real loss.

She pointed out that the Council may not want feel they wanted do everything that will set the City up for success all at once. She incorporated an option that would be about the same impact to customers. It would increase everyone's bill about \$14 to account for the 1,000 base rate we're currently giving away. We could gradually increase in the budget until we're fully funded in 2029. The only increase in that scenario is to raise the volumetric by 4.07 and begin charging the base rate.

Councilwoman Whitehurst asked when the last time the City had a study like this was. Manager Freeman replied that it was in 2019 with Raftelis. Councilman Peel added that the Raftelis study was nowhere near this clear and detailed. Councilman Biggs said he understood Mrs. Melton couldn't zero in completely, but what is the cost of not addressing the rates now and prolonging things or breaking it out? Many times, instead of charging the appropriate rate and drilling into the true cost of business, we push it away and down the road, and then the cost increases significantly. If we don't do it now, how much is that 22% in water going to go up? Mrs. Melton said she didn't have an exact figure, but the true cost is becoming labeled as a distressed unit. More than 40 units have been deemed distressed units by the LGC. We will also be a burden to the customers. We may think we're doing them a favor by not increasing rates, but they can afford \$1 here and \$1 there for incremental, responsible increases. Councilman Biggs said our assets are failing left and right. Mrs. Melton said she didn't look into the assets in detail, but she did see there's still about 25% of the distribution lines that aren't even PVC. Materials are going to be scarce with the bill funds. Now with the Build America Buy America Act, it is harder than ever to get materials. Engineers are in high demand and material costs are skyrocketing.

Councilman Walton thanked Mrs. Melton for the information. He praised her information and felt she'd given the Council a lot to think about.

ii. Consideration – Budget Amendment – River City Construction Contract;

Superintendent White stated that he'd brought forward a budget amendment for the River City Construction Contract. Manager Freeman said the money was placed in contingency for expansion and growth of the hospital project. Councilman Biggs noted that the amount requested to move is the exact amount in contingency. Are we short? Superintendent White confirmed that we were. The original items that were ordered needed to be repurchased in a different size and under a rush order. Councilman Biggs asked what the actual amount is needed if we're moving all of contingency. Superintendent White said it's about \$600,000, but the rest is coming from a line item in Electric. Mayor Pro Tem Spence asked if we're able to send the items received in the wrong sizes back for a refund. Superintendent White explained that we could still use them. They are a size that we commonly use and we will put them in the warehouse for inventory. Councilman Biggs asked if we need to put them in as inventory on hand. The way it's listed now, it's double billing on the project basically, so it looks like we really missed the mark. Manager Freeman stated that they would make sure that was corrected.

Motion was made by Councilman Johnson Biggs, seconded by Mayor Pro Tem Kem Spence to approve the budget amendment for the River City Construction Contract. Those voting in favor of the motion were: Walton, Biggs and Spence. Against: None. Motion carried unanimously by committee vote. Item will move forward to April 22, 2024 Regular Session for full Council consideration.

b. Community Development Committee (*Whitehurst, Felton, Walton*)

The Community Development Committee had no items requiring discussion.

c. Public Safety Committee (*Spence, Peel, Felton*)

The Public Safety Committee had no items requiring discussion.

d. Parks and Recreation Committee (*Gibbs, Morris, Whitehurst*)

i. Consideration – TDA Application – Summer Sounds;

Director Clark advised that staff were preparing to restart Summer Sounds on the last Friday of the month during May, June and July, as well as a special concert during the July 3rd celebration. The TDA's next meeting was this coming Thursday, so they were trying to get it on their agenda for consideration. Councilman Walton asked how much the cost was for Summer Sounds was last year. Director Clark said that they'd had to skip the series last year, but they are expecting about \$3,000 to \$3,500 for the cost of each concert event. Councilman Walton shared that he had enjoyed Summer Sounds previously and would offer as much support it as he could when it appeared before the TDA board.

Mayor Rivers asked if anyone knew how much was in the TDA fund right now. Manager Freeman replied that he'd sent a message requesting that information and would share it with the Council as soon as he heard back.

Motion was made by Councilwoman Rose Whitehurst, seconded by Councilman Ronnie Morris to approve the TDA application for Summer Sounds. Those voting in favor of the motion were: Whitehurst, Gibbs and Morris. Against: None. Motion carried unanimously by committee vote. Item will move forward to April 22, 2024 Regular Session for full Council consideration.

e. Finance Committee (*All*)

i. Update – Budget-to-Actual Report (*As Added During Agenda Adjustments*);

Councilman Biggs passed out the budget-to-actual report as well as an aging report. He advised that we are roughly at 82% of what we budgeted for electrical, which is the primary revenue generator for that fund, much in the same way the property taxes are the primary revenue generator for the general fund. He noted that we'd actually taken in less money in solid waste than we have spent in that fund this year. He said it might be that we haven't realized all the revenue yet from time lapse, but he did want to draw everyone's attention to that.

Mayor Rivers asked the manager to keep an eye on the items that Councilman Biggs had notated in red. Manager Freeman said there would be an updated version of the report printed tomorrow. Councilwoman Felton stated that she's planned to ask each department head about their individual processes and had already asked Director Simpson who told her there was software they could use. She didn't understand why department heads weren't keeping up with their expenditures since they have software that helps with that. Councilman Biggs said he didn't want to cause any extra alarm with highlighted items, but he always pressed the question of "we're budgeted X, we budgeted this last year and we've already spent more." Some of them that are over I clearly understand, but we have to make sure if we're going to look at it at the line item level, even though that's not how we approve it, we just need to make sure we're budgeting very accurately. It's critically important that data input is done in a timely fashion. If a department head has asked for X and it's in line with what they've spent the last three years, it's probably what they need. The section ahead of each fund is the revenue side. There are many different revenue streams in the general fund, with the ad valorem taxes and the property taxes as the main revenue sources. We need to make sure what we're budgeting to receive is what we really expect to receive.

Councilwoman Whitehurst asked if we have any way to validate that the department heads know how to use the software or need training or support. Manager Freeman said he'd had those conversations but they would go back through it and see if there was a breakdown somewhere. Councilwoman Whitehurst asked that if he discovered they needed more training to make sure they had access to it. Manager Freeman confirmed that he would.

Mayor Rivers asked that department heads identify and provide an update on why the "red" ran over. He would like each department to be able to educate Council on why those things may have happened. He felt like that would be helpful to the Council.

f. Planning Committee (Peel, Walton, Biggs)

The Planning Committee had no items requiring discussions.

g. Human Resources Committee (Felton, Gibbs, Whitehurst)

Mayor Rivers stated the HR Committee did have a few things to hand out, but he would add that to the Regular Session as it was nearing the 7:00 p.m. hour now.

3. Adjournment:

There being no further business to be discussed, Mayor Rivers adjourned the meeting at 6:56 p.m.

E. Kirk Rivers
Mayor

April D. Onley
City Clerk, NCCMC