

**City Council Work Session
April 24, 2017**

The City Council of the City of Elizabeth City met in work session on Monday, April 24, 2017 in Council Chambers, located on the 2nd floor of the Municipal Administration Building, 306 E. Colonial Avenue, Elizabeth City, NC.

MEMBERS PRESENT: Mayor Joe Peel
Councilwoman Jean Baker
Councilman Ray Donnelly
Mayor Pro Tem Anita Hummer
Councilman Tony Stimatz
Councilman Rickey King

MEMBERS ABSENT: Councilman Michael Brooks
Councilman Darius Horton
Councilman Johnnie Walton

OTHERS PRESENT: City Manager Rich Olson
City Attorney Bill Morgan
Interim Finance Director Evelyn Benton
Chief of Police Eddie Buffaloe
Electric Department Superintendent Karl Clow
Assistant City Manager Angela Cole
Interim Human Resources Director Monica Cole
Public Utilities Director Paul Fredette
Public Utilities Director Joe Pearce
Parks and Recreation Director Dexter Harris
Fire Chief Larry Mackey
ECDI Director Debbie Malenfant
Community Development Director Matt Schelly
IT Director Matthew Simpson
Inspections Director Stanley Ward
City Clerk Vivian White

The City Council work session was called to order by Mayor Joe Peel at 5:30 p.m. Mayor Peel welcomed everyone to the meeting and gave the invocation, after which he led the Pledge of Allegiance.

1. Agenda Adjustments and Approval:

Mayor Peel requested the Council's pleasure regarding approval of the prepared agenda.

Motion was made by Councilman King, seconded by Councilman Donnelly, to approve the agenda. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz, and King. Against: None. Motion carried.

2. Statement of Disclosure:

The City Clerk read the Statement of Disclosure. No conflict of interest disclosures regarding items listed on the agenda were made.

3. Presentation/Consideration – Employee Health Insurance for Fiscal Year 2017-2018:

Mayor Peel announced that Councilman King, as a retired former City employee, had asked to be recused for the discussion of this matter.

Motion was made by Councilman Donnelly, seconded by Councilman Stimatz, to recuse Mr. King.

Councilman Stimatz stated that he understood the reasoning for recusing Councilman King from the deliberation of this matter; and asked if it would be acceptable for the

Councilors to ask him questions. City Attorney Morgan stated that as long as Councilman King did not participate in the deliberations, he thought asking questions would be acceptable. Mr. Morgan noted that as a retired City employee, Mr. King receives health benefits.

Mayor Peel called for a vote on the motion.

Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz and King. Against: None. Motion carried.

Mayor Peel recognized Mr. Olson for his presentation.

Mr. Olson reported that the City had been dealing with the proposed health insurance premium increase for a number of months. He advised that the issue had been discussed during the pre-budget work session as well as briefly during the Council retreat.

Mr. Olson stated that the issue had been discussed by the Finance Committee, during which time additional information had been requested. He said that information had been prepared and provided to the City Council.

Mr. Olson explained the process, which insurance companies use when they establish rates. He advised that the City is currently at 113% of its premiums paid with only 92% utilization. He pointed out that when staff received this information in January, he knew the City would be anticipating a large increase from Blue Cross Blue Shield. He noted that a rule of thumb in the insurance industry is that companies would like a 10% profit. He advised that normally, 11% medical inflation is built into the rate; and in addition, the company wants all the claims paid. He noted that if 113% is added to 10% and 11%, it would indicate an increase of 34%.

Mr. Olson stated that when the City received its renewal from Blue Cross Blue Shield in February, the actual increase was 27.9%. He advised that the City offers employees more than just health insurance; including dental, vision, life and retiree benefits. He said that the dental, vision and life premiums had stayed relatively the same over a five-year period. Mr. Olson stated that considering the entire benefit package along with the 27.9% increase, it would equate to a cost to the City of \$3,417,507, which he knew was unaffordable.

Mr. Olson reported that staff had gotten together with the Peirce Group underwriter and evaluated insurance policies from four different carriers that included 11 different options. He said that staff had also looked at a modified self-insurance program, which did not have merit.

Mr. Olson noted that besides being 113% of existing utilization, the City also had a very poor year. He noted that three claims amounted to \$750,000; and if those claims were factored out, the City would have had a great year.

Using PowerPoint slides, Mr. Olson presented a comparison between Blue Cross Blue Shield and MedCost. He pointed out that when all factors are considered, the renewal with Blue Cross Blue Shield would be \$712.99 for each employee; an alternate Blue Cross Blue Shield policy would be \$646.97; and Medcost would be \$650.10.

Mr. Olson reminded the Council that he had informed them previously that he would build into the budget a 10% increase for health insurance to be paid by the City, with City employees paying anything over that 10% increase. He stated that the City presently pays \$517 for each employee; and with the 10% increase the amount would be \$569.29 per month. He said that based on staff's recommendation to go with the MedCost 2500 plan, the cost would be \$609 and would require a payroll deduction over 24 pay periods of \$19.86. He noted that there would be no "buy-up" program for the coming year, but the \$19.86 per month deduction was about the same as for those employees who did "buy up" during the current fiscal year.

Mr. Olson reviewed the proposed MedCost premiums as follows: \$609 for health; \$29.50 for dental, \$7.00 for vision and \$4.60 for life, totaling \$650.10 per month. He said that the life insurance coverage would remain with Blue Cross Blue Shield. Mr.

Olson provided the reimbursement required by City employees for health insurance for each fund as follows: General Fund, \$101,000; Electric Fund, \$20,000; Water and Sewer Fund, \$23,000; Storm Water Fund, \$119,000; and Solid Waste, \$8,577.

Mr. Olson reported that the Finance Committee had requested that he look at capping the City's payment at \$517, with anything over that paid by City employees. He noted that the employee reimbursement by fund for that scenario would be: General Fund, \$237,000; Electric Fund, \$48,000; Water and Sewer Fund, \$55,000; Storm Water Fund, \$279,000; and Solid Waste Fund, \$20,142.

Mr. Olson announced that if the post-65 and disability retirees are insured by Humana, the City would save \$75,016. He noted that there were 27 employees in that group, with four of that number being disabled.

Mr. Olson stated that it was important for the Council to decide on this issue to allow staff to make the necessary changes, complete all the contracts and conduct employee orientation, as well as being able to complete budget calculations.

Councilman Donnelly inquired as to the reaction by the employees. Mr. Olson responded "they don't like it, because they have never had to pay for health insurance before - unless it was an enhanced program." He stated that even if the City paid the first 10% of the increase, it would equate to a 2.69% cost of living increase.

Councilman Stimatz stated that he had provided information regarding four possible options and only three had been covered. He noted his options were: the current system with the City paying 10%; the City paying 10% of the old rate and employees paying the difference; the City pays nothing toward the increase; and an option to pay 10% of the increase of 29.7%, which represented about one third of the increase. He said that he wanted to also see the impact on each fund for each of the four options without having to dig through the numbers in the memo.

Councilman Stimatz stated that the City had a non-contributory 401k plan; and noted that one way to offset the increased cost for insurance was to lower the amount the City contributes to the 401k plan. Mr. Olson stated that option had been discussed at the staff level. Councilman Stimatz responded that it was not up to staff to make the decision for the Council. Mr. Olson advised that the information had already been prepared and was available for the Council to review. He noted that there are 62 police officers for which the City is required to make a 5% 401k contribution. He reported that state legislation is also currently being considered to provide that benefit to firefighters as well.

Councilman Stimatz stated that he offered the fourth scenario as a possibility for the Council to consider.

Mr. Olson pointed out that the Council should consider that some of the high claims experienced in the current fiscal year may continue in the next fiscal year. He noted that would most likely create a double digit increase in the following fiscal year. He said that by lessening the plan to make it more affordable, also put some of the burden back on City employees to share the cost. He said as an entity, the City could not do much concerning health insurance, except to determine how the plan is designed. He pointed out that only the employees can do that by staying healthy. He stated that the workforce average age is 45; but the bigger issue is the workforce demographics. He said a high number of employees have diabetes, a high number have hypertension, and in addition, there's the normal shock claims for cancer.

Mr. Olson stated that staff is recommending that the Council go with the Medcost plan with the City paying 10% and the employees paying \$19.86 each pay period. Mr. Olson reported that currently the budget is balanced and includes the City paying 10%. He said that if the Council wanted to do something different, staff could take a look at capital outlay purchases to determine what could be placed on installment purchase and what would be paid for with cash.

Mayor Peel asked what the employee contribution would be if the City only paid 5% toward the increase. Mr. Olson responded that it would be about \$12 more each pay period.

Councilman Donnelly commented that \$19.86 each pay period seemed reasonable to him.

Motion was made by Councilman Donnelly, seconded by Councilwoman Baker to authorize City staff to bill employees and retirees who are enrolled in MedCost \$19.86 over 24 payroll periods.

Councilman Stimatz commented that the \$67,000 difference between the 10% and the 5% would be about 1/2¢ property tax increase. He asked that staff provide sometime in the future the increased health care costs over the last ten years as a cost-of-living increase. He said that City staff is behind about 8% if only cost-of-living increases were considered, but it was made up in the benefit package.

Mayor Peel called for a vote on the motion.

Councilman Stimatz asked if the motion should include the additional three staff recommendations. Mr. Olson stated that those actions were also needed.

Councilman Donnelly amended his motion to include the following three actions:

- (1) Authorize City staff to begin the enrollment process with NCLM Medcost;**
- (2) Authorize that post-65 retirees and disabled City employees be enrolled in Humana coverage;**
- (3) Authorize the City Manager to execute any and all documents associated with the change of insurance companies for City employees.**

Councilwoman Baker accepted the addition to the motion.

Those voting in favor of the motion were: Baker, Donnelly, Hummer and Stimatz. Against: None. Motion carried.

Councilman Stimatz inquired as to the benefits the City is obligated to provide to retirees. Mr. Olson stated that he believed that to be a legal question; and in fact, he had been discussing the issue with Attorney John Leidy. Mr. Olson reported that the City has an agreement with pre-1996 retirees to provide health insurance coverage; but there is nothing that requires it to be the same coverage as is offered to City employees. He advised that the retiree health insurance coverage could be “less lucrative” than City employees’ coverage; and in his opinion, it did not have to be the same plan design the employee had before retirement. Mr. Olson stated that the City provides health insurance until age 65, at which time the City pays a Medicare supplement in the amount of \$145.

4. Presentation/Discussion – Colonial Avenue Alleyway Project:

Mayor Peel recognized ECDI Director Deborah Malenfant for her presentation.

Ms. Malenfant reported that the alleyway that runs between Colonial Avenue and Elizabeth Street is a public alleyway owned by the City. She noted that the City had executed Alleyway Encroachment Agreements in the past with various restaurants to expand the footprints of their properties. She advised that since most of the restaurants serve alcohol, ALE required a secured area for that purpose.

Ms. Malenfant reported that a property owner had plans to develop a previously vacant and unutilized business at the end of the alleyway near Elizabeth Street; and the only means of access to that property is via the alleyway. She advised that situation caused some public safety concerns, such as the Fire Code that requires ten feet of ingress and egress for patrons to either end of the alleyway. Due to this situation, Ms. Malenfant stated that a whole new alleyway plan had to be designed to allow for the required ingress-egress.

Ms. Malenfant reported that the alleyway is only 20 feet wide, which required creative thinking to meet the requirements of all the regulatory agencies, while still allowing use of the alleyway by the businesses.

Ms. Malenfant stated that staff from the Fire Department, City Manager's Office, ECDI, Community Development, Inspections, the Health Department, Alcoholic Beverage Control and ALE had met to discuss and evaluate the various options for use of the alleyway.

Using PowerPoint slides, Ms. Malenfant provided conceptual drawings of the alleyway that would accommodate use by five different businesses. She said that each area would be fenced and would have an area approximately ten feet wide by thirty-five feet long.

Ms. Malenfant stated that part of the project will involve a total cleanup of the alleyway with all current fences removed. She reported that the plan had been presented to the Historic Preservation Commission; and the project would be a collaborative effort by the City, ECDI, the Committee of 100, and River City YouthBuild. She noted that the new design featured industrial grade lighting that will crisscross the alleyway.

Councilman Donnelly inquired as to the number of tables that could fit within the 10-foot fenced area. Ms. Malenfant responded that some of the businesses also have propane tanks and other items outside; therefore the space available would vary. She said some businesses will have four tables, while some will have five.

Councilman Stimatz said that another item to consider would be cleaning up all the electrical lines running above the alleyway. He stated that he understood that some were suggesting that the alley have a name. Ms. Malenfant stated that a couple of the business owners had suggested naming the alley so it could be referenced more easily. Councilman Stimatz responded that he thought there would be value in that, as it would create a focal point for people to visit.

Mayor Peel noted that old maps of the City included the name "Pailen Alley" for the site. Ms. Malenfant stated that some of the property owners want the alley name to be more descriptive of the events that will occur there. Councilman Stimatz responded that care should be taken with that idea, because if the activities change, the City would be stuck with the name.

5. Consideration – Agreement with Republic Services of North Carolina, LLC for Leachate Disposal:

Mayor Peel recognized Public Utilities Director Joe Pearce for his presentation. Mr. Pearce first explained that leachate is material from landfills. He said when solid waste is stored it contains liquids that result in digestion of the matter over the years. He pointed out that matter has to be removed to avoid other issues and environmental concerns. He said that landfills also generate methane; which is flared in order to remove the liquid. He noted that as landfills get older, the leachate becomes stronger.

Mr. Pearce advised that the City signed an agreement with East Carolina Environmental in 1995 to accept landfill leachate from their Bertie County landfill. He noted the company became Republic Waste Services in 2001. He stated that the agreement included certain requirements, one of which was the requirement for semi-annual testing. He said that he requested the data from Republic and reviewed it; and found that they had exceeded limits for several pollutants; and in particular were about 40 times the limit for Total Kjeldahl Nitrogen (TKN). He stated that TKN is ammonia and organic nitrogen.

Mr. Pearce stated that the City had been receiving six large tankers each day from Republic, which equaled about 6,300 single family residences of TKN or 15,000 individuals. He stated that the Waste Water Treatment Plant has a certain design capacity for ammonia and TKN; and based on his calculations, the plant is overloaded for TKN and cannot treat it all. He said that the City had received Notices of Violation for exceeding nitrogen limits.

He noted that the waste being received from Republic had greatly increased over the years in volume and in strength. Mr. Pearce stated that the City does not want to violate its permitted limits and does not want to impact the Pasquotank River.

Mr. Pearce recommended that the City suspend accepting landfill leachate, because Republic had violated its limits over several reporting periods. He said that the contract requires that the City provide a notice that it is considering suspension within five days of receiving the data. He stated that due to that short timeframe, staff had sent the required notice. He reported that Republic has ten days to respond back with their plan to return to compliance. He said that pending the outcome of that response, staff may have another recommendation to move toward termination of the contract.

He said that Republic Waste Services is a very large individual user that is impacting the City's plant and doesn't provide enough money to pay for the treatment the City is providing.

Councilman Stimatz asked what the terms and conditions were for the original 1995 contract. Mr. Pearce responded that after the first five years, the agreement was self-renewing unless someone took an action. He reported that the agreement provided revenue of 1.5¢ per gallon indefinitely. Mr. Olson interjected that the going rate presently is 10¢ per gallon.

Councilman Stimatz stated that the City Council should further discuss this matter during a Closed Session to determine where the City goes from here.

Motion was made by Councilman Donnelly, seconded by Councilman Stimatz to authorize staff to suspend the agreement with Republic Services of North Carolina LLC pursuant to Section 7B of the agreement on May 1, 2017. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz and King. Against: None. Motion carried.

6. Committee Reports:

- a) EC-PC Economic Development Commission: Mayor Pro Tem Hummer, Councilwoman Baker, Councilman King and Mayor Peel

Mayor Pro Tem Hummer reported that the EDC's marketing firm was present during the last meeting. She said that when the new marketing plan is available, she would report back to the Council.

- b) Central Communications Advisory Board: Councilman Brooks

Councilman Brooks was absent from the meeting.

- c) Fireman's Relief Fund Board: Councilman Brooks

Councilman Brooks was absent from the meeting.

- d) NC Eastern Municipal Power Agency: City Manager Olson and Mayor Peel

Mr. Olson stated that the next meeting would include a Closed Session to discuss a settlement agreement with a provider.

- e) Elizabeth City Downtown, Inc.: Councilman Donnelly

Councilman Donnelly reminded everyone about the upcoming Potato Festival on May 19, 20 and 21. He said that he had volunteer forms available for anyone wishing to participate. He stated that volunteers only have to commit to a two-hour time period. He reported that in conjunction with the festival, the USCG would be sponsoring a 5K run and 1 mile fun walk.

- f) Elizabeth City Area Chamber of Commerce Board: Mayor Peel

Mayor Peel reported that the Chamber had sponsored a ribbon cutting for a new downtown business on McMorrine Street, Premier Cuts.

- g) Finance Committee: Mayor Pro Tem Hummer, Councilman Donnelly, Councilman Horton and Mayor Peel

Mayor Pro Tem Hummer stated that the Finance Committee had forwarded everything discussed to the Regular Meeting of the Council.

- h) Parks and Recreation Advisory Board: Councilman Walton

Councilman Walton was absent from the meeting.

- i) Elizabeth City/Pasquotank County Airport Authority: Councilman Stimatz

Councilman Stimatz reported that the Authority would meet on April 26.

- j) Storm Water Advisory Board: Councilman Stimatz, Councilman King and Councilman Brooks

Councilman Stimatz stated that a meeting is being planned to formulate the Board's recommendation for the Council's budget deliberations.

- k) Tourism Development Authority: Councilwoman Baker

Councilwoman Baker reported that the Authority would meet on April 27.

- l) Community Relations Commission: Councilman Brooks

Councilman Brooks was absent from the meeting.

7. Adjournment:

There being no further business to be discussed, Mayor Peel adjourned the meeting at 6:27 p.m.

Joseph W. Peel
Mayor

Vivian D. White, CMC/NCCMC
City Clerk