

**City Council Work Session  
November 23, 2015**

The City Council of the City of Elizabeth City met in work session on Monday, November 23, 2015 in Council Chambers, located on the 2<sup>nd</sup> 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 (*arrived at 5:32 p.m.*)  
Councilman Michael Brooks  
Councilman Kem Spence (*arrived at 5:36 p.m.*)  
Councilman Darius Horton (*arrived at 5:34 p.m.*)  
Councilman Johnnie Walton

MEMBERS ABSENT: NONE

OTHERS PRESENT: City Manager Rich Olson  
City Attorney Bill Morgan  
Finance Director Sarah Blanchard  
Planning Director June Brooks  
Electric Department Superintendent Karl Clow  
Assistant to the City Manager Angela Cole  
Public Utilities Director Paul Fredette  
Fire Chief Larry Mackey  
ECDI Director Wade Nichols  
IT Director Matthew Simpson  
Inspections Director Stanley Ward  
Parks and Recreation Director Bobbi White  
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 called for any adjustments to and approval of the agenda.

**Motion was made by Mayor Pro Tem Anita Hummer, seconded by Councilwoman Jean Baker, to approve the agenda as presented. Those voting in favor were: Baker, Donnelly, Hummer, Brooks and Walton. Against: None. The motion carried unanimously. (*Stimatz, Spence and Horton had not yet arrived.*)**

**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 – City of Elizabeth City Financial Statements for Fiscal Year Ended June 30, 2015 – Jeff Best, Carr, Riggs and Ingram and Finance Director Sarah Blanchard:**

Mayor Peel recognized City Manager Olson to provide an introduction of this item. Mr. Olson presented Mr. Jeff Best of Carr, Riggs and Ingram and stated that Mr. Best and his firm have performed the City's audit for the past three years. He referred the Councilmembers to their copy of the Certified Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2015 and stated that Mr. Best and Finance Director Sarah

Blanchard would provide an overview of the document as well as answer any specific questions that the Councilmembers may have.

Mr. Best expressed his appreciation to the City Council for allowing his firm the opportunity to perform the audit. He commended the preparation and presentation of the audit document by the Finance Department. He noted that the financial statements had received a standard and qualified opinion and described those terms as meaning that the financial statements were not materially misstated. He reviewed the various sections of the report, describing each and its purpose. He touched on the notable financial highlights throughout the document.

Mr. Best called the Council's attention to the fact that the City's unassigned fund balance in the General Fund at fiscal year-end was \$1,573,711 compared to total expenditures of \$17,980,151, resulting in an 8.8% of total General Fund expenditures ratio. He noted that the percentage of property taxes collected for the year was 95.87%.

Councilman Stimatz questioned the net change in fund balance in the General Fund being reported as a negative \$335,311 and stated that he did not recall an authorization to spend down the fund balance by that amount. Ms. Blanchard stated that the fund balance reduction was a result of budget amendments made throughout the fiscal year and purchase orders that were outstanding at the end of the fiscal year. Mr. Olson stated that staff would provide a list of all budget amendments made during the fiscal year to the City Council for their review. Councilman Stimatz suggested that staff needed to come up with a better way to present budget amendments for approval in order that the Council is fully aware that they are "dipping into the fund balance or going into savings." Ms. Blanchard pointed out that when budget amendments are prepared, if the revenue source is "fund balance appropriated" it would indicate the funds were coming from the fund balance.

Mayor Pro Tem Hummer stated that it had always been her concern that when the Council wants to fund something that has not been budgeted and directs the City Manager to "find the money," the question should be always be asked "what does this do to the fund balance?"

Mr. Best directed the Councilors to review the Notes to Financial Statements section of the document and advised that the information contained therein would present a good picture of the City's operations. He briefly reviewed the highlights of the footnotes section. He suggested that the Council may wish to have an actuary come in to discuss and explain the projections and liability involved with paying future healthcare benefits for City employees.

Councilman Stimatz stated that there seemed to be a disagreement in the audit whereby the auditor viewed invoices received after fiscal yearend for encumbrances made during the fiscal year as a "finding." Mr. Olson agreed that staff viewed the situation as timing-related issue and felt it should be reported as a disclosure and not a finding. Mr. Best pointed out that funds were being spent that the Council had not approved through a budget amendment, hence his opinion that the issue should be a finding. Councilman Stimatz asked what could be done to keep the situation from happening in the future. Mr. Best stated "don't spend any amount that's above the budget." He pointed out that the purchase orders issued should be for "good numbers." Mr. Olson made the point that a purchase may involve shipping costs that had not been accounted for in a purchase order; and in essence, would create a violation. Ms. Blanchard noted that some cities are allowed to do a budget amendment after they have closed out their books. Mr. Best stated that he would not have a problem with that because then it would be certain that the Council had approved the expenditures. Ms. Blanchard stated that with that assurance from Mr. Best, the City would do its final budget amendment in August or September next year.

Councilman Stimatz stated that he had sent an email to the Council and to staff regarding the LGC's worry about the percentage of unrestricted fund balance relative to total expenditures. After providing a hypothetical example of operational spending, he

asked if there was some way to do “creative accounting” in order that extraordinary revenue and expenses within the General Fund are not counted in the General Fund operational funds; and thereby not be considered against the City’s fund balance relative to total expenses. He pointed out that there is a cost of running the City, which cannot be easily determined from the accounting reports. He said that the Council had recently changed its method of tracking balances to include a target of 15% of the operating budget. He said it was his opinion that if the City has 15% of its general unrestricted operating budget in the bank, the City would be doing okay. He stated that he was more concerned about that than the arbitrary number that the LGC computes.

Mr. Best responded that the City operates special revenue funds and grant project funds and any special money that comes in can go into those types of funds. He stated that by using those types of funds and taking the money out of the General Fund, the City would not have inflated revenues and inflated expenditures to skew the fund balance. Mr. Olson stated that he would work with the Finance Director to look at the situation going forward.

Mayor Peel thanked Mr. Best for his presentation.

**4. Report/Discussion – Budget Adjustments in Connection with LGC Application for Financing Approval:**

Mayor Peel recognized Mr. Olson for the background information on this discussion. Mr. Olson stated that City staff had conversations with LGC staff regarding their recommendation to the LGC Board of Directors that the City’s application for \$800,000 in installment purchase financing be approved to purchase the property located at 305 E. Main Street. He said that LGC staff is concerned that the City has a fund balance of roughly 9%, which is less than other communities the size of Elizabeth City.

Mr. Olson reported that LGC staff believes the City needs to take the steps necessary to increase the General Fund unrestricted balance. He stated that the City’s Finance Director had sent a letter to the LGC advising that the City would cut \$900,000 out of the 2015-2016 fiscal year operating budget. He pointed out that staff expects an additional \$180,000 in sales tax revenue associated with the Thompson Thrift Project.

Mr. Olson stated that \$900,000 in budget cuts and an additional \$180,000 in revenue would bring the City’s fund balance to 15%, which is the target the LGC prefers. He said that he had requested that all departments provide information regarding possible 5% cuts to their budgets. He pointed out that the City is already half way through the fiscal year, making it difficult to find savings.

Mr. Olson provided the following budget cuts that had been identified by each department:

**Police Department**

Line Item	Amount
Salary Savings	\$89,600
Fuel	23,000
Capital (Firing Range)	20,000
Travel/Education	20,000
Miscellaneous	37,000
Total Reduction	\$189,600

**Inspections Department**

Line Item	Amount
Salary Savings	\$17,222
Demolitions	5,346
Total Reduction	\$22,568

**Planning Department**

Line Item	Amount
Miscellaneous Cuts	\$7,650
Total	\$7,650

**Information Technology**

Line Item	Amount
Capital Outlay (Computers/Controls)	\$5,028
Not Replace 2 mbps components	1,088
Total Reduction	\$6,116

**Parks and Recreation Department**

Line Item	Amount
Jennette Property Development	\$50,000
Dog Park	18,750
Salary Savings (\$9,830 ÷ 45%)	4,423
Total Reduction	\$73,173

**Cemeteries**

Line Item	Amount
Maintenance of Grounds	\$2,720
Total Reduction	\$2,720

**Public Works**

Line Item	Amount
Administration (Misc. Cuts)	\$3,050
GIS (Office supplies/contract services)	7,500
Garage (Misc. Cuts)	5,936
Streets	
Salary Savings	15,500
Auto	8,550
Contract Services	17,000
Misc. Cuts	8,950
Total Reductions	\$66,486

**City Council**

Line Item	Amount
Misc. Cuts	\$3,000
Total Reduction	\$3,000

**Fire Department**

Line Item	Amount
Salary-Vacant Positions	\$29,820
Salary Savings (out of title)	25,000
Travel/Education	10,000
Communication	10,000
Departmental Supplies	10,000
Total Reduction	\$84,820

**Administration**

Line Item	Amount
Misc. Cuts	\$3,000
Total Reduction	\$3,000

**Human Resources**

Line Item	Amount
Pay and Classification Study	\$26,500
Misc. Cuts	2,000
Total Reductions	\$28,500

**Finance Department**

Line Item	Amount
Salary Savings	\$5,852
Capital Outlay	5,178
Misc. Cuts	4,250
Total Reduction	\$15,280

Mr. Olson noted that the total for all identified cuts would be \$502,913 and stated that he believed that the cuts could be achieved without affecting the City's effectiveness and mission. He stated that he did not believe that cuts totaling \$900,000 would be in the best interest of the City.

Mr. Olson stated that based on all the information he had reviewed, he thought the City Council had three options to consider, as follows:

1. Not to issue debt for the building; instead, use the money, which the LGC wants the City to cut, to finance the cost of purchasing the building. He pointed out that if the building purchase is not financed, there would be an \$80,000 budget savings from the annual payment that had been budgeted. He stated that the purchase price of the building is \$550,000 and the Phase I improvements had been projected to cost \$311,080 for a total amount needed of \$861,080.

Mr. Olson stated that included in the Phase I improvements is \$180,000 to hook the building up to an emergency generator; and that historically, emergency generators on most buildings have been considered assets of the Electric Department. He said that if the City Council approves charging the emergency generator to the Electric Fund, the remaining funds needed to complete the Phase I improvements would be \$126,585. He stated that to complete the up fit of the building, this \$126,585 would need to come from reserves, which could have the net effect of decreasing the General Fund balance below the current 9%.

2. Mr. Olson stated that the second option would be not to purchase the former J.C. Penney building. He said that by doing so, the City would save \$80,000 this year, since the debt payment was included in the budget.
3. Mr. Olson stated that the third option, which staff had undertaken, was a discussion with LGC staff about not making such drastic cuts to the budget. He said that City staff would be outlining a plan, which consisted of the proposed \$502,913 in cuts to the General Fund and some additional sales tax revenue that the City should receive with the Thompson Thrift project going online. He stated that City staff would emphasize to the LGC that the City is trending in the right direction, that the building is being purchased for the Police and Fire Departments and that staff would provide a long-term solution to increase the City's fund balance.

Mr. Olson reported that LGC staff had invited the City to attend the LGC Board of Directors meeting in December in order to answer any questions that may arise. He stated that he is hopeful that the LGC will approve the plan that staff planned to provide. He said that by making the cuts totaling \$502,913 and increasing sales tax revenue by \$180,000, the City's fund balance would increase to approximately 12%.

Councilwoman Baker noted that almost every department included salary savings in their cuts and asked how that would be achieved. Mr. Olson stated that the City has vacancies that had not been filled for some time and that some employees were currently working "out of title." He noted that the pay and classification study had been cut because the City would not have the money to fund any type of revisions to the existing pay and classifications.

Mayor Peel pointed out that a number of the savings would happen anyway, such as the projected fuel savings. He said that the plan makes sure that the City will save the money and not find some other way to spend it.

Councilman Stimatz stated that the irony of the situation is that if the City chooses not to do debt financing for the purchase, it would be paying for a large capital expenditure out of the General Fund - contrary to the LGC's wishes. Mr. Olson stated that he could not advocate doing that; and noted that the attractiveness of the financing was an interest rate of 2.25% over ten years.

Councilman Walton questioned why the Council was just receiving the information since the LGC letter had been sent on November 12, 2015. Mr. Olson responded that the letter was not received until November 16, 2015 and that staff had sent a memo to the City Council outlining the concerns of the LGC when the letter was received. He stated

that it took some time for the departments to review their budgets and determine the appropriate cuts for presentation to the City Council, which he had worked on over the weekend in preparation for the Council meeting.

Councilman Walton stated that staff had left out one option that should be considered and he asked “what is wrong with dealing with the weatherization funding?” He said “three years of no weatherization would pay for the whole thing.”

Mr. Olson responded that would mean the City would have to do an additional transfer from the Electric Fund to the General Fund, because the building could not be purchased with Electric Fund revenue.

Councilman Walton stated “what’s wrong with that option?” Mr. Olson responded “Councilman Walton, it would be considered illegal under state law. The City presently transfers the maximum 3% that we are allowed to under state statute from the Electrical Fund to the General Fund. If we would add the amount of weatherization, that would increase it above the 3% and it would be considered an audit violation and also it would be a serious finding. You have to realize that we have proprietary funds and we have the General Fund. The utilities – electrical, water and sewer, solid waste and stormwater – are enterprise funds. We cannot use that money to fund a General Fund expenditure such as purchasing this building.”

Councilman Walton stated “well, you just said how you could do it as an option, but now you come back and say it would be a finding.” “To me weatherization is an electrical – we got money from electrical funding. That’s where we got it from. Now, you said we could put a generator in that building that would cost a hundred and how much?”

Mr. Olson responded “roughly about \$180,000.” Councilman Walton stated “to me that sound like an electrical bill to me. I don’t know about anybody else, but it sounds very electrical.”

Councilman Brooks asked Mr. Olson for clarification on the funding budgeted for weatherization and asked the effect it would have if only half the money had been appropriated. Mr. Olson reiterated that weatherization money is budgeted in the electric fund and if not used, it would remain in the Electric Fund. He stated that the weatherization money would not help with the current issue of purchasing the building with General Fund monies.

**Motion was made by Councilman Tony Stimatz, seconded by Councilwoman Jean Baker, to authorize City staff to submit a detailed plan to the LGC, which reflects budget cuts in the General Fund in the amount of \$502,913 and increases in revenue, which would allow the City’s General Fund to reach a 12% fund balance by the end of the current fiscal year and improve our chances for approval of debt financing. Those voting in favor of the motion were: Baker, Stimatz, Brooks, Spence, Horton and Walton. Against: Hummer and Donnelly. Motion carried.**

Councilman Walton requested to receive a copy of the information being sent to the LGC. He also asked that any information received going forward be provided to the City Council shortly after receipt.

##### **5. Discussion/Consideration – New City Entrance Signs Design:**

Mayor Peel recognized Mr. Olson for his report on this matter.

Mr. Olson stated that the Council had previously discussed this matter during the October 26, 2015 meeting. He said that the Council had requested several changes to be made to the proposed entrance sign design, which included deletion of the word “historical” and the inclusion of an additional tagline identifying the City as the home of COA, ECSU and MACU. Using a PowerPoint slide, Mr. Olson provided a rendering of what the proposed entrance sign would look like with the changes. He said that if the

Council was in agreement with the new design, staff would move forward with securing a bid for the work.

Councilwoman Baker stated that she was not previously in favor of the changes and still was not in favor. She stated that she brought the paperwork back to this meeting that she provided previously and wished to review again the types of signs displayed in other Coast Guard cities. She stated that the Tourism Development Authority Marketing Committee had met and reviewed what the other 17 Coast Guard communities used in their signage. She noted that all the signs displayed the words “welcome” and “a Coast Guard City” and did not display any universities that happened to be located in the communities. She noted that signage must be approved in advance by Coast Guard Community Relations. She stated that her vote would be to place “Welcome to Elizabeth City, a Coast Guard City” on the sign. She offered her research to the other members of Council for their review.

Councilman Horton stated that Elizabeth City had so much to offer and he did not believe one entity should be “singled out.” He said that it depended on which demographic of people you talk to and he pointed out that a lot of African-Americans come to Elizabeth City from all over the country because of one of our historically black colleges. He said that if the sign could not be accepted as presented, then it should be generic and only read “Welcome to Elizabeth City.” Councilman Horton said that he thought too much controversy was being created over a sign.

Councilman Spence stated that he would agree that there was too much discussion about the sign.

**Motion was made by Councilman Kem Spence, seconded by Councilman Ray Donnelly to move forward with the entrance sign as presented on the panel – Coast Guard City, Home of COA, ECSU and MACU.**

Councilman Walton stated that the only thing he would do differently would be to place the symbols of the community college and universities on the sign. He said “I’d put a dolphin under COA, a Viking under ECSU, and I think it’s a mustang under MACU – because, you know, and I’m sure if you go to those other cities, Ms. Baker, I mean you can enter – a person can stay there as long as they want to probably in those cities. But when you come to Elizabeth City, you want to look at something a little more different than that – that they’re doing in any other city because we live here. I bet you the first time you came to Elizabeth City – you said wow, it’s the Harbor of Hospitality. This is such a nice city. I probably would like to live here. But then after you get here, it’s not nice anymore – you want to change everything that’s here. Something not right with that picture. We need to do things – some things are good. But don’t change everything. Let Elizabeth City State University, COA and MACU become a part of our entrance, if you will. That’s how I would go with it.”

Mayor Peel asked Councilman Spence if he would like to amend his motion. Councilman Spence stated “no sir.”

Councilwoman Baker stated that when she came to Elizabeth City, she was part of the committee that created the tagline “Harbor of Hospitality.” She said that when you approach the City from Camden, there is a sign that has all the logos of all the groups, clubs and organizations in Elizabeth City. She stated that it would be “too much to take in” driving by the new entrance sign with the names of the college and universities. She noted that the sign did not even say “welcome.”

**Mayor Peel called for a vote on the motion.**

**Those voting in favor of the motion were: Donnelly, Hummer, Stimatz, Brooks, Spence, Horton and Walton. Against: Baker. Motion carried.**

Motion was made by Councilman Tony Stimatz, seconded by Councilman Darius Horton to move the remaining items on the agenda to the Regular Session agenda. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz, Brooks, Spence, Horton and Walton. Against: None. Motion carried.

**6. Report/Discussion – Downtown Maintenance Code and Nuisance Motor Vehicles:**

Moved by motion to the regular session agenda.

**7. Committee Reports:**

Moved by motion to the regular session agenda.

**8. Adjournment:**

There being no further business to be discussed, Mayor Peel adjourned the meeting at 7:00 p.m.

---

Joseph W. Peel  
Mayor

---

Vivian D. White, CMC/NCCMC  
City Clerk