

**City Council Work Session
January 23, 2017**

The City Council of the City of Elizabeth City met in work session on Monday, January 23, 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 Michael Brooks
Councilman Rickey King
Councilman Darius Horton (*arrived at 6:28 p.m.*)
Councilman Johnnie Walton

MEMBERS ABSENT: NONE

OTHERS PRESENT: City Manager Rich Olson
City Attorney Bill Morgan
Finance Director Sarah Blanchard
Planner Kaitlen Alcock
Deputy Chief of Police John Young
Load Management Specialist Rickey Albertson
Assistant City Manager Angela Cole
Interim Human Resources Director Monica Cole
Public Utilities Director Paul Fredette
Fire Chief Larry Mackey
IT Director Matthew Simpson
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 recognized Councilman Michael Brooks to give the invocation, after which Mayor Peel led the Pledge of Allegiance.

1. Agenda Adjustments and Approval:

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

Motion was made by Mayor Pro Tem Hummer, seconded by Councilman King, to approve the agenda with any necessary adjustments. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz, Brooks, King and Walton. Against: None. The motion carried. (*Horton had not yet arrived.*)

(Clerk notation: No adjustments to the agenda were requested.)

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 June 30, 2016 Comprehensive Annual Financial Report:

Mayor Peel welcomed Jeff Best, of the accounting firm Carr, Riggs and Ingram, for his presentation.

Mr. Best distributed a required communication to the City Council, which summarized the audit, the report issued and the various analyses and observations related to the City's accounting and reporting. He thanked the City Council for the opportunity to perform the audit and recognized City staff for their help and cooperation.

Directing the Council to follow along using their copy of the Comprehensive Annual Financial Report (CAFR), Mr. Best reviewed and explained pertinent sections of the document to support his firm's opinion that there was a reasonable basis for rendering an unmodified opinion regarding the City's financial statements for the year ended June 30, 2016.

Members of the Council asked Mr. Best, the City Manager and the Finance Director questions for clarification of information contained and accounting principles used in preparation of the CAFR. Following their discussion, Mayor Peel requested the Council's pleasure regarding this matter.

Motion was made by Councilman Stimatz, seconded by Councilwoman Baker to accept the audit as presented. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz, Brooks, King and Walton. Against: None. Motion carried. (Horton had not yet arrived.)

4. Consideration – Authorization to Execute NCEMPA Amended and Restated Renewable Energy Development and Service Agreement: *(Recommended for approval by the Finance Committee during their meeting of January 19, 2017):*

Mayor Peel recognized City Manager Olson to provide an explanation regarding this consideration. Mr. Olson stated that in 2007, Senate Bill 3 was adopted by the General Assembly; and required all cities that supply electrical service to comply with the Renewable Energy and Energy Efficiency Portfolio Standards (REPs). He stated that also in 2007, the North Carolina Utilities Commission (NCUC) drafted compliance regulations to comply with Senate Bill 3. He noted that the City is required to annually submit a compliance plan to the NCUC; and that in February 2009 the City entered into an agreement with the North Carolina Eastern Municipal Power Agency (NCEMPA) to handle all compliance related issues associated with REPs. He stated that the 2009 Renewable Energy Development and Service Agreements were inadvertently terminated by the NCEMPA with the close on the sale of the City's generating assets to Duke Energy Progress.

Mr. Olson reported that the replacement agreement being presented for consideration was very similar to the 2009 agreement. He noted that any changes or modifications were contained in Section 5(B) of the document and included an "exit" clause for municipalities.

Mayor Peel invited discussion on the matter. Hearing none, he called for a motion on the consideration.

Motion was made by Councilman Stimatz, seconded by Mayor Pro Tem Hummer to authorize execution of the NCEMPA Amended and Restated Renewable Energy Development and Service Agreement by Mayor Joseph Peel contingent upon approval of the agreement by the Electricities Board of Directors during their meeting on January 25, 2017. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz, Brooks, King and Walton. Against: None. Motion carried. (Horton had not yet arrived.)

5. Consideration – Authorization for Evaluation of City Electric Rate Schedules by Booth and Associates *(Recommended for approval by the Finance Committee during their meeting of January 19, 2017)*

Mayor Peel recognized City Manager Olson to provide information regarding this matter. Mr. Olson stated that on January 18, 2017, he attended the NCEMPA Rate Committee meeting, which is a subcommittee of the Board of Commissioners. He noted that for planning purposes, the Rate Committee has a five-year rate planning horizon, but also looks at rates over a ten-year period. He noted that between 2015 and 2020, 21.2% in potential total rate increases had been expected by the Rate Committee. He stated that once the generating assets were sold to Duke Energy Progress, the anticipated rate scenario was then a net 3.9% reduction. He stated that these projections indicated that the electrical utility marketplace had shown a dramatic change over the last few years. Mr. Olson advised that under the existing rate plan, the NCEMPA was able to defer any

rate increase until April 2020; and at that time, the rate plan called for a 3% rate increase to be followed by another 3% rate increase in 2021. He noted that once the defeased debt is paid off in 2025, an 8.5% rate decrease is being proposed.

Mr. Olson stated that the Rate Committee voted during the January 18, 2017 meeting to recommend to the Board of Commissioners approval an overall average rate decrease of 4.5% effective April 1, 2017 to all participants of the NCEMPA. He said that based on the City of Elizabeth City's mixture of demand and energy charges, the City's rate decrease is proposed to be 4.3%. Using PowerPoint slides, Mr. Olson provided a comparison of the present and proposed cost of purchasing wholesale power for the City.

Mr. Olson said that in September 2015, the City hired Booth and Associates to perform a cost-of-service and rate design analysis; and that he recently had discussions with Booth and Associates about running the proposed rate decrease through the City's rate model to determine how the decrease should flow through the City's rate design. He said that the cost should be minimal since Booth and Associates will only need to update the existing rate model and verify the amount of revenue received under the revised rate plan. He noted that staff should receive the results of the Booth and Associates review prior to the Council Retreat scheduled for February 10, 2017.

Mr. Olson stated that he would anticipate that the rate decrease for retail customers may be a little higher than 4.3%, because those customers do not pay a demand charge. He stated that commercial customers may receive a little less than 4.3% since they only receive the net 2.7% decrease on the demand charge.

Councilman Walton stated that he could not see paying \$7,500 as proposed by the City Manager for this project. He said that he thought staff already knew what was needed and could figure it out. Mr. Olson responded that it would be an easy process if the decrease was the same across the board; but since there are varying components of demand and energy charges that make up the City's rate classes, staff did not have the expertise to perform those calculations.

Councilman Walton complained that he thought matters of this sort should be brought to the Council first rather than the Finance Committee. He said that after the Finance Committee meets, they have all the answers and "it's a done deal." Councilman Brooks stated that he agreed with Councilman Walton that if the four members and an alternate of Council who sit on the Finance Committee have already decided, there is no need to bring the matter to the Council. He reminded the Council that he had tried to have the Council eliminate the Finance Committee. He said he did not believe it was fair to the other Councilmembers to have the Finance Committee reach a consensus with four votes plus an alternate in order to "steer the Council."

Mayor Peel suggested that the Council return to the discussion regarding the Booth and Associates Study and address the Finance Committee discussion at another time.

Councilman King stated that as the alternate for the Finance Committee, he does not attend meetings unless a quorum is not available.

Councilman Walton requested that a discussion of the Finance Committee be added to the agenda for the upcoming retreat.

Mayor Peel called for Council's pleasure on the agenda item.

Motion was made by Councilman Stimatz, seconded by Councilman King to authorize the City Manager to execute a Rate Design Analysis Agreement with Booth and Associates at a cost not to exceed \$7,500. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz, Brooks and King. Against: Walton. Motion carried. (Horton had not yet arrived.)

6. Consideration/Discussion – Call for Special Council Meeting to Hold Retreat and Development of Agenda for the Meeting:

Mayor Peel requested an overview of this matter by Mr. Olson. Mr. Olson stated that the Council had previously discussed having a retreat on Friday, February 10. He stated that staff had included a proposed agenda for the Council's review and was seeking input on its makeup. He detailed the proposed agenda items as follows:

1. Call Meeting to Order
2. Approval of Agenda
3. Opening Remarks – Mayor Peel
4. Progress Review of Council Goals and Objectives
5. Discussion of policy-related matters
6. Overview of capital projects
7. Discussion of FY 17-18 Revenue Forecast
8. Review of Results from Customer Satisfaction Survey and Youth Survey
9. Adjournment

Mr. Olson noted that he had included items for a pre-budget discussion.

Councilman Stimatz stated that he did not anticipate having a pre-budget discussion and preferred to talk about goals and objectives. He stated that he did not want to mix the two discussions and end up not having adequate time to discuss them. He suggested scheduling a separate pre-budget work session. Councilman Brooks agreed with Councilman Stimatz that there should be two separate meetings.

Motion was made by Councilman Stimatz, seconded by Councilman Brooks to approve the agenda with the removal of items 6 and 7.

Councilman Walton stated that he would like for the City Attorney to attend the retreat. City Attorney Morgan responded that he did not think he could be there at 1 p.m. on a Friday afternoon considering his work schedule. He stated that he would check and advise the Council.

Mayor Peel called for any other discussion. Hearing none, he called for a vote on the motion.

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

The City Clerk reminded the Council that a motion was needed to formally call for the retreat to be held.

Motion was made by Councilman Stimatz, seconded by Councilman Brooks to call for a Special City Council Meeting to be held on Friday, February 10, 2017 at 1 p.m. in the Twiford Room of The Center, 516 E. Main Street to discuss the agenda as approved. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz, Brooks, King, Horton and Walton. Against: None. Motion carried.

7. Committee Reports:

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

Councilwoman Baker reported that during the most recent commission meeting, the board adopted a resolution in support of the Amazon Wind Farm. She noted that the Council would be considering a similar resolution during its regular meeting that evening. She reviewed the positive economic impact the wind farm has on the surrounding counties.

- b) Central Communications Advisory Board: Councilman Brooks

Councilman Brooks had no report.

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

Councilman Brooks had no report.

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

Mr. Olson stated that there were a number of key items to consider contained on the agenda for the upcoming meeting on January 25, 2017.

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

Councilman Donnelly reported that ECDI had sponsored a “Tom Turkey Sandwich Day” as a fundraiser in conjunction with The Flour Girls Café and Bakery, which was a huge success. He noted that a beautification process took place on Martin Luther King Jr. Day whereby volunteers from the Coast Guard, the ECDI Board and other local citizens were involved in cleaning up the Hintonville Rentals properties downtown. He said that the mural on the building at Coast Guard Park is moving forward. He reported that the ECDI Board had also adopted a resolution in support of the Amazon Wind Farm. He advised that ECDI is selling downtown business discount cards.

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

Mayor Peel reported that the Chamber is sponsoring its annual dinner on Thursday, January 26, 2017.

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

No report was given.

- h) Parks and Recreation Advisory Board: Councilman Walton

Councilman Walton had no report.

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

Councilman Stimatz stated that the Authority would meet on Wednesday, January 25, 2017. He noted that the new Airport Manager had been on board a couple of months and is actively looking for future revenue and growth opportunities for the airport. He said that the board is in the process of finalizing the Airport Master Plan.

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

Councilman Stimatz stated that the board would meet for its quarterly meeting in February. He stated that he anticipated an update on storm water elements across the board. He noted that the board would also be working on budget recommendations for consideration by the Council for the upcoming fiscal year.

- k) Tourism Development Authority: Councilwoman Baker

Councilwoman Baker stated that the last board meeting focused on the Convention and Visitors' Bureau move to the Museum of the Albemarle. She stated that the move is now complete; and that sharing the front desk duties was working out beautifully for both organizations. She stated that the TDA recently hosted a free social media training session for the business community and planned to host another one in the future. She encouraged everyone interested to call the tourism office to register. She stated that the next meeting would be held on Thursday, January 26, 2017 during which the audit would be presented and a discussion would be held about getting a trolley in Elizabeth City.

- l) Community Relations Commission: Councilman Brooks

Councilman Brooks stated that he had missed the most recent meeting. He thanked the Council for allowing him to sit on this commission with others who care about the community. He stated that the Commission was recruiting members for a couple of vacant seats and he encouraged anyone interested in serving to contact Mayor Peel.

8. Adjournment:

There being no further business to be discussed, Mayor Peel adjourned the meeting at 6:49 p.m.

Joseph W. Peel
Mayor

Vivian D. White, CMC/NCCMC
City Clerk