

**City Council Budget Work Session
May 16, 2016**

The City Council of the City of Elizabeth City met for a budget work session on Monday, May 16, 2016 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 (*arrived at 5:43 p.m.*)
Councilman Ray Donnelly
Mayor Pro Tem Anita Hummer
Councilman Tony Stimatz (*arrived at 5:42 p.m.*)
Councilman Michael Brooks
Councilman Rickey King
Councilman Darius Horton (*arrived at 5:40 p.m.*)
Councilman Johnnie Walton

MEMBERS ABSENT: None

OTHERS PRESENT: City Manager Rich Olson
Finance Director Sarah Blanchard
Planning Director June Brooks
Police Chief Eddie Buffaloe
Electric Department Foreman Jason Value
Load Management Specialist Rickey Albertson
Assistant to the Manager Angela Cole
Public Utilities Director Paul Fredette
Fire Chief Larry Mackey
IT Director Matthew Simpson
Inspections Director Stanley Ward
Parks and Recreation Director Bobbi White
City Clerk Vivian White

The City Council budget 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 Approval:

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

Motion was made by Councilman Rickey King, seconded by Councilman Ray Donnelly, to approve the agenda. Those voting in favor of the motion were: Donnelly, Hummer, Brooks, King, and Walton. Against: None. The motion carried. (*Baker, Stimatz 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. Discussion – Health Insurance Benefit Options for City Employees:

Mayor Peel recognized City Manager Olson to begin the discussion.

Motion was made by Councilman Rickey King, seconded by Councilman Michael Brooks, to recuse himself from the discussion of health insurance benefit options for City employees. Those voting in favor of the motion were: Donnelly, Hummer, Brooks, King, and Walton. Against: None. The motion carried. (*Baker, Stimatz and Horton had not yet arrived.*)

(Clerk Notation: Councilman King is a retired City employee.)

Mr. Olson stated that he was hopeful that the City Council would reach a consensus during the meeting regarding the employee health insurance renewal for fiscal year 2016-2017. He stated that he had met with each member of the Council to go over the coverage options prior to the work session and had advised what he would recommend to the Council during this meeting.

Using PowerPoint slides, Mr. Olson reviewed the cost for the Alternate Blue Cross Blue Shield of North Carolina Plan, which includes a base plan for employees and retirees and a dual buy up option for employees wishing to increase their coverage to the coverage amounts they presently have. He recommended that the Council also bundle dental and vision coverage with Blue Cross Blue Shield in order to receive a 1% discount. Mr. Olson explained that the cost for health insurance benefits would represent a 5.8% increase over last fiscal year, but was less than the 10% increase included in the recommended budget. He noted that employees would be responsible for paying \$19.51 per pay period if they chose to use the buy up option.

Mr. Olson advised that if the Council moved forward with this plan, there would be a \$100,081 savings versus the amount included in the recommended budget for health insurance.

Mr. Olson stated that he had an opportunity to meet with all City employees over the last week and the majority of the employees had indicated that they would prefer to have a COLA over a Christmas Bonus to help them pay for the health insurance buy up option. Councilman Brooks noted that he also had discussions with some City employees, but had received a different response.

Mayor Peel invited questions from the Councilmembers. Hearing none, he asked if there was a motion regarding this matter.

Motion was made by Councilman Ray Donnelly, seconded by Councilman Tony Stimatz, to go forward with the proposed dual base plan that the City has recommended. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz, Brooks, Horton and Walton. Against: None. Motion carried. (Councilman King was recused from the vote.)

4. PowerPoint Presentation of Fiscal Year 2016-2017 Recommended Budget for the Electric and Water and Sewer Funds – City Manager and Finance Director:

Mayor Peel recognized Mr. Olson to begin the PowerPoint Presentation for the Electric and Water and Sewer Funds.

Mr. Olson began the discussion with the proposed budget for the Electric Fund. He reminded the Council that the City had hired Booth and Associates to perform a cost of service study; and that the proposed fiscal year 2016-2017 budget reflects the changes suggested by that study. He stated that Booth had recommended that the City increase its basic facilities charge and decrease its energy charge. He noted that the cost of service study consisted of three components: an accounting study, a cost of service study and a rate design study.

Mr. Olson stated that when designing rate structures, the rates should be simple and understandable, should yield the revenue requirement, should be fair and avoid undue discrimination both between classes and within individual classes of consumers, and should discourage the wasteful use of energy and facilities.

Through a series of slides, Mr. Olson explained that the Booth study recommended that the City should have \$1,078,171 in additional revenue in the Electric Fund; and to accomplish that, a percentage total increase of 3.38% would be spread among the various rate classes. He reviewed the City's various electric rate classes and the changes that Booth had recommend for each class.

Mr. Olson provided historical Electric Fund month end cash balances for the Council and noted that the City has experienced a substantial increase in its cash balance of \$2.7 million since July 2015. He said that this increase is a result of the mild winter weather experienced as well as the City's better use of load management generation.

He noted that the City's average historical peak is 50,120, while the fiscal year 2015-2016 peak is only 43,577 – a sizable difference.

Mr. Olson explained the previous AR-19 rate that the City was under before the sale of its generating assets in 2015 versus the present FR-1 rate; and he cautioned that the City only has ten months of history with the new FR-1 rate design. He noted that the 16% revenue increase that ElectricCities had projected during the process of selling the City's generating assets in 2015 had actually turned out to yield approximately 22%.

Mr. Olson stated that in view of this information he could not recommend that the Council institute a rate increase. He suggested that the Council should consider a rate realignment instead that would more accurately account for operating expenses through the basic facilities charge and be less dependent on weather-related demand.

Mr. Olson informed the Council that he had requested Booth and Associates to review their study and provide to him a revenue neutral rate alignment. He reviewed the basic facilities charges and demand charges for the various rate classes, which were now being recommended by City staff. Mr. Olson advised the Council that staff had performed an analysis of customers' usage and found that there would be more "winners" than "losers" with the proposed rate realignment. He stated that the point at which a billing decrease for customers would occur is usage of more than 1,000 kWh per month.

Mr. Olson reviewed the Electric Fund revenue and budgeted expenses and provided information for each service level in the fund.

Following questions comments by members of the Council, Councilman Stimatz asked if this would be the appropriate time to make a motion on adjusting the numbers in the proposed budget to reflect the rate realignment requested by staff. Mr. Olson stated that it would.

Motion was made by Councilman Tony Stimatz, seconded by Councilman Ray Donnelly, that the Council change the rate structure to coincide with the proposed rate realignment structure that was presented to Council this date. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz, Brooks, King, Horton and Walton. Against: None. Motion carried.

Councilman Brooks noted that it appeared the City should "fare pretty good" but there was no track record. He said he wanted everyone to understand that the Council is "predicting" a good outcome based on the projected numbers provided.

Recommended Budget for Water and Sewer:

Mr. Olson next directed the Council's attention to a continuation of the Water and Sewer Fund budget overview.

He stated that he had originally proposed a three percent increase in rates and had conducted meetings with each member of the Council to determine where to go with that proposal. He spent time reviewing the City's purchase of water from Pasquotank County and noted that with the settlement of the water dispute, the City would realize a savings annually of \$172,390. He explained that the City would need to add back into the budget \$151,110 in water treatment costs in order to replace 73,000 gallons of water no longer being purchased from the County.

He stated that a question had been raised regarding when it would be cost effective for the City to build a waterline to serve the Halstead Boulevard Extended customers. He said that staff had determined that the line would be cost effective once usage reaches 70,000 gallons per day. He pointed out that currently the City only uses 50,000 gallons per day; and in staff's opinion it would be eight to ten years before usage reached 70,000 gallons. Councilman Brooks inquired how long it would take to build the waterline once it is needed. Mr. Olson responded that it would take six to nine months to build the line.

In reviewing the Water and Sewer Fund debt picture, Mr. Olson stated that he was not proposing the issuance of new debt; rather, he hoped to be able to pay the existing debt down. He noted that he was proposing to pay for the Road Street infrastructure project with cash on hand during fiscal year 2016-2017. He advised that debt issued in the future should be short term debt with a maturity of no longer than five years – unless the City suffers some sort of catastrophic failure. Councilman Stimatz noted that 30-35% of the City's rates for water and sewer service have historically been for debt payments. Mr. Olson agreed and pointed out that in about three years, the City would be in "real good shape" as far as water and sewer outstanding debt is concerned.

Using PowerPoint slides, Mr. Olson reviewed all the service level summaries for the Water and Sewer Fund and provided the major highlights for each cost center.

Mr. Olson stated that one item on which staff needs direction is the 3% rate increase that was placed in the original recommended budget. He noted that there are now savings in the fund associated with the Pasquotank County lawsuit in the amount of \$172,000. He pointed out that this amount equates to 1.95%. He asked if the Council would prefer to leave the proposed rate increase in the budget, since the City normally receives a warning letter about the operating budget of the Water and Sewer Fund from the LGC.

Councilman Stimatz asked what the funding would be used for if the rate increase is kept in the budget. Mr. Olson stated that staff could report back to the City Council regarding the recommended project(s). Councilman Stimatz stated that he would be much more comfortable to have a purpose for the funding in order for the rate increase is put into place.

Mr. Olson stated that staff would bring back two or three proposed projects for the next meeting in order to allow the Council to decide. Councilman Walton stated that anytime a rate increase could be avoided, he would prefer to do that. He stated there was no need to raise rates "just because we can."

5. Discussion – Answers to Councilmember Questions from May 2, 2016 Budget Work Session:

Surveillance Cameras:

Mr. Olson advised that one issue that arose previously was that of surveillance cameras. He provided location information using PowerPoint slides for the six cameras located in the First Ward, the twelve cameras located in the Second Ward, the eleven cameras located in the Third Ward and the three cameras located in the Fourth Ward. He informed the Council that at the current time all cameras are in service. He stated that the City owns 29 cameras and the Housing Authority owns three cameras, with all being monitored by the Police Department.

Councilman Stimatz inquired as to the parameters used when locating cameras across the City. Mr. Olson responded that there is currently no policy regarding camera placement. Councilman Stimatz stated that there should be criteria used in making those decisions.

Mr. Olson stated that cameras are used to solve crime, not prevent crimes. He said that cameras have been placed in geographic areas that would allow Police Department officers to determine who is coming and going from a particular area, a tactic that helps determine the suspect pool when a crime occurs.

Councilman Brooks reiterated his request from a previous meeting to have a camera placed on Roanoke Avenue as a deterrent to crime. He stated that it did not make sense to him to have cameras located in areas where crime is low or in areas where the crimes were misdemeanors. He said that the cameras should be located in areas where the violent crimes occur.

Mayor Peel stated that it appeared there was a consensus among Council members that there should be criteria going forward to govern the placement of cameras. He stated that in the development of this policy, he thought the Council also needed to hear if the City has enough cameras. He stated that it was his opinion that cameras do help in the battle against crime.

Mr. Olson responded that funding had been included in the proposed budget for two new cameras. He said that staff would provide the Council with information by the next budget meeting regarding the reasoning behind the placement of cameras, along with a recommendation regarding whether the City has enough cameras.

Councilman King suggested that if a camera was placed at the corner of Paxton Street and Roanoke Avenue, it would be able to pan 600 feet and capture the comings and goings in the area that Councilman Brooks was discussing. Councilman Brooks stated that he would agree with that location.

Councilman Donnelly mentioned the possibility of acquiring drones. Mr. Olson stated that he thought state law prohibited the use of drones; and he requested Chief Buffalo to check into the use of drones in order to report back to the Council.

Dog Corner Park:

Mr. Olson reviewed the problems with the soil under the new Dog Corner Basketball Court and recommended that half the court be demolished to create a half-court for play. He said that \$35,000 had been placed in the recommended budget to rehabilitate the basketball courts at Enfield Park. He advised against building an additional court at Dog Corner because of the existing soil conditions. Councilman Brooks agreed and stated that it was his opinion that there was no need to “keep spending good money after a bad project.” Mr. Olson pointed out that half the court was in good condition and opined that many people preferred to play half-court basketball.

Fleet Vehicles:

Mr. Olson called the Council’s attention to the information that had been provided on all City vehicles in response to a Council member’s request.

Councilwoman Baker asked if vehicle replacements were based on the model year of the vehicle. Mr. Olson responded that decisions are made for replacement based on the number of repairs required. He noted that the City is grossly underfunding an equipment replacement program.

Councilwoman Baker asked if staff was driving around in unsafe vehicles. Mr. Olson responded that the City’s chief mechanic has the authority to pull vehicles out of service if he believes they are unsafe. He said from his perspective, he always yields to the mechanic to make those decisions.

Councilwoman Baker expressed her concern regarding some of the numbers provided on the vehicle report.

6. Questions/Discussion By Councilmembers:

Mr. Olson stated that the only information that he does not have currently is the County’s budget for Central Communications. He said there were still a lot of uncertainties with that budget that would have a budgetary impact on the City. He informed the Council that the County is required to budget for a secondary PSAP Center, but City staff believes the PSAP should be located outside our immediate area, which is not the direction the County is currently taking. He informed the Council that the County is planning to locate the secondary dispatch center on the campus of ECSU.

Mr. Olson stated that he was also waiting for information from the County Manager concerning the VIPER system.

Councilman Stimatz inquired regarding the amount of money received by Pasquotank County for 911 fees. Mr. Olson stated that staff could determine that information and report back. Councilman Stimatz asked that staff also include the number of telephone lines in the City versus Pasquotank County. Mr. Olson stated that the Central Communications Board receives that information and he would ask to receive a copy of the report.

Mr. Olson stated that a wrap-up budget session was needed and suggested that the Council could do that during the upcoming Work Session that is already scheduled for Monday 23, 2016. He said that the three items that had been proposed for that work session could wait thirty days for presentation.

Motion was made by Councilman Tony Stimatz, seconded by Councilman Michael Brooks, that the Council have a budget meeting at the next Work Session and delay the three preliminary items to the following meeting. Those voting in favor of the motion were: Baker, Donnelly, Hummer, Stimatz, Brooks, King, Horton and Walton. Against: None. Motion carried.

Councilman Donnelly asked about the Council's discussion of a COLA and Christmas Bonus for City employees. Councilman Brooks stated that he thought the matter should be discussed during the next budget work session.

Mr. Olson noted that the proposed budget did not include a COLA or a Christmas Bonus, but since funding had been freed up by the health insurance decision, he could bring back something for consideration.

Councilman Donnelly also noted that funding in the Parks and Recreation Department also needed to be resolved, since Pasquotank County had removed several projects.

Mr. Olson stated that the General Fund, reprogramming the Parks and Recreation Budget, the proposed Water and Sewer Fund projects and related rate increase and a COLA for City employees would be the items to be resolved during the final budget work session.

7. Adjournment:

There being no further business to be discussed, Mayor Peel adjourned the meeting at 7:14 p.m.

Joseph W. Peel
Mayor

Vivian D. White, CMC/NCCMC
City Clerk