

The Finance Committee of the City of Elizabeth City held a meeting on the above date and time in the City Council Chambers of the Municipal Administration Building with Chairperson L. A. Hummer presiding. Those members attending were: L. A. Hummer, L. M. Hill-Lawrence, R. T. Donnelly and J. W. Peel. Others attending were: Council members K. K. Spence, J. A. Stimatz and J. B. Walton, City Manager R. C. Olson, Deputy Clerk V. D. White, Parks and Recreation Director B. V. White, Inspections Director S. E. Ward, Public Utilities Director P. A. Fredette, Finance Director S. E. Blanchard and Electric Director K. F. Clow.

Chairwoman L. A. Hummer established a quorum was present and called the meeting to order at 5:30 p.m. She called for a moment of silent reflection after which she led the Pledge of Allegiance to the Flag of the United States of America.

**1} AGENDA ADJUSTMENTS AND APPROVAL:**

Chairwoman Hummer called for action regarding the prepared agenda.

***A motion was made by Mayor J. W. Peel, seconded by Councilman R. T. Donnelly to approve the agenda as presented. Those voting in favor of the motion were: Peel, Donnelly, Hill-Lawrence and Hummer. Against: None. Motion carried.***

**2} POWERPOINT PRESENTATION/DISCUSSION OF FY2013-2014 ENTERPRISE FUND BUDGETS:**

Chairwoman Hummer called upon City Manager R. C. Olson for comments.

Mr. Olson stated before we get into the formal power point presentation at your April 15<sup>th</sup> Full City Council Meeting at the Finance Committee meeting held last week, there were a number of requests made for additional information. He believes we are up to date based on the information you will find in the packet that is on the dais. He asked to briefly go over the document. We did receive a request from Councilman Walton to provide a historical month end balance of the Electric Fund. What we have done is we have presented it for the last five years by month so you can get an understanding of where the issues or potential issues with the cash flow that we have. The rate increase is the 3.92% that went into effect in May 2012 and we have put those areas in. The rate increase equates to roughly \$150,000 additional revenue a month. If we did not have the rate increase back in 2012 our Fund Cash Balance would be about \$2.4 million

which is less than 30-days operating during our peak months. The second item is an email that he received from Councilman Stimatz concerning a number of different issues with budget amendments. He included a spreadsheet that reflects all the budget amendments that have been approved this fiscal year. Whether or not they were on the Consent Agenda or whether they were removed all budget amendments that were proposed this year by city staff have been unanimously approved by City Council. The next memo is a follow-up concerning an on-going discussion concerning the multi-purpose field and the needs for such a site. That memo specifically addresses a number of possible sites for it. The one thing that he would like to emphasize is no matter where we put the multi-purpose field it is still going to cost roughly \$50,000 a year to sod, irrigate it and put lights on it. We will be discussing that very shortly. We also will be discussing at a later date a possible relocation plan that Chief Buffaloe has provided him for a number of surveillance cameras we have. Finally what you see is a list of possible streets to be resurfaced in 2014. Paul Fredette provided him with this information and if you see if we do all of the streets it would cost \$1.8 million. We do not have the funds to do it. We figure that we will do Church Street and Main Street that we really have about \$500,000 - \$600,000 to spend on these streets. City Council will need to decide what streets will be included in next years repaving program. We will be bringing back a recommendation of those streets plus we will also provide a pavement survey of each one of these streets. These numbers are strictly for budget purposes as it will cost what it will cost. They are not listed according to priority.

Mr. Olson stated that the following lists the tentative numbers that we have received from Pasquotank County for jointly funded programs:

<u>Program</u>	<u>County</u>	<u>City</u>	<u>Difference</u>
Central Communications	\$352,613	\$345,000	\$ 7,613
Animal Control	122,911	112,000	19,911
Senior Center	90,274	90,642	<368>
Parks and Recreation	830,019	925,279	<95,260>

The County removed the Dog Park, the purchase of land for a stadium and the multi-purpose field from the budget. We did discuss a little about where we could possibly put a multi-purpose field but based on what the County has done for their budget there is not \$50,000 to do that work right now. That is still something that we can work with the County on having that added back in.

Mr. Olson stated the following are the adjustments recommended for the FY2013-2014 Budget:

Add two surveillance Cameras	-11,000
Reduction in In-Car cameras	15,000

Remove Dog Park	10,440	
Remove Multi-purpose Field	22,500	
Remove Baseball Stadium	45,000	
Central Communication Deficit	-7,613	
Animal Control Deficit	-10,911	
Reduction in Pasq. Co. P/R		-95,260
Reduction in County Dog Park		12,760
Reduction in County Multipurpose Field		27,500
Reduction in County Baseball Stadium		55,000
Increase in Property Tax Valuation	100,000	
TOTAL	163,416	0

Mr. Olson asked to say no official action has taken place on any of these items yet. The good news is we did get the tax numbers from the County and we do have an additional \$100,000 of anticipated property tax. That is not included in the budget. All these items you see on this spreadsheet are a change to the manager's recommended budget that he submitted to you.

Mr. Olson stated we did receive notice yesterday that we are a recipient of a grant from the Governor's Highway Safety Program. We submitted this grant application in January; however, they did not fund the application to the level we requested to be funded. It is a \$62,500 grant. The State share is \$46,875 with the City's share at \$15,625. That number is not reflected in the budget and will need to be added.

Mr. Olson stated he would like to discuss the Electric Fund Overview at this time. The revenue in the Electric Fund is as follows:

Energy Sales	\$38,568,714
Late Fees	475,000
Interest Earned on Investments	4,500
Retained Earnings Appropriated	0
Other Financing Sources	575,000
Information Tech	<u>359,681</u>
Miscellaneous	\$39,982,895
Total	

The following is the budgeted expenses:

Non-Departmental	\$ 2,305,886
Purchase of Resale	32,150,000
Customer Service	504,475
Electrical Distribution	3,081,548

Load Management	1,335,271
Information Tech	298,976
Purchasing	<u>178,089</u>
Total Operating Costs	\$39,854,245

The Electric Enterprise Operation costs are as follows:

Purchase of Power	\$32,150,000
- Anticipated Sales – 334,590, 525 kW	
Total Revenue	\$39,982,895

Amount of money available to operate the department	\$ 7,832,895
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A 1% rate increase will generate	\$ 385,000
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Mr. Olson stated in IT we have \$180,000 for the new software. Purchasing and Warehouse we have \$2,860 for the FCC narrow band compliance issue that you have seen throughout the budget in the other departments. In Electric Non-Departmental there is no capital expenditure. The following is what we will be spending in the Non-Departmental:

Group Insurance-Retirees	\$ 142,800
Purchase for Resale	\$32,150,000
Payment to General Fund	
- In Lieu of Services	\$ 600,000
Payment to General Fund	
-In Lieu of Taxes	\$ 1,050,000
Debt Services – 2 <sup>nd</sup> Delivery Pt.	\$ 272,000
Debt Services – Fixed Area Network	\$ 45,000

In the Customer Service Level the Capital Expenditure is \$80,136 and this covers four different items. They are a new pickup truck, a glass enclosure, FCC Narrow Band compliance and one third the cost of a copier that will be split between the Water and Sewer, General Fund and the Electric Fund. The Electrical Distribution capital is \$1,035,000. The highlights of the Electric Distribution are as follows:

Maintenance and Repair – Lines	\$325,000
Line Improvements	175,000
Fixed Area Network	575,000
Capital Outlay-Equipment	285,500

In Load Management the capital expenditures is \$328,000 and he would like to hit the highlights

Maintenance & Repair-Generators	\$115,000
Weatherization Program	160,000
Heat Pump Rebate	10,000
Attic Insulation Rebate	2,000
Capital Outlay Equipment	
- Switches	50,000
- Switch Control	120,000
- Peak Generation Engines	140,000
- Van	18,000

Mr. Olson stated he would like to speak a few moments on the Fixed Area Network. This project has been delayed due to technology reasons. We have been dancing with five companies now. Those companies are Cooper Power Systems, Aclara, GE, ITRON and Tantalus. The following is the costs for each one of these systems:

Cooper Power Systems	\$2,748,556
Aclara	1,934,640
GE	2,021,568
ITRON	1,733,506
Tantalus	2,202,270

He asked to briefly hit the highs and lows of each one of these systems. The Cooper Power System the pros are: residential whole house remote disconnect, load management switch, Logics compatible and Load Profile/outage detection and the Cons are: All electric and water meters will need ERT replacement, \$75 residential electric ERT Module and \$200 commercial electric module. The total estimated cost is \$2,748,556 and the annual maintenance fee is \$9,800. Under Aclara the pros are: Residential whole house remote disconnect, load management switches, Logics comparable and load profile/outage detection. The Cons are: All electric and water meters will need to be replaced, \$80 for water ERT and \$100 for electric ERT. The total estimated cost plus network cost is \$1,934,640. The pros for GE are as follows: GE hosted, GE owns and maintains meters, load management switches, residential whole house remote disconnect and Web portal. The cons are as follows: All meters will be replaced; recurring monthly charge to read meters and GE gets a % of load management savings. The total cost per year is \$2,021,568 The Pros for ITRON are as follows: Works with all existing newer electric and water ERT meters, hosted or city housed and Logics compatible. The cons are: will not work with older ARM electric ERT meters, \$ 58 per meter, no remote residential whole house disconnect, nighthawk disconnect plus costs and no load management switch.

The total cost is \$1,733,506. Finally, the pros for Tantalus are: works with existing newer residential electric and water ERT meters, residential whole house remote disconnect, Logics compatible, load profile/outage detection, load management switch, home area network/smart thermostat, city hosted and meter and switch is a repeater. The cons are: will not work with Sentinel Commercial meter - \$200 per meter, will not work with older ARM electric ERT meters and \$65 per meter. The total estimated cost is \$2,202,270 with an annual maintenance fee of \$36,046.

Mr. Olson stated he would like to do the overview of the Water and Sewer Fund. He would like to advise that the total amount of water treated is 746,000,000 gallons. The total amount to be purchased from the County is 91,000,000 gallons. The net water to be treated is 655,000,000 gallons. The City's gross cost to treat water is \$1.84 per 1,000 gallons (\$1,203,733) and the cost savings not to treat water is 75¢ per 1,000 gallons (\$68,000 per year). Gross cost of purchased water is \$5,343/1,000 gallons (\$486,000) and net cost of purchased water is \$4.59/1,000 gallons (\$417,000)

Mr. Olson stated the revenue in the Water and Sewer Fund is as follows:

Antenna Rental	\$ 122,000
Water Revenues	4,545,000
Sewer Revenues	2,632,354
W/S Surcharge	210,000
Sewer Service Fees	225,000

The highlights of the Non-Departmental Service are as follows:

Debt Service W/S Improvements	\$ 325,158
Debt Service Well Improvements	59,156
Payment – Loan Principal	820,861
Payment – Payment for service	117,171
MACS – Payment for Services	300,000
Debt Service Crescent Drive	40,000
Debt Service Brooks Avenue	60,000
Debt Service FAN	100,000

Mr. Olson stated the Highlights in the Water Treatment Service are as follows:

Utilities	\$ 213,000
Chemicals & Lab Services	265,000
Contracted Services (Sludge Removal)	102,000
Water Line (Pasq. Co.)	122,583
Purchased Water (RO)	500,000

Mr. Olson advised the highlights in the Wastewater Treatment Service is:

Utilities	\$ 340,000
Contracted Services	300,000

The Highlights in the Water and Sewer Maintenance Service is as follows:

Contracted Services	\$ 200,000
Pump Station Improvements	114,500
Capital Improvements	989,000
- Replace water Meters for FAN	

Mr. Olson said the revenue in the Storm Water Utility Fund is as follows:

Residential Revenue	\$ 200,000
Commercial Revenue	295,000
Retained Earning Appropriated	0
Other Financing Sources	1,024,693
Cash Discounts	<800>
Interest Earned	<u>2,300</u>
Total Revenue	\$1,421,293

Mr. Olson went over the following Storm Water Utility Expenditures:

Salaries & Wages	\$ 30,476
Contingency	84,969
Other Expenses	6,053
Roanoke Avenue Phase III	1,024,693
Fairgrounds	50,000
Debt Payment Phase III	<u>225,000</u>
Total	\$1,421,193

Mr. Olson stated that is basically the budget. The next meeting to address budget issues is set for May 7<sup>th</sup> at 5:30 p.m. That is a meeting of the entire city council. What staff would like to have from the Finance Committee is some sort of direction on what we need to do. He would like to just throw it open for general discussion now on a variety of different issues. Let's talk about the adjustments to the recommended budget. These are the changes that have been discussed so far. Is it the Finance Committee's recommendation to move these adjustments forward to the full City Council? Do we want to modify our budget to reflect the \$17,000 if the County doesn't supply us a new expenditure number.

Ms. Hummer stated that we have \$100,000 that we didn't know that we had with the tax valuation.

Mr. Olson stated as he told you when we first started on April 15<sup>th</sup> that we were led to believe everything was flat. Everything for the most part was flat and this is the only bright side of our revenue stream. There was some growth that neither Sarah nor he thought was there.

***A motion was made by Mayor J. W. Peel, seconded by Councilman R. T. Donnelly to recommend to the full City Council to forward the recommended adjustments to the recommended budget making sure that we are in sync with the County. Those voting in favor of the motion were: Peel, Donnelly, Hummer and Hill-Lawrence. Against: None. Motion carried.***

Mr. Olson stated is it the desire of the Finance Committee to include the Governor's Highway Safety Program Grant into the Budget.

***A motion was made by Mayor J. W. Peel, seconded by Mayor Pro Tem L. M. Hill-Lawrence to recommend to the full City Council to include the Governor's Highway Safety Program grant into the FY2013-2014 Budget. Those voting in favor of the motion were: Peel, Hill-Lawrence, Donnelly and Hummer. Against: None. Motion carried.***

Chairwoman Hummer asked where does the employees' health care stand.

Mr. Olson stated in the Manager's Budget reflects the employees paying \$25 per pay period. We had this discussion last time on the different plans. We can basically move away from the Care Plus Plan and go to Option 11 Plan and we will be able to absorb 100% of the costs of that. The other thing we discussed is if the employees wanted to keep on the Care Plus Plan because their health condition are such facing the benefit that they would have to pay for the increase to keep the Care Plus.

Mr. Donnelly stated that we need at least twenty to twenty-five employees to make it feasible.

Chairwoman Hummer asked what was the figure that you are proposing on the \$50 per month.

Mr. Olson replied \$171,600. That is based under the Care Plus Plan and we have to back out if we move to Option 11 the savings that we would have on that.



Mr. Olson stated he thinks the policy decision that Council should look at is that by us going from the Care Plus Plan to the Option 11 Plan the City Council is absorbing a 10% rate increase in the rates. Anything above that 10% the employee would have to pay the remaining amount if they want to go to the Care Plus Plan. The Care Plus Plan will cost the City \$599 a month and Option II is \$551 a month. The difference is \$24.00 a pay period.

Ms. Hummer stated she thinks the only recommendation that we can make on the health insurance is to have further discussion. She knows some council members are concerned about this issue.

Mayor Peel stated we don't have all the information yet. We still have two proposals out.

Mr. Olson said he has a meeting with one of them tomorrow and the other one he has told them he has to have the information by next Wednesday. What we are looking at right now is the worst case scenario.

Ms. Hill-Lawrence said so the two plans that you are waiting to hear from would they require the employees to pay any.

Mr. Olson stated he is not sure. He doesn't know who the carrier will be. He is not sure what they are going to be bringing him tomorrow. Based on the Care Plus Plan verses the Option 11 Plan the cost will be \$22.15 per pay period to the employee to upgrade. You would be absorbing 19% of the increase.

Mr. Donnelly said if you add in the survey they were willing to give up the Christmas bonus if the Christmas bonus was given up where we would be at.

Mayor Peel stated you are robbing Peter to pay Paul. It is sort of like funding trash collection out of the General Fund. One of the problems that we have with the health care is we have too many people that are abusing going to the emergency room. That is hurting everybody and we are paying for that and he thinks we need to find some way to get a handle on that.

Ms. Hummer stated the reason she asked the question was we have these adjustments to the recommended budget and we have a little bit of money there and she was asking if that money could be used toward offsetting some of that costs.

Mayor Peel said yes it could be.

Mr. Donnelly stated we need to try and work to get the employees to stay out of the emergency room and use Urgent Care. It is a waste of money to go to the ER.

Ms. Hummer said that should be done no matter what we do. As far as making everybody pay for those that abuse it and she doesn't go with that. The whole budget process is about robbing Peter to pay Paul.

Ms. Hill-Lawrence said she thinks before we consider people are abusing it we should try to understand why they are using that service verses the Urgent Care. She is thinking it is probably because it is after hours. She would rather go to Urgent Care than go to the ER. She can't see them just going to the ER unless you are really ill. We ought to do some research and find out the percentage that is using it. We need some data.

Mr. Olson stated federal law prohibits us from obtaining that data. We have the option of changing our plan.

Ms. Hummer said she is still saying that some things have been taken out of the budget either by us or the County that were not as critical as asking our employees to pay. She would like some closer looks at it.

***A motion was made by Councilwoman L. A. Hummer, seconded by Mayor J. W. Peel to recommend to City Council to have further discussion on the health insurance for our city employees. Those voting in favor of the motion were: Hummer, Peel, Donnelly and Hill-Lawrence. Against: None. Motion carried.***

**3} ADJOURNMENT:**

There being no further business to come before the committee at this time, Chairwoman Hummer adjourned the meeting at 7:00 p.m.

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Dianne S. Pierce-Tamplen, MMC  
City Clerk

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L. Anita Hummer  
Chairwoman