

The Washington City Council met in a continued session on Tuesday, May 29, 2012 at 5:30 pm in the City Council Chambers at the Municipal Building. Present were: Archie Jennings, Mayor; Bobby Roberson, Mayor Pro tem; Doug Mercer, Councilman; Edward Moultrie, Councilman; William Pitt, Councilman; Councilman Richard Brooks, Councilman; Josh Kay, City Manager; and Cynthia S. Bennett, City Clerk.

Also present were: Matt Rauschenbach, Chief Financial Officer; Stacy Drakeford, Interim Fire & Police Services Director; Robbie Rose, Fire Chief; Allen Lewis, Public Works Director; Keith Hardt, Utilities Director; John Rodman, Planning Director; Philip Mobley, Parks and Recreation Director; Susan Hodges, Human Resource Director; Gloria Moore, Library Director; Lynn Lewis, Tourism Director and David Carraway, IT Department

Mayor Pro tem Roberson called the meeting to order.

#### **APPROVAL/AMENDMENTS TO AGENDA**

City Manager, Josh Kay requested adding a Closed Session – Under § NCGS 143-318.11 (a)(4) Economic Development.

By motion of Mayor Pro tem Roberson, seconded by Councilman Brooks, Council approved the agenda as amended.

#### **DISCUSSION: OUTSIDE AGENCY FUNDING**

During the budget workshop session held on 5-08-12, Council directed the City Manager to provide a one page summary report of funding requests for Outside Agencies for FY2012-13. Mr. Kay reviewed the original request from the agency as well as his proposal for funding.

Councilman Moultrie suggested reducing the Purpose of God Annex funding from \$25,000 to \$24,000 and increase Zion Shelter from \$5,000 to \$6,000.

Mayor Jennings voiced this will not change our overall allocated funding for the Outside Agencies Funding.

By a straw poll vote of 5-0, Council agreed to reduce Purpose of God Annex funding by \$1,000 (\$25,000 to \$24,000) and increase Zion Shelter funding by \$1,000 (\$5,000 to \$6,000).

Mayor Pro tem Roberson requested a summarization from the manager concerning the General Statutes for funding outside agencies. Mr. Kay explained that cities and counties can do anything they are statutorily allowed to do and can also contract with any organization (for profit or not for profit) to provide that service. Mayor Pro tem Roberson requested (for accounting principles) that each agency invoice the City of Washington and state what the money will be used for on the invoice. This will provide accountability for our tax payers. Also, Mayor Pro tem Roberson mentioned again that the City needs to give a time limit on funding. Mr. Kay noted language was included with the updated forms that funding would potentially decrease over time, but the agencies were not given a set time line. The agencies were advised that the Mayor, Council and staff still wished to partner with them by way of finding other funding opportunities.

Mayor Jennings expressed the following:

- 1.) We need to reduce the dependence upon the City for these organizations
- 2.) Miscellaneous funding indicates to him, that we are talking about operational funding and we need to stay away from this area (all organizations need to raise money in the community to pay for operational expense).

Councilman Mercer voiced the need to commit and tell the agencies that we are going to work within the next three-five years, that funding will be reduced each year,

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and at the end of that time frame, you will be on your own. Councilman Mercer felt there are some agencies (the ones with a very worthy cause) that we need to continue to support because they have to depend on contributions. Councilman Brooks suggested a meeting with the agencies to let them know of the anticipated funding changes. Mayor Jennings agreed that we need to visit with the agencies that are requesting funding, and explain to their entire board exactly what we are proposing.

Council provided guidance to the manger and staff to meet with the agencies over the next few months and see how we can assist them in reducing their funding dependency on the City.

Mayor and Council accepted the recommendation of Outside Agencies Funding as submitted by Mr. Kay.

#### **DISCUSSION: FEES**

Mr. Kay reviewed the proposed balanced budget of \$62,488,740. Mr. Kay reiterated and commended staff for their hard work in preparing the budget. Mayor Jennings echoed this sentiment noting this is the best start we have had and commended everyone (department by department). Mr. Kay reviewed fees and noted staff has provided information related to the actual cost to provide the service and/or comparable fees charged by organizations in our area.

Mayor Jennings stated he wanted to get to the bottom of privilege license fees, noting it seems the only change was an increase in the service establishment maximum fee. Mr. Kay agreed and stated staff is not proposing any other changes. FY 2009-10 Council approved increasing service establishment maximum of \$250 per year for four (4) years to be consistent with the retailing in manufacturing maximum.

Mayor Jennings inquired if we needed privilege license fees? Mayor Pro tem Roberson suggested phasing out business privilege license because it is not required by NCGS. Mayor Pro tem Roberson felt it is just another business tax. Mr. Kay noted privilege license generates \$180,000 annually and Mayor Pro tem Roberson said we will need to find a way to replenish the \$180,000.

Councilman Mercer stated he had asked several weeks ago to have fees reviewed. If we are going to charge fees then they should be realistic and he expressed concerns with fees other than business license (tap, electric conduit, and the inequities of the fees). Mr. Kay voiced he would provide Councilman Mercer with the fees regulated by NCGS.

Mayor Jennings and Council directed Mr. Kay and staff to form a sub-committee working with members of Council to review fees for a revenue neutral solution.

#### **6:00 PM - PUBLIC HEARING BUDGET**

Mayor Jennings opened the public hearing and Mr. Reid Brodie of 607 Northwood Road came forward to speak.

Mr. Brodie addressed Council concerning the 1% proposed decrease in electric rates. Mr. Brodie stated he agrees with the philosophy and noted Council is on record as doing what it can to lower electric rates. Mr. Brodie suggested the City should provide incentives to encourage its power customers to reduce their power usage. He suggested ways to reduce power usage, such as weatherizing housing (including having landlords weatherize their rental units), purchasing energy-efficient appliances, and setting thermostats to efficiently heat and/or cool. Also, Mr. Brodie advocated the City's load management program noting that it costs nothing for WEU customers to participate in the program. Mr. Brodie noted the 1% reduction is only \$1.00 average per month and load management savings is \$3.00 per month.

There being no other public comments, Mayor Jennings closed the public hearing at 6:09 pm.

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**DISCUSSION: WATERFRONT DOCKS BUSINESS PLAN AND WARREN  
FIELD AIRPORT BUSINESS PLAN**

City Manager, Josh Kay reviewed the Washington Waterfront Docks Business Plan with members of Council. Mr. Kay noted that staff has tried to present the current status and operation of each of the facilities as well as the market analysis (including a comparison of services and cost). Also, Mr. Kay noted they tried to determine some goals and objectives that from each Council member concerning the operation of both facilities. The final piece details options on how to operate the Waterfront Docks along with some financial projections. The financial projection is still in the red on both facilities. Mr. Kay stated there is a duality of purpose: 1) Business profit and loss center and 2) The airport and the docks are gateways to our community. Mr. Kay noted this was the first draft of the plan.

Major Jennings thanked Mr. Kay and staff for pulling this information together and noted this is a good starting point. Mayor Jennings encouraged Council to look at the plans as a starting point. The Washington Docks Business Plan should live with the Parks and Recreation Advisory Board along with WHDA team of consultants. The Warren Field Airport Business Plan needs to live at the airport but we need to bring it to life by endorsing the plan as a component of the overall budget.

Councilman Mercer expressed concerns with slip rentals. Mr. Kay explained he took the lowest possible annual rate rather than just a month to month rate (this is a minimum).

Councilman Brooks inquired if Council would be updated periodically on where we stand with the docks and Mr. Kay responded 'yes'. Staff will continue to provide monthly reports and included the possibility of adding an ad-hoc committee.

By motion of Mayor Pro tem Roberson, seconded by Councilman Moultrie, Council adopted the Waterfront Business Plan as presented by the City Manager (as a starting point).

Councilman Mercer inquired if Council is going to adopt the Plan will there be an Enterprise Fund set up for the docks? Mr. Kay stated he will need to consult with Finance concerning how quickly staff can do this, but it can also be done by internal accounting allowing it to stay in the General Fund.

Continued discussion on the **Warren Field Airport Business Plan**: Mr. Kay directed Council's attention to page 62 and 63 (financial) should not have depreciation and capital expenses, Council should choose one or the other from the general ledger indicating this was his error. Grants and Capital Outlay will excuse these numbers but this plan needs to be refined more so than the Waterfront Business Plan.

Mr. Kay explained that staff has gone out for proposals for Fixed Base Operator, Jump School, Flight School and for Maintenance. We only received one bid for FBO and one bid for Jump School. The current FBO operator did not bid for FBO operation in the future. Mr. Kay requested direction from Council on how they wish us to operate the airport (options provided on page 65 & 66). Options:

- 1.) In house Airport Operations
- 2.) Contract FBO
- 3.) Renegotiate FBO Contract
- 4.) Close Airport

Mayor Jennings stated this is more of a pro forma plan instead of a business plan as it is more challenging. Mayor Jennings would like for the de-annexation feature to be included. Mr. Kay said he also feels there is a marketing issue with the airport. Also, Mayor Jennings stated there is an educational component (what the airport does for the community). Mayor Jennings stated this is a tool we need to use going forward even though it is a lot of work whether it is a viable business plan. Councilman Mercer expressed the need to put in house mechanical service at the airport and Councilman

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Brooks agreed. Mayor Pro tem Roberson expressed some of his concerns (one being tax revenue) and stated we need to break even.

Mr. Kay recommended bringing the airport “in house” if Council wishes to continue to operate the airport. Mayor Jennings agreed that we need to bring it “in house” and get the airport in order. Councilman Brooks, Councilman Mercer and Councilman Moultrie agreed to bring the airport “in house”.

By motion of Councilman Brooks, seconded by Councilman Moultrie, Council approved option #1, In house Airport Operations.

**DISCUSSION: ELECTRIC RATE REDUCTION PLAN**

Mr. Josh Kay stated staff was instructed to devise a plan to have a 1% residential electric rate reduction for FY 2012/13 (inside/outside residential customers). The 1% reduction represents a permanent \$202,550 reduction in revenue. Mr. Kay noted page 72 addresses staff recommendation to make the corresponding \$202,550 reduction in expenditures. Mr. Kay stated most of the reduction is deferrals and a reduction in contingency that won't be available in future years to offset the recurring rate reduction.

Other notes for consideration:

- 5% City resident reduction of \$415,000 was implemented July 2011.
- The electric fund is projected to experience a loss of \$1.5 million in FY 2011/2012.
- Fund balance at 6/30/11 was \$5.6 million (15%) and is anticipated to be \$3.9 million (11%) at 6/30/12.
- Net revenue on purchased power is down \$2 million in FY 2011/2012 from prior year and is projected to improve \$1.1 million in the FY 2012/13 budget.
- NCEMPA projects rate increases of approximately 2.5% beginning FY 2013/2014.
- Debt service on \$1,060,000 of installment purchases- 3 months or \$60,000 is included in FY 2012/13 budget. A full year of debt service will be included in the FY 2013/14 budget representing an increase of \$179,000.
- Disaster events utilize fund balance pending reimbursement. Hurricane Irene expenses were \$1.3 million.

Mr. Kay emphasized a rate decrease can be accomplished in the FY 2012/13 budget but will be challenging and difficult to sustain in future budgets given the considerations outlined above. The reduction of fund balance is also of concern especially given the volatility of net revenue that is weather dependent.

Mayor Jennings agreed with Mr. Brodie and stated he hopes we will revisit saving opportunities. Also, Mayor Jennings requested discussion/clarification on the 1% reduction.

Mayor Jennings noted rates alone are not enough, but the real impact for savings is the way we do business. Instead of exclusively trying to manage our operational cost we need to find other ways to really help citizens save money on their power bill. Mayor Jennings mentioned several ways 1) creating incentive where necessary to change behavior (2) bringing landlords to the table (3) Councilman Pitt - education. Mr. Kay explained staff is implementing goals and objectives for all funds not just electric but in all departments. This will be presented to Council over the next couple of weeks. Mayor Jennings said he was looking to see more of a change in philosophy.

Mr. Brodie and Mr. Henkel offered comments on energy saving tactics – tools to help the customers lower their utilities bills.

By motion of Councilman Pitt, seconded by Councilman Brooks, Council approved proceeding with the 1% rate decrease.

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**EXTENSION OF MEETING**

By motion of Councilman Pitt, seconded by Councilman Brooks, Council extended the meeting until 7:40 pm.

**DISCUSSION: OTHER CHANGES TO THE BUDGET**

City Manager, Josh Kay explained the proposed changes to the budget. The changes reflect those with a financial impact as well as others that have no budget impact such as justification clarifications.

Mr. Kay stated the schedule also shows the contingency position as a result of these changes. This schedule will be updated with other changes that surface during the Committee of the Whole meeting.

Mr. Kay noted Council will have a complete revision of the budget before the June 11, 2012 regular City Council meeting.

Councilman Mercer addressed several points:

- (1) the allocation formula used for administrative cost is wrong (Mayor Jennings commended the need for more transparency)
- (2) funding from the County to the City of Washington for recreation programs and Brown Library – we need to address the concept (Mayor Jennings reminded Council agreeing to allow the leagues to negotiate the cost to run the leagues).

Mayor Jennings said we have been covered all items on the agenda. Staff is seeking ratification on the document being presented and asked Council for any additional changes. Council agreed that the budget is a good document and staff can continue with the presentation of the budget during the June 11, 2012 meeting.

**REMINDERS & DISCUSSION: TOWN HALL DAY & TROPICAL STORM BERYL**

**CLOSED SESSION – UNDER § NCGS 143-318.11(A)(4) ECONOMIC DEVELOPMENT**

By motion of Councilman Pitt, seconded by Councilman Brooks, Council agreed to enter closed session under § NCGS 143-318.11(a)(4) Economic Development at 7:30 PM.

By motion of Councilman Brooks, seconded by Councilman Pitt, Council agreed to come out of Closed Session at 7:40 pm.

**ADJOURN – UNTIL MONDAY, JUNE 11, 2012 AT 5:30 PM IN THE COUNCIL CHAMBERS AT THE MUNICIPAL BUILDING**

By motion of Councilman Pitt, seconded by Mayor Pro tem Roberson, Council adjourned the meeting at 7:40 pm until Monday, June 11, 2012 at 5:30 am in the Council Chambers at the Municipal Building.

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**Cynthia S. Bennett, CMC**  
City Clerk