
The Washington City Council met in a continued session on Monday, May 6, 2013 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; Richard Brooks, Councilman; William Pitt, Councilman; Josh Kay, City Manager; and Cynthia S. Bennett, City Clerk.

Also present were: Matt Rauschenbach, Administrative Services Director/CFO; Allen Lewis, Public Works Director; Keith Hardt, Electric Director; David Carraway, IT Department and Mike Voss, Washington Daily News.

Mayor Jennings called the meeting to order and Councilman Mercer delivered the invocation.

APPROVAL/AMENDMENTS TO AGENDA

Mayor Jennings requested to add a closed session under NCGS 143-318.11(a)(4) Economic Development.

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

BUDGET OVERVIEW: UTILITY FUNDS

City Manager, Josh Kay explained the intent of the meeting tonight is to have an overview presenting the proposed utility funds, highlight major changes and to highlight the proposed capital purchases. The presentation tonight will be more of a staff driven process. The full detailed discussion has been planned for Thursday, May 9, 2013 and would be a Council driven process.

Utility Funds Overview

Budget Workshops:

- Monday, May 6th – Utility Fund Overview
 - Staff presents Proposed Utility Funds
 - Highlight major changes
 - Highlight proposed capital purchases
- Thursday, May 9th – Utility Fund Detailed Discussion
 - Staff responds to City Council questions
 - Council provides direction to staff of changes to Utility Funds Budget

Water Fund:

- Water Fund Revenue
 - Proposed: \$4,441,525
 - Increase of \$1,389,788
 - \$100,000 Transfer from Water Reserve
 - \$655,738 Fund Balance Appropriated
 - \$640,550 EDA Grant Funds
 - No rate changes requested

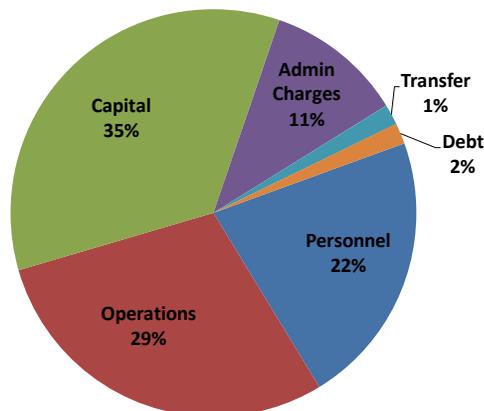
\$30,000 projected increase in Water

Councilman Mercer mentioned the EDA Grant is a 50/50 match. Mayor Pro tem Roberson commented he liked the approach of receiving the grant funding up-front.

Water Fund:

- Expenditures
 - Personnel: \$969,814 (22%)
 - Operations: \$1,296,313 (29%)
 - Capital: \$1,545,100 (35%)
 - Administrative Charges: \$485,242 (11%)
 - Transfers: \$71,963 (1%)
 - Debt: \$73,093 (2%)
 - **Total: \$4,441,525**

Water Fund



Water Fund:

- Major Highlights:
 - Water Meter Service – Non-capitalized Purchases: \$100,000
 - Decrease of \$200,000
 - Large meter replacement

Mr. Kay noted that we are still on the projection of having the water meters in the residential section completed by end of June. Mr. Kay advised there are a lot of large meters that need to be replaced and there will always be some level of water meter change out program. Councilman Mercer suggested finishing the 1 1/2" meters at a cost of \$200,000 and then the 2, 3, and 4" (large meters) replaced as we have time. Mr. Kay noted that replacing meters all at once would cause all to be replaced again at the same time and staff would like to spread the timing cycle out.

- Water Treatment – Chemicals: \$400,000
 - Increase of \$50,000
 - Water Treatment – Non-capitalized Purchases: \$95,925
 - Painting inside of water treatment plant - \$95,300
 - Water Treatment – Capital Outlay: \$631,100
 - EDA grant project – liquid chemical feed conversion - \$606,100
- Installation of cameras at well sites - \$25,000

Mr. Kay stated the City had a Vulnerability Study in 2002 and this is just another step in the Vulnerability Study that was completed.

Water Fund:

- Major Highlights
 - Water Maintenance – Capital Outlay: \$60,000
 - Replacement of truck #414
 - Water Construction – Capital Outlay: \$854,000
 - EDA project – 16" parallel water line: \$675,000
 - Summit Avenue water line engineering & construction: \$179,000

Sewer Fund:

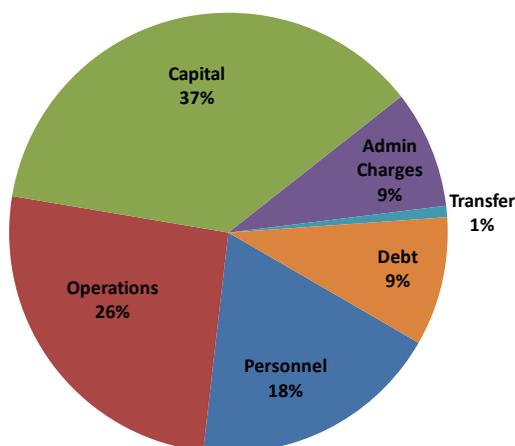
- Sewer Fund Revenue
 - Proposed: \$4,859,886
 - Increase of \$1,637,747
 - \$120,000 Transfer from Sewer Reserve
 - \$802,338 Fund Balance Appropriated
 - \$837,000 EDA Grant Funds
 - No rate changes requested

\$30,000 projected increase in sales

Sewer Fund:

- Expenditures
 - Personnel: \$898,718 (18%)
 - Operations: \$1,255,788 (26%)
 - Capital: \$1,785,000 (37%)
 - Administrative Charges: \$420,895 (9%)
 - Transfers: \$40,532 (1%)
 - Debt: \$458,953 (9%)
 - **Total: \$4,859,886**

Sewer Fund



Sewer Fund:

- Major Highlights
 - Wastewater Treatment – Capital Outlay: \$763,000
 - EDA project – generator and ATS for train #2: \$742,000
 - Replace return sludge pump #2: \$21,000
 - Lift Stations – Capital Outlay: \$1,022,000
 - EDA project – generator for alternate power for Cherry Run pump: \$160,000
 - EDA project – rebuild Water & Bonner pump station - \$772,000
 - Generator, platform, & ATS for Fountain pump station - \$90,000

Councilman Mercer expressed concern about a generator in the capital outlay noting there wasn't anything in the Capital Improvement Plan for any work at the Fountain site. Mr. Kay explained when it floods there you have to move that mobile generator and then depending on the time commitment with staff, that generator may be a couple up days of getting it back on site. It is entirely up to Council to remove this item. Mayor Pro tem Roberson stated we certainly don't want to have people without sewer but he understood Councilman Mercer's point.

Electric Fund:

- Electric Fund Revenue
 - Proposed: \$36,296,274
 - No rate changes requested
 - \$1,580,099 decrease from original 12/13 Budget
 - \$2,260,667 reduction in Electric Sales
 - Installment Financing: \$851,000
 - Fund Balance Appropriated: \$337,596

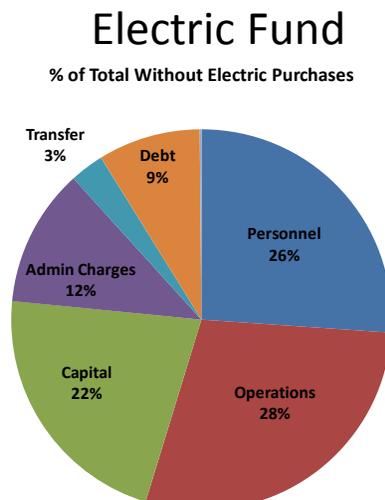
Mayor Jennings requested clarification on the \$2,260,667 reduction in Electric Sales and Mr. Kay explained it is due to rate decreases, decrease in usage from our customers, load prediction, sales and mild winter projection. We are using 3-4 different models to make this projection and they are all showing a downward trend. Electric Director, Keith Hardt followed up and stated we are low on energy sales this year compared to what was budgeted and will be continuing this through next year.

Councilman Mercer raised concerns about this as well. We actually saw a decrease last year but prior we had been fairly stable. Basically, we had been seeing the sales exceeding the budget and our cost going down. In looking at the sales revenue they have gone up on a consistent basis for the last ten years with the exception of two years. Mr. Kay would like to be very conservative on our revenues and would rather under project our revenues and over project our expenditures. Mayor Jennings stated he would like to see sales headed the other way particular in the residential section because this is money we are taking out of our local economy.

Electric Fund:

- Expenditures
 - Personnel: \$2,518,866 (26%)
 - Operations: \$2,445,172 (*29%)
 - Purchased Power: \$28,160,620
 - Capital: \$876,000 (22%)
 - Administrative Charges: \$1,207,781 (12%)
 - Transfers: \$470,000 (3%)
 - Debt: \$617,835 (9%)
 - **Total: \$36,296,274**

Mr. Kay explained that the City of Washington does not produce power; we receive a utility bill every month and that bill is averaging around two million per month. We pay our utility bill based on what our customers pay us. The majority of this bill is through our contract with ElectriCities/North Carolina Municipal Power Agency and a small portion through SEPA (South Eastern Power Association).



Electric Fund:

- Major Highlights
 - Electric Meter Service – Maint/Repair Building: \$27,000
 - Parking Lot repairs & paving: \$25,000 (to be removed)
 - Electric Meter Service – Installment Purchase: \$70,000
 - Meters & Materials for new services & replacement: \$50,000
 - AMR mobile collector: \$20,000

Electric Fund:

- Major Highlights
 - Substation Maintenance – Installment Purchases: \$129,000
 - Highland Drive to Slatestone 38 Kv recloser: \$30,000
 - Main substation Highland Dr 38 Kv breaker replacement: \$40,000
 - Distribution reclosers: \$20,000
 - Capacitors: \$8,000
 - Replace truck #651: \$25,000
 - Load Management – Installment Purchases: \$70,000
 - 1,000 load management switches

Mr. Kay said we did not replace any load management switches this fiscal year. We are averaging about 65 installs per month. Mr. Kay explained the reason we purchase 1000 load

management switches is we get a discount (roughly \$60 per 1000 and if you buy less than 1000 it is \$110 a switch).

Electric Fund:

- Major Highlights:
 - Power Line Maintenance – Maint/Repair Building: \$40,800
 - Rebuild 3 offices at T&D due to mold: \$25,000
 - Power Line Construction – Capital Outlay: \$25,000
 - Parking Lot repairs & paving: \$25,000 (to be removed)
 - Power Line Construction – Installment Purchases: \$582,000
 - 2nd/5th Street rebuild engineering: \$100,000
 - High School feeder relocation: \$180,000
 - Grimesland Bridge feeder engineering: \$90,000
 - NC 32 feeder rebuild engineering: \$50,000
 - Whitepost to Slatestone 34.5 Kv feeder engineering: \$100,000
 - Add 2 bays to equipment shelter: \$42,000
 - Replace ROW bush-hog: \$12,000
 - Replace trencher trailer: \$8,000

Mayor Pro tem Roberson inquired about the high school feeder (what is the issue)? Mr. Hardt explained the feeder comes out of Forest Hills Substation right near the subdivision and it goes through a right-of-way that is inaccessible. Also an issue with adjacent property owner regarding trees falling that is on the right-of-way but the city doesn't own. The owner feels it is the city's responsibility of taking the trees down. Mr. Kay stated they look at a cost estimate to go in and do some work in the right-of-way and it would cost \$160,000 just to clear it out one time and we believe it is more economical to go in and replace it for \$180,000.

Councilman Mercer noted the Booth plan projected \$100,000 and the City of Washington is projecting \$180,000 and Mr. Hardt stated there was a misunderstanding when the project was provided to Booth regarding relocation. Also, the \$80,000 covers the underground installation. Councilman Pitt requested current saturation on load management and Mr. Hardt stated possibly 30%-35% with Mr. Kay advising staff will get that information.

Storm Water Fund:

- Revenue: \$657,276
 - \$54,188 decrease from original 12/13 Budget
 - Fund Balance Appropriated: \$65,238
 - To cover RZEDB debt service
- Expenditures: \$657,276
 - Debt Service: \$540,157
 - Operations: \$90,914
 - Contingency: \$26,205

Mayor Jennings inquired about Iron Creek? Mr. Kay advised that Wooten Company, an engineering firm, had met on site approximately two weeks ago and Mr. Lewis stated they were doing some drawings as of today.

Mayor Pro tem Roberson suggested keeping the residents up to date and informed of what's happening when they ask questions and Mayor Jennings agreed.

Airport Fund:

- Revenue: \$261,675
 - Fund Balance Appropriated: \$70,375
 - Transfer from General Fund: \$0
- Expenditures: \$261,675
 - Personnel: \$64,727 (25%)
 - Operations: \$184,311 (70%)
 - Administrative Charges: \$12,637 (5%)

Mayor Jennings requested information concerning the airport terminal. Mr. Kay said the terminal would be a grant funding project and we are waiting on NC Division of Aviation to provide us with the funding. Mayor Jennings directed staff to implement this just like we did the

others and Mr. Rauschenbach voiced it is already set up in the capital project fund. Mr. Kay apologized and stated it is in the 2nd project fund and Mayor Jennings did not have a problem with it being in a separate account. Mayor Jennings said that we anticipate receiving these funds (we are just working through the process) and know we don't want to get out in front of ourselves but at the same time, we are still looking for a design. Mr. Lewis shared that we are still looking for a design but the Division of Aviation grant (in a letter form) has already promised \$500,000. Each phase of the process requires a grant application specifically for that phase (we are in the design phase). There will be a request for Council to form a subcommittee.

Mayor Jennings suggested as Councilman Mercer had pointed out, we can use insurance proceeds to keep us moving along as each phase rolls through.

Solid Waste Fund:

- Revenue: \$1,406,580
 - Fund Balance Appropriated: \$169,280
- Expenditures: \$1,406,580
 - Personnel: \$585,049 (42%)
 - Operations: \$432,766 (31%)
 - Capital: \$140,000 (10%)
 - Replace truck #483
 - Administrative Charges: \$201,103 (14%)
 - Debt: \$47,662 (3%)

Cemetery Fund:

- Revenue: \$309,756
 - Installment Financing: \$35,000
 - Transfer from General Fund: \$115,906
- Expenditures: \$309,756
 - Personnel: \$200,840 (66%)
 - Operations: \$41,041 (13%)
 - Capital: \$35,000 (11%)
 - Replace equipment #520
 - Administrative Charges: \$19,932 (7%)

Debt: \$9,363 (3%)

Mayor Jennings commended the entire staff because this budget is well crafted and prepared.

Mr. Kay voiced a public hearing is required for the budget process and requested a time from Council.

By motion of Mayor Pro tem Roberson, seconded by Councilman Pitt, Council agreed to set the FY 2013-14 budget public hearing for Monday, May 13, 2013.

Councilman Mercer inquired if Council would be able to go back and touch on some of the General Fund issues? Mr. Kay named the two issues staff is aware of: Privilege License recommendation and Senior Center ramp. Councilman Mercer stated we also have the virtualization at the Library.

Mayor Jennings noted it is important that after the session on Thursday we could include any items that still require clarification from Council and we can take those up at our regular meeting. Councilman Mercer voiced one of the things he requested in an email to Mr. Kay was to look at load management. Mayor Jennings noted this would be something for Thursday night and Mr. Kay stated staff is working on the preliminary investigation to present on Thursday night and pulling together a rate schedule. Mayor Jennings encouraged Mr. Hardt and his team to bring anything that deals with load management on Thursday night (just in case something comes up).

ANNOUNCEMENTS

- Beaufort County Mayor's Association meeting in Aurora on Thursday, May 16, 2013 at the Community Center - 6:00 pm.

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- Potential meeting in Belhaven with ElectriCities on Tuesday, June 11, 2013 has been cancelled, we are waiting on ElectriCities to reschedule – Keith Hardt advised the meeting has been rescheduled for Tuesday, June 4, 2013 in Belhaven at 6:00 pm.

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.

By motion of Councilman Moultrie, seconded by Councilman Brooks, Council agreed to come out of Closed Session at 6:25 pm.

**ADJOURN – UNTIL MONDAY, MAY 9, 2013 AT 5:30 PM IN THE COUNCIL
CHAMBERS AT THE MUNICIPAL BUILDING**

By motion of Mayor Pro tem Roberson, seconded by Councilman Brooks, Council adjourned the meeting at 6:28 pm until Thursday, May 9, 2013 at 5:30 pm in the Council Chambers at the Municipal.

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