

The Washington City Council met in a continued session on Monday, June 16, 2008 at 4:30 p.m. in the Council Chambers at the Municipal Building. Present were: Judy Jennette, Mayor; Doug Mercer, Mayor Pro tem; Richard Brooks, Councilman; Darwin Woolard, Councilman; Archie Jennings, Councilman; Gil Davis, Councilman; Jim Smith, City Manager; Reatha Johnson, Acting City Clerk; and Franz Holscher, City Attorney.

Also present were: Anita Radcliffe, Acting Finance Director; Allen Lewis, Public Works Director; Bobby Roberson, Planning and Community Development Director; Jimmy Davis, Fire Chief; Mick Reed, Police Chief; Susan Hodges, Human Resources Director; Keith Hardt, Electric Director; Gloria Moore, Library Director; and Mike Voss of the Washington Daily News.

Mayor Jennette called the meeting to order and Councilman Woolard delivered the invocation.

APPROVAL/AMENDMENTS TO AGENDA

Mayor Jennette stated if Council was in agreement, she would like to add an Update on the Belhaven situation.

On motion of Councilman Woolard, seconded by Councilman Jennings, Council unanimously approved the agenda, as amended.

UPDATE – BELHAVEN UTILITIES

Mr. Hardt, Electric Director, stated Belhaven did not have a need for day to day work; there are issues, in the case of a large outage or large damage and getting some assistance to their system. Mr. Hardt stated this is already in place with our Mutual Agreement Assistance through Electricities. They have a gentleman that is pretty much on-call all the time but, he has a couple of times during the year where he would like to be out of town. Mr. Hardt said they will actually put an extra crew on during that time period for 24 hours blocks and they will pay us whatever our on-call pay is. If there is a call in Belhaven, they will pay the truck time, equipment time, labor, any material they use, and mileage. As far as our cost, there would not be any additional cost. After they get their budget approved and staffing where it needs to be, we will be swapping some staff mainly for training.

Councilman Jennings stated that was good for cooperation but, is there any opportunity for the City to build on that for some efficiency on our end. Mr. Hardt stated the problem is they don't have anyone on staff right now, and as far as sharing the resources, we are about maxed out where we are. Councilman Jennings was under the impression Mr. Hardt was talking about Tideland Co-op and now understands we were talking about just helping Belhaven out.

Councilman Jennings and Mayor Pro tem Mercer were under the impression we were in conversation with Tideland and that if they had a trouble call up here or we had one down there, we could take each other calls and would save both utilities money. Mr. Hardt stated there are a couple of issues there: (1) each entity as a company would need to have a general contractor licenses to do that and (2) the way the laws work in North Carolina. Councilman Jennings stated he is worried about the impasse with Tideland; this is the greater opportunity for a mutual statement. If both companies get general contractor licenses and create some kind of cross service agreement where we don't give up customers and they don't give up customer and we service each other customers closer to home, would that work. Mr. Hardt stated we can look into that but he would like to wait until they get a permanent general manager. Councilman Jennings asked if they could be faxed some sort of resolution in the meantime so they can be ready. Mayor Pro tem Mercer stated he didn't understand why there was a hesitancy to consider a trade customer for customer, Mr. Hardt stated there wasn't hesitancy from us it is from Tideland and Councilman Jennings stated the Co-op

concept (we could be kicking somebody out the door). Mr. Smith stated we could try to go back and talk with them again.

BUDGET WORKSHOP

Council reviewed the Public Works Department proposed budget with Allen Lewis, Public Works Director. Mayor Pro tem Mercer made the observation concerning computers (if they were new computers or replacements).

Mr. Smith passed around a form for all Council members to state where they would like their package delivered if they are not at home. Also, there is a draft Capital Improvement Plan for Council to carry home tonight (will not be able to provide a completed Capital Improvement Plan because Council has not seen the projects and they have not been prioritized). Mr. Smith stated he would like to discuss the draft with Council when there is time. Included in the plan projects that are anticipated in the next five years, fleet replacement schedule, and computer replacement schedule. The HVAC system in the Martin Center needs a major overhaul and we don't have price for it, so some things will be missing. Councilman Jennings stated he believes the Manager is headed in the right direction, but what had been discussed was any capital projects would be part of an overall capital plan and that capital plan would in turn need to be approved for one time revenues. Mr. Smith stated they footnoted several capital improvements like the elevator affecting one-time revenue and when we get that, we will come back to Council. Councilman Jennings feels this need to be an additional item to the budget; that keeps the Department Head from having to say I need an extra computer because it has already built in the CIP. Mr. Lewis stated he believes the capital projects in here are in the draft CIP and Mr. Smith agreed. Mr. Smith stated all of the 08-09 capital improvement which is in the CIP would be considered a capital budget or in the budget; the other four years are listed and all will require Council approval before going further. Councilman Davis inquired as to the dollar cut off amount. Mr. Smith stated the plans have projects that are at least \$25,000, any purchase that is over \$5,000 from an accounting standpoint gets capitalized and when it goes from the plan into the budget it is shown as a capital item. Anything over \$25,000 is in the plan. Councilman Woolard addressed the renovation of City Hall. Following discussions on ways to renovate, build, add a New City Hall with the new Police Station (Mr. Smith stated it is all premature right now). Councilman Davis pointed out we need to be looking at where we can build (purchasing enough land) before deciding what to build. Following discussion, Council returned to the budget.

PUBLIC WORKS DIRECTOR

Mr. Lewis stated there was basically no difference except in salary expense as far as 08 and 09. Under the general fund, there is a capital outlay purchase for partial funding of a new computer. Mr. Lewis said this is to replace the computer at his desk which is a lap top and he carries the computer home this time of the year to work on budget items.

There were no changes made in this department at this time.

MUNICIPAL BUILDING

Mr. Lewis stated there is a significant increase in this proposed budget and a \$175,000 is for the elevator. The elevator is between 40 to 50 years old. Mr. Smith said it is one of the projects that he and Anita are suggesting deferral until we get some one time revenues.

Mayor Pro tem asked Mr. Lewis if you could put a new unit into the shaft; Mr. Lewis stated that was what they were looking at. Mayor Pro tem asked if you install a new elevator, would the maintenance contract go down. Mr. Lewis stated it should significantly.

Councilman Woolard remembered this was one of the things deferred last year. Mr. Smith stated the elevator had been in every budget since he had been here.

There were no changes made in this department at this time.

EQUIPMENT SERVICES

Mayor Pro tem Mercer called Mr. Lewis' attention to page 113 and stated in the last two years, we spent approximately \$151,000 in salaries and yet we are only budgeting \$88,000. Ms. Radcliffe asked Council to look three lines down and notice the salary labeled reimbursement where we charge work orders reimbursable to this department from the other departments. Mayor Pro tem inquired as to why it is not done the same way across. Ms. Radcliffe said she believes we can't budget a negative expense, our software will not allow us to budget a negative expense and she is not sure the accounting principle will let you budget a negative expense either. Mayor Pro tem stated you budget a transfer and that is a negative expense. Mr. Smith stated a transfer would be an income on one side and an expense for the budget from which it was transferred. Ms. Radcliffe stated she would check with the Auditors on this.

Councilman Davis asked did we have a computerized vehicle maintenance tracking system in the garage and do the garage people let you (or supervisor) know. Mr. Lewis stated there is no problem with the follow up now.

Mayor Pro tem Mercer inquired as to the spill control plan update and he believes it should be a contract service. Ms. Radcliffe will move the money to line item #10-20-4250-4500.

The only change at this time was to move the spill control plan update into line item #10-20-4250-4500.

Mr. Lewis had an additional item he wanted to bring before Council. An employee resigned from the equipment department; he and Mr. Buck discussed the staff that was left and the possibility of filling that position from within and not filling a vacant position permanently. Mr. Lewis is asking permission from Council tonight to do this. Mayor Pro tem Mercer stated this is the kind of thing we need to do everywhere. Mr. Smith stated we have been doing this across the board, as changes become available and people retire or if there were vacancies, we have downgraded or eliminated positions.

On motion of Councilman Davis, seconded by Councilman Brooks, Council unanimously approved to restructure the job position and post the upgraded position from within.

STREET MAINTENANCE

Mayor Jennette asked about the work going on in Macswoods and Mr. Lewis stated it is still ongoing. Councilman Jennings asked if we now run the street sweeper through there and the answer was yes (as it is).

Mayor Jennette stated that Market Street extension is in pretty bad shape north of 15th Street, Mr. Lewis pointed out that Market Street is a DOT road but Mr. Buck will be going out Wednesday to make utility adjustment from 15th Street to the top of the hill at Oakdale cemetery.

Mayor Pro tem Mercer – new computer or replacement and Mr. Lewis stated new. Mayor Pro tem Mercer inquired about the salary for 2 ½ employees. Mr. Buck stated one was the street sweeper operator and 1 ½ salary for a street maintenance employee. Mr. Lewis state the other ½ of the street maintenance employee comes out of Powell Bill.

There were no changes made in this department at this time.

POWELL BILL FUNDING

Mayor Jennette asked how the Power Bill funding was calculated. Mr. Buck stated it is based on total miles of City System Street and dirt roads you have within your system.

Mayor Pro tem Mercer stated we have \$350,000 of Powell Bill money and you are putting \$225,000 into street maintenance, so you are spending \$120,000 in salaries and maintenance of equipment. Mayor Pro tem Mercer stated if that was going back into street paving we could wipe out those several blocks of dirt streets that we have. Mr. Lewis stated the only bills that are paid out of Powell Bill Funds are what is listed here under Powell Bill Funds. Mayor Pro tem stated what he was suggesting was put the 2 ½ employees back over into street maintenance or put that money aside and repair Brown Street Bridge. Mayor Pro tem Mercer is suggesting we look at pulling the salaries out of Powell Bill Funding and put back into street maintenance and Councilman Jennings suggested doing the same thing when we get to the Storm Water Budget.

Councilman Woolard inquired about the Municipal Bridge program and Mayor Jennette asked when we would know about any funding. Mr. Lewis stated because of the fact it is a drainage issue, you can use either stormwater or Powell Bill funding for Bridge Street or Charlotte Street but he doesn't know when we will receive approval; Mr. Lewis will see what he can find out.

Mayor Pro tem Mercer suggested pulling salary out of Powell Bill Funding and put back into street maintenance.

CEMETERY

Councilman Davis asked if he still had a part-time employee. Mr. Lewis stated "yes" for the grass in the summer and the leaves in the fall. Mr. Lewis said they have about twenty or thirty more years of space for interments.

Mayor Pro tem Mercer felt the replacement of garage doors should be under building maintenance instead of capital outlay since it was repair to the building. Mr. Lewis and Ms. Radcliffe stated everything under capital outlay would be moved to building maintenance since everything was under \$5,000.

Councilman Davis asked for the fees for openings and closing graves and Ms. Radcliffe stated the information could be found in the back of the budget book. Mr. Smith stated the revenues are about \$238,000 vs. \$255,000 in expense and Ms. Radcliffe said that according to the budget abstract the anticipated revenues are \$254,800 and the expenses are \$255,900 (about a breakeven). Mr. Smith stated the difference in the number he quoted is the \$16,800 – cemetery trust. A number of years ago, the past Council eliminated perpetual care fees and this is unusual. He said the expense from maintaining the cemetery for the lots that are actually occupied should be paid from perpetual care funds and the general fund and other revenues should pick up the unused portion. Mr. Lewis stated about a year or two ago, we raised city fees versus what the private sector was charging at the time.

Councilman Davis asked why it was cheaper to disinter someone than to inter someone. Mr. Lewis stated he just realized this in the last couple of months where he had some issues with families disagreeing with where someone would be buried after the fact. In hindsight, had he known it when preparing the budget the disinterment fees would have been higher than the interment fees. Council asked how much has this happened, and Mr. Lewis stated twice in the last six months (that he was made aware of). Ms. Radcliffe suggested why not charge them an interment fee and a disinterment fee.

Mr. Smith mentioned we have a private cemetery in Washington as well, and one of his goals is to set up the cemeteries and enterprise funds as well so the expenses and revenues will net itself out.

On motion of Councilman Davis, seconded by Councilman Brooks, Council unanimously agreed to change the disinterment fees to \$675 plus \$550 for interment (to move them to another plot).

WATER FUND

Mayor Pro tem Mercer asked what are miscellaneous revenues. Mr. Smith and Mr. Lewis stated selling meter boxes to: contractors, valves, metals, pipes, and any supplies they carried in the warehouse that can be sold out of inventory. Mayor Pro tem Mercer stated he was curious because they picked \$19,000 on that line and we are only looking at \$8,000 in the budget line. Mr. Lewis stated the \$19,000 includes S. T. Wooden and Mr. Buck stated it should be under water sales and service but since we send it out as a separate bill for billing Highway 17 and Ms. Radcliffe state it was under sales and service.

Councilman Davis asked do we have any type of control on our metal. Mr. Buck state "yes", it is located behind a locked gate at the yard.

Mayor Pro tem Mercer asked the need for a pay or salary adjustment line when there isn't an employee charge to the miscellaneous account. Ms. Radcliffe stated this was for merit pay for the whole fund. Mayor Pro tem Mercer asked how many employees is in the water fund and Mr. Smith answered fifteen (15) employees.

Mayor Pro tem Mercer stated he still had the same question that he has been trying to get answered and that is for someone to explain to him why administrative charges jumped so much this year. Mr. Smith stated before Ms. Williams left she went back through and recalculated all the administrative fees and the biggest change is, we moved the customer service section from electric into the general fund which put all the billing and collections in one place in the general fund. That meant that the customer service expense was distributed back out to all of our enterprise funds and some of the enterprise funds which were using that service had never been charged in the past. Mr. Smith explained that when we had the difficulty with the hospital bill, we brought in an independent consultant to look at the whole operation. The consultant recommended moving this over to general fund and have it all managed by the same person. Mayor Pro tem stated we have a smaller general fund this year than we had last year. In essence the general fund total payout this year is smaller than it was last year, and he doesn't care where you put customer service (it is only \$400,000) it would seem to him that the administrative charges should have gone down. Ms. Radcliffe directed Council attention to the footnote. Councilman Jennings stated he gets lost because it sounds to him like we are saying we don't really have the money and we don't want to raise rates so let's just reduce the administrative cost and it takes away the creditability of the calculation that you arrived at the administrative charges from. Councilman Jennings then jumped ahead to the stormwater fund and had a problem with that methodology in there you went from \$900 to \$91,800. Mr. Smith stated he was in agreement; he would prefer to see the full administrative fees charged and if unable to raise the rates to generate the revenue, then we should do a transfer from the general fund and have an honest number. Councilman Jennings asked if the sum total of all the administrative charges exceed the total administrative charges incurred and Mr. Smith and Ms. Radcliffe stated "yes". Mayor Pro tem Mercer stated if you subtract Public Safety and Leisure from your general fund it is almost a break even and that says that the expenses from the general fund are being carried by the enterprise fund. Councilman Jennings stated then we have to transfer money from the general fund to the stormwater fund to cover the administrative charges. Mr. Smith stated this is a truer view of what it actually cost to operate that fund. Councilman Jennings stated that is all the more reason not to have those positions eating up stormwater revenues. Councilman Jennings suggested in stormwater we move \$57,000 in salaries back into general fund then we don't need a transfer. Ms. Radcliffe stated as far as stormwater

administrative charges goes; the only department that the stormwater paid any administrative charges (FY 06-07) back to the general fund was for the enterprise controller (\$587) and this year (FY 08-09) we have added in customer service, utility billing, finance, and revenue collection. Mayor Pro tem Mercer said we had that last year it may not have been charge to administrative charges last year and Ms. Radcliffe said exactly and the \$587 was not a true number. Mayor Pro tem Mercer stated if that is what happened then it is fine but, he just needed to understand what happened because when something jumps 400% it jumps off the page at you. Councilman Jennings asked if the total cost for running the four activities stated earlier accounted for in the administrative charges applied to the various departments. Mr. Smith said not totally but the majority – Councilman Jennings and then do we show revenues coming back to the general fund in payment. Ms. Radcliffe asked Council to turn to page 341 and she will try to explain. Mr. Smith called Council attention to page 10 for more explanation.

Mayor Pro tem Mercer asked how the utility accounts are totalized. If he has lights, water, and sewer will he have one bill or three the answer was three. Mr. Smith stated this was one of the major complaints they were proposing to address in this budget. Mayor Pro tem Mercer stated \$.01 on the tax rate for vacant lots and we are talking about \$.04 tax rate increase in this budget (\$.03 for the general fund and \$.01 for the stormwater). Mr. Smith stated however, the proposal that was made last week will pick up that \$.01 but at some point and time. We need to weigh inexpensively a way to address the complaints we received from customers. Mr. Lewis stated there is property in town that has impervious surface that does not have active utility accounts and that is where we are really losing money. Mayor Pro tem Mercer stated this could get very complicated when you start looking at fees for a vacant lot and a lot with a building. Mayor Pro tem Mercer said if we have a disparity in what we are doing now then we need to increase fees for the larger impervious surface.

Councilman Jennings thinks we need to move the positions back to the general fund for a more accurate portrayal of the accounting for those positions. This also should be done included with the stormwater fund. Councilman Davis asked can we look at the Powell Bill Fund also, and Mr. Smith said there are no administrative fees in the Powell Bill. Mayor Pro tem Mercer asked Councilman Davis if he was talking about moving Powell Bill salaries back into the street department. Mr. Lewis said thereby freeing up that money for street paving (etc.). Mr. Smith stated we normally have some Powell Bill money in reserve and then when we have a paving year we do more than what we take in at the end of the year.

Mayor Pro tem Mercer asked how many water meters to you have to purchase. Mr. Lewis stated not many for the \$15,000 that is 100 AMR's. Mayor Pro tem Mercer asked how many more AMR do we have to buy to have everything converted. Mr. Buck said it is close to 4,000. Mr. Smith stated Johnson Control is doing a preliminary analogy on the losses from the water fund from the age wear on meters at about 4.4%. Johnson Control has a program where they will do all your AMR's and they get paid out what they save by installing them. Mayor Jennette asked when we will hear from the survey and Mr. Smith stated we just haven't had people follow up. It's a problem that James Tripp was running and we just haven't had anyone to pick it up. Mr. Smith and Mr. Lewis stated they met with Johnson Control about two (2) weeks ago and they are waiting for them to get back to us with a proposal. Mr. Smith stated the only way they will charge us is if they do the study and determine that it is feasible and we turn them down anyway. Councilman Woolard inquired about installation and Mr. Smith said they will install it themselves and over the ten (10) years and our cost saving is suppose to pay them to do that, and if it doesn't then their checkbook is on the line whereas, they pay us the difference.

***Note:** Councilman Jennings suggested change in the proposed budget; we need to move the positions in the stormwater fund back to the general fund for a more accurate portrayal of the accounting for those positions. Councilman Davis asked can we look at the Powell Bill Fund

Council convened for a break and reconvened at 6:35 pm.

SEWER FUND

Mayor Pro tem Mercer asked if we have a Sewer Vac Truck and the answer was "no", why do we need one. Mr. Smith stated that is how we clean our storm drains and basin. Well how is it done now? Mr. Lewis said they take the sewer washer truck and wash the problem from one man hole to the next and it is not cleaning the sewer system. The Vac Truck will actually vacuum it out of the manhole and vacuum it out of the line if it is clogged up. It will also be utilized at lift stations and at the waste treatment plant. Mayor Pro tem asked if one could be rented and be cheaper than buying the answer was "no". The Vac Truck would be utilized about eight (8) hours of the day.

Councilman Brooks inquired if it could be used for storm drainage and the answer was "yes" as far as settlement is concerned.

Mayor Pro tem inquired about the NPDES permit and asked if the NPDES was up for renewal. Mr. Lewis stated yes, the permit will have to be renewed in November, 2009. Mayor Pro tem inquired about the gator and why did you need two. Mr. Buck said he saw that in the storm water fund and it was a typo as well. They only need the one for the waste treatment plant. Mayor Pro tem Mercer asked about the \$24,000 for the sewer fund lift station for an auxiliary generator, how long have we been required to have that. Mr. Lewis stated the State requires us to have a plan in place (alternative power source) basically to have a standby generator at each lift station and we are down to about seven stations that do not have a generator. They try to purchase one a year.

There were no changes made in this department at this time.

STORMWATER FUND

Councilman Jennings read from one of the suggestions in Mr. Smith memorandum concerning the transfer from General Fund to the Storm Water Fund (\$57,723) and elimination the \$.04 tax increase.

Councilman Jennings stated he is suggesting rebalancing the stormwater fund by moving \$57,000 of salary over to the general fund. Mr. Smith said they will have a look at it.

This department was discussed along with the water fund.

***Note:** See suggested change under water fund.

SOLID WASTE FUND

Mayor Pro tem Mercer inquired about the Front end loader. Mr. Smith and Mr. Lewis said it was a trash truck (dumpster - front end loading truck). The old one is a 92 model.

There were no changes in this department at this time.

ADDRESSED SOME OF MAYOR PRO TEM MERCERS PROPOSED BUDGET CHANGES

Mayor Jennette asked Council if they would like to go through some of Mayor Pro tem Mercer's proposed budget changes tonight. Councilman Davis stated to let's try and do what we can. Councilman Davis would hope to avoid meeting on the 30th if possible. Mr. Smith stated he didn't have the department heads here tonight but maybe we can cover some of the items without them.

Mayor Pro tem Mercer inquired about 911 money do we get a year (\$74,000) Ms. Radcliffe stated we are expecting \$66,000 in 08-09. Ms. Radcliffe said she would need to look and see what the fund balance and called Council attention to look at the Police Department budget. Mr. Smith stated instead of him trying to explain the issues, he would like for the Police Chief to be here to answer any 911 questions.

Councilman Davis asked could we talk about the 401K and salaries. Mayor Pro tem Mercer suggested for this year we put forth \$25 per employee and match up to their \$25 contribution (so everyone would get \$25 up front and if they put in any additional we will match up to \$25). Councilman Jennings stated he has a problem he feels if you don't contribute then you don't get a contribution. Mr. Smith stated the employees who need this the most will not have much of a retirement. Mayor Pro tem Mercer stated he is just suggesting this for this year and then he would like to see a listing of what other towns and cities are doing. Susan Hodges, Human Resource Director, has made copies of what other town and cities are doing. Councilman Jennings felt this is a way trying to encourage the employees to participate to their 401K. Councilman Jennings stated he wanted to respond because he is sympathetic to that employee too, but in a case like that; the City is willing to give \$30 for a \$5 contribution. Mr. Smith said he didn't have a problem with people contributing that was why he proposed it; the way he looked at it was getting them to contribute \$5 but not everyone can afford to do it. Councilman Brooks stated he did not like the ideal of changing the 401K or maybe give the employees more of a raise to get it more back on track for the 401K change.

Mayor Pro tem Mercer asked to place his other proposal on the table. The proposed budget calls for 3% raise across the board and we have a \$9,000,000.00 payroll and that comes out to \$270,000. Mayor Pro tem Mercer proposed we take the \$270,000 and divide it evenly among the 240 employees; that would make the raise approximately \$1150 apiece. That makes the lesser paid employee (those employees that make \$25,000) is going to get about \$300-\$400 more than he would have otherwise and it also make the people making about \$75,000-\$80,000 would get about \$300-\$400 less. Council Woolard asked if he was talking about a onetime bonus and Mayor Pro tem Mercer said "no" he was talking about a salary adjustment. Mayor Jennette stated this would mess up the pay scale.

Following more discussion, Council decided it would be better to wait until the June 23, 2008 to discuss the proposed budget changes recommendation from Mayor Pro tem Mercer. Mayor Pro tem Mercer suggested Council look at the fees in the back of the book and see what we can be adjusted.

Mr. Lewis stated there was one more thing he forgot mentioned when going through the water budget. Replace vehicle # 413 that is a 1998 model with 168,000 miles on it. Someone ran a stop light a couple of weeks ago and totaled it out, if this is left in the budget we would like to go ahead and purchase the vehicle right after the first of the year. This has already been settled with the other person insurance.

On motion of Councilman Brooks, seconded by Councilman Davis, Council unanimously approved advertising for replacement of vehicle #413.

On motion of Councilman Brooks, seconded by Councilman Woolard, Council unanimously adjourned the meeting at 7:40 pm, until Monday, June 23, 2008 at 4:30 p.m. in the Council Chambers at the Municipal Building.

**Reatha B. Johnson
Acting City Clerk**