

The Washington City Council met in a special session on Wednesday, April 23, 2014 at 5:30 pm in the City Council Chambers at the Municipal Building. Present were: Mac Hodges, Mayor; Bobby Roberson, Mayor Pro tem; Doug Mercer, Councilman; William Pitt, Councilman; Richard Brooks, Councilman; Larry Beeman, Councilman; Brian M. Alligood, City Manager; and Cynthia S. Bennett, City Clerk.

Also present were: Matt Rauschenbach, Administrative Services Director/C.F.O.; Anita Radcliffe, Assistant Finance Director; Allen Lewis, Public Works Director; Stacy Drakeford, Police and Fire Services Director; Keith Hardt, Electric Utilities Director; Robbie Rose, Fire Chief; David Carraway, IT Department; and Tony Black with the Washington Daily News.

Mayor Hodges called the meeting to order and Councilman Brooks delivered the invocation.

**BUDGET WORKSHOP DISCUSSIONS: ENTERPRISE FUNDS**

Mayor Hodges said the purpose of tonight's budget session is to go over Enterprise Funds. City Manager, Brian Alligood answered the question received from Council Members regarding appropriating funding to outside agencies/non-profits. Mr. Alligood addressed the General Fund question from last night and the budget adjustments. After review, Mr. Alligood stated we will be approximately \$22,000 short after adjustments. Also, they reviewed, explained and answered questions from Council members regarding the spreadsheet and the areas in the Enterprise Fund. Mr. Alligood stated in balancing the General Fund it will leave \$34,385 in the Health Savings Account noting we will still have an incentive program but just not at the higher funding level. Ms. Radcliffe stated the allocation would be about \$750 instead of \$900. Mayor Pro tem Roberson requested the bottom line on the Aquatic & Fitness Center (how much money we are currently receiving out of the operation). Also, he requested more information on the aerobics instructor, swimming lessons, and the Aquatic Center additional programs. Mr. Alligood called Council's attention to the appropriate pages in the budget book and stated it will show the revenue that was generated as well as expenditures. Mr. Alligood stated we are subsidizing the facilities at roughly \$750,000 (senior program \$180,000, Waterfront Docks \$100,000 and the Aquatic Center \$250,000). Overall we have projected we are subsidizing the Recreation Department with General Fund dollars by approximately \$1.2 million. Mayor Pro tem Roberson explained he is all for the programs as long as the programs can break even.

Mr. Alligood encouraged Council to take a look at the fee structures and policies over the next several months. Committee members should include:

- Brian Alligood
- Matt Rauschenbach
- Anita Radcliffe
- Specific department head (for that area)
- Two (2) Council members and the Mayor as he does not make up the quorum.

Once the Committee reviews a particular section, it can be presented to the entire Council during the Committee of the Whole for review and potential recommendation. Councilman Brooks agreed we will need 9 months to review fees properly and Councilman Beeman concurred. Changes would be implemented whenever they came about in FY 15/16. Mayor Pro tem Roberson stated we can't continue at the level it is going. He continued by praising the Finance Department for their efforts with refinancing our debt.

Mr. Alligood inquired if Council was comfortable with adjustments to General Fund side and Council members said 'yes'.

Administrative Services Director/C.F.O., Matt Rauschenbach suggested you could increase sales tax to \$50,000 to put funds back into the Health Savings Account at full level. Directive given by Council was to leave sales tax as is.

Mr. Alligood reviewed a blog from the North Carolina School of Government regarding what you can and can't spend money for. Mr. Alligood felt we don't have any concerns regarding all the outside agencies we are funding. Mayor Pro tem Roberson directed Council's attention to the last page in the last sentence "satisfying a public purpose cause does not automatically authorize its expenditures".

SUMMARY OF ENTERPRISE FUND EXPENDITURES

	PAGE NUMBER		FY 12/13 ACTUAL	FY 13/14 ORIGINAL BUDGET	FY 13/14 AMENDED BUDGET	FY 14/15 RECOMMENDED BUDGET	% CHANGE FY 13/14 VERSES FY 14/15
Water	30-90-4020	Debt Service	\$ 268,797	\$ 73,093	\$ 73,093	\$ -	-100%
Water	30-90-6610	Miscellaneous	506,414	646,530	1,352,663	905,143	-33%
Water	30-90-7220	Administration	103,858	111,693	111,693	107,738	-4%
Water	30-90-7250	Meter Services	484,865	267,092	267,327	258,079	-3%
Water	30-90-8100	Treatment	1,115,093	1,427,837	1,476,381	1,338,515	-9%
Water	30-90-8140	Maintenance	211,769	327,026	337,878	278,025	-18%
Water	30-90-8180	Construction	325,543	303,796	382,410	127,290	-67%
Water	30-90-9990	Contingency	-	-	-	21,959	-
		Total Water Fund	\$ 3,016,339	\$ 3,157,067	\$ 4,001,445	\$ 3,036,749	-24%
Sewer	32-90-4020	Debt Service	559,758	455,651	455,651	350,871	-23%
Sewer	32-90-6610	Miscellaneous	455,632	574,621	1,389,737	724,368	-48%
Sewer	32-90-7220	Administration	103,761	110,659	110,659	105,406	-5%
Sewer	32-90-8200	Maintenance	267,056	248,456	292,111	245,555	-16%
Sewer	32-90-8210	Construction	244,733	211,590	295,413	212,716	-28%
Sewer	32-90-8220	Treatment	1,083,578	1,191,556	1,236,624	1,208,014	-2%
Sewer	32-90-8230	Lift Stations	371,050	391,162	393,162	340,086	-13%
Sewer	32-90-9990	Contingency	-	36,853	36,853	-	-100%
		Total Sewer Fund	\$ 3,085,568	\$ 3,220,548	\$ 4,210,210	\$ 3,187,016	-24%
Storm Water	34-90-4020	Debt Service	560,587	540,157	540,157	517,085	-4%
Storm Water	34-90-5710	Operations	132,194	84,814	130,465	553,925	-
Storm Water	34-90-5712	Nutrient Control	1,842	6,100	7,100	7,100	0%
Storm Water	34-90-9990	Contingency	-	26,205	26,205	-	-100%
		Total Storm Water Fund	\$ 694,623	\$ 657,276	\$ 703,927	\$ 1,078,110	53%
Electric	35-90-4020	Debt Service	820,536	617,835	572,910	413,735	-28%
Electric	35-90-6610	Miscellaneous	2,610,867	2,137,186	2,137,186	2,171,717	2%
Electric	35-90-7220	Administration	594,148	309,312	1,209,513	313,211	-74%
Electric	35-90-7230	Utility Communication	240,289	264,600	265,800	281,426	6%
Electric	35-90-7250	Meter Services	391,822	517,905	517,905	587,381	13%
Electric	35-90-8320	Purchase Power	28,495,889	28,160,620	28,160,620	27,389,868	-3%
Electric	35-90-8370	Substations	1,123,445	848,910	939,986	1,186,385	26%
Electric	35-90-8375	Load Management	137,690	226,475	250,110	208,389	-17%
Electric	35-90-8380	Line Maintenance	1,315,531	1,365,856	1,367,856	1,407,227	3%
Electric	35-90-8390	Line Construction	1,291,792	1,812,575	2,136,682	2,632,947	23%
Electric	35-90-9990	Contingency	-	-	-	-	-
		Total Electric Fund	\$ 37,022,009	\$ 36,261,274	\$ 37,558,568	\$ 36,592,286	-3%
Airport	37-90-4530	Airport Operations	1,347,606	261,675	681,524	309,218	-55%
Solid Waste	38-90-4020	Debt Service	94,987	47,662	47,662	23,936	-50%
Solid Waste	38-90-4710	Operations	1,160,608	1,358,918	1,358,918	1,267,406	-7%
Solid Waste	38-90-9990	Contingency	-	-	-	4,482	-
		Total Solid Waste Fund	\$ 1,255,595	\$ 1,406,580	\$ 1,406,580	\$ 1,295,824	-8%
Cemetery	39-90-4020	Debt Service	1,841	9,363	7,363	6,752	-8%
Cemetery	39-90-4740	Operations	309,698	296,813	300,920	317,788	6%
Cemetery	39-90-9990	Contingency	-	3,580	2,980	-	-100%
		Total Cemetery Fund	\$ 311,539	\$ 309,756	\$ 311,263	\$ 324,540	4%
		Total Enterprise Funds	\$ 46,733,279	\$ 45,274,176	\$ 48,873,517	\$ 45,823,743	-6%

**Water Fund Review:**

Mr. Allgood stated good news on the water side is that we have no debt service, the debt has been paid off on the water system.

Councilman Mercer inquired about the AMR meters and asked if this will finish everything with the exception of the largest meters and Mr. Allgood responded 'yes'.

Mr. Allgood addressed the possibility of cell tower at Jack's Creek. This tower would replace our tower because we can't add to much more on our existing tower.

Water Fund	2015 Proposed	2014 Budget	G (L)	%
<b>Revenues:</b>				
Sales & Service	\$ 3,010,360	\$ 2,986,800	\$ 23,560	1%
Rent, Miscellaneous, Interest & Other	26,389	58,437	(32,048)	-55%
Transfer from Capital Reserve	-	100,000	(100,000)	EDA Projects
Fund Balance Appropriated	-	856,208	(856,208)	
<b>Total Revenues</b>	<b>\$ 3,036,749</b>	<b>\$ 4,001,445</b>	<b>\$ (964,696)</b>	
<b>Expenses:</b>				
Debt Service	\$ -	\$ 73,093	\$ (73,093)	
Operations	2,819,790	2,958,219	(138,429)	-5%
Cash Capital Purchase	40,000	264,000	(224,000)	-85%
Transfer to Water Capital Reserve	155,000	-	155,000	
Transfer to CPF	-	706,133	(706,133)	EDA Projects
Contingency	21,959	-	21,959	
<b>Total Expenses</b>	<b>\$ 3,036,749</b>	<b>\$ 4,001,445</b>	<b>\$ (964,696)</b>	
<b>Water Fund Highlights</b>				
Fund is balanced				
No fund balance is appropriated (available FB is \$1,069,756)				
Fund has no debt service (bonds and installment notes are all paid off)				
\$40,000 of cash capital purchases to replace 2 vehicles				
Transfer of \$155,000 is being made to the capital reserve fund.				
Contingency of \$21,959 is available for emergency expenses				

**Sewer Review:**

Mr. Allgood noted there is a 2% decrease and stated the sewer credit from Flanders Filters is approximately \$72,000 (meter out of balance and they will receive credit for 2 ½ years).

Mr. Allgood state the Debt service is down and the sewer bonds will be paid off in FY 14-15 which will leave only the State Revolving Loan debt.

Councilman Mercer expressed his concern and suggested we need an audible alarm in the control room for hydrogen sulfide. Mr. Lewis stated they will check into a permanent type of alarm system. Councilman Beeman inquired if they have the personal readers and Mr. Lewis stated the employees carry a hand held reader. Mr. Allgood stated we recognize it is an issue and we are working on it.

Sewer Fund	2015 Proposed	2014 Budget	G (L)	%
<b>Revenues:</b>				
Sales & Service	\$ 3,025,000	\$ 3,085,000	\$ (60,000)	-2%
Rent, Miscellaneous, Interest & Other	14,397	15,548	(1,151)	-7%
Transfer from Capital Reserve		120,000	(120,000)	
Fund Balance Appropriated	147,619	989,662	(842,043)	-85% EDA Projects
<b>Total Revenues</b>	<b>\$ 3,187,016</b>	<b>\$ 4,210,210</b>	<b>\$ (1,023,194)</b>	
<b>Expenses:</b>				
Debt Service	\$ 350,871	\$ 455,651	\$ (104,780)	-23%
Operations	2,735,145	2,898,268	(163,123)	-6%
Cash Capital Purchase	101,000	115,464	(14,464)	-13%
Transfer to Sewer Capital Reserve		703,974	(703,974)	EDA Projects
Transfer to CPF		36,853	(36,853)	-100%
Contingency				
<b>Total Expenses</b>	<b>\$ 3,187,016</b>	<b>\$ 4,210,210</b>	<b>\$ (1,023,194)</b>	

**Sewer Fund Highlights**  
Fund is balanced  
Fund balance appropriated (\$147,619) in the amount of Flander's credit adjustment (available FB is \$1,260,386;  
Sewer bonds will be paid off in FY 14/15 leaving only State Revolving Loan debt  
\$101,000 cash capital for 1 vehicle replacement, control panel work, & tractor equip. replacement  
Transfer of 0 is being made to the capital reserve fund  
Contingency of \$0 is available for emergency expenses

**Stormwater Fund Review:**

Councilman Mercer stated he prefers operations maintained in the General Fund for Stormwater Fund. Mr. Allgood stated there was a drainage division set up before and if Council prefers, we can set it up this way again. Staff will provide a schedule for Council to review on Thursday showing other capital projects. Mayor Pro tem Roberson voiced that CDBG funds are focused on in infrastructure as opposed to housing. There is a push to make some funds available for infrastructure improvement for storm drainage and we need to be in a position to match those dollars.

Storm Water Fund	2015 Proposed	2014 Budget	G (L)	%
<b>Revenues:</b>				
Sales & Service	\$ 500,500	\$ 500,500	\$	0%
Rent, Miscellaneous, Interest & Other	84,188	91,538	(7,350)	-8%
Transfer from General Fund	450,564		450,564	
Fund Balance Appropriated	42,858	111,889	(69,031)	-62% Debt Service
<b>Total Revenues</b>	<b>\$ 1,078,110</b>	<b>\$ 703,927</b>	<b>\$ 374,183</b>	
<b>Expenses:</b>				
Debt Service	\$ 517,085	\$ 540,157	\$ (23,072)	-4%
Operations	561,025	197,565	423,460	308% Moved Salaries & Benefits
Cash Capital Purchase				
Contingency		26,205	(26,205)	
<b>Total Expenses</b>	<b>\$ 1,078,110</b>	<b>\$ 703,927</b>	<b>\$ 374,183</b>	

**Storm Water Fund Highlights**  
Fund balance in the amount of \$42,858 is appropriated to service debt (available FB is \$347,342)  
GF portion of salaries/benefits and adm. charges have been moved to Storm Water with a transfer from the GF for same amt. (\$450,564)

**Electric Fund Review:**

Council provided the following directives to staff:

- Recommended Capital project discussion – late fee penalties (5%) added on the 16<sup>th</sup> day, reconnect fees added on 33<sup>rd</sup> day
- July 1<sup>st</sup> – sales tax from 3% to 7% (run large block ad in paper) State changed the sales tax and not the City.
- New addition to the utility bill in which the section on due date and penalty date is highlighted
- Discussion – consider prepaid meters/bills

Recess at 6:50 pm

Councilman Mercer requested installment purchase numbers used for Highway 32 rebuild – Douglas Crossroads to Slatestone. Electric Utilities Director, Keith Hardt noted there are different parts to Highway 32 (different parts of the system). Mr. Alligood suggested providing Council with the project maps. Councilman Mercer suggested delaying the Grimesland Bridge project and Highway 32 for 1 year ~ Mr. Hardt explained these projects could be pushed out one year. Councilman Brooks was in agreement but asked if staff needed to do the rebuild in this budget.

Councilman Mercer requested an estimate of total cost of projects. Mr. Hardt stated Grimesland Bridge project should come out but not Highway 32 due to more engineering needed. Council was requested to review page 398 it will show Grimesland project at \$200,000.

Council discussed the tree trimming crews. Councilman Mercer suggested cutting one crew and Mr. Alligood explained bringing one crew in-house. Councilman Mercer opposed to adding more personnel. Councilman Pitt suggested leaving the crews in the budget. Councilman Beeman voiced keeping a contract crew (explaining this would not be adding more personnel). Mayor Pro tem Roberson stated he was for contracting as well. Following discussion, Council decided to leave as is and discuss during the 9 month fee/policy review period.

Council Mercer requested more information on the truck vehicle replacement of 2005 Chevy to F350 diesel. Mr. Hardt explained these crews are carrying very heavy equipment plus we need to consider mileage ~ going back and forth to different job sites. By consensus, Council was in agreement to leave truck replacement (F350 diesel) as requested by staff.

Electric Fund	2015 Proposed	2014 Budget	\$ (\$)	%
<b>Revenues:</b>				
Sales & Service	\$ 35,093,286	\$ 34,981,431	\$ 111,855	0%
Rent, Miscellaneous, Interest & Other	124,000	947,425	(823,425)	-87% Solar Projects
Installment Financing Proceeds	1,375,000	-	1,375,000	
Fund Balance Appropriated	-	1,629,712	(1,629,712)	
<b>Total Revenues</b>	<b>\$ 36,592,286</b>	<b>\$ 37,558,568</b>	<b>\$ (966,282)</b>	
<b>Expenses:</b>				
Debt Service	\$ 413,735	\$ 572,910	\$ (159,175)	-28%
Operations	7,217,683	7,668,203	(450,520)	-6% Solar Projects
Power Purchase	27,389,868	28,160,620	(770,752)	-3% Sales Tax
Cash Capital Purchase	196,000	921,288	(725,288)	-79%
Installment Capital Purchases	1,375,000	235,547	1,139,453	484%
Contingency	-	-	-	
<b>Total Expenses</b>	<b>\$ 36,592,286</b>	<b>\$ 37,558,568</b>	<b>\$ (966,282)</b>	
<b>Electric Fund Highlights</b>				
Fund is balanced				
No fund balance is appropriated (available FB is \$1,774,377)				
Transfer to GF remains at \$470,000				
One position (Engineering Technician) was eliminated				
Adjustment was made to reduce wholesale power cost in the amount of \$846,598 as a result of the tax change; however, retail rates on the revenue side remain the same				
\$196,000 cash capital for meters, handhelds, reclosers, security system, air compressor & LM switches				
\$1,375,000 installment borrowing for major system improvements/rebuilds, 1 line truck, 1 pickup truck				
No contingency is available				

**Multi-Software (SCADA):**

Mr. Hardt explained the system and a brief discussion followed. Mayor Pro tem Roberson requested addressing the GIS system during the 9 month review and Mr. Alligood voiced we are addressing the GIS system in a project with the County. Council moved to the Airport review.

**Airport Review:**

Possible Sun Energy Ground Lease:

Jet – Helicopter

Mayor Pro tem Roberson voiced the need for a full time airplane repair person. Mr. Alligood stated the Airport Advisory Board is working very diligently on that.

<u>Airport Fund</u>	<u>2015 Proposed</u>	<u>2014 Budget</u>	<u>G (L)</u>	<u>%</u>
<b>Revenues:</b>				
Sales & Service	\$ 150,000	\$ 130,000	\$ 20,000	15%
Rent, Miscellaneous, Interest & Other	77,955	61,300	16,655	27%
Grant Revenue	-	291,344	(291,344)	
Transfer from General Fund	81,263	-	81,263	
Fund Balance Appropriated	-	198,880	(198,880)	
<b>Total Revenues</b>	<b>\$ 309,218</b>	<b>\$ 681,524</b>	<b>\$ (372,306)</b>	
<b>Expenses:</b>				
Debt Service	\$ -	\$ -	\$ -	
Operations	309,218	342,057	(32,839)	-10%
Grant Expenses	-	323,715	(323,715)	
Cash Capital Purchase	-	15,752	(15,752)	-100%
Contingency	-	-	-	
<b>Total Expenses</b>	<b>\$ 309,218</b>	<b>\$ 681,524</b>	<b>\$ (372,306)</b>	

**Airport Fund Highlights**

Subsidy transfer from GF in the amount of \$81,263 is needed to balance the fund  
No fund balance is appropriated (available FB is \$0)  
No contingency is available

**Solid Waste Review:**

Leaf machines purchased at same time – both failing and they are 13 years old.

Councilman Mercer asked if staff had the opportunity to run a payment in lieu of taxes program on those and Mr. Allgood advised North Carolina General Statutes (referring to another blog) states we can't do this in solid waste services. The City can charge administrative charge and all revenue has to go to the Enterprise Fund. We have the same issue with Stormwater and Airport under grant restrictions.

Councilman Mercer inquired what about cemetery and Mr. Allgood said he will check into it and advise Council of his findings because the cemetery was not addressed in the blog discussions.

<u>Solid Waste Fund</u>	<u>2015 Proposed</u>	<u>2014 Budget</u>	<u>G (L)</u>	<u>%</u>
<b>Revenues:</b>				
Sales & Service	\$ 1,253,500	\$ 1,236,500	\$ 17,000	1%
Rent, Miscellaneous, Interest & Other	1,000	800	200	25%
Fund Balance Appropriated	41,324	169,280	(127,956)	-76%
<b>Total Revenues</b>	<b>\$ 1,295,824</b>	<b>\$ 1,406,580</b>	<b>\$ (110,756)</b>	
<b>Expenses:</b>				
Debt Service	23,936	47,662	(23,726)	-50%
Operations	1,207,406	1,226,918	(19,512)	-2%
Cash Capital Purchase	60,000	132,000	(72,000)	-55%
Contingency	4,482	-	4,482	
<b>Total Expenses</b>	<b>\$ 1,295,824</b>	<b>\$ 1,406,580</b>	<b>\$ (110,756)</b>	

**Solid Waste Fund Highlights**

Fund balance appropriated in the amount of \$41,324 is needed to cover capital expenditures (available FB is \$253,844)  
\$60,000 cash capital for 2 leaf machines  
Contingency of \$4,482 is available for emergency expenses

**Cemetery Review:**

Pre-engineered metal building at cemetery. Flat headstones required in future sections of the cemetery.

Councilman Mercer expressed there was no need to go over his questions.

<u>Cemetery Fund</u>	<u>2015 Proposed</u>	<u>2014 Budget</u>	<u>G (L)</u>	<u>%</u>
<b>Revenues:</b>				
Sales & Service	\$ 157,500	\$ 157,500	\$ -	0%
Rent, Miscellaneous, Interest & Other	2,000	1,350	650	48%
Transfer from General Fund	165,040	148,906	16,134	11%
Fund Balance Appropriated	-	3,507	(3,507)	
<b>Total Revenues</b>	<b>\$ 324,540</b>	<b>\$ 311,263</b>	<b>\$ 13,277</b>	
<b>Expenses:</b>				
Debt Service	\$ 6,752	\$ 7,363	\$ (611)	-8%
Operations	287,788	265,920	21,868	8%
Cash Capital Purchase	30,000	35,000	(5,000)	-14%
Contingency	-	2,980	(2,980)	
<b>Total Expenses</b>	<b>\$ 324,540</b>	<b>\$ 311,263</b>	<b>\$ 13,277</b>	
<u>Cemetery Fund Highlights</u>				
Subsidy transfer from GF in the amount of \$165,040 is needed to balance the fund				
No fund balance is appropriated (available FB is \$99,594)				
\$30,000 of cash capital purchases is to replace 2 equipment shelters				
No contingency is available				

**Veteran's Park Sign:**

Mr. Alligood advised staff would revise and provide summaries for Thursday's meeting.

**ADJOURN**

By motion of Councilman Beeman, seconded by Councilman Brooks, Council adjourned the meeting at 8:05pm until Thursday, April 24, 2014 at 5:30 p.m. in the Council Chambers at the Municipal Building.

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