

MINUTES

Special Meeting: Budget Session
City Hall Council Chamber

May 12, 2009
Tuesday, 12:00 Noon

Present: Mayor Pro tempore Michael R. (Mike) Royster, presiding; Council Members Christopher H. (Chris) Mabry, Jeanette D. Patterson, Joel R. Shores, Jr., Andrew L. Hopper, Sr.; City Manager Rick Howell, City Clerk Bernadette A. Parduski, CMC, Director of Finance Theodore B. (Ted) Phillips, CPA, Director of Human Resources Deborah C. (Deb) Jolly, Director of Utilities Brad R. Cornwell, PLS, EI, Police Chief Jeffrey H. (Jeff) Ledford, Fire Chief William P. Hunt, Director of Public Works Daniel C. (Danny) Darst, Director of Parks and Recreation Charlie Holtzclaw, Director of Housing Bryan T. Howell, Director of Development Services Brian L. Pruett, Director of Planning Services Walter (Walt) Scharer, AICP; and media representatives

Absent: Mayor W. Ted Alexander, Council Member Larry G. Ware, and City Attorney Robert W. Yelton

Mr. Royster reconvened the meeting at 12:15 p.m.

PRESENTATION OF THE CITY MANAGER'S PRELIMINARY BUDGET RECOMMENDATIONS – FISCAL YEAR 2009-2010 – CONTINUED:

Mr. Howell stated that this session would be limited to an overview of the City's Utility Funds: Water, Sewer, Electric, and Natural Gas. Council was provided with the Utility Funds Summaries and Line Item Detail Reports.

WATER FUND

Mr. Howell began his presentation by reminding Council that the City lifted its voluntary water restrictions in April 2009. For illustrative purposes, Mr. Howell shared charts of the Major Users of the City's Water System, which detailed total annual volume and total amount billed, and tables, which detailed residential water bills at various consumption levels by service population in the region as well as when compared to like sized municipalities throughout the State. Mr. Howell drew a conclusion for Council that due to the previous drought conditions, conservative water consumption by both residential and industrial customers, and the economic downturn, the City's water sales are flat. Mr. Howell noted a slight increase in debt service in the Water Fund budget which was structured in 1993.

Mr. Howell recommended a 12 percent water rate increase and reiterated that the increase would net the City 2.6 percent in actual revenue.

SEWER FUND

Mr. Howell stated the City's Sewer Fund finds itself in a similar situation as the Water Fund, although slightly more financially sound. He described the sewer system as truly a residential/commercial system. The City's major sewer customers include apartment complexes, the Cleveland Regional Medical Center, the Town of Kingstown, the Town of Fallston, and the Wal-Mart Distribution Center. Mr. Howell noted a slight increase in debt service in the Sewer Fund budget for the Westside Sewer Project.

Mr. Howell recommended a 5 percent sewer rate increase and reiterated that the increase would net the City 1.1 percent in actual revenue.

ELECTRIC FUND

Mr. Howell noted no significant changes in the budget of the Electric Fund. He reminded Council that the legislature established a requirement to promote the development of renewable energy and efficiency in the State. Since the City is a participant in the North Carolina Municipal Power Agency 1 (NCMPA1), the City entered into an agreement for NCMPA1 to develop and implement these renewable energy programs and to impose and collect a monthly fee, in the form of a billing rider to carry out its undertakings.

Mr. Howell recommended a 4 percent electric rate increase to pass on the City's wholesale cost of 5 percent, including the renewable energy rider, from the NCMPA1.

NATURAL GAS FUND

Mr. Howell stated that there was no recommendation for a rate increase for natural gas. He also stated that the Natural Gas Fund transfer will be maintained at the Fiscal Year 2008-2009 level of approximately \$1.8 million, which includes an additional appropriation of approximately \$200,000 from the Natural Gas Fund undesignated fund balance as was directed by Council.

Mr. Howell reiterated due vigilance about the continued transfer of reserves. This transfer which is sustainable in the short-term may, as natural gas prices continue to be elevated together with a reduction in usage and less consumption, ultimately impact the profit margin of the City's system and thus the availability of funds to transfer for emergencies, cash flow, and to secure favorable rates in the bond market.

Council discussed the proposed utility rate increases, agreed that the City is financially healthy, and complimented staff for their preparation of the budget. There was a collective opinion among Council members to explore alternatives to compensate for the net total of \$200,000 needed in utility increases to balance the City's budget.

Mr. Howell suggested that sometime in the near future Council consider some method to determine what level of City services to provide based on the expectations of residents and what they are willing to pay for.

Mr. Howell anticipated the scheduling of a final budget session.

ACTION TAKEN: Upon a motion by Mr. Shores, second by Mrs. Patterson, City Council voted unanimously to adjourn the meeting at 1:40 p.m.

Respectfully submitted,

Bernadette A. Parduski, CMC
City Clerk

Michael R. Royster
Mayor Pro tempore

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