

## CITY OF EDEN, N. C.

A special meeting of the City Council, City of Eden, was held on Wednesday, February 2, 2000 at 4:00 PM in the Council Chambers, 338 West Stadium Drive. Those present for the meeting were as follows:

Mayor:	Philip K. Price
Mayor Pro Tem:	John E. Grogan
Council Members:	Ronald H. Reynolds
	Ronald L. Janney
	Christine H. Myott
	Garry Tudor
	William W. Rorrer
	C. H. Gover
City Manager:	Radford L. Thomas
City Attorney:	Charles J. Nooe
City Clerk:	Kim J. Scott
Representatives from staff	
Representatives from News Media:	Alex DeGrand, <u>Greensboro News &amp; Record</u> ; Reid Bauer, <u>Eden Daily News</u>

### MEETING CONVENED:

Mayor Price welcomed everyone and thanked them for coming. He noted that the first item of business would be a consideration and approval of amendments to the Animal Control Ordinance.

### Approval and adoption of amendments to the Animal Control Ordinance:

Mr. Thomas explained that one of the key parts of getting the ordinance in place was that the city had an agreement with the veterinarian in the handling of the animals. He stated that they were still trying to get an agreement in place with him. He explained that it was an update to the agreements that the city had in the past, getting it current and reflective of the proper fees and so forth. He stated that he had provided the Council with a draft of that agreement to the veterinarian and he wanted to have some further discussion about the things that were in there. He stated that until they get that agreement in place he agreed with the City Attorney that they did not need to put the ordinance in place as one might conflict with the other.

Council Member Janney asked how soon they would get it.

Mr. Thomas replied that he was meeting with the veterinarian on Monday and hopefully they could have his concerns addressed. He stated that if that was the case they could have it at the Council's Retreat on February 11<sup>th</sup> or at the regular meeting on the 15<sup>th</sup>.

Council Member Janney questioned when they would discuss the bid openings for the City Hall.

Mr. Thomas replied that if time would allow, he wanted to do that on the 11<sup>th</sup> at the retreat. He added that it was just a matter of about 4 more days to do it at the regular meeting. He explained that they were reviewing those bids right now and they would have a report ready to come to the Council.

Mayor Price referred back to the animal issue and pointed out that they had some people there who have a vested interest in the ordinance and they need to be there (when it was discussed) and they needed to have it in front of them at the regular meeting.

### Continuation of Discussions and Consideration of Water and Sewer Rate Proposal:

Mayor Price explained that he had asked the City Manager to take a few minutes for an explanation to the Council to explain exactly the concerns they had in front of them.

Mr. Thomas used some overhead transparencies and explained that they would be used as a guide for the folks in the audience. He explained that the Council had already seen some of this information.

Incurred Budget Deficiencies

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Mr. Thomas explained that this was an overview of a situation they had been dealing with when they went through the budget process about some deficiencies that they were having at the time they were going through the budget. He stated that the city had been using money to the tune of \$900,000 or so, out of a Debt Service Fund that was established around 1977, to make payments towards bonds. He explained that the money that was in this fund could be used towards the principal on the bonded indebtedness. In the 1998/99 fiscal year, they used the last remaining amount of the money in that fund to make principal payments so that fund essentially was paid down to zero. He stated that in order to make their bond payments in the current year, the 1999/2000 budget year, the money to make that principal payment had to come from operating revenues, selling water and treating sewer and the revenue that was generated from doing that. In having to do that, it diverted about \$900,000 of revenue that would be used for other operational expenses or to go towards contributions to their Construction Funds. He explained that it diverted money away from those areas to pay debt. In the 1999/2000 budget one of the things that did not get funded in that budget were contributions going from the Water and Sewer Fund to the Water Construction and the Sewer Construction Funds. He explained that that started them out into this year, in a sense, with a \$900,000 reduction in operational revenues that could have been used for other purposes that were now being used to pay debt.

#### Capital Repay (Take or Pay) – Pluma

Mr. Thomas explained that the situation that they were currently dealing with was the closing of Pluma. He stated that Pluma was under a contractual agreement with the city on their water rates. He explained that the water rate for them was based on formula that was derived from what the city's cost would be and also there were some provisions in that contract that allowed for what was called "take or pay". He explained that in other words, if they did not use the water, they still paid the city for the water that they did not use, looking at the total amount that was included in the contract. He stated that if, on an annual basis they only used 400 million gallons of water and the contract required them to use 420 million gallons, they paid the city under a separate rate for that 20 million gallons under take or pay.

He explained that there was also a component of that that was called "capital repay". That was similarly done and what this did was this helped the city, through a contractual basis, get a payment from Pluma, as well as some of their other customers, that was set up specifically as a payment coming into the city to help pay the debt service for the amount of the plant that they were using for their purposes of production.

He stated that all of this was, as he had said, in those contracts based on formulas that were tied to cost and how much water they used. He explained that for Pluma, the revenue that was generated through the capital repayment agreement was used to pay the debt service and it generated approximately \$373,500 of revenue, which was going toward paying debt service. He explained that in their present situation this money was not available. Pluma was not operating and not honoring the take or pay capital repay provisions of the contracts, so in order for the city to make its debt service payment it would be coming up short \$373,500 towards what they would be getting under this capital repayment or take or pay type of arrangement. He added that in addition to that, with the closing of Pluma, based upon their most recent four years of usage, when they were in full operation, the city would lose approximately \$666,240 of other revenue that would have been used to pay for other operational expenses, treating water, treating sewer, and collection and distribution related types of issues in order to maintain the integrity of the system. He stated that those figures were derived based on 450 million gallons of water annually.

Mr. Thomas stated that in summary, the total amount of revenue would be coming up short this year, because of the closing of Pluma. He stated that when they calculate in the capital repay, or the take or pay money, plus the other revenue from selling them water and treating their sewer, they were looking at a little over million dollars, about a million one or a million two of revenue that the city would project to have a shortfall this year. He stated that all of that was attributable to Pluma's closing.

He noted that one thing they should keep in mind, the debt service requirement had to be met and they were going to do that, but now it had to be met entirely through the contribution from the

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Water and Sewer Fund. He asked that they also keep in mind that Pluma's closing did not affect 99% of the Collection and Distribution System. He explained that they used a very small portion of the water and sewer lines and the city had to keep the people and equipment in place to maintain the integrity of those systems, but the bottom line was, with their closing they were going to be in the neighborhood of about 1.2 million short in revenue in the current fiscal year.

Mr. Thomas asked if there were any questions in regard to that.

Council Member Gover questioned the \$373,500 and asked if that was just for Pluma to which Mr. Thomas replied that it was just from Pluma. He explained that the rates that they were paying on through their contract, under the take or pay, which was, they had one rate just for their water usage and then there was a separate rate that they used to calculate what was called capital repay, and then take or pay. He stated that under the capital repay and take or pay they were getting \$373,500 and that was generated for the purposes of paying debt service.

Council Member Gover commented that he was a little confused on those other contracts, on the payment on those as that seemed to be quite a bit of money, even with the other companies that they have contracts with, if that was just from Pluma itself.

Mr. Thomas stated that each one of those contracts were a little bit different. He explained that a lot of the things in there were the same, but there were certain things, for example, depending on when the contract started, the rate for one may, just picking numbers, if one started in 1990 and the other one started in 1994, then the beginning point for what their beginning rate would be, could be different. So as they bring the calculations forward to where they were now, the rates would still look a little different.

Mayor Price added that they were going to go into that a bit more in depth and it would become a little more apparent in regard to the answer on that.

Mr. Thomas stated that to answer his initial question, that \$373,500 was coming just from Pluma.

Mayor Price explained that Mr. Thomas had portrayed, to give accurately, a display of what the problem was. He asked if there were any other questions in regard to numbers or background as to why this had happened.

Council Member Gover commented that they have known that Pluma was backing down, for a couple years as a matter of fact. He stated that he had been hearing it out on the street before it ever actually happened. He stated that it looked like they waited until it really mushroomed before they ever noticed.

Mayor Price asked Mr. Thomas if he had any extra information to tell about the problem.

Mr. Thomas replied that he thought that pretty much said why and where they were. He stated that to address Council Member Gover's comment, they really had not heard much of anything until around the spring of 1999, when they filed to reorganize. He stated that was the first indication that they had a problem, but while that was going on they continued to run the facilities wide open, just as hard as they could go and indications that they were getting from people within the plant was that they really had more orders at that time than they could get to, they had a backlog. He added that things did change, obviously, as they have well learned.

Graph: Revenues Prior, Estimated, Needed

Mr. Thomas explained that he had a whole folder full of overheads and graphs, but he only planned to use the ones that he hoped would address the questions that they had.

In showing the overhead transparencies, Mr. Thomas explained that it demonstrated their prior revenues in the Water and Sewer Funds. He stated that it was \$5,280,000 for 1998/1999. With the loss of Pluma, what they were estimating their current revenue would be for this year was \$4,682,000. He stated that what was required for this year, based upon the budget as it was adopted, was \$5,648,800. He explained that they could see that by looking at the last two bars

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there, they were coming up that much short in revenue to meet their operational expenses and to make their debt services requirement.

He explained that the bar graph was set up to show them what would be generated from selling water and treating sewer. Then the capital repay, that was the money that they get from their contract customers to help go towards the debt service and as they could see in the middle bar that shrinks about half. He explained that the other was revenues received in the Water and Sewer Fund, so that kind of gives them a break down out of the total as to where the money was coming from to help meet those payment requirements for debt and operational expenses and so forth.

Closed Session:

Mayor Price thanked Mr. Thomas for his presentation and stated that at that time he wanted to ask the Council to vote to enter into a Closed Session according to GS 143-318.11(A)(3) first to consult with the City Attorney in order to preserve the Attorney/Client privilege between the Attorney and the City Council and second for the City Council to consider and give instructions to the City Attorney concerning the handling of a claim, a judicial action and administrative procedure.

A motion was made by Council Member Tudor seconded by Council Member Reynolds to enter into Closed Session according to GS 143-318.11(A)(3). All Council Members voted in favor of this motion.

Open Session:

A motion was made by Council Member Grogan seconded by Council Member Gover to return to Open Session. All Council Members voted in favor of this motion.

A motion was made by Council Member Grogan seconded by Council Member Gover to accept the City Manager's recommendation minus the Water & Sewer (Rate Increase), for staff reductions and other reduction savings (Cost Reduction Measures) in the amount of \$300,100.

Council Member Rorrer commented that they have a recommendation there to reduce three people, a laborer, an equipment operator and a secretarial position. He stated that what they were really doing was dropping a crew. They were keeping a crew leader without a crew. He asked that he enlighten him as to why they should have a crew leader when this person was a floating person, then maybe they could get somewhere.

Mr. Thomas explained that there would have to be some reorganization that would take place in this area and those changes have been discussed. He stated that with the reductions that have already taken place in this area, there were 4 fewer people than they had 2 years ago that have already been cut out of this department. He stated that they did not want to eliminate the entire crew because they then get down to a point that they have schools that they were required to attend, people get sick, people go on vacations, and so forth, and this one additional person would be used as a floater or operator and could fill in and make sure that they have an adequate number of people to get the appropriate amount of equipment to a job and get the job done rather than having to split up part of a crew to fill in and now they basically end up with the same situation, they just want to make sure that the people were there and in place so that when repairs were needed and projects were going on they have enough people to get the job done and maintain the integrity of the systems.

Council Member Rorrer noted that in other words he was saying that they should have the crew leader to do the floating around in order to be more efficient.

Mr. Thomas replied that he was not necessarily saying that. He explained that they may have to go a little further and change some job titles as they reorganize it and fit this thing into what the new organization looked like.

Council Member Rorrer stated that he was talking about as of right now. He was not talking about the future, but as of right now.

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Mr. Thomas replied that as of right now, yes that crew leader was going to be used as a floater and help make sure that they have enough people on crews and enough people there to get the job done.

Council Member Reynolds asked if he was right to assume that those positions were currently vacant.

Mr. Thomas replied that two were currently vacant and one would be a reassignment from basically the Water and Sewer Fund to a position in the General Fund, so no one would lose their job.

Council Member Rorrer pointed out that to go a little further, he was going to reassign to the General Fund, and to be specific, he asked if this was to be operator at the switchboard.

Mr. Thomas replied that was correct.

Council Member Janney commented that he wanted to discuss that. He referred to the former employee who had that job. He explained that the Council had put it back in and advertised it and a lady took the job. She had said that there had been a misunderstanding on her pay and she said she did not want to take an issue with it and she could get her old job back so she went back to her old job. He explained that the misunderstanding was that she thought that she was going to top pay within the period of time that she was going to get to what they call "job rate" or "midpoint". When she found that out she said she would just leave, but she told him that they did not need that job, they did not need a person out there. He stated that she did not have a reason to come to him and say that other than she truly believed that and he had not said that to this Council until now, which was the appropriate time. He stated that he agreed with some of those cuts and some he did not. He stated that they were not far enough and they were not going to make it unless they...those things right there should have been made anyway, without them having a problem with anything in this city, if they have a progressive system working and they did not. He stated that they were going to continue to have them and this should have come down if they were running and bringing industry in there.

Action on the motion was as follows: Council Members Tudor, Reynolds, Myott, Gover and Grogan voted in favor of this motion. Council Members Janney and Rorrer voted in opposition. This motion carried.

Adjournment:

A motion was made by Council Member Grogan seconded by Council Member Tudor to adjourn. All Council Members voted in favor of this motion.

Respectfully submitted,

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Kim J. Scott, CMC  
City Clerk

ATTEST:

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Philip K. Price  
Mayor