

CITY OF EDEN, N.C.

A special budget meeting of the City Council, City of Eden, was held on Tuesday, June 27, 2000 at 4:00 p.m. 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 L. Reynolds
		Ronald L. Janney
		Christine H. Myott
		William W. Rorrer
		C. H. Gover
		Garry Tudor
City Manager:	(came in later)	Radford L. Thomas
City Attorney:		Charles J. Nooe
City Clerk:	(absent)	Kim J. Scott
Administrative Staff:		Sheralene Thompson
Representative from City Departments:		
Representative from New Media:		Reid Baer, <u>The Daily News</u> , Leslie Brown, <u>Greensboro News &amp; Record</u> .

MEETING CONVENED:

Mayor Price welcomed and thanked those in attendance.

ADD ITEM TO THE AGENDA:

Mayor Price noted that the first order of business was to add an item to the agenda for the payment of \$100,000 to Gildan for dirt to the City Park.

Motion to add the item to the Agenda: A motion was made by Council Member Gover seconded by Council Member Reynolds to add the above item to the agenda. All Council Members voted in favor of this motion.

Payment of the above invoice: A motion was made by Council Member Gover seconded by Council Member Reynolds for payment of the invoice (\$100,000). All Council Members voted in favor of this motion.

CONSIDERATION OF A CONTRACT FOR INTERIM CITY MANAGER:

Mayor Price noted that a copy of the agreement was in front of the Council to review and was signed by Mr. Bine.

A motion was made by Council Member Janney seconded by Council Member Gover for approval of the contract. It was noted that Mr. Bine could report to work on July 5, 2000. All Council Members voted in favor of this motion.

CONSIDERATION OF PURCHASE OF SIRENS FOR VOLITALE WEATHER:

Mayor Price stated that Fire Chief, Ronnie Overby had some information concerning sirens he wanted to present to the Council.

Chief Overby explained that he spoke with Mr. (Steve) Hale last week and that the County said the City could purchase the controllers for the three existing sirens at \$1300 each. Chief Overby noted they would need to purchase one siren and the one they were looking at for the Central area, they were discussing placing it at Station 400 or City Hall. He noted that he had not been given a recommendation as to the exact location. City Hall was suggested for the simple reason the police dispatch would be there. When they install the antenna for the radio, they can mount the siren at the same time. Chief Overby also mentioned that the gentleman had also suggested Station 400. The total cost of the siren was \$12,450. The total cost of wiring, parts, poles and everything they would need would cost approximately \$23,000. Chief Overby added that was a high ballpark figure because they did not ask an electrician for an exact cost. He noted that was wiring for each station as the box would have to be put in and wired. Poles would need to be

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purchased for Station 300 in the Spray area to have it mounted and if they put it on a pole at Station 400, he would have to purchase a pole for it.

Mayor Price asked if he had a siren for Station 300 to which Chief Overby replied he had three sirens and he had been assured that these boxes would control where they could be alerted by County 911 or City 911. It would be set up where either one could set it off.

Mayor Price asked Chief Overby to explain what would happen in a storm and what kind of sound they would have.

Chief Overby explained if they received a tornado warning to the point where one had been spotted in this area, it could be activated from 911. When it is activated, it will put out an alert signal and they would have to educate the community on the sound (for example: sound it every Saturday at lunch time). He added that it would still be used as a fire siren, high/low. It has four different settings, but it has severe weather.

Mayor Price asked if the three existing sirens would be modified by these controls.

Chief Overby explained that it just controlled how the siren sounds. It is just a box that blows the siren for three minutes.

Mayor Price asked about the County to which Chief Overby explained that the County was purchasing theirs for all the rural fire stations. Reidsville was going to purchase theirs with the County. Chief Overby explained that he asked if Eden could get in on it. Mr. Hale said the gentleman told them no matter how many they purchased, it was a \$1,500 or almost a \$1,600 price tag on it and they were letting the County have it for about \$1,279 plus tax.

Council Member Janney asked if he meant \$12,000 to which Chief Overby explained that the \$12,000 was the siren. He would have to purchase one siren and the siren they were looking at purchasing started at \$5,800 for a single horn. He explained that they were looking at a warning siren that rotates. When it comes on, it starts rotating so the sound is spread everywhere, not just a fixed sound. The one at Station 200 has bugles all around it. That particular one runs about \$11,000. The one at Station #3 is a large cone shape like the one at Station #1 that lets the sound go out. The one they were looking at is a rotate special warning siren and was the one they suggested the city consider seriously. Chief Overby stated one could be bought cheaper, but it may not get out to the point... He explained that they were looking at a densely populated area like the Central area. The other question the gentleman had was he was not sure that the Leaksville siren would hit everybody toward the far west end but he thought that it would. He said there was no way to tell until they are in place and tried.

Mayor Price asked if that siren was still on the water tank on Hamilton Street.

Chief Overby answered no and added the gentleman even suggested they be removed from the fire stations and put them on all the water tanks if the tanks would support them.

Mayor Price asked if they sounded the fire siren to which Chief Overby replied they did not use it any more since they have personal alert devices.

Council Member Reynolds said he understood this new siren Chief Overby was talking about was included in the \$23,000.

Chief Overby replied, yes. That was for wiring, purchasing the boxes, the sirens, and the poles, if needed. It may not be a full \$23,000 if the poles were not needed.

Council Member Gover asked if \$23,000 was total to which Chief Overby replied that \$23,000 was a top-end ballpark.

Council Member Gover asked what radius that siren was supposed to cover to which Chief Overby stated it covered three-quarters of a mile "as the crow flies".

Council Member Gover asked what the others covered to which Chief Overby stated they cover one-half mile.

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Council Member Gover commented that they were not gaining that much.

Chief Overby replied they were not gaining that much but this siren puts out more in the mileage area than all the other sirens, even the ones they have included in there.

Council Member Gover asked if they were using their existing sirens to which Chief Overby stated that was correct. The one good thing they have going for them was that Station #3 is the tallest point in the City of Eden. He said that would cover more area, so they would have more area coverage from that siren than Station #1 and Station #4 and it would bleed over into that area.

Mayor Price asked if the biggest concern was Station #1 to which Chief Overby replied on the west end; all the way out to the west end but if there was a tornado coming from that direction, Shiloh's warning would bleed over into their area. The County was looking at how far over their warning system would bleed into the City.

Council Member Janney asked how many the County was purchasing to which Chief Overby replied that Mr. Hale had told him twelve (12).

Council Member Janney stated for 150 some square miles they were going to get twelve and Eden would have four for 12 ½ to 13 square miles.

Council Member Rorrer stated the County was buying twelve and cities were going to buy more than that when they put them all together.

Council Member Janney said he understood but the mileage he quoted was mileage for the County excluding municipalities to which Chief Overby replied that was right.

Council Member Janney stated that he thought the County was going to help the city participate a little bit. He asked if the only way they were was Eden piggy back their buying.

Chief Overby replied that the only way was that Eden would tag on to them and get it at the same price they were getting it because they were buying twelve. If Eden were just buying four it may cost a little more, but if the city bought them as a package from the whole works, there would be a discount.

Council Member Gover asked how many miles were from Eden's city limits to the Shiloh siren.

Chief Overby replied at least four miles. He explained that they could stand at Station #2 or the east end and when Oregon Hills' siren went off, they would hear it. He stated to be honest, the topographical study the gentleman did, did not cost the City anything, but at the same time, he did not know how to figure a topographical map that said how many sirens were needed to cover the city.

Mayor Price stated, if anything, they wanted to be over covered in case of a tragedy such as what happened in Stoneville.

Council Member Gover stated they would have three minutes and he asked if it would re-energize.

Chief Overby replied it could. Most tornadoes last a short period of time and that was the one reason they set it on a three minute tone (warning). According to Mr. Hale, it could be programmed to do any amount of minutes. If they want a 10-minute alert. . . in the case of the tornado in Stoneville, when it was first spotted coming out of Mayodan, Mayodan did not have any notice, but Stoneville had enough notice when it came through Mayodan. He stated it touches down so quickly, the only thing they go by is when Blacksburg calls and says there is a tornado in the area.

Mayor Price asked if they were using the fire sirens in Stoneville and Chief Overby explained that the gentleman was pushing the button and it was starting up on its wail when the tornado took it off the pole.

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Council Member Gover asked about penetrating cars with those sounds as he knew they could not penetrate them with a rescue siren to which Chief Overby replied he honestly could not say. He added they could hardly penetrate them with a fire truck. He added he had also questioned (hearing it with) new houses built tight and an air conditioner running.

Mayor Price stated Chief Overby's remarks about training the public were very valid and it would take a long time to do. He stated it sounded like something needed for this community.

Council Member Janney stated he thought the city needed it, but he questioned if it was really going to cover the territory.

Chief Overby stated the siren was rated one half mile and the new one was rated three-quarters of a mile. That was what he was referring to as far as elevation. If there was an elevated area like Station #3 in the Spray section, it was the highest point in Eden. If it was up on a pole, it would cover more than one-half mile, but it was rated at one-half mile.

Council Member Janney pointed out that so was Shiloh, it was high up.

Council Member Rorrer stated that he thought if they were all set off at one time, they would be heard everywhere the City put them as he had heard the one on Henry Street many a time to which Chief Overby replied that was his thought.

A motion was made by Council Member Rorrer seconded by Council Member Grogan to approve this request. All Council Members voted in favor of this motion.

Chief Overby explained that he did not put money in his budget and asked how this would be handled.

Mayor Price replied that the Manager would modify the contract that goes along, it (the money) would be there.

CONSIDERATION OF FEE SCHEDULE FOR THE PLANNING & INSPECTION DEPARTMENT:

Mr. Gary Roberson of the Planning and Code Enforcement Department was present to address questions in the absence of Mrs. Kelly Stulz.

Mayor Price noted there was initially some concern about the increase in the fee on the manufactured home installation and asked Mr. Roberson for background information.

Mr. Roberson explained that as far as the manufactured home, they do one less inspection on those. The way those were set up, they were set up on piers and they were allowed to take the grass out from those and get on a solid footing that had to meet 2500 pounds per square inch. Mr. Roberson explained that they (inspectors) have to go around and check all of those, whereas, on the footing of a house, when they dig down they were down in the ground, on hard ground. Those were ones that they have to spend time with a penetrometer and go around to each one. Those piers were spaced at no more than eight feet apart all the way down the structure on every beam. It took more time as far as the inspection but was one less trip as far as time.

Council Member Gover asked if the \$100 was justifiable in the time spent or if they were just trying to match the surrounding area. The letter seemed to state to be in harmony with the surrounding areas and that was not a justification for him.

Mr. Roberson stated he thought they would be in parameters for the area, but they would still be below everybody else. If they went with everybody else, they would be looking at \$150 as the minimum that he had heard.

Council Member Gover said if it fit in the cost, that was fine as he had no problem with that. He explained that he was just asking for justification of the \$100; and if it did not cost that, then they did not need to be looking at it, in his opinion.

Mr. Roberson stated before they were looking at \$53 per home and they made three trips out there so they were not covering their cost.

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Council Member Janney stated that was a big jump and he did not see why they did not take it in two steps by going up half way, coming back and looking at it again. He stated it seemed like going from \$35 to \$135 was a big jump. He added he did not have a problem raising the other fees by \$2 or whatever, but that one concerned him by going up \$100 flat out. He stated again that he would like to see them take half of it now and then look at it again.

Mayor Price asked if his recommendation went from to \$35 to roughly \$70.

Council Member Janney replied \$85. He stated, half of the \$50 and come back and look at it. He added that with everything he had seen he was not convinced that it would take that much for a mobile home.

Council Member Grogan stated it did not matter to him one way or another, but he thought they needed to listen to their departments. They were the ones that go out, do the work, spend the time, try to break even in their departments or provide the services that were needed. He stated they could do \$80 today and look at it again, but it appeared to him that the department head had come in with a valid recommendation. Another member of the staff had come in and backed it up by talking about the extra time it took to do that inspection.

Mayor Price asked Mr. Roberson about how many manufactured homes they averaged in a year.

Mr. Roberson replied they did about 40 to 50 manufactured homes and most of them were module units which were the same fee as regular stick built houses because they were built to those standards. A lot of what they saw were replaced in Northridge, other mobile home parks and some that was grandfathered in; they replaced those. At the most it was 40 to 50 per year.

Council Member Janney asked if a module home was the same as a stick built house so it did not pertain at all. He asked if more and more people were going to module homes to which Mr. Roberson replied yes.

Council Member Gover said to put a statement in there that the fee was within normal parameters of other jurisdictions in the area was not a justifiable statement; it was not a cost factor. He added he could not see putting \$100 on young people who were trying to start a home and that was what they were doing. One hundred dollars here, one hundred dollars more there; they were hitting the young people by doing this.

A motion was made by Council Member Grogan seconded by Council Member Tudor for approval. (Resolution establishing the fees) as the department recommended.

Council Member Rorrer stated he did not see jumping \$100 at one time for any inspection. There were a couple that jumped \$50 and he thought \$50 was enough for that one too.

Council Member Tudor agreed with Council Member Grogan's comments because he had said it before concerning other issues. He thought it was important to listen to the people who do the work. When the department heads make recommendations, unless Council Members have other information on paper that contradicts their recommendation; they should adhere to the department heads recommendation.

Action on the motion was as follows: Those voting in favor of the motion were Council Members Grogan, Tudor, Myott and Reynolds. Those voting in opposition to the motion were Council Members Rorrer, Gover, Janney. The motion carried.

The City Manager, Mr. Thomas had entered the meeting.

CONSIDERATION OF THE ADOPTION OF A COMPREHENSIVE SOLID WASTE PLAN.

A motion was made by Council Member Rorrer seconded by Council Member Tudor that this be approved with the understanding that anything pertaining to Eden be brought back to the Council for approval or disapproval that is in this, before it is put into effect which was the recommendation of the Committee also. All Council Members voted in favor of this motion.

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ADOPTION OF A RESOLUTION - CONSIDERATION FOR TAXATION OF SHORT-TERM RENTAL AND LEASED VEHICLES.

RESOLUTION ENACTING AN ORDINANCE LEVYING TAX  
ON GROSS RECEIPTS DERIVED FROM RETAIL SHORT-TERM  
LEASE OR RENTAL ON MOTOR VEHICLES

WHEREAS, the North Carolina General Assembly has ratified Senate Bill 1076, signed into law as Session Law 2000-2 (S.L. 2000-2) and effective for taxable years beginning on or after July 1, 2000; and

WHEREAS, this act repealed the property tax on certain vehicles leased or rented under retail short-term leases or rentals and authorized counties to replace the lost tax revenue through enactment of a local tax on gross receipts derived from retail short-term leases or rentals.

NOW, THEREFORE BE IT RESOLVED, by the Eden City Council that the following ordinance is enacted:

SECTION 1. Tax on Gross Receipts derived from retail short-term motor vehicle leases or rentals. The City of Eden hereby imposes and levies a tax of one and one-half percent (1 ½%) of the gross receipts from the short-term lease or rental of vehicles at retail to the general public.

SECTION 2. Administration. The City will administer and collect from operators of leasing and rental establishments the taxes levied hereby and the City may promulgate additional rules and regulations necessary for implementation of the taxes.

SECTION 3. Payment of Taxes and Filing of Returns. The taxes levied hereby are due and payable to the City on or before the fifteenth (15<sup>th</sup>) day of the month following the month in which the tax accrues. Every taxable establishment required to collect the tax shall, on or before the fifteenth (15<sup>th</sup>) day of each month, prepare and render a return to the City. The City shall design, print, and furnish to all taxable establishments the necessary forms for filing returns and instructions to insure the full collection of the tax. A return filed for this purpose is not a public record as defined by Section 132-1 of the North Carolina General Statutes and may not be disclosed except as required by law.

SECTION 4. Penalties. In case of failure or refusal to file a return or pay the tax for a period of thirty (30) days after the time required for filing the return or paying the tax, there shall be an additional tax, as a penalty, of five percent (5%) of the tax due, with an additional tax of five percent (5%) for each additional month or fraction thereof until the tax is paid. The City Council for good cause shown, may compromise or forgive any penalty or additional tax imposed hereunder.

SECTION 5. Misdemeanor for Willful Violation. Any person, firm, corporation or association who willfully attempts in any manner to evade a tax imposed herein or who willfully fails to pay the tax or make and file a return shall, in addition to the penalties provided by law and herein, be guilty of a misdemeanor punishable as provided by law.

SECTION 6. Effective Date. The short term rental or leased vehicle gross receipts tax levied herein shall become effective July 1, 2000.

This the 27<sup>th</sup> day of June, 2000.

s/Philip K. Price  
Philip K. Price, Mayor

ATTEST:

s/Kim J. Scott  
Kim J. Scott, CMC  
City Clerk

Mr. Thomas explained that this item was on the (agenda) of the regular meeting and he asked that it be taken off to make some corrections. He noted that basically where it referred to the County, that was changed to City for the context of the resolution and the information remained the same. There had been a change in how those type vehicles would be taxed and so the Council needed to enact this ordinance to be prepared to continue to collect revenues on rental type vehicles in Eden. He recommended approval of the resolution.

A motion was made by Council Member Grogan seconded by Council Member Myott to adopt the above resolution. All Council Members voted in favor of this motion.

Council Member Janney asked if the County would collect this to which Mr. Thomas replied they would collect this in the same manner or a similar manner to how they handle the motor vehicles taxes.

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Budget Work Session:

Mayor Price noted there were a number of things to be discussed such as proposed pay increase, capital items, and water and sewer rates. He asked if there were any other items anyone would like to add to the proposed agenda for discussion on the budget.

Beginning with the pay increase, Mayor Price noted they needed to open the floor for discussion in order to come to a conclusion as to what to do. He added he was of the opinion that they should take a step approach to this proposal. He stated that it was a big proposal, one that they could conceivably adopt now, but if they have not factored anything into the growth and revenue for next year; they might be presumptuous to pass it this year. Personally, he stated he would like to see them have some conversation about a step approach to working to this proposal that they all agree was needed.

Council Member Tudor stated if there was merit to a step proposal, he might be willing to go along with it if they have in mind some kind possible across the board raise or amount for everybody that maybe was not included in that first step.

Mayor Price stated he had recommendations and they also had a recommendation from the gentleman who did the presentation (Matt Reece). He stated from his point of view, they needed to look at several different scenarios. There were some situations that needed to be dealt with as a first step, they certainly did not want to exclude anybody, but some areas that might be dealt with quickly.

Council Member Gover stated that he liked the idea Council Member Janney had on the money up front, the \$600 fee for everybody, to give them more time down the road to look the situation over.

Council Member Tudor commented that he did not think that was enough money.

Council Member Gover replied if they were going to look at something down the road, it would give them more time to look at the situation.

Council Member Myott mentioned that \$600 would not quite pay for the increase in the insurance for those with families.

Mr. Thomas stated that \$600 would be \$50 per month as family coverage was increased from \$250 to \$300 per month. It would cover those that have family coverage. The dependent coverage went up by \$60; from \$100 to \$160; it would come up \$10 short of covering that additional expense.

Mayor Price stated that to throw out a figure, Mr. Reece had suggested if they used a multi step approach and this was a figure for discussion among Council of \$225,040, that was his proposal. Council Member Janney presented a figure and they had a figure from the consultant so they needed to have an honest discussion among themselves to put something into effect in the budget so that at a later date they could sit down and work out the details in a fashion that would be fair to everybody concerned.

Council Member Janney stated the reason he even brought it up was because they had a lot to think about. They were taking a lot of things out of capital items and doing a lot of things that concerned him. He stated that he felt that if they went into this without taking some time to really analyze what they were doing, and he was not trying to take anything away from any City employees, he was trying to give the Council time to really sit down and discuss it in a manner that was the best for not only the City employees but the taxpayers as well. That was why he suggested giving every employee a \$600 increase and with their benefits they would end up getting approximately \$800 since the benefits were about 25 to 30 percent.

Mr. Thomas stated that the only thing that would change in benefits was retirement contribution, but there were corresponding costs associated to the employee because their retirement contribution would go up.

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Mr. Thomas explained that the insurance would stay the same. It would not change the FICA and the only thing that would be affected would be the regular retirement. The 401K would increase for the Police Officers to some degree.

Council Member Janney replied that whatever the number may be, he added that when he received the last sheet from Mr. Reece, he saw that the most turn over was in the lowest paying jobs. By reviewing the chart received from the last budget session, they had some time to look at it and analyze it to see where the money was coming from (instead) of coming up next year and (saying) "Oh, Lord, what has happened to me". He stated that he felt that was what would happen if they bite it all of a sudden.

Council Member Grogan noted the \$600 that Council Member Janney earlier mentioned and asked if the City had approximately 190 employees.

Mayor Price replied approximately 180 to 190.

Council Member Grogan stated if they did \$1,000 and really looked at it between now and the first of November to see if they were going to do any more or leave it as was, the money that had already been budgeted and the excess that was in there over and above the number of employees that it would do two things: Let the employees know that the City Council did have concerns and would be revisiting the issue between now and October, with no guarantees of anything being done.

Mayor Price asked Council Member Grogan if he was saying the total figure of the \$190,000 to be divided up in a number of ways.

Council Member Grogan replied that he had different opinion from some of the Council Members, give the \$190,000 to the City Manager, Personnel Manager or Department Heads and let them split it up.

Council Member Janney stated that he was suggesting to give everybody the same thing. It would not affect anything they did next year. If the Council came back and did something with the pay plan later or they did not do anything with it, it would not affect what happened. He stated that he had not calculated it, but the \$1000 may not affect either as he just looked at \$600. He stated that he was thinking of giving everybody the same so everything was kept right where it was. If they come back later and initial it, they were playing from the same deck of cards.

Council Member Grogan stated that was good talking, but in the real world if he was a supervisor, adding that (Janney) had worked people and the hardest part of that job was working people and supervising people. The reason for the difference in pay grades was the difference in responsibilities, so as far as everybody getting the same dollar (amount), he did not believe in that. He stated that he thought if it was done on a percent basis, 2%, 3% or whatever, but just because he was making \$50,000 per year and another employee was making \$20,000 per year or vice versa, his 2% or 3% meant he got so much more than the another, his responsibilities and headaches were lot more. When he quit work and went home at the end of the day, he did not have to worry about the City. If he had the responsibility of whether the sewer backed up in somebody's house or something happened to the water, or whatever in town, those people deserved more money in a pay plan and that was why they were making more than some of the others. It went back to responsibilities.

Council Member Rorrer asked Council Member Grogan about the people, who had those responsibilities and were maxed out, they would be left out.

Council Member Grogan replied that if they were maxed out then he would leave it to the Department Head or the Personnel person and so forth.

Council Member Rorrer stated that they could not do that if the employee was maxed out as they (Council) were the ones that had to do it.

Council Member Grogan replied that what they would do would be to help upgrade the system, the pay plan and use \$190,000 toward that new system they would have which would bring all grades up.

Council Member Rorrer stated that it would not bring all of them up.



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Mr. Thomas stated that to address those that were at the maximum of their pay grade, they had to adjust the pay grade. He explained that the maximum had to be increased by some means and that could either be done by complete shift or they increase the minimum up and the maximum accordingly. That built more room in the pay plan for those maxed out.

Council Member Gover stated that whether it was \$600 or \$1000, they could see that the Council was trying to have some time to study it as everyone had asked questions in trying to bring it up. He stated that they did not have the time to discuss all it. All they were doing was trying to set a figure or suggestion a figure to buy time; they were not saying the employees were not going to get a raise. At least, he was not as they were asking for time to study it.

Council Member Rorrer stated that if they went that route (then) nobody would be left out.

Council Member Myott stated that she would be in favor of it but she had a question. She asked if there would also be a 2% allowance for performance increases on top of this.

Council Member Gover replied that it would not change anything.

Council Member Rorrer stated that he thought they needed to discuss that because it had not been voted on yet.

Mr. Thomas agreed that was correct. That was what had been recommended to which Council Member Janney replied it was in the budget.

Council Member Rorrer stated that there was a lot in the budget that had not been voted on but they were sitting there answering questions without knowing it was going to work.

Council Member Grogan stated that he agreed with Council Member Rorrer as they should go to that before they start talking about this.

Mr. Thomas stated that what was in the budget for the present time for performance increases base on their annual evaluations was an equivalent of 2% of the total salaries. That was what had been done in the past. It did not consider 2% for everybody across the board, it was 2% equivalent of what the total salaries would be. As it gets prorated out through the year and so forth, it generally provided a range for increases between 2% and 3% and that money was included.

Council Member Rorrer asked about using the percentage like it was done last year, as the current one left the maxed people out as they were not eligible for it to which Mr. Thomas agreed.

Council Member Rorrer stated that their end (salary figure) was not growing at all to which Mr. Thomas replied that was correct.

Council Member Myott stated that she was satisfied with it if there would be a 2% allowance for performance increases plus \$1000 across the board.

Mr. Thomas stated that Council Member Janney was correct in his observation of where the turnover had been taking place. He stated that historically that was where the largest majority had been in the last twelve months and they have also seen an increased turnover in the law enforcement area.

Council Member Gover stated that was not reflected in the study.

Mr. Thomas stated that the information had shown what had been built into the budget and where it was at the present time. As they reach a decision into the fiscal year to give this further discussion, they would know there were dollar amounts there to do what they wanted to do. He added that he had received a number of questions from some of the Council Members as to if they took into account additional benefit expenses, FICA expenses, and so on. He stated that this was an attempt to show that all that had been accounted for in the budget to be available, when the Council implemented those sections of the plan.

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Council Member Tudor stated it seemed like some consensus was beginning to develop but asked if it was developing across the board \$1000 or \$190,000 to be split up by department heads.

Council Member Janney stated, to add fuel to the fire, that when they start looking at giving everybody the \$600, if they looked at something else, as the study pointed out, the lower grades were the ones that were really hurting. He stated that he would not like to see the \$1000 at this point, if they were going to do something, adding this was not his idea, but he would like to see them go back to where a couple of years ago they dropped Group #4. He stated that he would like to see them drop Group #5 and raise every group up (a grade) to 11 and get the ones on the lower end of the totem pole to where they made decent earnings.

Council Member Grogan asked if he was going to take it all the way across the pay grades to which Council Member Janney replied, no they would move them up like before. They would move that group of people from (grades) five to eleven 5 percent. He asked Mr. Thomas if that was what they did before.

Mr. Thomas replied that the ones in grade five would go to grade six (drop grade 5), grade six would go to grade seven, seven to eight, eight and nine, nine to ten, ten to eleven, eleven to twelve and then stop at twelve.

Council Member Janney stated that would take care of most of what was in the pay grade and if they wanted to go back and take care of the other part then that was fine. They should do something for those people making \$6 to \$9 per hour; they were the ones they were losing. The City would hire them, train them and they leave.

Council Member Tudor stated that it seemed that a consensus was building concerning \$1000 and then he asked question about this being divided up by department heads. He explained that what he wanted to go forth and say was that if they were talking about \$1000 per employee, he would prefer to see them do \$100 per month which was \$1200. He explained that he thought the Council needed to make a good statement to their employees, that "yes" they were going to do something to help them. They have made a statement here, if they were going to give a raise in October or November, they were going to hear that statement, too. If they were going to hear the gigantic "if" they were going to give them something in October or November, he thought they needed to hear, yes, they have tried to legitimately do something when them employee gets their check, they know their insurance has gone up, the retirement contributions have gone up and all the deductions have gone up; (but) they still see an increase in pay. That was the point he was trying to make.

Council Member Myott stated that she wanted to make herself clear. She was not talking about letting the department head dispense the \$190,000. She was talking about \$1000 per employee plus the 2% performance increase allowance. That was what the department heads (would dispense).

Council Member Rorrer stated that in taking Council Member Myott's last statement, that was some big bucks when they put it altogether.

Mayor Price agreed that it was and it was a future item they had to look at. He stated that what he was driving at was to be able to set a budget as they have all discussed and have some time to make absolutely sure that when they made this decision, everybody had a good clear understanding of what they were doing as well as the employees have a clear understanding. He stated that he knew everyone on the Council wanted to be fair and equitable to the employees.

Council Member Gover added that they needed to look out for the taxpayers at the same time.

Council Member Myott asked when they were saying \$600, if they were eliminating the 2 percent to which Council Member Gover answered no.

Mayor Price asked Council Member Myott what she was going to do about the people who were on the lower end of the scale.

Mayor Price stated that they needed to adjust those things as they have some departments that had to be dealt with. He stated that he could think of one that had four job openings.

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Council Member Grogan stated that he did not have the numbers in front of him, but he thought the recommendation from the Mr. Reece was to take the pay grades and move the percentages and do the spreads, etc and the total cost was approximately \$450,000. To do a portion of it, the first step was about \$225,000.

He explained if they get 2 percent and \$190,000 they were not far from \$225,000 and that was the first step Mr. Reece talked about. Once they start doing the arithmetic, the \$190,000 plus the 2 percent, would be over the \$225,000.

Council Member Janney stated that he realized that when he mentioned the \$600. He stated that he did not want to take anything from anybody, but if they sit down and logistically look at it when they have more time to study it they could make a better decision on it. That was why he suggested \$600 and he agreed with the Mayor in that they had to look at those bottom grade levels. He added that he agreed with Council Member Myott as he did not say it to affect anybody's performance increases. They would still get them and he thought it would give the Council more time.

Council Member Rorrer stated that if they too far at this point and come back and look, they would not have anything to look with.

A motion was made by Council Member Gover seconded by Council Member Grogan to go with the \$1000 to give the Council time to study it, and make that first step.

Council Member Gover stated that it would be \$1000 across the board and that was it, to give them the time to work.

Council Member Janney pointed out that it did not include anything for the lower rate.

Council Member Gover replied that it was \$1,000 and it did not affect anything as that was just a total figure to work with until the Council could sit down and make a decision.

Council Member Janney added and then they would talk about lower rates and all that.

Council Member Rorrer stated that they could sit there and talk like there were not any add-ons on it, but anyway they totaled up the salaries, they were still talking a 35% add-on. Not only were they talking about \$190,000, they have to (add) on 35 percent they were sitting there spending right now.

Action on the motion was as follows: All Council Members voted in favor of this motion.

Capital Items:

Mayor Price noted that the Council Members had a revised list.

Council Member Janney noted that on the new list, the hand held computers for meter readers were on it and on his old list, he thought he marked that out.

Mr. Thomas explained that the discussion that centered on that was that they were looking at the possibility of being able to purchase them in the current fiscal year because they had been budgeted in this year. It was on last week's agenda and asked that it be pulled off because they found a product at a comparable cost that would work better for what they needed to do, but they did not have the proper bids. He stated that they wanted time to investigate it a little further so by pulling it off the agenda, they still needed to move forward with the purchasing. That was why it was left in for the coming fiscal year. It had not been approved for purchase and had not been purchased, and at this rate they would not be (purchased) before Friday.

Council Member Janney asked if there was new technology out and if they were getting something any different from what they had before.

Mr. Ray Sharp, Finance Director, replied that what they were looking at was technology in a hand-held recorder where they just buy a module to fit onto the recorder. With touch read, they just walk up to a meter and touch a touch pad on it, and this hand-held device can be used with another module on it for radio read; just ride down the street and read the meter. He and Mr.

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Sexton were looking at it as they thought it was a far better product and had better capabilities than what they were looking at before which was limited to no more than just a touch read.

Council Member Janney stated that some municipalities have had these for a long time where someone rides down the street. Any group of people who go through the City could read the meters.

Mr. Sharp answered, yes sir, with the radio read, that was very possible.

Council Member Janney said he made a trip to look at those at one time. He asked for the cost of getting those things where they would not have to have the person out reading the meter.

Mr. Sharp stated if they wanted to go to a radio read, it was \$180 per meter. A touch read was about. . .

Mr. Sexton stated they could convert the existing meters for 60 some dollars. He explained that they have a 10-year change out program on the meters. The meters have a date on them. If it was 1991 and above, they would upgrade it with the dial that was located on the meter box. He or she touches it with a wand and it reads it or the person could visually read it and manually enter the reading. He stated they knew they could not afford to do a whole city at one time. At the present time, they were having to send out confined space people every month to read the confined space meters. It takes three people half day each month to read those confined space meters. He stated they were looking at especially the pits to have this dish to do that first so they could put the dish on each one of pits and the meter reader could touch that and automatically get the reading. He noted that to do the drive-by would cost about \$180 per meter.

In response to a question by Council Member Janney as to if this was \$60 or \$90, Mr. Sexton replied they could convert the existing meters for sixty some dollars, and a new meter and the touch capability would be ninety some dollars. There was about \$30 difference as that was about what they paid for a meter, about \$35.

Mr. Thomas stated that any of the large industrial meters that were in a vault because of the OSHA requirements, they have to send three people. One had to go down and read and two had to be above the vault

Council Member Janney asked if they would eliminate that to which Mr. Thomas stated the touch would eliminate that.

Mr. Sexton stated that would be the first phase into the wand-held to eliminate that.

Mayor Price asked if there was anything else on the capital outlay list.

Council Member Janney stated that he made a note on the Motorgrader. They had mentioned putting \$25,000 in and financing it to which Mr. Thomas replied in the affirmative. Council Member Janney asked if they were going to now to which Mr. Thomas replied it would not be purchased immediately, but there was a need there. The process would begin in July or as soon as possible. It would probably take about 60 to 90 days.

Council Member Janney mentioned the communication equipment for the Police Department, equipment, radios and furniture. He asked if they said that was coming from the fees to which Mr. Thomas replied that it could be paid for with the fees.

Council Member Janney asked if the revenue coming in would pay for that.

Mr. Thomas replied that they could do that a couple of different ways. They could show it as revenue coming into the General Fund for that purpose. They have a Communications Department now, which was where that money was shown in the budget.

Council Member Janney stated that it should work through there.

Mr. Thomas stated that he was not showing the revenue part of that coming into the General Fund and asked Mr. Sharp to check on that. He stated that it would really need to be moved as capital outlay in the Police Department over into the Communication's budget.

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Council Member Janney stated that he was thinking their discussion was out of the money that they have appropriated for the Police Department all of that would come out that. But since they have the fees, that was the only thing they could buy out of that.

Mr. Thomas stated it was in there on the revenues and he could make that correction.

Council Member Grogan stated that if he understood it, the way things were right now, with all the capital expenditures, that they approve it in the budget; they bring it back and request to get bids, when the bids come in; it would be approved. Council Member Grogan stated that on that basis, he would make a motion that it be approved.

Council Member Rorrer asked if he was making a motion on the capital outlay to which Council Member Grogan replied in the affirmative.

A motion was made by Council Member Grogan seconded by Council Member Myott to approve the capital outlay items. All Council Members voted in favor of this motion.

Council Member Grogan stated that he wanted to discuss one thing. He noted that the department heads come back and request to go get a bid and he asked if they could get the bid and bring it and then make a decision. It seemed it would save a whole lot of time, there may be some unnecessary paperwork done but ...to which Council Member Janney explained that they would be having them work for nothing if the Council did not pass it.

Mr. Thomas wanted to partially address Council Member Grogan's concern. When those items come up and they needed to proceed with their purchase; it may be placing them on the consent agenda; the Council always had the option, if there was concern, to pull items off the consent agenda. If there was no concern, it would go through and may expedite a little time in the meeting; it was there and had been approved.

Council Member Janney stated that he did not think that was a consent agenda item to which Council Member Rorrer added that he was leery of consent agenda items as it could be misleading to the public.

Water and Sewer:

Mr. Thomas explained that he provided information to the Council to provide additional clarification about the revenues that have been estimated in the Water and Sewer and what type of shortfalls they were really looking at. He stated that hindsight being 20/20; maybe at this point and time he should have backed those number out of there until some resolution was made on rates and so forth. The revenues that were estimated in there, were estimated based on the assumption that there would be an adjustment, an increase in the rates for the contract customers to get them in line with where they needed to be and also, the need for a rate increase for the residential and commercial or non-contract customers. He mentioned that he had shown the shortfalls in the memorandum that had been provided to the Council. With the expenditures, as they were estimated in this budget; in order to keep the plants running, the system maintained and do the capital things that needed to be done to improve pump stations and so forth, he did not know where there was really much, if any, room to make any further reductions in the estimated expenditures. He explained that it was getting down to just about the bare bones. There was \$2.5 million that would need to be made up by some new revenue source by changing the rates.

Council Member Janney stated that when they get all of the information they need, he thought they could address that issue to which Mr. Thomas asked what information...

Council Member Grogan stated that if he understood correctly, in this budget number, he used the numbers for contract customers through this July. Mr. Thomas replied, correct.

Council Member Grogan asked if there was any type of assumption as far as residential or non-contract in this pay, understanding that they really could not go to do some of the figuring until they get to the end of the year, through June, and see the cost and etc., and apply the formulas. . .

Mr. Thomas replied that was correct. From year to year, they have to make some assumptions in order to estimate what the revenues would be on cost. That was generally what had been done

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from year to year. Mr. Thomas stated that the numbers he was talking about were simple, they have their revenue estimates that were based upon current rates. Then, they had their expenditure estimates, and this \$2.2 million that he referred to was the difference between what their current rates, based upon the current usage of the customers would generate. They know what the expenditure estimates were and it was simply the difference. The difference was \$2.2 million short in revenue. They needed to get the contract rates in line with where they should be as Mr. Cain indicated. What he had presented at this point indicates according to his calculations, the revenues that would be generated from those customers would still leave about \$950,000 shortfall to meet the expenditures that were recommended in this budget. That \$950,000 would have to come from their non-contract customers.

Council Member Tudor asked if, as a general rule, normally the non-contract rates should be 15% greater than what was the base contract rate.

Mr. Thomas replied that he thought what they may be referring to was when the contracts were developed, there was something involved with that where those rates would be in the neighborhood of 85% of what the non-contract rates would be.

Council Member Tudor explained that if they could have an established rule, then they would not have to talk year after year whether they were going to raise people's rates. People did not want their rates raised, but if there were established rules, whatever contract rates were; they know that residential rates as a rule would be 15% greater, the cost would dictate what they were and it necessarily would not have to end up being a political decision. It would be a management or administrative procedure to keep the City running smoothly without politics having to enter into it.

Mr. David Cain of Finkbeiner, Pettis and Strout (FP&S) was present and explained that his recollection from a historical prospective was that when all this was first going on in 1990, the Council at that time made some comments about fact that it wanted the contract rates to be around 85 percent of what the regular customer rates were when the contracts went into effect. Due to the nature of the contracts, it allowed the contract rates to be increased each year, but since (then) nobody's rates have been increased. Now there was a situation where, they were flip-flopped. The contract customers and the rates they should be paying were actually more than the non-contractor customers. That was a philosophy that was set forth or expressed by the Council at that time in 1990, however, he did not have any knowledge of how that had been discussed or carried forth through the years.

Mayor Price asked how many residential and commercial increases have they had in the last 10 to 15 years to which Mr. Cain replied it was his understanding that when they looked at it in 1990 that there had not been a residential or commercial increase in Water & Sewer rates since 1980. The rates were raised in 1990, so that was a ten-year period and had not changed since then.

Mayor Price stated that the City had hired his firm to do a study and asked if he had an opportunity to report anything to the City Manager.

Mr. Cain replied yes, as he had given Mr. Thomas some preliminary information and he (Cain) was prepared to hand it out tonight for review and discussion. He explained that the first sheet showed where the revenues came from. He stated that he tried to go through and estimate using what they thought was going to be used by each various customer, what they knew their rates should be and come up with a total revenue number of \$7.1 million. This projection used the rates for the contract customers, the way they should be not what they have been charged.

He stated that sheet two showed estimated revenues from the residential and commercial customers. This was put in for information purposes. That was part of the \$7.1 million. This showed how it was broken down because there were customers that were both inside and outside the City. It also gave a summary of the current water and sewer rates. Seventy-one cents (.71) for inside city water; one dollar and twenty four (\$1.24) for outside city water; eighty cents (.80) for inside sewer and one dollar forty (\$1.40) for outside sewer. The residential/commercial customers only generate \$1.5 million out of \$7.1 million total revenue.

He stated that sheet three was a summary of both revenues and expenses for both the water and sewer system and combined. In the middle of the page, under total Water and Sewer Fund and

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out to the right, from the proposed budget; it showed the expenses were just over \$8 million, the revenues about \$7.1 million. That was the shortfall of nine hundred sixty nine thousand dollars (\$900,069) that Mr. Thomas alluded to a minute ago. At the bottom, it showed the current and proposed rates would be the same. At the top was a summary sheet showing no rate increase for anyone essentially not residential, commercial or contract customers. It showed that they were \$900.069 in the hole if they did not do anything.

He stated that sheet four summarized what the actual and calculated rates for 1999/2000 should have been as well as what proposed rates for next fiscal year would be for each of their contract customers as well as the residential/commercial customer. The interesting part of this sheet was at the bottom where it talked about how much money somebody was actually going to pay it showed that for right now, somebody using 3000 gallons per month, which would be somebody who was retired with no children or somebody who did not use a lot of water, this cost would be \$9.27 per month (3000 gallons) for combined water and sewer bills. That was showing no increase because it was showing the base.

Mr. Cain then referred the Council to sheet five. Council Member Janney commented that it did not show any increase in any of them.

Mr. Cain replied that was correct as sheets three and four showed what would happen if the rates were not increased at all. The City would be \$900.070 in the hole and that was what people would pay every month.

He stated that sheet five shows a scenario where the City would recover the \$900,070 totally by increasing residential and commercial water and sewer rates. He asked that they recall that they did not generate much of the revenue, the contract customers generated most of the revenue. If they tried to recoup this shortfall solely through residential and commercial rates it would be a fairly high percentage increase to that group of customers. This information showed the current and proposed rates under this scenario. The water would go from seventy-one cents (.71) per thousand gallons up to one dollar fourteen (\$1.14) for inside city customers. The other increases were there for other classes of customers, but it showed a 61 percent increase for water rates and a 68 percent increase for sewer rates. He stated that was a little misleading, as he would show on the next page.

He stated that the bottom of sheet six showed the actual dollars that would be spent by various customers. Even though they were increasing water and sewer rates, both being the 60 percent range, even though they were increasing the cost per thousand gallons over 60 percent, the percentage increase for a small user would only be about 30 percent. The reason for that was a portion of their water and sewer bill was a meter charge. That did not change whether a hundred gallons or one million gallons was used. A bigger percentage of their bill was based on the meter change that did not change from month to month. It did not matter what the rate was changed to.

Mayor Price asked how much the meter charge was to which Mr. Cain replied he thought for water was \$2.78 and sewer was \$1.96. So they were talking about \$4.75 more or less per month that was fixed. He stated that as they start going up in usage; someone who used 100,000 gallons per month would have a 60 percent increase because he was still only paying that \$4.75 fixed charge or something close to it. All of his money was going into that per 1000-gallon charge. If there was a big percentage increase there, it would hit them harder.

Council Member Myott asked Mr. Cain to estimate how large a family would use 100,000 gallons. Mr. Cain replied that to use his family with two children, they were always washing clothes and showering so they used about 6,000 gallons per month. This was typical for a family with a couple of kids. A retired couple would generally use around 3,000 per month so that was what a lot of this was based on, information over the years, adding that it would also depend on economics. Places that have sprinklers systems and those types of things, that usage would go up. Mobile homes were a fraction of what single family residences were. He added that it would depend on the makeup and character of the community, but 6,000 gallons was a good round number for a family with children.

Council Member Janney stated that what it would end up doing was raising the average person's water rates by about 50%. It would be somewhere around 6 to 10 to 12 thousand gallons of water per month.

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Mr. Cain replied that 6000 gallons per month was 42%. If someone was using more than that, it would be a little higher percentage, and if they were using less; it would be less.

Council Member Janney added that he had noticed that if he washed his car every week, he averaged eight to ten thousand gallons of water.

Mr. Cain explained that they needed to look at the total dollar impact, because when talking about percentages, sometime it gets skewed in minds. A 30% increase was less than \$3 per month so they have to put it into context and prospective the actual dollars they were spending. He added that it still sounded bad.

Council Member Janney remarked that it sounded bad on the sidewalk.

Mr. Cain continued with sheet seven that showed if the Council was able to do an across the board increase on water and sewer rates not only for residential and commercial but also for contract customers, that would drastically reduce the amount they would have increased the residential/commercial customers. This information showed that the water rates would increase about 18 percent and the sewer rates 24 percent. That showed the impact that the contract customers have on the overall water and sewer system revenues. He added to also realize that their rates were going to be adjusted upward from what they were used to in addition to this.

Mayor Price questioned page six including the adjustments for the commercial. He stated that when talking about those increases, they were assuming the contract customers had been adjusted, as it should be, their participation, as would be if they were adjusted.

Mr. Cain replied that he was assuming that on every one of those. He explained that sheet seven indicated that they would be given an increase in addition to what their recent adjustment was. Sheet eight gives an idea of the impact. It showed National Textiles' rates for various things were at the top. The top line was the base rate which would go from seventy two cents (.72) to ninety one cents (.91); only if the Council were to request or decide they would participate in an across the board increase. At the bottom of the sheet, the person who used only 3,000 gallons per month would go up about \$1 per month. That was an 11% increase and again increasing up 20 to 21 percent increase for the people who really used a lot of water, a million gallons per month or so.

He stated that sheet nine was the final scenario. It was very similar to the last two sheets (7 and 8) where they would have an across the board increase and in addition to that, increase the fixed charge for sewer. Right now, there was an imbalance. Sewer was \$1.96 per month and water was \$2.78 per month. He brought the sewer charge up to match the water to see what impact that gave to him. It generally showed that they could drop what they would have to the sewer rates from 24 percent down to 20 percent. That really did not change things a whole lot.

He noted that sheet ten showed those rates were pretty much across the board and would be 18 to 19 percent increases for everybody, water and sewer. He stated that he had it set up so he could try any kind of scenario they wanted to look at. He explained that sometimes, they think making a change to the way rates were set up would really generate a lot revenue to help them out and it ended up giving them nothing so they could make a lot of people unhappy and really not gain anything for themselves. There are other times when making some changes will make it more equitable and generate the revenues they were looking at. Mr. Cain stated that he was a proponent of looking at water and sewer rates on a regular basis. It did not necessarily have to be every year, but at least every couple years to make sure they did not get out of balance and make sure they were generating adequate revenues for the system. In many places, it was an automatic thing to adjust water and sewer rates every year to keep with what the expenses were experiencing. Eden had been very fortunate over the years to have low water and sewer rates so it was going to be something they looked at closely.

Mayor Price stated that it looked like if they had the residential rates looked at, if they went ten years, it would be about a 2.8 percent increase per year.

Mr. Cain replied that if they looked at it over a ten year period, it was a very small percentage increase each year.



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Mayor Price asked if that was normal for communities the size of Eden to have that re-figured every year, asking if that was in line with what they usually go up.

Mr. Cain replied that was probably a little low, but every community was different. There were communities out there, Eden's size where people were paying \$4.50 per thousand gallons of water and other communities that for whatever reason were able to keep their rates really low. A lot of it depended on industry and Eden had been blessed with good water and sewer using industries over the years, good contract arrangements that have generated the revenue. Other places have a lot of demands that Eden did not have, revenues to cover and all they have was maybe a bedroom community. For a city and all they have were residential customers and that was difficult to support a sewer system just from those revenue. They looked at the City's position in relation to other communities across the state in 1990 and with the exception of Greensboro and Winston Salem, Eden had some of the lowest rates in the entire state. Eden had not raised those rates since then, of course, the City's position had not changed. Greensboro and Winston Salem have both raised their rates. Greensboro has raised its rates substantially because what they were trying to do; they were in competition with others to maintain low rates. It appeared they did not generate enough revenue to do the type of capital projects they needed to do. Now they are doing those projects and as a result their water and sewer rates have risen accordingly. Eden was still one of the very lowest rate in the state.

Mayor Price questioned page 5 where Mr. Cain had the residential rate increase only, he asked if he was saying that the city would pretty well break even with the proposed budget.

Mr. Cain replied that was correct.

Council Member Gover said not only do they trim their pencil sharp on the rates, but he was hoping that department heads and the manager would look at trimming the pencil on the budget request items that they could cut back on to help offset the shortfalls in the proposal. Not only that the City go up on the rates because of budgeted expense such as this but that should be something for them to look at also when they were preparing the budget.

Mr. Thomas noted that had been done.

Council Member Gover stated that the shortfalls go two ways.

Mr. Thomas stated that was correct and to keep in mind a portion of what they were dealing with went back to no longer having the Debt Service Fund service available. That was \$957,000 per year of revenue that was coming into this budget that was no longer available. That was something they had to deal with in the 1999/2000 budget and did so by cutting cost, bottom line. One of the major things that was done to make that work and not increase rates was not putting any new money into the two construction funds. This year there was money going into construction funds and there needed to be money there. This was something that the Council discussed this past Tuesday, the need to make improvements to some of those things they were experiencing such as bypasses, overflows and so forth. That money helped resolve those things. He proposed using \$400,000 fund balance on a one time basis to go directly to the Construction Funds in order to get an adequate amount of money back into those construction funds. This would not be used for operational expenses or to put a crutch under the rate, but to pass through and go towards capital items; and would help with improvements that needed to be made within the system to protect its integrity. There was never anything done to replace that revenue that was lost, that \$950,000 from the Debt Service Fund. That was roughly \$950,000 of the \$2.2 million that he had referred to.

Council Member Grogan referred Mr. Cain back to page nine. He stated that using the numbers generated by Mr. Cain, from income and expenses with adjustments contract rates and some proposed residential and non-contract rates, if they did all that, he asked if they would still come up with the \$71,000 shortfall.

Mr. Cain apologized for showing it that way. He stated that there was a simple explanation for that. He explained that he did not put this sewer meter charge into this spreadsheet and he knew it would generate around \$80,000.

Council Member Grogan asked if it were close to a break even situation.

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Mr. Cain answered yes, even though it was showing a negative. He added that he noticed that earlier and he explained that actually they would break even.

Mayor Price questioned the difference between that and page five. He stated that he was talking about increases across the board for residential and contract customers, then page five was a residential rate increase which was essentially break even. Page nine was all the increases to everybody that was basically break even.

Mr. Cain agreed and explained that the rate on page five was significantly higher than the one on page nine.

Council Member Janney stated that they needed some more explanation for the shortfall. He listened and studied all the information and he was still coming up with ...he picked up the newspaper and it said Pluma, Pluma, Pluma and Pluma was not all the shortfall. In Mr. Cain's presentation they talked about Pluma not generating or participating anymore in water. He stated that he never clearly understood how Pluma played such a big role when Pluma had only been bankrupt a year and they were talking about since 1990. He stated that no one had ever explained that.

Mr. Cain replied that he was hearing four or five questions there and he was not sure which one to answer. He asked if Council Member Janney was interested in looking at Pluma's situation since 1990 because that was a fairly straightforward explanation of what had occurred with them. Then there was another question about the amount of money they would generate in a year versus the \$2.2 million shortfall. He asked if that was the shortfall that he was projecting for next year's budget or was that the under billing number.

Council Member Janney replied that he was talking about the under billing, the initial problem. He stated that he never understood when Mr. Cain presented those numbers how Pluma played such a role in it and why they were getting all the so called credit for the shortfall when the shortfall was greater than what they would have participated in or not participated in. They were paying up to a point.

Mr. Cain replied that starting back in 1993/1994, 1994/1995 somewhere in that time frame was when Pluma, as well as other contract customers, started being under billed in some form or fashion. Pluma had a number of components to its contract much more so than someone like Dan River or Miller because they were taking water and sewer plus they were having to repay money back to the City for expansion of the City's facilities. Each year their impact to the City's revenue was around \$1 million or so and he added, that was just a number off the top of his head.

Mr. Thomas added that it was about \$1.2 million.

Mr. Cain continued in that it made up not only base water and sewer rate but capital repay and also take or pay rates. Pluma was paying the City that money every year; granted they were not paying the exact amount they should have been.

Council Member Janney replied it was not their fault they were not paying it.

Mr. Cain stated that he was not saying that it was. He explained that all the contract customers were in the same boat but Pluma's portion of it was fairly significant because they had a large portion of capital repay amount as compared to other people. The facilities that the City built for Pluma were fairly significant particularly in relation to Dan River and Miller.

Mr. Thomas explained that even though Pluma's rate may not have been properly calculated and billed to them, what was being billed was generating \$1 million of revenue to the City. Pluma was no longer in the picture any more, but the City still had the same expenditure levels to run the facilities whether Pluma was there or not. There was still the same amount of chemicals, some reduction, but basically the same personnel cost and a lot of the overhead remained the same. They would not be able to see significant reduction on the expense side of the equation because they were not operating. Their rate may have been improperly calculated and billed to them, but it was generating a little over \$1 million per year that the City did not have now. That was \$1.2 shortfall as compared to what was received in the 1988/89 fiscal year. Very little of that \$1.2 was collected in the current fiscal year which was something they were having to deal with as well, but that was where the shortfall was. Mr. Thomas stated that in addition, what he

## CITY OF EDEN, N. C.

Minutes of the June 27, 2000 meeting of the City Council, City of Eden continued:

saw was there was the Debt Service Fund money that was no longer available and that was another \$900,000. Putting the two together, it comes up to approximately \$1.2 million. They covered that debt service, the lack of that debt service, by doing some things that were basically one time things that they could do. With the loss of Pluma so early in the year, they basically had \$2 million less revenue available to the Water and Sewer Fund than they had in 1988/89.

Mayor Price asked when the Debt Service Fund was set up to which Mr. Thomas replied it was back in the '70's.

Council Member Grogan commented that when the bonds were sold, when they had \$3 million that was not used, and the bond debt service...put in a Sinking Fund to help reduce the debt.

Mayor Price stated that the \$3 million was not used so it was put in a Sinking Fund to be paid out every year.

Council Member Grogan stated that they could not do anything else with it other than that. He stated that it was a little embarrassing but scary; he hated to see anybody have the problems Eden had and that company going out of business. The thing that scared him, if they were still there and paid their \$1 million; they (the Council) would probably sit there and say things were going great and there would have never been a rate study done and things would be moving right along.

Council Member Janney agreed as he did not think they would be having this discussion if the rates had been right all along and Pluma just went out of business. He added he knew it was an impact and unfortunately, that opened the Council's eyes.

Mr. Thomas stated that his concern was if they did not open the City's eyes then they (City) would still be moving ahead as they had been doing; billing incorrectly because it would not have caused them to stop and take a look at where they were.

Council Member Grogan added until he had to pay \$500,000 out of the General Fund to help pay the Debt Service and \$600,000 to pay Debt Service.

Council Member Janney asked if that was the reason they got into this to start with, to see the true impact it did have. He stated that at some point he wanted to know the true impact.

Mayor Price stated that an effort had been set up right now for Mr. Cain to spend some time with their people to go over the higher billing process to find out exactly what happened and report to them. He stated it was obvious if they did not have any increase in residential, there would not be any money to repair sewer collections, non-contract customers. The money was not going to be there to take care of those water problems that they have all through the City in the Distribution System and to spend money on collection of sewage in those areas that need to be updated.

Council Member Gover noted they had not received a total figure to his knowledge or a total report on all of the outfalls on monies they needed to spend to update those sewer outfalls that were giving problems. He stated that all they know was that they have \$500,000 in the budget for repairing one, the Meadow Greens. He stated he thought they needed to know the future plans on repairing those things and what the costs were.

Mayor Price agreed adding they did need to analyze it and see what was staring them in the face and that went along not only for the City Board, but also for Boards to come. He stated that he would like to see this Council do that but they also have this year's problem; High Street, for example and they have to fund those things. They also had Meadow Greens and some other things.

Mr. Thomas explained that they have identified the projects in the Construction Funds. In the Water Construction Fund, one of them was the on going two-inch line replacement program. In the Sewer Construction there were several items that have to do with the operations of the facilities where they need to replace some equipment. They also have some improvements to pump stations on Kuder Street and the Railroad Pump Station and that was about it because of the limited monies made available this year. In Water Construction, there was the two inch line replacement. There were some improvements to the raw water intake that were planned such as repairs to the sedimentation basin at the treatment facilities. There was also \$100,000 available for the two inch replacement program.

## CITY OF EDEN, N. C.

Minutes of the June 27, 2000 meeting of the City Council, City of Eden continued:

He stated that he agreed with Council Member Gover in that they really needed to sit down and identify all their capital needs. He added that one of the things that really needed to be worked with overall, not just water and sewer, but throughout the whole organization was to develop a Capital Improvements Plan. Once everything was identified then they could make the necessary changes or put things in place to fund those projects on priority basis. Once the budget was adopted, the tax rate could not be changed. As items throughout the year were studied, and as they come back with other construction projects that need to be done, the Council could amend budget. They could amend rates, fees and so forth at any time. They did have the flexibility to get into some of those things and try to identify a means of funding them and incorporating them in the budget by means of amendment or by establishing other capital projects, construction type budgets that would run the life of the project and not necessarily be a part of the budget. There were options available once this budget was adopted to make some changes.

Council Member Janney asked if they could adopt the tax rate without adopting the budget to which Mr. Thomas replied that he was not sure about. Council Member Janney stated that was the only thing they were adopting when passing the budget.

Mr. Thomas explained that they were adopting an expenditure plan but the law allows and understands there were needs for changes and adjustments during the course of the year. That was why they could make budget amendments. It would not allow them to change the tax rate mid year.

Mayor Price explained that there was an individual who needed to leave the meeting and they had been in session for two hours. He asked if it would be the will of the Council to continue this meeting until 4 o'clock on Thursday to finish the discussions.

A motion was made by Council Member Tudor seconded by Council Member Grogan to continue this discussion on Thursday at 4:00 p.m. and to adjourn.

Mr. Thomas stated that he had two things: (1) a budget amendment and that since they were meeting on Thursday the Council could review it and handle it at that budget meeting and also (2) he had received information from Archer Joyce from Lomax Construction concerning a change order. This was to address some seepage they have found in one of the outside walls in the basement. It was dry when all the plans were developed and as they started the project they had water seeping through the wall. They had a plan that was a proven method to address that. This would be \$10,143 change order that he really needed to have approved in order to get the work started as it was holding up some other things. They had problems with pricing and so forth from the vendors and just received this in the last day or two. He stated he thought it was necessary and the prudent thing to do. If they try to seal something over that wall and being in the evidence storage area; if there were future problems, it would create a lot more expense than what they were currently dealing with.

A motion was made by Council Member Grogan seconded by Council Member Myott to approve the request (Change Order \$10,143). All Council Members voted in favor of this motion.

A previous motion was on the floor to continue this meeting until Thursday at 4 o'clock. All Council Members voted in favor of this motion.

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Minutes of the June 27, 2000 meeting of the City Council, City of Eden continued:

Acknowledgement:

The City Clerk expresses appreciation to Ms. Sheralene Thompson for her assistance in attending the meeting during the Clerk's vacation.

Respectfully submitted,

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Kim J. Scott  
City Clerk

ATTEST:

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Philip K. Price  
Mayor