

CITY OF EDEN, N. C.

The regular meeting of the City Council, City of Eden, was held on Tuesday, January 19, 2016 at 7:30 p.m. in the Council Chambers, 308 E. Stadium Drive. Those present for the meeting were as follows:

Mayor:	Wayne Tuggle, Sr.
Council Members:	Bernie Moore
	Jim Burnette
	Angela Hampton
	Jerry Epps
	Darryl Carter
	Neville Hall
	Jerry Ellis
City Manager	Brad Corcoran
City Clerk:	Sheralene Thompson
City Attorney:	Erin Gilley
Deputy City Clerk:	Deanna Hunt
Representatives from Departments:	
News Media:	Dallas Britt, Eden News

MEETING CONVENED:

Mayor Tuggle called the regular meeting of the Eden City Council to order and welcomed those in attendance. He explained that the Council meets the third Tuesday of each month at 7:30 p.m. and works from a prepared agenda; however, time would be set aside for business not on the printed agenda.

INVOCATION:

Mr. A.C. Brock, Pastor, Leaksville United Methodist Church, gave the invocation followed by the Pledge of Allegiance.

RECOGNITIONS AND PROCLAMATIONS:

- a. Proclamation: Dr. Martin Luther King, Jr.

**A PROCLAMATION  
DESIGNATING JANUARY 18th  
TO HONOR DR. MARTIN LUTHER KING, JR.**

**WHEREAS**, January 18, 2016, marks the observance of the Federal legal holiday, established by Public Law No. 98-144, to honor the birthday of Dr. Martin Luther King, Jr., and

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**WHEREAS**, this holiday should serve as a time to remind all Americans of what Dr. King did for our country and to continue his dream of peace, love and justice through service to others, and

**WHEREAS**, Dr. Martin Luther King Jr. Day is not only for remembrance and celebration but for a Day of Service to strengthen communities, empower individuals and bridge barriers, and

**WHEREAS**, it is appropriate for the City of Eden to support and contribute to community efforts in the observance of the Federal holiday honoring Dr. Martin Luther King, Jr.

**NOW, THEREFORE, BE IT PROCLAIMED** that I, Wayne R. Tuggle, Sr., Mayor of the City of Eden, hereby designate January 18, 2016 be set aside as

**Dr. Martin Luther King, Jr., Day**

in Eden, North Carolina, and to recognize this day as “A Day On, Not A Day Off” and apply Dr. Martin Luther King Jr.’s life and teachings of community service to inspire others to serve.

**IN WITNESS WHEREOF**, I have hereunto set my hand and seal this 19<sup>th</sup> day of January, 2016.

By: Wayne R. Tuggle, Sr., Mayor  
City of Eden

ATTEST:

Sheralene S. Thompson, CMC, MMC  
City Clerk

Mr. Malcom Allen, president of the local chapter of the NAACP accepted the Proclamation recognizing Dr. Martin Luther King, Jr.

b. Recognition: Rouse, Rouse, Penn & Rouse

Mr. Mike Dougherty, Director of Business & Economic Development, asked Mr. and Mrs. Rex Rouse to come forward in recognition of their 50<sup>th</sup> anniversary. He then presented them with a certificate of recognition.

SET MEETING AGENDA:

A motion was made by Council Member Ellis seconded by Council Member Hall to set the meeting agenda. All Council Members voted in favor of this motion. This motion carried.

PUBLIC HEARINGS:

No public hearings were scheduled.

REQUESTS AND PETITIONS OF CITIZENS:

No one came forward to speak at this time.

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UNFINISHED BUSINESS:

There was no Unfinished Business scheduled at this time.

NEW BUSINESS:

a. 2016 Boards and Commissions Appointments

The following seats on the City Boards and Commissions were appointed/reappointed.

Board of Adjustment

Kennith White	Term Expired 2015	Ward 1- Councilman Moore
Barney Walker	Term Expired 2015	Ward 3 – Councilwoman Hampton
Diana Biggs	Term Expired 2015	Ward 7 – Councilman Ellis

Historic Preservation Commission

George Underwood	Term Expired 2015	Ward 7 – Councilman Ellis
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Planning Board

Jerry Holland, Jr.	Term Expired 2015	Ward 6 – Councilman Hall
Carol Helms	Term Expired 2015	Mayor Tuggle

Tree Board

Paul Dishmon	Term Expired 2015	Ward 4 – Councilman Epps
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A motion was made by Council Member Moore seconded by Council Member Carter to approve the appointments and reappointments to the Boards and Commissions. All Council Members voted in favor of this motion.

AUDIT PRESENTATION:

a. Presentation of the 2014-2015 Audit by Rouse, Rouse, Penn & Rouse

Mayor Tuggle introduced Ms. Judy Rouse.

Ms. Rouse asked them to turn to page 2 and explained that this was an opinion, based on the audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Eden, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows where appropriate thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. So, their audit has a clean opinion.

This audit has been presented in accordance with the State Single Audit Act and it includes information required as a result of GASB or what is called Governmental Accounting Standards Board Statement No. 34. Also, it is noteworthy to point out that the Eden ABC

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Store Financial Statement is also presented in this report (see pages 15-16 and 46) as the ABC Store is a component unit of the City of Eden.

### General Fund

The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

If you refer to page 89, you will note near the bottom of the page that the Fund Balance in the General Fund decreased from \$8,837,901 to \$8,705,548 a decrease of \$132,353 or approximately 1.50%. The main reason for this decrease is the depletion of the \$246,437 for Grogan Park that was listed under the "Cultural & Recreational" line item under "Fund Balances" near the bottom of the page. These funds were previously collected donations received from businesses, organizations and individuals. These funds were all spent during the past year on the construction of Grogan Park. Furthermore, "Cash and Cash Equivalents (near the top of the page) decreased by \$464,619 or approximately 6.19% from \$7,509,943 to \$7,045,324.

Near the bottom of the page, the information indicates that the Fund Balance available for Appropriations or called the "unassigned" fund balance equals \$5,842,924 which is a decrease of \$265,659 or approximately 4.35% when compared to the June 30, 2014 total of \$6,108,583. This is due to the fact that \$1,738,152 is listed under "Restricted – Stabilization by State Statute" for June 30, 2015 and was only \$1,514,569 for June 30, 2014.

As you may remember, the City Council voted back in 1998-99 to keep an unassigned fund balance, equal to at least three months operating expenses.

Mayor Tuggle asked if that varied that much from year to year or does it stay pretty close to which Ms. Rouse replied that it depended on what those expenditures were. It was based on the expenditures in the prior year. As long as you keep your expenditures in line with what they pretty much were in the last year.

On page 106 near the middle of the page it indicates that the total expenditures during FY 2014-15 for the General Fund amounted to \$14,243,423. One-twelfth of that amount is \$1,186,952. As such, three months operating expenses would equal \$3,560,856. The amount unassigned at June 30, 2015 (\$5,842,924) is actually \$2,282,068 over that threshold. According to the most recent data available from the State Treasurer's Office, the 2014 statewide unassigned fund balance average for municipalities was 43.46% of General Fund expenditures or \$3,675,353 and the statewide average for municipalities without electricity were 44.56% of General Fund expenditures or \$3,276,172. The 2014 statewide average for municipalities without electricity with a population ranging from 10,000 to 49,999 was 49.47% of General Fund expenditures or \$8,189,449. Eden's unassigned balance of \$5,842,924 on hand on June 30, 2015 equals approximately 41.02% of General Fund expenditures (\$14,243,423) for FY 2014-15.

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On page 91 you will find the Revenues for the General Fund. At the bottom of the page you will note that the budget revenues were \$14,063,000 and the actual revenues were \$14,118,083 for a favorable variance of \$55,083 or approximately 0.39%. Overall, the revenues for the General Fund were up from the prior year (\$13,855,809) by \$262,274 or approximately 1.89%. In the current June 30, 2015 financial statements it indicates on page 90 that the actual current year taxes (top of the page) went down slightly from \$5,603,421 for 2014 to \$5,513,226 for 2015 which is a decrease of \$90,195 or approximately 1.61%. You will also note that privilege licenses (top third of the page) decreased by \$64,762 or approximately 28.87% from \$224,338 for the period ending June 30, 2014 to \$159,576 for the period ending June 30, 2015 due to less revenue from electronic sweepstakes. As each of you is aware, the NC General Assembly voted to eliminate privilege licenses moving forward so the 2016 audit will reveal a complete loss of this revenue and revenue source.

In the middle of page 90 you will see "Unrestricted Intergovernmental Revenues". It is noteworthy to point out that this group of revenues increased by \$292,534 or approximately 8.01% from \$3,650,706 for the period ending June 30, 2014 to \$3,943,240 for the period ending June 30, 2015 due to additional funds being received from several of the revenue sources itemized in that section of the audit report.

Near the bottom of page 90 you will see the "Restricted Intergovernmental Revenues". It should be noted that this group of revenues increased by \$105,165 or approximately 16.15% from \$651,274 for the period ending June 30, 2014 to \$756,439 due to additional restricted grant funds being received during FY 2014-15 for an additional school resource officer for the Elementary Schools, the Governor's Crime Commission Grant and the Get Fit Eden Grant. Furthermore, an additional \$50,446 was received from Federal Drug Forfeiture funds.

At the bottom of page 91 you will find the "Miscellaneous Revenue" section for the General Fund. You will note that the "Donations" line item went from \$251,798 during FY 2013-14 down to \$5,182 for FY 2014-15. This significant decrease is due to the fact the City spent the donations received from individuals, businesses and organizations for Grogan Park. However, you will also note a new line item "Duke Energy Incentive" that went from \$0 in FY 2013-14 to \$234,894 for FY 2014-15. This is the payment we received from Duke Energy as a portion of their response to the Coal Ash spill that occurred just outside of Eden in January 2014. In addition, you will note that the "Sale of Fixed Assets" line item went from \$0 during FY 2013-14 up to \$27,767 for FY 2014-15 due to the City selling of some old vehicles and equipment during the course of the past year.

On page 106 you will find the Total Expenditures for the General Fund. Near the middle of the page you will note that the total budgeted operating expenditures were \$14,568,800 and the total actual expenditures for the General Fund amounted to \$14,243,423. This was a favorable variance of \$325,377 or approximately 2.23%. Overall, the expenditures for the General Fund were up from the prior year (\$13,602,165) by \$641,258 or approximately

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4.71%. Some of the reasons for this increase are as follows. First, in the Police Department (page 100) there is \$455,494 at the top of the page under “Capital Outlay – Vehicles” and \$21,200 under “Capital Outlay – Equipment – Depreciable” that had \$0 funding in 2014. Second, in the Streets Department (page 101) there is \$172,486 in the middle of the page under “Maintenance and Repair - Storm Drains” that was spent during 2015 for the Early Avenue and North Hundley Drive projects. There was only \$7,250 spent on storm drains during 2014. Third, in the Legal Department (page 93) there is \$57,433 that was spent during 2015 for Professional Services related to outside attorney fees related to the Coal Ash Landfill that will be constructed by Duke Energy. In 2014 only \$192 was spent for Professional Services. Fourth, in the Economic Development Department (page 95) there is \$157,670 that was spent during 2015 for Professional Services related to outside marketing fees related to public relations in light of the Coal Ash Spill that occurred just outside of Eden in January 2014. These funds were provided as previously noted by Duke Energy. In 2014 only \$87 was spent for Professional Services.

As each of you is aware, the General Fund is reimbursed by the Water and Sewer Fund for expenses within the General Fund that are related to Water and Sewer activities but charged to the General Fund. Page 127 (near the top of the page) indicates that the Water & Sewer Fund reimbursed the General Fund for these utility service fees in the amount of \$1,376,413 which is an increase of \$186,374 or approximately 15.66% from the \$1,190,039 that was reimbursed during FY 2013-14.

An examination of the various operating departments/divisions reveals the following:

<u>Department</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Governing Body Page 92	\$51,900	\$44,579	\$ 7,321

*Reimbursement from W/S Fund is at 55% so this total is actually 45% of total costs attributable to this Department*

Administration Page 92	\$191,800	\$186,798	\$5,002
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*Reimbursement from W/S Fund is at 55% so this total is actually 45% of total costs attributable to this Department*

Finance/HR Page 93	\$246,000	\$238,040	\$7,960
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*Reimbursement from W/S Fund is at 55% so this total is actually 45% of total costs attributable to this Department*

Legal	\$80,700	\$75,141	\$5,559
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Page 93

*Reimbursement from W/S Fund is at 60% so this total is actually 40% of total costs attributable to this Department*

Planning Page 94	\$481,800	\$456,365	\$25,435
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Economic Development Page 95	\$457,200	\$424,121	\$33,079
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Engineering Page 96	\$63,000	\$53,096	\$9,904
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*Reimbursement from W/S Fund is at 80% so this total is actually 20% of total costs attributable to this Department*

<u>Department</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Information Technology Page 97	\$191,400	\$ 174,846	\$ 16,554

*Reimbursement from W/S Fund is at 50% so this total is actually 50% of total costs attributable to this Department*

Public Bldg. Services Page 97	\$64,600	\$64,247	\$353
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*Reimbursement from W/S Fund is at 20% so this total is actually 80% of total costs attributable to this Department*

Municipal Services Page 98	\$71,500	\$57,675	\$13,825
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*Reimbursement from W/S Fund is at 50% so this total is actually 50% of total costs attributable to this Department*

Police Pages 99-100	\$4,623,700	\$4,584,479	\$39,221
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Fire Page 100	\$1,559,100	\$1,536,249	\$22,851
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Street Page 101	\$1,527,100	\$1,499,617	\$27,483
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Powell Bill Page 101	\$496,200	\$481,824	\$14,376
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City Garage Page 102	\$269,800	\$253,177	\$16,623
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*Reimbursement from W/S Fund is at 35% so this total is actually 65% of total costs attributable to this Department*

Facilities & Grounds Page 103	\$533,900	\$530,187	\$3,713
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*Reimbursement from W/S Fund is at 10% so this total is actually 90% of total costs attributable to this Department*

<u>Department</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Solid Waste Page 104	\$1,946,100	\$1,929,584	\$16,516
Recreation Pages 105	\$887,300	\$843,480	\$43,820
Special Approp. Page 106	\$233,200	\$212,165	\$21,035
Debt Service Page 106	\$592,500	\$597,753	(\$5,253)

Explanation

During FY 2014-15 we paid off the USDA loan for the Viper Radio System early. The loan was originally set up for 10 years; however, the city paid this loan off in 5 years. There was an adjusting entry that had to be made to reclassify the principal and interest payments from prior years to reflect the total interest that was actually paid at the end of the loan. According to Ms. Rouse, the debt service part of the financial statements are not considered as a department and will not be looked upon as being over budget. When you move the debt service payments back to their corresponding departments, there is no department over budget.

Council Member Hall asked that they go back to unassigned fund balances where you compare Eden's to other municipalities of similar population, the ones that report the state average, he thought was 43.46% and another was about 49% and Eden was keeping 25%. He asked if that was correct and were they safe there.



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Mr. Corcoran explained that they were at 49% of their total expenditures and Eden was at 41.02% total expenditures.

Mr. Rex Rouse added that was the actual, the 25% was your minimum that you keep and Ms. Rouse pointed out that they were above the minimum.

Council Member Hall also had a question about the line she was at that Mr. Corcoran explained was an audit adjustment. He questioned bad debt expense and asked if she could explain to which she replied they look at the aging analysis on the receivables and if she thought that if they have these accounts that are 90 days and out she made an adjustment to make that reserve exactly what that 90 day or over would be. They try to keep a reserve that takes care of at least 90 days and over.

Ms. Rouse asked them to turn to page 107 and explained that they moved the Grogan Park out of the General Fund because it was not going to be completed in one year. It had a fund balance at June 30 of \$105,124. On page 108 were the revenues and expenditures for the Grogan Park and at the very top during this last year they collected in new revenues \$23,963 so most of this money had already been collected and had been reserved into the General Fund, they just moved it to a new fund to trace the transactions.

#### Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital Projects) that are legally restricted to expenditures for special purposes. The City had four (4) Special Revenue Funds during FY 2014-15: Emergency Communications Fund, Municipal Service District Tax Fund, Community Development Block Grant Fund and the NC Department of Commerce Building Reuse Grant Fund.

The Emergency Communications Fund (pages 111-112) accounts for the E911 monies that are received and includes expenditures related to the E911 system for emergency communications. It had a June 30, 2015 fund balance of \$0 (page 111) due to this fund being closed out prior to June 30, 2015. As each of you is aware, we consolidated our E911 services with Rockingham County and the City of Reidsville in the new E911 center in Wentworth.

The Municipal Service District Tax Fund (pages 113-114) includes the tax that was voted on by the Washington Street and Draper Village Merchants and is designated for various projects within those areas. It had a June 30, 2015 fund balance of \$16,540 (page 97) which is an increase of \$6,872 or approximately 71.08% when compared to the June 30, 2014 fund balance of \$9,668.

The Community Development Block Grant Fund (page 115) includes the revenues and expenditures related to the CDBG for the SGRTEX building and the NC Department of Commerce Building Reuse Grant Fund (page 116) includes the revenues and expenditures related to the building reuse grant.

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Additional information concerning the Special Revenue Funds can be found on pages 109 thru 116.

#### Water & Sewer Fund – Enterprise Fund

The Water & Sewer Fund is used to account for the City's water and sewer operation. The Fund Balance in the Water and Sewer Fund for the period ending June 30, 2015 was \$5,918,992. This is a decrease of \$639,310 or approximately 9.75% when compared to the June 30, 2014 total of \$6,558,302. This is calculated by taking the fund balance at June 30, 2014, \$6,558,302 and then subtracting the expenditures over revenues and other financing sources number found at the bottom of page 128 which is equal to \$639,310. On June 30, 2011 the Fund Balance in the Water and Sewer Fund equaled \$11,333,437. Due to insufficient revenues to meet our ongoing capital improvement needs we have used a total of \$5,414,445 in fund balance during just the past four years (\$11,333,437 down to just \$5,918,992). This is a reduction of approximately 47.77% in just the past four years. **This underscores the need to raise rates to generate additional revenue as soon as possible.**

Page 117 includes the Comparative Balance Sheets for the Water & Sewer Fund comparing the period ending June 30, 2015 to the period ending June 30, 2014. Near the bottom of this page it indicates that the net assets in the Water & Sewer Fund increased by \$1,010,218 or approximately 2.22% from \$45,504,887 to \$46,515,105. The information at the top of the page indicates that the combined "Cash & Investments" and "Cash – Restricted Deposits" decreased by a combined \$1,269,129 or approximately 22.35% from \$5,678,473 in the prior year down to \$4,409,344 for FY 2014-15. Near the top of the page you will also note that the total current assets increased by \$231,392 or approximately 3.07% from \$7,544,770 in the prior year compared to \$7,776,162 for FY 2014-15. Near the middle of the page you will note that the capital assets net of accumulated depreciation increased by \$4,203,660 or approximately 8.37% from \$50,198,584 to \$54,402,244.

In the middle of page 117 you will note that the total assets of the Water and Sewer Fund went up from \$57,743,354 to \$62,360,085. This is an increase of \$4,616,731 or approximately 8.00% due to all of the infrastructure improvements that were during FY 2014-15. The total assets include the entire water and sewer infrastructure, including all of the water and sewer lines throughout the city. It should be noted that we have taken another year of depreciation on all of our older assets. Once a specific improvement is put into operation the auditors start depreciating it. The middle of page 118 illustrates this fact. You will note that the depreciation expense decreased by \$12,856 or approximately 0.46% from \$2,795,422 during FY 2013-14 to \$2,782,566 during FY 2014-15.

At the bottom of page 117 you will see where our total liabilities (things that were owed by the Water and Sewer Fund) increased by \$3,271,999 or approximately 26.74% from \$12,238,467 to \$15,510,466.

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The Income Statement for the Water & Sewer Fund is on page 118. Starting at the top of the page the Water & Sewer Fund total operating revenue amounted to \$9,431,449 for FY 2014-15 compared to \$7,521,928 for the prior year. This was an increase of \$1,909,521 or approximately 25.39%.

Near the bottom of page 118 it indicates that the capital contributions increased by \$765,984 or approximately 76.80% from \$997,413 to \$1,763,397 due to an increase in the number of grants the City received during the course of FY 2014-15. The actual changes in capital contributions are as follows:

<u>Project</u>	<u>FY 2014-15</u>	<u>FY 2013-14</u>
CWSRF – Kuder Street	\$ 112,743	\$ 887,257
Rural Center Grant – Water Model	-----	\$ 40,000
CWSRF Princ. Forgive – Tanyard Branch	\$ 801,745	-----
CWSRF Princ. Forgive – Matrimony Creek	\$ 130,840	-----
Rural Center Grant – CMOM Project	\$ 30,000	-----
Duke Energy Reimbursement	<u>\$ 668,069</u>	<u>\$ 70,156</u>
Total	\$1,763,397	\$ 997,413

In the middle page 118 there is a line item entitled, other post-employment benefits. You will note that it realized a decrease of \$26,207 or approximately 37.44% from \$70,002 to \$43,795. As each of you may remember, we are a Phase II government and FY 2008-09 was the first year we had to include the post-employment benefits. Near the bottom of the page it indicates that the non-operating deductions: interest expense decreased from \$380,003 to \$339,212 due to a reduction in our interest expense.

Near the bottom of page 118 it indicates that the Water & Sewer Fund realized a net income gain of \$1,268,494 compared to a net income loss of (\$730,539) in the prior year. The primary reasons for this change are the fact that we received principle forgiveness loan proceeds for the Tanyard Branch and Matrimony Creek projects. In addition, we received reimbursements from Duke Energy for the Chloramine project.

As stated many times before, our future planning will require us to be mindful about the reduced usage patterns and actions that will be needed to make sure the revenues being generated on an annual basis is sufficient enough to pay for all of our annual expenses. As an enterprise fund, it is absolutely imperative that our water and sewer rate structures be established so as to generate the level of revenues that are needed on an annual basis to cover all of our operational, capital and debt related costs.

The bottom of page 127 indicates that total capital outlay expenses increased by \$4,387,101 or approximately 168.79% from \$2,599,125 during FY 2013-14 to \$6,986,226 during FY 2014-15 due to more work being completed to remain in compliance with the unfunded mandate from the US Environmental Protection Agency (EPA) in reference to the Administrative Order (AO) and our Sanitary Sewer Overflows (SSOs).

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Council Member Burnette stated that she had said they do not start depreciating the assets until they put them into service and quite a bit more with capital assets after this year. He asked how they valued those assets if you do a project that is worth a million dollars that would include labor, material, and everything.

Ms. Rouse explained that it was actual cost to which Council Member Burnette asked if that included the labor. Ms. Rouse explained that all the billing comes in it was just accumulating and if it goes over one year, 2 years, or however many years, you accumulate all of that. They call that construction in process so they accumulate that, all of that was paid from invoices that you have verification of.

The top of page 128 indicates that total debt service expenses increased by \$91,837 or approximately 6.31% from, \$1,456,052 during FY 2013-14 to \$1,547,889 during FY 2014-15. It is anticipated that this number will continue to grow as we continue to fully implement the remediation plan in compliance with the EPA AO on SSOs and other capital infrastructure improvement needs.

I am very pleased to report that there is NO department/division within the Water & Sewer Fund as budgeted for in the FY 2014-15 budget document that exceeded the budgeted amount of funds. An examination of the various operating departments/divisions reveals the following:

<u>Department</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Water Resources Page 122	\$374,600	\$347,082	\$27,518
Billing & Collections Page 123	\$356,800	\$327,653	\$29,147
Water Filtration Page 124	\$1,327,000	\$1,221,457	\$105,543
<u>Department</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
C & D Page 125	\$1,760,100	\$1,698,029	\$62,071
Waste Treatment Page 126	\$1,166,800	\$1,138,961	\$27,839
Water Construction Page 127	\$0	\$0	\$0
Sewer Construction Page 127	\$675,000	\$655,291	\$19,709

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Non Departmental Page 127	\$1,434,500	\$1,405,115	\$29,385
Capital Outlay Page 127	\$9,857,700	\$6,986,226	\$2,871,474
Debt Service Page 128	\$1,620,900	\$1,547,889	\$73,011

#### Self-Insurance Fund – Internal Service Fund

On July 1, 1995, the City began its self-insured insurance coverage program. The City carries a reinsurance policy for payment on all specific claims in excess of \$55,000 once the one-time aggregating specific corridor of \$100,000 has been met unless the reinsurance carrier has assigned a pre-determined laser on a specific employee due to an existing condition. The lifetime maximum per covered individual is currently unlimited and the maximum reimbursement for the aggregate coverage is \$1,000,000 annually.

The comparative balance sheet of the Self-Insurance Fund is shown on page 130. This year the retained earnings showed a decrease of \$60,635 or approximately 73.00% from the previous year. You will note that we ended FY 2014-15 with a surplus of \$22,430 compared with a surplus of \$83,065 in FY 2013-14, \$287,197 in FY 2012-13, \$137,142 in FY 2011-12, \$220,399 in FY 2010-11, \$286,236 in FY 2009-10, \$177,230 in FY 2008-09 and \$63,032 in FY 2007-08.

The income statement can be found on page 131. The operating revenues for 2015 increased slightly from \$2,144,528 for the year ending June 30, 2014 to \$2,297,709 for the year ending June 30, 2015. This translates into an increase of \$153,181 or approximately 7.14%.

On page 131 (near the middle of the page) it indicates the operating expenses increased from \$2,548,845 for the year ending June 30, 2014 to \$2,908,376 for the year ending June 30, 2015. This translates into an increase of \$359,531 or approximately 14.11%. On this same page you will note that Insurance claims went up from \$2,073,271 in FY 2013-14 to \$2,366,974 in FY 2014-15 for an increase of \$293,703 or approximately 14.17% while the total fixed costs increased by \$65,828 or approximately 13.84% from \$475,574 in FY 2013-14 to \$541,402 in FY 2014-15.

Near the bottom of page 131 under “Total Other Financing Sources” it indicates that \$550,000 (\$440,000 GF and \$110,000 WSF) was used in FY 2014-15 in order to balance the Self Insurance Fund. This was an increase of \$350,055 or approximately 175.08% when compared to the \$199,945 (\$159,956 GF and \$39,989 WSF) that was utilized during FY 2013-14. A large reason for this continues to be the expenses associated with covering our retirees.

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Over the course of the past thirteen (15) years it is clear that remaining self-insured has proven to be the best financial decision for the City when compared to the bids that have been previously received in terms of switching to a non-self-insured plan and the actual costs being encountered.

### Fiduciary Funds

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains two fiduciary funds: The Pension Trust Fund and the Agency Fund - Runabout Travel Club Fund.

The Pension Trust Fund accounts for the Law Enforcement Officers Special Separation Allowance. This is a public employee retiree system pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The separation allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

As of December 31, 2014, the most recent actuarial valuation date, the plan was 5.54% funded. The actuarial accrued liability for benefits was \$1,138,918, and the actuarial value of assets was \$63,057, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,075,861 (page 54 and 82). This represents an increase of \$7,941 or approximately 0.74% when compared to the previous year total of \$1,067,920. The unfunded actuarial accrued liability (UUAL) equaled \$1,403,677 on December 31, 2009.

It is very important to note that most municipalities fund their separation allowance on a pay as you go basis and this is what we have been doing. The fund balance on June 30, 2015 equaled \$10,925 (page 134) which is an increase of \$2,216 or 25.44% from the amount on hand as of June 30, 2014 which was equal to \$8,709. As each of you are aware, the City Council previously authorized the use of existing fund balance to offset actual expenses thereby bringing down the available fund balance since the City is committed to funding this ongoing obligation on an annual pay as you go basis.

Other information related to the Pension Trust Fund can be found on pages 134 – 135 and in the notes to the financial statements on pages 52 - 54 and pages 82 – 83.

The Agency Fund – Run-About Travel Club Fund is custodial in nature and does not involve the measurement of operating results. The Run-About Travel Club Fund accounts for money deposited with the City of Eden Parks and Recreation Department for those individuals participating in the programs of its department sponsored club. Page 136 shows the statement of changes in assets and liabilities for this fund. The fund balance on June 30, 2015 equaled \$17,351 which is an increase of \$403 or approximately 2.38% from the amount on hand as of June 30, 2014 which was \$16,948. Again, this is merely a fund for its members, contributing monies for scheduled activities and trips.

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### Capital/Fixed Assets

The Governmental Capital/Fixed Assets can be found on page 42. At the bottom of the page you will note that on June 30, 2015 the fixed assets totaled \$18,865,906 net of depreciation. On June 30, 2014 they totaled \$18,631,835 for an increase of \$225,071 or approximately 1.21%. The Business-like Capital/Fixed Assets can be found on page 43. A review of pages 42 and 43 indicates the City of Eden's investment in capital assets for its governmental and business-type activities as of June 30, 2015 totals \$73,268,150 which is an increase of \$4,437,731 or approximately 6.45% compared to the June 30, 2014 combined figure of \$68,830,419. These assets include buildings, roads, and bridges, land, machinery and equipment, park facilities, and vehicles.

A concern that was expressed in audits prior to my arrival was the lack of an efficient fixed asset program. During the latter part of FY 2001-02 the City Council adopted the policy to depreciate assets over \$ 5,000, tracking assets over \$1,000 and making the departments responsible for keeping up with the supplies under \$1,000. This system is still working efficiently for the City. Furthermore, the City acquired a new fixed assets program during FY 2002-03 that allows us to track all of our assets more appropriately.

The infrastructure assets have now become a required part of the fixed asset records due to GASB 34. Retroactive reporting of all major general infrastructure assets for the City of Eden was initiated as a component of the audit beginning in FY 2006-07 as required by GASB 34.

Additional information on the City's capital/fixed assets can be found on pages 36-37 and 42-43 in the notes to the financial statements.

### Long-Term Debt

The details of long-term debt can be found on pages 63 - 79. Page 78 gives a detailed schedule which summarizes the City's annual requirements to amortize all long-term debts outstanding. On page 78 it shows that the total outstanding principal debt for the City at June 30, 2015, was \$15,350,966 compared to \$12,866,111 on June 30, 2014. This is made up from two numbers, the Governmental Activities debt which is \$1,992,148 and the Water & Sewer debt which is \$13,358,818.

The information concerning the specific installment purchases and capital lease purchases (pages 63 – 76) indicates that three of the twenty-five obligations will be paid off prior to June 30, 2016, three additional obligations will be paid off prior to June 30, 2017, seven additional obligations will be paid off prior to June 30, 2018 and four additional obligations will be paid off prior to June 30, 2019.

The bottom of page 77 indicates that the legal debt margin for the City as of June 30, 2015 equaled \$65,993,674 down from \$69,552,831 on June 30, 2014. As each of you are aware; the N. C. General Statutes limits the amount of general obligation debt that a unit of

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government can issue to eight (8) percent of the total assessed value of taxable property located within the government's boundaries.

Mayor Tuggle stated that he would like to note that over the last 4 years they have probably used close to \$5.5 million just because of the administrative order. He pointed out that when you read this sometimes, somebody who really did not know what was going on did not realize how much capital outlay they had to deal with. They would think that the city had made a profit with these water and sewer fund increases but actually they have had to spend \$5.5 million out of fund balance as a result of it.

Ms. Rouse added that you could take the audit reports for the last five years and go to the page that shows the cash flows and you could accumulate how much you have actually gone, you can have the exact year. This was the cash that went out.

Mayor Tuggle stated that he just wanted that duly noted just for the sake of it going on record that they had spent that much extra money out of their fund balance as a result, and even with water and sewer increases with this EPA Administrative Order they were just killing them with what they were having to spend with capital outlay.

Ms. Rouse agreed that was true but they have been very fortunate to have been able to get those grants.

Council Member Burnette stated that they were considerably below, by that 8 percent. She mentioned earlier how they compared to other units. He asked if she had any idea how they compare in the debt that they owe.

Ms. Rouse replied that she did not know if she had that with her. He could probably pull that off from the local government site.

Mayor Tuggle stated that by Eden being under an administrative order that would probably be increased as opposed to years, other than somebody being under an order like that.

Ms. Rouse agreed and Mayor Tuggle pointed out that you would just about have to be. She asked them to remember that last year they compared the capital outlay that they had in their Water & Sewer Fund with the other municipalities and it was way higher. So, she knew that it would be. She added that she thought they had been very fortunate to keep what they owe down because of the capital contributions and being proactive in getting those contributions.

Mayor Tuggle pointed out that he would like to note that if they do not comply with the EPA administrative order they also could fine them \$37,500 per day.

#### Analysis of Current Tax Levy

Page 138 is an analysis of the current tax levy for the year ending June 30, 2015. Near the bottom of the page you will note that the total property tax valuation is \$824,920,925. This



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is lower than the total property tax valuation as of June 30, 2014 which was \$869,410,383 and the \$902,702,018 for 2013.

The current year tax collection rate was 98.46% up slightly from last year’s rate which was 98.03%. The property excluding registered motor vehicles collection rate equaled 98.29% and is also slightly up from last year’s rate that was 98.17%. The registered motor vehicles collection rate equaled 99.99% which is up significantly from last year’s rate which was 96.89%.

Interest Income

The \$64,969 in interest income earned on investments during FY 2014-15 (loose handout included with audit document) has increased from last year’s total of \$60,785 by \$4,184 or approximately 6.88%. Unfortunately, the total amount of interest income earned continues to be significantly less than it was several years ago due to the weakened economy. Just eight years ago our interest income earned during FY 2007-08 equaled \$744,987. Information for the past five years reveals the following:

	<u>Year Ended</u> <u>06-30-2015</u>	<u>Year Ended</u> <u>06-30-2014</u>	<u>Year Ended</u> <u>06-30-2013</u>	<u>Year Ended</u> <u>06-30-2012</u>	<u>Year Ended</u> <u>06-30-2011</u>
General	\$ 31,287	\$ 29,026	\$ 34,261	\$ 48,657	\$ 47,135
Special Revenue	\$ 195	\$ 53	\$ 93	\$ 149	\$ 308
Water & Sewer	\$ 33,368	\$ 31,368	\$ 37,260	\$ 53,760	\$ 42,866
Self-Insurance	\$ 32	\$ 240	\$ 230	\$ 219	\$ 788
Police Pension	\$ 87	\$ 98	\$ 35	\$ 8	\$ 231
Total	\$ 64,969	\$ 60,785	\$ 71,879	\$ 102,793	\$ 91,328

Construction Commitments

Three years ago there was a new addition to the “notes to the financial statements” entitled, *Construction Commitments*. This information is outlined on pages 44 and 45 of the audit document. A total of five (5) projects are highlighted on page 44 with a combined total cost of \$15,011,786. Of this total \$5,074,000 (see page 45) will be received in the form of grants and principal forgiveness loans. This leaves a balance of \$9,937,786 to be funded through low interest loans and revenues from the Water and Sewer Fund. Page 44 indicates that as of June 30, 2015 \$6,790,238 of the \$15,011,786 in identified costs had actually been spent with the remaining commitment being equal to \$8,221,548 with \$5,397,263 of this total needing to come from loans and city revenues.

Management Letter

The first item outlined in the auditor’s management letter deals with audit adjustments. The number of audit adjustments in the General Fund for the period ending June 30, 2015 was 7 with 6 of those adjustments proposed by city personnel. The number of audit adjustments in the Water and Sewer Fund for the period ending June 30, 2015 was 10 with

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9 of those adjustments proposed by city personnel. We will continue as a staff to do what we can to keep the number of audit adjustments to a bare minimum.

In the management letter the auditor's state, *"As a result of the implementation of GASB 68, there was additional education and time involved in completing this year's audit. The staff was proactive in completing the schedules and reports necessary to accurately complete this audit report. This stresses the importance of the accounting personnel attending Local Government Commission and Institute of Government classes to keep abreast of new accounting and auditing issues related to the City's business"*.

The second area discusses actuarial studies:

Section 2. A. discusses the actuarial study of the Police Separation Allowance. The audit management letter states, *"We commend the city administration for monitoring the funding progress of the police separation allowance and should continue to do so"*. We intend to keep monitoring the Police Pension Trust Fund and will continue to have actuarial studies done each year.

Section 2. B. deals with the city continuing to monitor the cost of a study made of other Post-Employment Benefits to comply with GASB Statement 43, Financial Reporting for Postemployment Benefits Other than Pension Plans and GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The potential liability for other post-employment benefits was initially implemented into the FY 2008-09 audit report and the audit management letter states that *"the long range cost to the City should be analyzed for consideration in future years"*. We will continue to analyze and monitor this potential liability and will continue to do what we can to reduce our future liability and we will examine the feasibility of factoring the long-range cost into the annual budgeting process.

The third and final area addressed in the management letter deals with the Water and Sewer Fund. Specifically, the auditors commend the City for being proactive in applying for non-interest bearing loans, loan forgiveness loans, and low interest bearing loans to deal with the ramifications of the EPA Administrative Order on our Sanitary Sewer Overflows (SSOs). They also commend the City for being proactive in its efforts to analyze methods to supplement the anticipated loss of revenue due to the upcoming closure of MillerCoors.

### GASB Statements 67 & 68

The Governmental Accounting Standards Board (GASB) has adopted two new reporting standards for pension plans and those employers that participate in those plans. GASB Statements 67 and 68 fundamentally change the way defined benefit pension plans', liabilities, and expenses are reported in both the plan financial statements and the statements of participant employers.

Regarding our retirement plan, we previously reported an Unfunded Actuarial Accrued

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Liability in the notes to our financial statements, and used that figure to help determine funding. With GASB 67, we are required to calculate a net pension liability, and that amount must be reported in the notes to the financial statements for the plan.

GASB 68 requires the NC Retirement System plan to apportion its net pension liability to the participant employers, which includes the City of Eden. The city reports its share on its full accrual financial statements, including any enterprise funds and participant component units.

It is important to note the implementation of the new standards do not require North Carolina local governments and public authorities to change the way it funds its pension plans, nor will it create any new obligations for those plans. These standards are accounting and reporting standards – they will change the way the pensions are reported but do not dictate any changes in the way the pensions are funded.

All the additional notes to the financial statements regarding pensions (GASB 67 and 68) have been prepared based on information that was provided to the city from the NC Retirement System (pages 47 – 57).

Ms. Rouse closed by stating that she wanted to thank the staff of the Finance Department, they are a great team and a pleasure to work with. She also appreciated the staff in all the departments in being proactive and getting them the information that they need.

Mayor Tuggle stated that just on behalf of the Council they certainly wanted to thank Mr. & Mrs. Rouse, Victor, Henrietta, Tammie and Amy. He added that a lot of times the City Manager does not say a whole lot but when you can take 151 pages of numbers and you reduce it to 18 pages with a narrative explanation, it is just an excellent document, and he wanted to thank Mr. Corcoran as well.

#### REPORTS FROM STAFF:

a. Mike Dougherty, Director of Business & Economic Development

Mr. Dougherty presented an update to Council on various items related to economic development that had occurred this past year. He began by explaining that Gildan had their fifth expansion in five years and more growth was on the horizon. SGRTEX complied with their CDBG work and have added jobs and Karastan remained in Eden, bringing in 105 new jobs due to efforts that the city and county made along with Senator Berger.

He moved on to the closing of MillerCoors and mentioned that the support companies for MillerCoors such as Fleetmaster, Millis and Raven were not going to be affected by this and Alltech was seeking other breweries to serve.

He explained that since October they have had about 6 inquiries and that was ongoing. He added that it was a potential mega-site within itself with 1600 acres, rails served, natural

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gas and biomass facility and a significant investment in a wastewater facility. He noted that they have yet to indicate what they were going to do at the end of September. They could sell it or they could just do nothing with it. He continued to seek answers from them but right now they were facing continuing changing work force because people were leaving so they were having to modify what they were doing.

The city and county partnered with a regeneration group this which was a company that scientifically went through a lot of different research. They were looking at companies that have a high probability of relocating or expanding in the next 6 months to a year, this was to try to locate a water user to come to their community. That campaign was kicked off last Friday.

Mr. Dougherty presented a new marketing brochure that details information about the city's water and sewer capacities, and different sites.

Mayor Tuggle questioned where they would be located once they were done.

Mr. Dougherty replied that would be a part of the whole marketing campaign. He explained that they needed to be aware that they have parts of three buildings and that was what they had on the market. They included the Powell Furniture building (HanesBrand), Fieldcrest Road property and 1,000 square feet of Pete Osborne's building and Massoud Logistics, not that much but it varies, sometimes they do a short term lease and sometimes a long term lease. He added that none of the buildings had the desired ceiling height, as time goes on companies were wanting more and more closer to 30 feet.

He pointed out that on the site end of this they were in a lot better shape. The 12 acre ready to go site was in the final process of state certification and actually the Citizens for Economic Development paid for this process. They also have other sites such as Hopkins East and West now owned by Duke Energy. Also the Buist property has been available for many years now and their cost per acre was pretty attractive. For potential industry there were also additional sites such as Meadow Road which was purchased by someone else and the Webster Brick and French Farm.

He explained that they have heard about the regional Mega Park for many years. It has been very frustrating because it has been about 4 years now that the Army Corp of Engineers has held up this project by not giving a wetlands permit. He stated that he had spoken with the people at Dewberry today and what was happening now was the Army Corp of Engineers had a little bit of pressure to try to get this permit assigned to the RIFA people that were managing the park. Currently there was one other agency that has to give approval and if that was not done by mid-February the Army Corp of Engineers was going to step in and by March it will be approved. He added that if it was not approved, they were going right to the Governor. He explained that all indications were that this will be approved and construction extending the sewer line from North Carolina to the park will begin immediately and once that was obtained 130 acres will be cleared. RIFA has confirmed that they will need Eden's water utilities and that was what they seek funding for. He pointed out that it was encouraging because they have had legitimate companies

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looking at this site. So it was very encouraging and once they get the wetlands permit to start clearing land they will be in a lot better shape.

He stated that there has been a real regional focus for this Dan River Regional Marketing Plan which was a group of people that met from Pittsylvania, Caswell, Halifax and Rockingham County. They have listed funded programs, marketing for the Dan River, and it was the first time this has ever been done. They issued an RFP before the holidays and that will be coming back on February 1<sup>st</sup>. So, they will have a significant amount of money to market the Dan River for the whole area it extends to.

The Dan River Coalition was an alliance of northern Piedmont North Carolina counties and Southside Virginia counties promoting regional cooperation. They talk initially about workforce education entrepreneurship. He explained that when you talk about that Mega Park with 3500 acres you have to have a workforce for a large company that will come there. When you start looking at a strategical plan many people are looking for regional partners.

He stated that they have partnered with the economic development staff at the county and will be doing consultant visits in the near future. Mr. Jay Garner was going to be at Deep Springs Country Club for the annual meeting of the Citizens for Economic Development and he will also be at RCC for an economic development workshop. He stated that they would have some time with him. He specializes in the food and beverages industry and he was head of the Asheville Chamber for 18 years before starting his own company.

Mr. Dougherty explained that he always went to NCWorks online and there were 738 open jobs in Rockingham County, some of them are duplicated on that site but there are jobs in manufacturing, financial services, medical, and retail. On the commercial side there were recent businesses, another target some of these have taken a lot of years, it is an ongoing process to pursue. You listen to news over the last week, sales trends in the retail industry are really challenging. He explained that 75% of retail sales growth since 2000 has come from online sources. Department store sales have been down 4.5%. That does not sound good, but it did not sound that bad except last week Wall Street went crazy over .1% decline in December sales. Department stores have the highest cost for operation than any other enterprise and Walmart has closed 154 stores and a majority of those were the Walmart Express concept which apparently did not work as well as they thought. He noted that Belk was purchased by Sycamore Partners and he was told they just have too many stores in North Carolina. He added that Macy's was closing 40 stores including one in Cary which was the wealthiest city in the state with a median household income of \$91,000.

Council Member Ellis asked if he thought that goes back to what he was talking about with all the online sales.

Mr. Dougherty replied yes and a lot of these companies do it themselves. They were trying to do both things but they are also hurting themselves.

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Mayor Tuggle pointed out that a lot of times you do not have to pay the taxes you do with brick and mortar stores.

Mr. Dougherty agreed but that was changing. He added however that they did not have the personnel cost and things. He stated that as far as Main Street there were 7 new businesses on Washington Street since July of last year. Many were owned by millennials which was a good sign. There were 7 new facades renovated, the former Eden Printing Solutions building he believed, was going to be consolidated into one property. There was a potential purchaser for Home Savings Bank and then someone has said they want to invest in a coffee shop and he had also received news that someone was thinking of putting that as part of their operation.

He explained that there were some good things there and not so many good things on the other side of town. He noted that there were a lot of challenges on Fieldcrest Road. They had two stores that were there and they just did not do well. Also, some of the property owners as well as the property owners on Washington Street were negligent and some have even been non-responsive to queries to buy their buildings.

He explained that he had told the merchants there that he really thought the Mega Park was probably the best hope for that commercial area because it will be the closest commercial area to that park. It was closer than Danville, so if anything happens on Berry Hill Road it was going to help the Draper area significantly.

Council Member Moore questioned where that 130 acres that they were going to clear was located on the Berry Hill Road.

Mr. Dougherty replied that it was just part of the 3500 acres. He could send him an overhead of it but to describe it was kind of difficult without that image. He added that the restaurants were doing well and they serve a lot of the local industry and the cruise-ins have just moved their monthly events to the Draper area which will be helpful as well.

Mr. Dougherty noted that last year because they had some funding they were able to do advertising on Time Warner and it was very well received. He explained that he had received comments from people all the way from Surry County to Randolph and they hoped to do that again.

CONSENT AGENDA:

- a. Approval and Adoption of Minutes: December 15, 2015
- b. Approval and Adoption of Budget Amendment 5.
- c. Approval and Adoption of Resolution Donating Turnout Gear.

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- d. Consideration of Request to Approve Resolution Accepting a State Loan with Principal Forgiveness for the Tanyard Branch Outfall Rehabilitation Project for the Revised Final Loan Amount.
- e. Consideration and Approval of First Amendment to Solid Waste and Recyclable Materials Franchise Between Rockingham County, North Carolina and Waste Management of Carolinas, Inc.

A motion was made by unanimous consent to approve Consent Agenda items a through e. All Council Members voted in favor of this motion.

ANNOUNCEMENTS:

Council Member Burnette wanted to provide a brief update on Eden Youth Council Chairman, Jacob Scales. On November 18<sup>th</sup>, Jacob was in a horrific wreck. He spent almost 2 months in the hospital and rehab and was now back home. He was wearing a neck brace and had a cast on both legs but he was in good spirits. He was very thankful for his recovery and the city wished him the best going forward.

ADJOURNMENT:

A motion was made by unanimous consent to adjourn. All Council Members voted in favor of this motion.

Respectfully submitted,

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Sheralene S. Thompson,  
CMC, MMC, NCCMC  
City Clerk

ATTEST:

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Wayne R. Tuggle, Sr., Mayor