

Minutes of the regular December 20, 2016 meeting of the City Council, City of Eden:

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SET MEETING AGENDA:

Mayor Tuggle state there was an addition to the meeting agenda under Consent Agenda, item 13h, revised rate schedule for the treatment of coal ash leachate.

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

PUBLIC HEARINGS:

No public hearings were scheduled.

REQUESTS AND PETITIONS OF CITIZENS:

Mr. Davis Montgomery, Elon, the district manager for Duke Energy, addressed the Council:

Mr. Montgomery congratulated Mrs. Ward and noted he had worked with her recently. He said the City staff was very professional, which did not mean they gave Duke everything they wanted. The City staff was always professional and upfront and a joy to work with.

He explained that it had been a big year of change for Duke Energy. As you went across the river and looked at the east, the skyline looked different than it had since 1948 when the Dan River Steam Station was first online there. Duke Energy took the steam station down this year. They had enjoyed the relationship they had working with the community. During hurricane season, they had one of the worst hurricanes hit their service center on the east coast than had ever happened before. It was the second largest storm in terms of damage, behind Hurricane Hugo. There was damage still being felt on the East Coast as a result of Hurricane Matthew. Now they are moving into ice and snow season. They were preparing for it already and reviewing storm advances as they always did, and they would be ready. He thanked the Council for their time and for the privilege of being their energy provider. As always, if there was anything he could do for them, they should not hesitate to call.

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Mayor Tuggle stated that the City wastewater would take care of all leachate treatment.

Mr. Montgomery replied that was correct. Duke Energy had talked with Mr. Shelton about it. They had a coal ash manager. There was a state law that said they would meet certain criteria in the disposal of that coal ash. They had an aggressive schedule they had to meet to have that all taken care of by August 2019. Mr. Shelton and Mrs. Ward had been great to work with in making adjustments Duke Energy had to make in order to get that done.

Mayor Tuggle stated he felt comfortable in what he had been told by the staff about the responsibilities.

Mr. Malcolm Allen, Eden NAACP, 7428 NC Hwy 770, addressed Council:

Mr. Allen began by wishing the Mayor and Council a Merry Christmas. He thanked them for their service through the years. He explained that several months ago, he requested a current update on the coal ash process, which he was hoping to pass on to the citizens of the affected area. He wanted to know what percentage had been disposed of and what percentage would be left to be covered. He wanted to know where they stood in the process currently. He heard the closing date from Mr. Montgomery. Periodically, he would like a progress report. There were a lot of elderly people in the area who were not able to attend council meetings. He would like to have a copy of the progress. He could make sure all those affected by the process were updated.

Mayor Tuggle stated that he would be glad to come and bring the information and give an overview from the city's point of view as well.

Mr. Allen stated that would be fine. He also would like something written in black and white to which Mayor Tuggle replied that was no problem. Mr. Allen stated that his second request was that whenever there was information about the coal ash process, they could get at least a seven-day notice so the people in that area could be notified and come to the meeting and be privy to the information.

Mayor Tuggle explained that one of the concerns people in the area had was about leachate getting in the ground water. The thing was totally encapsulated. A system was put in place so that any leachate would go through the city's wastewater treatment plant and it would not be in the ground water. That was what Mr. Montgomery was talking about.

Mr. Allen stated that tonight was the first knowledge he had of it.

Mayor Tuggle replied that it had just started that week that they had agreed to work with Duke Energy on it and the city would do the leachate process. That was a recent issue. They would write it down and get it to Mr. Allen.

Mr. Allen replied he appreciated their help.

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of the page, the information indicates that the Fund Balance available for Appropriations or called the “unassigned” fund balance equals \$5,545,725. In addition, \$645,900 is listed as “Assigned – Subsequent Year Expenditures” as of June 30, 2016 compared to just \$594,800 as of June 30, 2015.

On page 105 near the middle of the page it indicates that the total expenditures during FY 2015-16 for the General Fund amounted to \$14,783,592. One-twelfth of that amount is \$1,231,966. As such, three months operating expenses would equal \$3,695,898. The amount unassigned at June 30, 2016 of \$5,545,725 is actually \$1,849,827 over that threshold. 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. The 2015 statewide average for municipalities without electricity with a population ranging from 10,000 to 49,999 was 54.43% of General Fund expenditures or \$8,797,870. Eden’s unassigned balance of \$5,545,725 on hand on June 30, 2016 equals approximately 37.51% of General Fund expenditures (\$14,783,592) for FY 2015-16.

Council Member Burnette wanted to go back to page 89 under accounts receivable. There had been a decrease of about \$75,000 from the prior year. He asked if that was due to less income, less collections or writing it off.

Ms. Rouse said if it was out over 90 days, basically they were writing it off from accounts receivable. It had to do with services as well. It could be services rendered right at the end of the year. They tried to pick that up after June 30.

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 \$14,241,100 and the actual revenues were \$14,325,270 for a favorable variance of \$84,170. Overall, the revenues for the General Fund were up from the prior year of \$14,118,083. She was not going into the revenues because the City Manager had done a good job of going through the revenues and explaining the increases and decreases.

On page 105, 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 \$15,189,300 and the total actual expenditures for the General Fund amounted to \$14,783,592 for a favorable variance of \$405,708. Overall, the expenditures for the General Fund were up from the prior year from \$14,243,423 in 2015 to \$14,783,592 in 2016. The City Manager had analyzed the expenditures in each department. No department went over their budget, which was a tremendous accomplishment with so many transactions going on.

On page 97, under Information Technology, telephone was budgeted entirely in this department this year which made an increase over the prior year of \$70,611. On page 98, the police pension was paid from this department rather than from a separate fund. You cannot have a separate fund unless you actually have a trust for that fund. That’s a change from the audit report the prior year. Also in this department, for police security and fringe benefits, the city paid \$331,070 and in the prior year it was \$24,487. The increase was because of Miller Coors police security. The city was reimbursed for that.

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In the Streets Division on page 100, there was an increase of \$429,344 (\$0 to \$429,344) under Capital Outlay – Vehicles for lease-purchases made during 2016 that were not made in 2015. On page 102, within the Facilities and Grounds Division, total spending increased by \$167,960 from \$594,434 in 2015 to \$762,394 in 2016. This increase was due in part to Contracted Services to fund the annual maintenance contract for various rights-of-way and other properties being maintained by an outside contractor.

There is also a combined increase of \$67,073 or approximately 186.20% from \$36,023 in 2015 to \$103,098 in 2016 for “Capital Outlay – Building Improvements” (\$36,023 to \$62,222), “Capital Outlay – Vehicles” (\$0 to \$35,668) and “Capital Outlay Equipment – Non Depreciable” (\$0 to \$5,208). In addition, it should be remembered that funding for the Public Building Services Department (\$64,247 for 2015) was included in the Facilities and Grounds Division for 2016.

She explained that 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. On page 124 (near the top of the page) the Water & Sewer Fund reimbursed the General Fund for the “Utility Service Fee – General Fund” in the amount of \$1,487,324 which is an increase of \$110,911 or approximately 8.06% from the \$1,376,413 that was reimbursed during FY 2014-15.

Capital Project Funds

At this time Ms. Rouse explained that they would be going over the Capital Project Funds. She explained that they were used to account for the proceeds and expenses of specific projects that are active/developed over the course of at least two fiscal years. Information concerning the Grogan Park Capital Project Fund can be found on pages 107-109. If you refer to page 108 you will note the Grogan Park Fund had a June 30, 2016 fund balance of \$15,809 which is a reduction of \$89,315 or approximately 84.96% when compared to the June 30, 2015 fund balance of \$105,124. This reduction is due to work being completed on the park during the course of the past year. Fundraising efforts are currently underway to raise enough funds to add to these remaining funds for the installation of some bathroom facilities.

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 two (2) Special Revenue Funds during FY 2015-16: Municipal Service District Tax Fund and the Community Development Block Grant Fund.

The Municipal Service District Tax Fund (pages 110-112) 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, 2016 fund balance of \$20,454 (page 111)

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which is an increase of \$3,914 or approximately 23.66% when compared to the June 30, 2015 fund balance of \$16,540.

The Community Development Block Grant Fund (pages 110 and 113) includes the revenues and expenditures related to the CDBG for the SGRTEX building and the NC Department of Commerce Building Reuse Grant Fund for the SGRTEX building. Page 113 includes the revenues and expenditures related to the building reuse grant. Additional information concerning the Special Revenue Funds can be found on pages 110 thru 113.

Ms. Rouse asked them to turn to page 114 and explained that this was a Comparative Balance Sheets for the Water & Sewer Fund comparing the period ending June 30, 2016 to the period ending June 30, 2015. Near the bottom of this page it indicates that the net assets in the Water & Sewer Fund ("Net Position in Water & Sewer Fund) increased by \$2,812,659 or approximately 6.05% from \$46,515,105 to \$49,327,764. The information at the top of the page indicates that the "Cash & Investments" increased by \$2,233,343 or approximately 54.21% from \$4,119,984 in the prior year to \$6,353,327 for FY 2015-16. Near the top of the page you will also note that the "Total Current Assets" increased by \$2,302,860 or approximately 29.61% from \$7,776,162 in the prior year compared to \$10,079,022 for FY 2015-16. Near the middle of the page you will note that the "Capital Assets Net of Accumulated Depreciation" increased by \$3,249,661 or approximately 5.97% from \$54,402,244 to \$57,651,905.

In the middle of page 114 they would note that the "Total Assets" of the Water and Sewer Fund went up from \$62,360,085 to \$67,730,927. This is an increase of \$5,370,842 or approximately 8.61% due to all of the infrastructure improvements that were made during FY 2015-16. 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 they have taken another year of depreciation on all of the older assets. Once a specific improvement is put into operation the auditors start depreciating it. The middle of page 115 illustrates this fact. They would note that the "Depreciation Expense" increased by \$91,590 or approximately 3.29% from \$2,782,566 during FY 2014-15 to \$2,874,156 during FY 2015-16.

At the bottom of page 114 they would see where our total liabilities (things that were owed by the Water and Sewer Fund) increased by \$2,938,130 or approximately 18.94% from \$15,510,466 to \$18,448,596.

The Income Statement for the Water & Sewer Fund is on page 115. Starting at the top of the page the Water & Sewer Fund "Total Operating Revenue" amounted to \$9,784,065 for FY 2015-16 compared to \$9,431,449 for the prior year. This was an increase of \$352,616 or approximately 3.74%.

Near the bottom of page 115 it indicates that the "Capital Contributions" increased by \$1,120,835 or approximately 63.56% from \$1,763,397 to \$2,884,232 due to an increase in the number of grants the City received during the course of FY 2015-16. The actual changes in capital contributions are as follows:

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<u>Project</u>	<u>FY 2015-16</u>	<u>FY 2014-15</u>
CWSRF – Kuder Street	-----	\$ 112,743
Rural Center Grant – TAG Grant	\$ 50,000	-----
CWSRF Princ. Forgive – Tanyard Branch	\$ 198,256	\$ 801,745
CWSRF Princ. Forgive – Matrimony Creek	\$ 869,160	\$ 130,840
CWMTF – Tanyard Branch	\$ 500,000	-----
Rural Center Grant – CMOM Project	-----	\$ 30,000
Duke Energy Reimbursement	<u>\$1,266,816</u>	<u>\$ 688,069</u>
Total	<u>\$2,884,232</u>	<u>\$1,763,397</u>

In the middle page 115 there is a line item entitled, “Other Post-Employment Benefits”. They would note that it realized a decrease of \$15,510 or approximately 35.42% from \$43,795 to \$28,285. As each of them may remember, they were a Phase II government and FY 2008-09 was the first year they had to include the “Other Post-Employment Benefits”. Near the bottom of the page it indicates that the “Non-Operating Deductions: Interest Expense” decreased by \$38,421 or approximately 11.33% from \$339,212 to \$300,791 due to a reduction in interest expense.

Near the bottom of page 115 it indicates that the Water & Sewer Fund realized a “Net Income” gain (“Change in Net Position”) of \$2,812,654 compared to a net income gain of \$1,268,494 in the prior year. This is an increase of \$1,544,160 or approximately 121.73%. The primary reason for this change is the fact that they received an increase in “Capital Contributions” from various outside funding sources during 2016.

As stated many times before, their future planning will require them to be mindful about the reduced usage patterns and actions that may be needed to make sure the revenues being generated on an annual basis are sufficient enough to pay for all of their annual expenses. As an enterprise fund, it is absolutely imperative that their 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 their operational, capital and debt related costs.

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, 2016 was \$9,338,484. This is an increase of \$3,419,492 or approximately 57.77% when compared to the June 30, 2015 total of \$5,918,992 (see November 23, 2015 Audit Synopsis memorandum). This is calculated by taking the fund balance at June 30, 2015, \$5,918,992 and then adding the revenues over expenditures and other financing sources number found at the bottom of page 125 which is equal to \$3,419,492.

On June 30, 2011 the Fund Balance in the Water and Sewer Fund equaled \$11,333,437. Due to insufficient revenues to meet their ongoing capital improvement needs they have used a total of \$1,994,953 in fund balance during just the past five years (\$11,333,437

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down to \$9,338,484). This is a reduction of approximately 17.60% in just the past five years.

The bottom of page 124 indicates that “Total Capital Outlay” expenses decreased by \$920,570 or approximately 13.07% from \$7,044,388 during FY 2014-15 to \$6,123,818 during FY 2015-16. The large amount of money that was and is continuing to be spent is for the work that must be 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).

The top of page 125 indicates that “Total Debt Service” expenses increased by \$121,587 or approximately 7.86% from, \$1,547,889 during FY 2014-15 to \$1,669,476 during FY 2015-16. It is anticipated that this number will continue to grow as they continue to fully implement the remediation plan in compliance with the EPA AO on SSOs and other capital infrastructure improvement needs.

She was very pleased to report that there is **NO** department/division within the Water & Sewer Fund as budgeted for in the FY 2015-16 budget document that exceeded the budgeted amount of funds. An examination of the various operating departments/divisions reveals the following:

<u>Department/Division</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Water Resources Page 119	\$ 393,585	\$ 347,235	\$ 46,350
Billing & Collections Page 120	\$ 419,300	\$ 371,249	\$ 48,051
Water Filtration Page 121	\$1,371,105	\$1,255,044	\$ 116,061
C & D Page 122	\$2,102,500	\$1,904,688	\$ 197,812
Waste Treatment Page 123	\$1,182,700	\$1,109,072	\$ 73,628
Sewer Construction Page 124	\$ 131,200	\$ 51,446	\$ 79,754
Non Departmental Page 124	\$1,600,600	\$1,523,744	\$ 76,856
Capital Outlay Page 124	\$8,268,095	\$6,123,818	\$2,144,277

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Debt Service	\$1,711,915	\$1,669,476	\$ 42,439
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Self-Insurance Fund – Internal Service Fund

Ms. Rouse then moved on to the Self Insurance Fund. She explained that 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 127. This year the retained earnings (“Fund Equities”) showed a slight increase of \$15,760 or approximately 70.26% from \$22,430 in 2015 to \$38,190 in 2016.

The income statement can be found on page 128. The “Total Revenues” for 2016 increased from \$2,297,709 for the year ending June 30, 2015 to \$2,551,093 for the year ending June 30, 2016. This translates into an increase of \$253,384 or approximately 11.03%.

On page 128 (near the middle of the page) it indicates the “Total Expenditures” increased from \$2,908,376 for the year ending June 30, 2015 to \$2,988,983 for the year ending June 30, 2016. This translates into a slight increase of \$80,607 or approximately 2.77%. On this same page you will note that “Insurance Claims” went up from \$2,366,974 in FY 2014-15 to \$2,475,641 in FY 2015-16 for an increase of \$108,667 or approximately 4.59% while the “Group Insurance Fixed Costs” decreased by \$28,060 or approximately 5.18% from \$541,402 in FY 2014-15 to \$513,342 in FY 2015-16.

Near the bottom of page 128 under “Total Other Financing Sources (Uses)” it indicates that \$453,600 (\$253,600 GF and \$200,000 WSF) was used in FY 2015-16 in order to balance the Self Insurance Fund. This was a decrease of \$96,400 or approximately 17.53% when compared to the \$550,000 (\$440,000 GF and \$110,000 WSF) that was utilized during FY 2014-15. A large reason for this continues to be the expenses associated with covering retirees.

Over the course of the past sixteen (16) 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 encountered.

Law Enforcement Officers Special Separation Allowance – Actuarial Study

The Law Enforcement Officers Special Separation Allowance is a public employee retiree system pension plan that provides retirement benefits to the City’s qualified sworn law

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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, 2015, the most recent actuarial valuation date, the plan was 0.00% funded. The actuarial accrued liability for benefits was \$1,895,625, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,895,625 (page 52). This represents an increase of \$819,764 or approximately 76.20% in the UAAL when compared to the previous year total of \$1,075,861 (page 83). This is due primarily to the age and number of police officers that have retired in the course of the past couple of years and will be retiring within the next couple of years.

It is very important to note that most municipalities fund their separation allowance on a pay as you go basis and this is what they have been doing. The City continues to be committed to funding this ongoing obligation on an annual pay as you go basis. Other information related to this separation allowance can be found on pages 50 - 52 and page 83.

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 one fiduciary fund: the Agency Fund - Runabout Travel Club Fund.

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 130 shows the statement of changes in assets and liabilities for this fund. The fund balance on June 30, 2016 equaled \$15,511 which is a reduction of \$1,840 or approximately 10.60% from the amount on hand as of June 30, 2015 which was \$17,351. Again, this is merely a fund for its members who contribute monies for scheduled activities and trips.

Capital/Fixed Assets

The Governmental Capital/Fixed Assets can be found on page 41. At the bottom of the page you will note that on June 30, 2016 the fixed assets (“Total Capital Assets Being Depreciated Net”) totaled \$18,923,226 net of depreciation. On June 30, 2015 they totaled \$18,865,906 for an increase of \$57,320 or approximately 0.30%. A review of pages 41 and 42 indicates the City of Eden’s investment in capital assets for its governmental and business-type activities as of June 30, 2016 totals a combined \$76,575,131 which is an increase of \$3,306,981 or approximately 4.51% compared to the June 30, 2015 combined figure of \$73,268,150. These assets include buildings, roads, and bridges, land, machinery and equipment, park facilities, and vehicles.

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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 their 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 35-36 and 41-42 in the notes to the financial statements.

Long-Term Debt

The details of long-term debt can be found on pages 61 - 80. Page 79 gives a detailed schedule which summarizes the City's annual requirements to amortize all long-term debts outstanding. On page 79 it shows that the total outstanding principal debt for the City at June 30, 2016, was \$19,170,176. This is an increase of \$3,819,212 or approximately 24.88% compared to the total of \$15,350,964 on June 30, 2015 (see page 78 of June 30, 2015 audited financial statements). This is made up from two numbers: the "Governmental Activities" debt that equals \$1,923,199 (2015 was equal to \$1,992,148) and the "Water & Sewer" debt that equals \$17,246,977 (2015 was equal to \$13,358,816). The primary reason for this increase is the additional debt service that has been necessary to address the work that must be completed to remain in compliance with the **unfunded mandate** from the EPA in reference to AO and their SSOs.

The information concerning the specific installment purchases, capital lease purchases and other projects (pages 61 – 78) indicates that three of the obligations will be paid off prior to June 30, 2017, seven additional obligations will be paid off prior to June 30, 2018, four additional obligations will be paid off prior to June 30, 2019 and nine additional obligations will be paid off prior to June 30, 2020.

The bottom of page 78 indicates that the legal debt margin for the City as of June 30, 2016 equaled \$66,250,808 up from \$65,993,674 (see page 77 of June 30, 2015 audited financial statements) on June 30, 2015. As each of you are aware; the N. C. General Statutes limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within the government's boundaries.

Analysis of Current Tax Levy

Page 132 is an analysis of the current tax levy for the year ending June 30, 2016. Near the bottom of the page you will note that the total property tax valuation is \$828,135,104. This

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is higher than the total property tax valuation as of June 30, 2015 which was \$824,920,925 (see page 138 of June 30, 2015 audited financial statements).

The current year tax collection rate increased slightly to 98.49% compared to the 2015 rate of 98.46%. The property excluding registered motor vehicles collection rate equaled 98.31% and is also slightly up from last year's rate that was 98.29%. Finally, the registered motor vehicles collection rate equaled a perfect 100.00%. This is also up slightly from last year's rate that equaled 99.99% (see page 138 of June 30, 2015 audited financial statements for 2015 collection rate information).

Interest Income

The \$85,897 in interest income earned on investments during FY 2015-16 (loose handout included with audit document) has increased from last year's total of \$64,969 by \$20,928 or approximately 32.21%. 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 nine years ago the interest income earned during FY 2007-08 equaled \$744,987. Information for the past five years reveals the following:

<u>Fund</u>	<u>Year Ended 06-30-2016</u>	<u>Year Ended 06-30-2015</u>	<u>Year Ended 06-30-2014</u>	<u>Year Ended 06-30-2013</u>	<u>Year Ended 06-30-2012</u>
General	\$ 43,582	\$ 31,287	\$ 29,026	\$ 34,261	\$ 48,657
Special Revenue	\$ 18	\$ 195	\$ 53	\$ 93	\$ 149
Water & Sewer	\$ 42,247	\$ 33,368	\$ 31,368	\$ 37,260	\$ 53,760
Self Insurance	\$ 50	\$ 32	\$ 240	\$ 230	\$ 219
Police Pension	\$ 00	\$ 87	\$ 98	\$ 35	\$ 8
Total	\$ 85,897	\$ 64,969	\$ 60,785	\$ 71,879	\$ 102,793

Construction Commitments

Four years ago there was a new addition to the "notes to the financial statements" entitled, *Construction Commitments*. This information is outlined on page 43 of the audit document. A total of three (3) projects are highlighted on page 43 with a combined total cost of \$50,937,138. Of this total, \$30,453,600 (see page 43) will be received in the form of grants and an additional \$15,000,000 will be received in the form of a 0% interest forgiveness loan. This leaves a balance of \$5,483,538 to be funded through additional low interest loans and/or revenues from the Water and Sewer Fund. Page 43 indicates that as of June 30, 2016 \$12,240 of the \$50,937,138 in identified costs had actually been spent with the remaining commitment being equal to \$50,924,898.

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, 2016 was 3 with 2 of those adjustments proposed by city personnel. The number of audit

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adjustments in the Water and Sewer Fund for the period ending June 30, 2016 was 5 with 3 of those adjustments proposed by city personnel. They would continue as a staff to do what they could to keep the number of audit adjustments to a bare minimum.

In the management letter the auditor's state, *"This was a very low number of adjusting entries for a City of this size. 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 financial reporting requirements"*.

The second area discusses actuarial studies:

Section 2. A. discusses the actuarial study of the Police Separation Allowance. The audit management letter states, *"The City continues to get an actuarial study of the police separation allowance. This gives management and Council the necessary information to accurately budget the cost of the separation allowance on a pay as you go basis"*. 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 Other Post-Employment Benefits to comply with GASB Statement 43, Financial Reporting for Post-Employment Benefits Other than Pension Plans and GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. The potential liability for other post-employment benefits was initially implemented into the FY 2008-09 audit report. They would continue to analyze and monitor this potential liability and will continue to do what they could to reduce future liability and they 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, principal forgiveness loans, and other grants and low interest bearing loans to deal with the ramifications of the EPA AO on their SSOs. The auditor's state, *"We are pleased with the progress that council has made in dealing with the sanction placed on the sewer system by the EPA. The council and employees continue to be proactive in applying for available revenue sources for needed improvements. Also, during the past fiscal year, Water and Sewer rates were adjusted to meet the budget needs of the Fund"*.

Mayor Tuggle thanked Ms. Rouse and all of their staff who worked on the audit as well as the Finance Department staff.

Council Member Burnette added that he agreed and he also wanted to note that he wanted to recognize the rest of the staff and the City Manager for being able to implement the budget and keep it under control.

December 20, 2016

City of Eden, N.C.

Minutes of the regular December 20, 2016 meeting of the City Council, City of Eden:

New Business:

- a. Approval of Boards and Commissions Appointments.

Board of Adjustment:

Council Member Jim Burnette nominated Will Flynt (Ward 2)

Community Appearance Commission:

Council Member Moore nominated Ann Fair (Ward 1)

Council Member Epps nominated Faye Shelton (Ward 4)

Council Member Carter nominated Cathy Carter (Ward 5)

Council Member Hall nominated Sylvia Grogan (Ward 6)

Historic Preservation Commission:

Council Member Moore nominated Wanda Hamrick (Ward 1)

Council Member Burnette nominated Jean Harrington (Ward 2)

Planning Board:

Council Member Carter nominated Amelia Dallas (Ward 5)

Tree Board:

Council Member Carter nominated Max Kirks (Ward 5)

A motion was made by Council Member Moore seconded by Council Member Hall to approve the appointments for Boards and Commissions. All Council Members present voted in favor of this motion.

Reports from Staff:

There were no reports at this time.

Consent Agenda:

- a. Consideration and Approval of Minutes for November 16, 2016.
- b. Approval and Adoption of Ordinance Amending 16-102 Connections Required.

Upon request of a Council member, Staff has prepared an amendment to City Code §16-102, Utilities, Wastewater, Connections Required. Presently, connections to the wastewater system are required by all occupied structures within the City. When it is discovered that property is served by a septic tank and/or is not connected to the city system, the current ordinance requires that the City notify such property owner and give them 180 days to make connection at the

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property owner’s cost. City policy allows the immediate preceding two years of the property’s sewer charges to be applied to the tap fee.

While state law does not allow a municipality to require its residents to use the City’s water and sewer system, it does allow a city to require property to be connected to the system. State law also gives municipalities the option, in lieu of requiring connection, to assess a periodic availability charge, as long as the fee does not exceed the minimum periodic service charge for properties that are connected. Based upon this authority, the amended §16-102 gives residents the option to pay an “availability fee” equal to the “flat rate” charge that connected residents pay instead of requiring them to connect to the wastewater system. Furthermore, the ordinance stipulates that this option is only available for properties with septic tanks in good working condition. It also states that once the tank system fails, the property owner must connect. Finally, any property owner electing this option, must forgo the credit towards the tap fee that they would get if they chose to connect upon immediate notification. Staff has drafted a form for the property owner to sign when they choose this option. It is an acknowledgement that they are allowed to remain on the septic system as long as the tank remains in good condition and that they are forgoing there credit towards the tap fee when and if they are required to connect in the future. Attached you will find a copy of this ordinance and form for your review and consideration.

c. Approval and adoption of Budget Amendment #2.

In fiscal years 14-15 and 15-16, we received a grant from K B Reynolds Charity Trust for the Get Fit Eden Program in the amount of \$19,800. As of June 30, 2016, we had only spent \$8,054.55 of grant funds. The attached budget amendment appropriates the fund balance for the amount of remaining grant funds (\$11,700).

	Account #	From	To	Amount
General Fund Revenues				
Fund Bal Approp – Get Fit Eden	10-3992-99100	\$ -	\$ 11,700.00	<u>\$ 11,700.00</u>
General Fund Expenditures				
Get Fit Eden	10-9920-69983	\$ -	\$ 11,700.00	<u>\$ 11,700.00</u>

Appropriates grant funds received for the Get Fit Eden program remaining from FY 2015-2016.

Adopted and effective this 20th day of December, 2016.

Attest:

Sheralene Thompson, City Clerk

Wayne Tuggle, Mayor

d. Approval and adoption of Budget Amendment #3.

The City of Eden received a Downtown Revitalization grant from the Rural Economic Development Division of the NC Department of Commerce for the Cook Block Streetscape improvements. The attached budget amendment appropriates the grant funds for this project in the Planning Department budget.

	Account #	From	To	Amount
General Fund				

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Revenues				
Downtown Revitalization Grant	10-3350-00940	\$ -	\$ 94,300.00	<u>\$ 94,300.00</u>
General Fund Expenditures				
Downtown Revitalization - Cook Block Project	10-4910-31000	\$ -	\$ 94,300.00	<u>\$ 94,300.00</u>

Appropriates grant funds received from the Downtown Revitalization grant for the Cook Block project.

Adopted and effective this 20th day of December, 2016.

Attest:

Sheralene Thompson, City Clerk

Wayne Tuggle, Mayor

e. Approval and adoption of Budget Amendment #4.

The City of Eden received a grant from the North Carolina Community Foundation for the extension of the Smith River Greenway parking lot. The attached budget amendment appropriates the grant funds for this project in the Economic and Tourism Department budget.

	Account #	From	To	Amount
General Fund Revenues				
Grant - Smith River Greenway Parking Lot	10-3350-00950	\$ -	\$ 16,900.00	<u>\$ 16,900.00</u>
General Fund Expenditures				
Econ Dev C/O Land Improvements	10-4135-54000	\$ -	\$ 16,900.00	<u>\$ 16,900.00</u>

Appropriates grant funds received for the Smith River Greenway Parking Lot extension.

Adopted and effective this 20th day of December, 2016.

Attest:

Sheralene Thompson, City Clerk

Wayne Tuggle, Mayor

f. Approval and adoption of Budget Amendment #5.

When the City purchases vehicles with installment purchases, it is required to show the loan proceeds as revenue and the payment to the vendor as an expenditure in the financial statements. The attached amendment increases the General Fund revenue line item “loan proceeds” and also increases the Solid Waste Department Capital Outlay – Vehicles for the purchase of a knuckle boom truck.

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	Account #	From	To	Amount
General Fund Revenues				
Loan Proceeds	10-3850-86000	\$ -	\$ 134,600.00	<u>\$ 134,600.00</u>
General Fund Expenditures				
Solid Waste C/O Vehicles	10-4710-55000	\$ -	\$ 134,600.00	<u>\$ 134,600.00</u>

Appropriates loan proceeds for Solid Waste knuckle boom truck.

Adopted and effective this 20th day of December, 2016.

Attest:

Sheralene Thompson, City Clerk

Wayne Tuggle, Mayor

g. Approval and adoption of Budget Amendment #6.

The attached budget amendment is to allocate funds received from Duke Energy for the Public Relations campaign related to the coal ash spill that were not spent in FY 15-16. The fund balance appropriated for the Bouvier Kelly contract has be increased by \$5,500 and the Economic Development Professional Services line item has been increased to account for the expenditures.

	Account #	From	To	Amount
General Fund Revenues				
Fund Balance Approp-Bouvier Kelly Contract	10-3991-99600	\$ 35,900.00	\$ 41,500.00	<u>\$ 5,600.00</u>
General Fund Expenditures				
Econ Dev Professional Services	10-4135-19400	\$ 15,900.00	\$ 21,500.00	<u>\$ 5,600.00</u>

Appropriates funds received from Duke Energy incentive program remaining from FY 2015-2016.

Adopted and effective this 20th day of December, 2016.

Attest:

Sheralene Thompson, City Clerk

Wayne Tuggle, Mayor

A motion was made by unanimous consent to approve the Consent Agenda. All Council Members present voted in favor of this motion

Adjournment:

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

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Respectfully submitted,

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

ATTEST:

Wayne R. Tuggle, Sr., Mayor