

**CITY OF LAURINBURG
COUNCIL MEETING
JUNE 15, 2009
MUNICIPAL BUILDING
303 WEST CHURCH ST.
LAURINBURG, NC
5:15 P.M.**

Minutes

The City Council of the City of Laurinburg reconvened its special meeting held on June 1, 2009, recessed on that date until June 4, 2009, reconvened and recessed on that date until June 9, 2009, reconvened and recessed on that date until June, 11, 2009, and reconvened and recessed on that date until this date and time, June 15, 2009 at 5:15 p.m., in the council room of the Municipal Building with the Honorable Matthew Block, Mayor, presiding. The following Councilmembers were present: Amanda B. Faulk, Curtis B. Leak, Thomas W. Parker, III, and Herbert M. Rainer, Jr. Councilmember Rembert DeBerry arrived at 6:34 p.m.

Mayor Block called the meeting to order at 5:28 p.m. Councilmember Parker gave the invocation.

Also present were: Dolores A. Hammond, Interim City Manager; Jenny Tippett, Deputy City Clerk; Cindy Carpenter, Finance Director; Bill Riemer, Director of Administration and Development; Robert Bell, Human Resources/Risk Management Director; Ronald Pierce, Electrical Services Director; Stacey McQuage, Public Utilities Director; Harold Haywood, General Services Director; and Marcus Smith, Fiber Optics Director.

The Interim City Manager explained that estimated expenditures have increased since the June 9, 2009 budget workshop and that more expenditures will be reported in June and possibly into July. She added that the budget remains balanced and includes no tax increase, no merit pay or cost of living adjustment for employees, and no increase in water/sewer, solid waste or electric rates. She further added that the budget includes no salary, moving expenses, or any other item that may be in the contract for the new City Manager.

The Interim City Manager stated that the 2008-2009 budget was \$31,811,176 without any Contingency. She added that the proposed 2009-2010 budget is \$32,404,000.00 without any Contingency. She provided balances for Fund Balances as of Friday, June 12, 2009 as follows:

General Fund:	\$1,704,644.00
Electric Fund:	\$6,793,600.00
Water/Sewer Fund:	\$976,445.00
Solid Waste:	(\$8,158.00)

A discussion ensued concerning the order of discussing budgets of the remaining departments.

Mr. Marcus Smith, Information Technology (IT) Director, explained he had cut \$1,300.00 from the Travel and Schools line item by eliminating the Chief Information Officer (CIO) course and the Quality of Service course. He added that he kept the Cisco CallManager 6.1 course because this course deals with our telephone system, and there is a great impact if the telephone system goes down. He further added that he also would like to attend the Cisco Certified Network Administrator course which is about routers and switches on the network.

Upon question by Councilmember Parker, Mr. Smith stated that the Cisco Certified Network Administrator course would cost approximately \$3,200.00 and is taught by Global Knowledge in Raleigh.

A discussion ensued concerning the necessity of maintaining the City's communication system.

Further discussion ensued concerning schools for the IT Director.

Mr. Smith explained that he would like to attend the schools; however, if an upgrade for one of the City's systems is necessary, he would have to postpone school in order to implement the upgrade.

Mr. Smith then explained that he had reduced the Departmental Materials and Supplies line item to \$1,800.00 and had reduced the Contracted Services line item by \$6,000.00.

A discussion ensued concerning the New Construction line item. Mr. Smith explained that it included running new fiber to another location at the hospital as well as relocation of fiber related to the bridge construction in the County.

Councilmember Parker expressed concern that the Health Insurance line item was incorrect.

The Interim City Manager stated she would check with the Finance Director upon her return from vacation.

A discussion ensued concerning the Departmental Materials and Supplies line item. Mr. Smith explained that this line item includes any miscellaneous items such as software or hardware that need to be purchased immediately.

There were no decisions made concerning the Fiber Optic budget.

ELECTRIC DEPARTMENT

Mr. Ronald Pierce advised Council about his discussions with Mastec regarding the two (2) 2004 trucks which are being held for the City of Laurinburg. He explained that the City can purchase both 2004 trucks for \$204,000.00. He further explained that the list price for a 2009 55-foot tower is \$155,000.00, and the list price on a 2009 40-foot bucket truck is \$120,000.00, for a total of \$275,000.00. He added that Mastec is offering the City both trucks for \$204,000.00 with the 40-foot tower truck coming in under \$90,000.00 which would mean it would not have to be bid out. He further added that the 55-foot tower truck will be over the threshold limit for bidding and will have to be bid.

Upon question by Councilmember Parker, Mr. Pierce stated that it would take 120 days to get the 40-foot tower truck and 180 days to get the 55-foot tower truck.

The Interim City Manager explained that the warranty for the chassis on the trucks will be as if the trucks are new and that the company will provide a one-year warranty for parts and labor and a life-time warranty on the boom body, the fiberglass tower.

Mr. Pierce advised that these trucks do not have the emissions controls that are currently required and that will be increased.

Councilmember Parker expressed interest in considering the purchase of the two (2) trucks once the remainder of the budget has been reviewed.

The Interim City Manager explained that the bidding on the 55-foot tower truck would actually be a piggy-back bid on a bid in Virginia and that there would not be a lot required in the bidding process.

Mr. Pierce explained that there was a lot of interest in the trucks due to the emissions control issue. He added that Mastec estimated that a new truck in 2013 to replace the 55-foot tower truck would cost approximately \$150,000.00.

Mrs. Carpenter explained that the Electric Department budget included \$131,500.00 for capital outlay to purchase a truck. She added that there is \$360,107.00 in Electric Fund Contingency that could be moved to purchase the two (2) trucks.

Following further discussion, it was consensus of Council to move \$73,500.00 from Electric Fund Contingency to the Equipment Replacement line item to total \$205,000.00 in order to purchase the two (2) trucks from Mastec.

WATER/SEWER

Mr. Stacey McQuage explained that he wanted to make a change to the Fee Schedule for outside tap fees. He explained that Councilmember Parker had recommended that tap fees outside the City limits be double the rate for inside the City. He further explained that if the tap fees were doubled, a tap such as the one at FCC would cost \$60,000.00 instead of \$30,000.00. He expressed concern about the excessiveness of the charge and suggested that tap fees for taps greater than two (2) inches outside the City limits be charged at cost plus overhead.

It was consensus of Council to change the tap fee for taps greater than two (2) inches outside the City limits at cost plus overhead.

WATER/WASTEWATER TREATMENT

Mr. Robert Ellis explained that in order to meet Council's requirement to reduce the budget by **estimated expenditures???? (what does this mean)**, he was not comfortable making the reductions but did so as directed. He added that the Travel and Schools line item was reduced by \$2,000.00.

Mr. Ellis explained that he was very concerned about reducing the Maintenance and Repair Equipment line item because most of the City's wells are approaching 30 years or older. He further added that many of the wells had been refurbished and that the next time there is a problem with one of the refurbished wells, it would not be worth the City's while to spend more money on those wells; instead, the City would need to drill new wells. He explained that he had spoken with Mr. Underwood, the well driller, who indicated that there was enough land at well sites 6 through 10 to drill new wells. He added that Mr. Underwood stated he would use as much material from the existing well to provide cost-savings to the City, resulting in the cost of a new well to be estimated at less than \$100,000.00. He explained that a completely new well site would cost approximately \$300,000.00 not including running any new water lines to the well site.

Mr. Ellis stated that he had reduced the Chemical Supplies line item; however, chemical prices have risen.

A discussion ensued concerning the Salaries and Wages line item. Mr. Ellis explained that overtime is built into that line item; however, overtime is difficult to predict. He added that he budgeted the same amount of overtime as last year.

Upon questions by Councilmember Parker, Mr. Ellis explained that the City has 16 wells which produce between 2.8 million and 3 million gallons of water per day. He added that the City's capacity is close to 5 million gallons per day.

A discussion ensued concerning the condition of the wells.

Upon question by Councilmember Parker, Mr. Ellis explained that Mr. Underwood is a well driller and has been for some time. He added that Mr. Underwood's father drilled well number 2 in 1962 and that it is still in service today. He further added that, based on data available on well life-spans, wells drilled by the Underwoods have a tendency to last longer than wells drilled by other large well drillers in this area.

A discussion then ensued concerning the use of 4-wheel drive trucks. Mr. Ellis stated that he needed a 4-wheel truck in order to go where his employees go.

Councilmember Parker stated that he would be more inclined to provide funding for a new well over a 4-wheel vehicle.

Mr. Ellis discussed the expenses of rehabilitating older wells. He added that the City should start the process of obtaining permission from the State for new wells.

Upon question by Councilmember Parker, Mr. Ellis explained that the City has had success rehabilitating two (2) wells; however, did not have as much success with rehabilitating two (2) other wells.

Upon question by Councilmember Parker, Mr. Ellis explained that the estimated cost for a 4-wheel drive truck including a tool box and other equipment was \$28,000.00 with the cost being split between the Water Production and Treatment budget and the Wastewater Treatment budget.

Mr. Ellis explained that if additional money is not added to the Maintenance and Repair Equipment and in Chemical Supplies line items, he will have to ask Council for more money for these line items.

A discussion ensued concerning the Fund Balance in the Water/Sewer Fund. Mayor Block stated that the Water/Sewer Fund Balance will go from \$347,000.00 to approximately \$628,000.00 by the end of the 2008-2009 year.

Mrs. Carpenter explained that the Water/Sewer Fund Balance included approximately \$209,000.00 which had been budgeted for Datamatic meter readers which were not purchased. She added that the City is still researching to determine if the meter readers the City currently has work before purchasing more. She further explained that taking into consideration the balance in the Wastewater Treatment budget, there was a difference of \$213,000.00, resulting in a savings of \$205,000 which includes a commitment for \$175,000 for a grant for the McKay Street project which will come out of the Fund Balance. She further added that Council had already approved a Capital Budget for this grant. She added that there is also another grant that the City has committed funds for, but she is unsure of the amount.

The Interim City Manager explained revenue was up in the Water/Sewer Fund because Council increased water rates twice last year due to a grant requirement that the City raise its rates.

Upon question by Mayor Block, Mrs. Carpenter explained that the estimated Water/Sewer Fund Balance is for the City to be \$100,000.00 to the good; however, the auditor can make adjustments when he audits the City. She added that the \$20,000.00 transfer to the General Fund could come from the Water/Sewer Fund, the Solid Waste Fund or the Electric Fund. She strongly recommended that Council not consider transfers from the Electric Fund because the Local Government Commission (LGC) closely monitors transfers from the Electric Fund, and the City is already transferring the maximum amount according to its policy.

Upon question by Mrs. Carpenter, Mr. Riemer stated that he did not know the exact amount of the grant for the Morris and Creedle Street project but would find out.

A discussion ensued concerning the cut-off dates for encumbrances. Mrs. Carpenter stated that June 16, 2009 was the last day for encumbrances over \$500.00 for the City.

Mr. Ellis asked Council to reconsider the budget amounts for the Maintenance and Repair Equipment line item and the Chemical Supplies line item in the Water Production and Treatment budget so that the budget would at least be at the level of estimated expenditures for 2008-2009.

Councilmember Parker expressed concern that staff made budget cuts that were not workable to allow the City to continue to operate.

Mr. Ellis explained that staff runs budgets as efficiently as they can and that, in order to meet the required 5% reduction requested by Council, there are only so many items that staff can reduce.

Upon question by Councilmember Parker, Mr. Ellis explained that the following items are included in the Other Improvements line item: cleaning of the raw water mains, the Supervisory Control and Data Acquisition (SCADA) fees, and engineering fee for evaluation of chemical feed system.

A discussion ensued concerning the need for a pickup truck. Mr. Ellis stated that he needed to replace a 1999 pickup truck that has 180,000 plus miles on it and is in bad shape. He added that the estimated cost is \$28,000.00 which is split between two (2) departments, Water Production and Treatment and Wastewater Treatment.

It was consensus of Council to remove the \$5,000.00 for SCADA from the Other Improvements line item and include

it in Contingency.

Following a discussion concerning the cost of chemicals and the amount of chemicals used per month, it was consensus of Council that the Chemical Supplies line item be increased to total \$181,236.00 and that \$20,000.00 be put in Contingency designated for Chemical supplies.

A discussion then ensued concerning the apparent lack of trust Council has in staff as far as expending funds. Councilmember Parker explained that, with issues such as Council not being informed on the Schoollink issue until recently, there is a trust issue for Council. He added that trust goes both ways and that in order to build trust, there must be communication. He further added that with unemployment in the community at 17.5% Council's job is tougher than ever, and any money spent has to be justified to the taxpayers.

Mr. Bill Riemer commented that in the past in the Council-Manager form of government, it has not been Council's responsibility to monitor each line item in the budget. That is the manager's responsibility to monitor and communicate with Council.

Councilmember Leak expressed concern that the former City Manager did not communicate all information to Council. He added that in hiring a new City Manager, Council is looking for a manager who is knowledgeable about government and is fair to staff and to Council.

A lengthy discussion ensued concerning the budget process.

Councilmember Faulk explained that because the City does not have an accredited manager, there is more pressure on the Interim City Manager and Council. Therefore, Council is applying more pressure on staff and is much more involved in the budget process. She added that staff has done everything that Council has requested of them even though there have been communication issues. She further added that the employees do a good job and are needed. She explained that Council is trying to get the budget to the very lowest in order to see where the City is, and then add items back into the budget. She further explained that this was a new process for Council as well as staff and that perhaps Council's intentions had not been conveyed to staff clearly, resulting in animosity and low morale. She concluded by stating that she wanted to finish the process, give staff what is necessary to operate, and be able to tell the citizens that staff and Council have done a good job.

Mr. Harold Smith discussed the state of the City's budget and services. He explained that he felt the Council was approaching the City's budget as if the City were in the same financial condition as the State and the County. He added that in the past 10 years, the City's General Fund budget has increased 17% and taxes have increased 14.5% with no reduction in services during those 10 years, while the State's budget has increased 100% during that same period resulting in debt of billions of dollars.

Further discussion ensued concerning the necessity of going over the budget line item by line item.

Mrs. Carpenter stated that she wanted to ensure that she was making the correct changes to the budget. She clarified that it was Council's desire to change the Maintenance and Repair Equipment line item in Water Production and Treatment to \$100,206.00 and the Chemical Supplies line item to \$181,236.00 and to move \$5,000.00 from the Other Improvements line item to Contingency for the designated for SCADA and \$20,000.00 designated for Chemicals.

A discussion ensued concerning the increase in the Utilities line item. Mrs. Carpenter explained that last year the City raised electric rates twice and that a 5% increase is expected in March, 2010.

Councilmember Parker suggested that the truck replacement remain in the budget but that it not be bid out until January 1, 2010 in order to determine the state of the City's budget and ensure that the City has enough funds to pay for chemicals.

It was consensus of Council to leave the truck replacement in the Equipment Replacement line item but that staff not formally bid it until January 1, 2010.

A discussion ensued concerning the storage of chemicals. Mr. Ellis discussed the storage capacity at the Water Treatment Plant.

WASTEWATER TREATMENT

Mr. Ellis explained that in order to meet Council's requirement to reduce the budget 5%, he had reduced the Maintenance and Repair Equipment line item.

Upon question by Councilmember Rainer, Mr. Ellis explained that included in the Telephone and Internet line item are 23 pumpstations, the Wastewater Plant, pagers, wells, and cell phones.

Mrs. Carpenter explained the effect on the Telephone line item from the IRS ruling regarding cell phones.

A discussion ensued concerning the on-call cell phone.

Mr. Ellis stated that he had reduced the Maintenance and Repair Equipment line item by \$70,000.00 and requested that it be increased back to the 2008-2009 estimated expenditures in that line item. Mr. Ellis explained that Chemical Supplies increased due to a pilot test on a polymer that will minimize the leakage of solids in the plant.

Upon question by Mayor Block, Mr. Ellis explained that the Maintenance and Repair Equipment estimated expenditures in 2008-2009 was over budget due to equipment failures.

A discussion ensued concerning the Telephone and Internet line item. It was consensus of Council to reduce the Telephone and Internet line item to \$18,000.00.

Following a brief discussion, it was consensus of Council to add \$50,000.00 back to the Maintenance and Repair Equipment line item for a total in that line item of \$90,500.00.

Upon question by Councilmember Parker, Mr. Ellis explained that the Contracted Services line item doubled from last year due to the fact that generator maintenance is now contracted and therefore has been taken out of Maintenance and Repair Equipment line item.

Upon question by Councilmember Parker, Mr. Ellis explained that the estimated expenditures for the Departmental Materials and Supplies line item was below the budgeted amount because he felt the high cost of diesel fuel did not make peak shaving cost effective. He added that if the cost of diesel fuel stays reasonable, then the department will do peak shaving in 2009-2010.

A discussion ensued concerning land application of sludge. Mr. Ellis requested that Council not reduce the \$155,000.00 budgeted for land application of sludge. He added that the contractor will now land apply when the plant is at 75% capacity.

A discussion ensued concerning the Utilities line item. Mr. Ellis explained that 19 pumpstations are with Progress Energy and six (6) with Lumbee River Electric.

Upon question by Councilmember Rainer, Mr. Ellis explained that Travel and Schools had been reduced to \$2,000.00.

Upon question by Councilmember Rainer, Mr. Ellis explained that the Departmental Materials and Supplies line item included diesel fuel for peak shaving. Mr. Ellis then explained that peak shaving is when the generators are used to produce the needed electricity to allow the Wastewater Plant to come off the City's electric grid to reduce electric costs.

Upon question by Councilmember Rainer, Mr. Ellis explained that the City has to contract out testing because the cost of the laboratory equipment is cost-prohibitive.

Upon question by Councilmember Rainer, Mr. Ellis explained that the Monitoring and Lab Certification Fee line item includes all permitting fees including land application which is to be renewed in 2009-2010. He added that there are new rules in place for the City to meet. He further added that there are no set fees on permits.

A discussion ensued concerning land application of sludge and the charges associated with application.

Upon question by Councilmember Rainer, Mr. Ellis explained that his goal is to minimize overflows by improving the collection system but that, realistically, overflows due to equipment failure cannot be prevented. He further added that his department in conjunction with the Sewage Collection Department tries to identify problems with the sewage collection system and either rehabilitate or replace lines as needed. He added that experience has shown that it is as cost-efficient to replace a faulty line as to rehabilitate it.

The Interim City Manager explained that the City has received a request for funding from the Humane Society. She added that the County is going to fund \$73,800.00 of the requested amount.

Following a brief discussion, it was consensus of Council to provide \$73,800.00 to fund the Scotland County Humane Society.

The Interim City Manager then explained that in the Non-Departmental budget, funding for the Marlowe Company for the two (2) contracts had not previously been included in the budget. She added that the amount totals \$24,000.00 and is in the Contracted Services line item.

A discussion ensued concerning the meeting with The Marlowe Company and items discussed at the meeting with the City, the County, and The Marlowe Company.

Upon question by Mayor Block, Mrs. Carpenter stated that she would research to determine if there was any gain from sale of police vehicles and provide that information to him.

Mayor Block suggested having a final budget discussion on Friday, June 19, 2009.

Councilmember Faulk requested a prioritized list including estimated costs from the Management Team of capital projects that they would like Council to consider.

Mrs. Carpenter stated that she would provide Council with a list of what has been placed in Contingency by Council.

A discussion ensued concerning the difference between the amount budgeted last year and the amount budgeted for 2009-2010.

Following discussion, it was consensus of Council to meet on Friday, June 19, 2009 at 6:00 p.m.

Councilmember Parker discussed a reward program for utility conservation that the school system put in place for its employees. He stated he would like the City to look into doing something similar to reward departments that conserve energy.

Mayor Block stated that Councilmember Parker had discussed setting aside money for the WARM program and this is something that can be discussed further.

Mrs. Carpenter stated that there may be approximately \$16,000.00 remaining in a rebate program for the Laurinburg Housing Authority that may have to be moved to next year.

Upon request by Mayor Block, Mrs. Carpenter explained that staff was anticipating funds remaining in the Solid Waste Fund Balance in the 2008-2009 year; however, after the auditor made adjustments, approximately \$120,000.00 is needed to balance the Solid Waste Fund. She added that Council can move funds from any of the City's Fund

Balances but she cautioned against moving from the Electric Fund since the LGC monitors that Fund closely.

Mayor Block suggested Council consider raising the commercial rate on dumpsters since the City charges considerably less than the commercial haulers.

Mayor Block opened the floor for Management Team members to voice opinions or concerns regarding the discussion on dental insurance and contributions to the 401k plan.

Mr. Ellis explained that his employees felt like Council does not think the employees are affected by increasing costs. He added that employees are concerned about the discussion to reduce the benefits package.

Upon question by Mayor Block, Mr. Ellis stated that he agreed with his employees. He added that the employees are doing a good job.

Mayor Block stated that he disagreed because in the private sector most employees would be happy to hear that their jobs are not being cut nor is their pay being cut.

Mr. Harold Smith stated that, since services are the same and the revenue is the same, it is difficult to explain why benefits would have to be cut. He added that he could not explain to City employees why benefits might be cut when there is a balanced budget, no increase in taxes or fees, and the City is not in a budget deficit.

Mrs. Carpenter stated that employees understand the economic situation, no cost of living adjustment in the budget and no merit pay increase; however, some of the things that have been said make the employees feel like their work is not appreciated or that they have not done a good job. She added that she heard on the radio about a possible two (2) cent reduction in the tax rate and that she had not heard about it until she heard on the radio. She further added that employees feel as though any benefit is possibly up for reduction and that they are in a panic situation. She further added that she felt the employees on the lower end of the payscale will be hurt more by some of the mentioned cuts. She concluded by stating that she did not feel that she had enough information on the direction which the City is going to keep employees at some sort of satisfaction level.

Councilmember Rainer stated that until the budget is approved, nothing is certain.

Mayor Block stated that, unfortunately, the workers at the lower end of the payscale are caught in the crossfire. He stated that there is a feeling that the salaries at the top end of the payscale are too big for a city this size and that this has created a mindset that there is fat in the budget with room to cut the budget. He added that the workers deserve everything they get, and he would love to give them some type of increase.

A discussion ensued concerning the Pay and Classification Studies done in the past. Councilmember Leak stated that in the Pay and Classification Studies, the City was compared to municipalities larger than Laurinburg. He stated that when Classification and Pay Studies were done, employees at the top of the payscale were the ones that received increases and that is why merit pay is never going to be offered again at the City.

Councilmember Parker stated that the Interim City Manager has done a good job for the employees and for Council. He stated that if employees are concerned about the discussions, they should attend the workshops in order to obtain information firsthand. He added that the economic times are strange and that Council is trying to sustain the City. He further added that, with increasing medical costs, Council needs to look at retiree health benefits.

Mrs. Carpenter stated that she would provide Council with estimated costs of retiree health insurance after the audit.

The Interim City Manager requested that Council consider offering some type of benefit to employees, such as an additional three (3) vacation days. She added that other municipalities are providing that benefit.

There was no action taken on the Interim City Manager's request.

Mayor Block stated that the Fund Balances were better than expected.

Motion by Councilmember Parker, seconded by Councilmember DeBerry, and unanimously carried to recess the meeting to Friday, June 19, 2009 at 6:00 p.m. in the council chambers of the Municipal Building located at 303 West Church Street.

The meeting recessed at 8:35 p.m.

Matthew Block, Mayor

Dolores A. Hammond, City Clerk