**MINUTES OF THE REGULAR MEETING**

**OF THE REIDSVILLE CITY COUNCIL**

**HELD WEDNESDAY, APRIL 10, 2013 AT 3:00 P.M.**

**COUNCIL CHAMBERS, CITY HALL**

**CITY COUNCIL MEMBERS PRESENT:** Mayor James K. Festerman

 Mayor Pro-Tem Tom Balsley Councilman Donald L. Gorham

 Councilman William Hairston

 Councilman Richard Johnson Councilman Clark Turner

 Councilwoman Sherri G. Walker

**COUNCIL MEMBERS ABSENT:** NONE

**CITY STAFF PRESENT:** Michael J. Pearce, City Manager

 Angela G. Stadler, CMC, City Clerk

 William F. McLeod Jr., City Attorney

 Donna Setliff, Community Development Manager

 Chris Phillips, Assistant City Manager of Administration

 Tom Wiggins, Assistant City Manager of Community Services

Mayor Festerman called the meeting to order.

**INVOCATION.**

Mayor Festerman invited the Rev. Dr. Bill Duke, Pastor of First Baptist Church, 409 S. Main St, Reidsville, to provide the invocation.

**PLEDGE OF ALLEGIANCE.**

The Council then led in the reciting of the Pledge of Allegiance.

**ANNOUNCEMENTS.**

There were no announcements.

**PROCLAMATIONS:**

 **“A DAY OF SERVICE” ON APRIL 27, 2013.**

Mayor Festerman invited Ann Fish, Blake Dawson and Roy Johnson Jr. to come forward as he presented them with the “A Day of Service” proclamation, which he read aloud. (A COPY OF THE PROCLAMATION IS HEREIN INCORPORATED AND MADE A PART OF THESE MINUTES.) Dawson explained that the day of service started as a church project in 2009 and blossomed into this countywide event benefitting at first three organizations and now seven. Those organizations include the Reidsville Outreach Center, the Reidsville Soup Kitchen, the American Red Cross, the Salvation Army, the Cooperative Christian Ministries in Eden, the Hands of God in western Rockingham County and the County Veterans Coalition. The goal is to donate 40,000 pounds of food this year. Annie Penn Hospital employees have committed 17,000 pounds or nearly half of the goal. He said they are really excited because there is such a need in this county with the unemployment. Mayor Festerman complimented them on their efforts. He added that they would continue collecting food until the first of May. The Reidsville Cruise-Ins, he added, have just donated $2,000 to the drive. He said they have some 55 partners helping with the effort. Ann Fish interjected that the number has risen to over 100 with them getting 2-3 new partners every day. She stressed the need for everyone to get involved and noted that this food stays in Rockingham County. She added that while the unemployment rate is supposedly going down, many people are just going off the employment rolls so it’s really higher than it has ever been and people are starving.

Mayor Festerman again thanked the group for their efforts. He noted that Cindy Farris, Deputy City Clerk, is also very active and interested in this effort.

**APPROVAL OF CONSENT AGENDA.**

**Councilman Gorham made the motion, seconded by Councilman Hairston and unanimously approved by Council in a 7-0 vote, to approve the Consent Agenda.**

**CONSENT AGENDA ITEM NO. 1 -- APPROVAL OF THE MARCH 13, 2013 REGULAR MEETING MINUTES.**

With the approval of the Consent Agenda in a 7-0 vote, the Council approved the March 13, 2013 regular meeting minutes.

**APPROVAL OF A CONTRACT WITH MCGLADREY, LLP, FOR THE FISCAL YEAR 2012-13 AUDIT.**

With the approval of the Consent Agenda in a 7-0 vote, the Council approved the 2012-2013 audit with McGladrey, LLP. The City’s auditors for the past seven years, Finance Director Chris Phillips noted in a memo to City Manager Pearce dated April 1, 2013 that last year McGladrey lowered its audit fee by $2,500 (almost 7%) during renegotiations and agreed to keep the same fee of $34,500 for three years. (A COPY OF THE AUDIT CONTRACT AND AUDIT ENGAGEMENT LETTER IS HEREIN INCORPORATED AND MADE A PART OF THESE MINUTES.)

**- End of Consent Agenda –**

**PUBLIC HEARINGS:**

**CONSIDERATION OF A REQUEST TO REZONE 828 LAWSONVILLE AVENUE FROM CONDITIONAL USE OFFICE & INSTITUTIONAL TO RESIDENTIAL-20 (R-20).**

In making the staff report, Community Development Manager Donna Setliff noted that the applicant is requesting that 828 Lawsonville Avenue be rezoned from Conditional Use Office & Institutional to Residential-20. The property is surrounded by residentially developed property, she noted, while there is a small area zoned Neighborhood Business at the intersection with Barnes Street. The prior property owners had requested in April of last year that the zoning of the property be changed from Residential-20 to Conditional Use Office & Institutional, Setliff explained. Back in April, Setliff reminded Council members that she had considered the rezoning to CU O&I was spot zoning. Today’s rezoning would eliminate spot zoning concerns, she said.

The applicant is updating the structure so they can live in it, Setliff said. She added that the Planning Board unanimously approved recommending the R-20 rezoning.

Mayor Festerman opened the public hearing at 3:07 p.m. by asking if there was anyone who wished to speak in favor or in opposition to the rezoning? No one came forward, and the public hearing was closed at 3:08 p.m.

**Councilman Turner made the motion to rezone the property from Conditional Use Office & Institutional back to R-20. The motion was seconded by Councilman Gorham.**

Mayor Festerman expressed how glad he was that the property was going back to R-20. He noted that this had been the only time he had voted for a spot zoning. He said he was glad it had come back. He said that at the time, if anyone had spoken against it, he would not have voted for it. He added that this was a “great day.”

**The motion then passed in a 7-0 vote.**

**- End of Public Hearings -**

**CONSIDERATION OF BOARD AND COMMISSION APPOINTMENTS.**

Ballots were then distributed for the board and commission appointments. City Clerk Angela Stadler noted that Council members could vote for both applicants for the Appearance Commission.

**PUBLIC COMMENTS.**

**Speaking On Behalf of HPAC for the Confederate Monument.**

Mr. Ira Tilley, who said he currently resides at 606 Irvin Farm Road, Reidsville, came forward. He said that he was here on behalf of HPAC and thousands of people here in Rockingham County who want the County’s 103-year-old Confederate Veterans Monument put back up in its original location. He said he understood the Council was annoyed last time he spoke before them, and if they wanted to speak today and replay to anything he had to say, that is fine. He said he knows they have rules and supposedly can’t speak back to him, but “you guys break rules too, you know.” Tilley said the Mayor said to the newspaper something he hadn’t said in two years, that you guys made a decision. He said they want to know where the minutes are from that meeting because we can’t find any. That’s a violation of the Open Meetings rules, he said. He said they understand that there is no statute on the books for open meetings violations and a lot of people have found that out in the last few months in North Carolina. Some legislation has been introduced that would make that a violation, he said, but right now there’s not. There are rules nonetheless, he said.

Tilley started to play a taped conversation between the *Reidsville Review* and then-State UDC President Aileen Ezell. The tape was inaudible to those listening. At one point, Tilley told the Council “I want to see that too.”

City Attorney McLeod told Tilley his three minutes were up, but Tilley said he was going to take more time. The Mayor told Tilley he was out of order and to cut off the tape recorder. Tilley continued to stand there with the recorder playing. Mayor Festerman told Tilley “we don’t want to do this, we have rules.” “The people don’t want to do it either, Mayor,” Tilley said. The Mayor warned Mr. Tilley and then asked the City Attorney if he could have Tilley escorted out? Tilley told the City Attorney he didn’t think he could be escorted out. City Attorney McLeod told Tilley he was violating the rules of this meeting and his three minutes have expired. The City Attorney said someone else could have three minutes. Tilley asked if that was their rules or State law? He was told it was the rules.

“I tell you something guys,” Tilley started to say but both Mayor Festerman and Mayor Pro Tem Balsley told Tilley his time is up. The Mayor asked Council members if he had their support to have Tilley removed? Tilley, pointing to City Manager Pearce, told Council members if they still support this man, go right ahead. During this entire time, Tilley played the tape. A police officer came forward to remove him, but Tilley left without further incident.

Mayor Festerman described this as a “sad day that he had to do something like that.” He said they have rules they have to follow and added that he took no pleasure from having to do that. He said he honored everyone’s right to speak; however, if Council doesn’t enforce the rules, a person could filibuster for hours, he said. He asked if any Council member disagreed with his actions?

Mayor Pro Tem Balsley said he thought the rule is that when Tilley’s time was up, he could have someone else come up and speak for three minutes. The City Attorney explained that the Council can, at its discretion, set policies and procedures to conduct a meeting. The Council decided that three minutes for each speaker to speak is reasonable, he said, and it hasn’t been challenged. Other municipalities do the same thing, and the told the Mayor he was correct, if you give a person an unlimited period of time, then it is counterproductive and serves no purpose. Mayor Festerman said it isn’t fair to the other folks either. He noted that we might support someone else’s comments but we wouldn’t let them go on forever either. The City Attorney said there are rules and procedures to conduct an orderly meeting, and if someone is out of order, the Council in its discretion can have that person removed. Mayor Festerman said he felt comfortable but noted it was the first time he’s had to do it.

There were no other public comments made.

**CITY MANAGER’S REPORT.**

**Unidirectional Flushing.**

In making his staff report, City Manager Pearce referenced Item No. 3 regarding unidirectional flushing on his written report. (A COPY OF THE WRITTEN CITY MANAGER’S REPORT IS HEREIN INCORPORATED AND MADE A PART OF THESE MINUTES.) He said the second phase is expected to be around the end of the month with a tentative beginning date set for April 18-22. He said they will start at the Water Treatment Plant and then work its way through the system. He said we will get a week’s “heads up” and notices will be sent out by section. He noted that in the fall, we used the CodeRED to notify citizens and that worked really well and we were able to give residents a “heads up.” He said residents will be told to check their water for discoloration. He said this time the discoloration could be worse, adding that this phase will be the major flushing and could cause more discoloration than in the past. He said he would give Council members more information as we find out more.

**Freeway Drive Project.**

Noting Item No. 4 of his written report, Pearce noted that the moving of the water and sewer lines as part of the Freeway Drive improvement project fell basically within the time period set, ending about 6:20 a.m. Saturday morning. Residents and businesses, including Unifi and Carolina House, were notified beforehand. The City Manager said this will go on as the project continues over the next year or two. He said he hoped it would go quickly but when you’re digging stuff up, you think you know where everything is, but things can happen. We have to move the utility lines, he said.

**Sweepstakes Operations.**

Mayor Festerman asked the City Manager whether there are any sweepstakes games still being operated in the City? Pearce said he was not sure, but he noted that they would be visiting every place that had these sweepstakes games and warn them we will be back after getting further instruction from the District Attorney’s Office. Councilman Turner said the one on Turner Drive is still open while the Mayor said he thought the one on Freeway Drive was open as well. Pearce said he heard some of them have been closing operations.

**COUNCIL MEMBERS’ REPORTS.**

**Councilman Gorham** – The Councilman said the Parks & Recreation Advisory Commission met last night and discussed several budgetary items. The Tru Life group from Reidsville High School, who are advocates of no smoking in public parks, gave a good presentation to the Commission, he said. He noted that six teens and adults came to the meeting. He told of how the students had picked up 1,300 cigarette butts from Jaycee Park recently. He added that they understand that Reidsville has been a long time support of the tobacco industry so they are requesting a smoking area in the parks. He stated that everyone doesn’t realize how dangerous the chemicals in the cigarette butts can be. He said he thought Tom Wiggins will probably bring something back before us.

Councilman Gorham said he also attended the ribbon cutting at the new Sheetz and noted how excited everyone was about the opening. He said Councilman Turner was there to give remarks on behalf of the City and acknowledge the Love family, who were there. He said he was thankful Clark was there. He added that he thought the Sheetz would be very successful there.

**Councilman Hairston** – The Councilman said he was pleased that there are organizations that help with youth and senior citizens, unemployed and those who are in need. He said it gives him a good feeling. He asked Rev. Ralph Watkins who was in the audience to say a few words about the upcoming Ministerial Alliance basketball tournament. Watkins said the tournament is planned for April 19-20 at the Parks & Recreation gymnasium on Franklin Street. While the event is free, there is a fee to play in the tournament. All of the teams have to come out of churches. Funds from this will go to our Scholarship Fund, the Midnight Madness basketball program and a food drive they have going on, Rev. Watkins said. They will have good fish sandwiches that Saturday, he added. Most of it is volunteer and has been successful for the past 7-8 years, he said. Councilman Hairston said one of the most successful players has been “Dr. J.,” otherwise known as Rev. Clarence Johnson, who was in the audience.

**Mayor Festerman** – The Mayor thanked Council and staff for identifying North Scales Street for the road improvement project. He said, that with a few exceptions, the homeowners there are showing pride in fixing up their homes and it’s catching. Councilman Hairston said he supported that.

**Mayor Pro Tem Balsley** – The Mayor Pro Tem said that for the second month in a row, Ira Tilley has come in and said that our Council is not transparent or that somehow we’re hiding something. He stated that the Council’s closed sessions have dealt with personnel matters. When we said the Council has decided, we decided to do whatever the Courts decide, is how he looks at that, he said. “We didn’t take any kind of vote not to put the statue up or any vote to do something we weren’t telling people about,” he continued. “This is the second person other than the County Commissioners that has made that charge against us. I really resent it,” he said. Our meetings are open, he said. We may have a special meeting to talk about some City issues, and we might need to meet at times other than this time, but we haven’t had secret meetings to decide anything about this statue. I feel like we try to do the right things always by having open meetings and by discussing our business in an open manner. He again said he resented people saying we’re not above board.

City Manager Pearce did note that the Council met in closed session with the City Attorney regarding HPAC’s lawsuit, which is the City’s right. He agreed with Balsley that no vote was taken by Council about the statue. Mayor Pro Tem Balsley said he felt he needed to respond. Mayor Festerman said he felt they may be giving Mr. Tilley more credit than he deserves. Regarding the article in the newspaper, he said that when the Council took no action to put the monument back up, that was a decision. By not doing something, that was a decision, he said. City Attorney McLeod said there have been no violations of the Open Meetings Law. He said he has been doing this a long time and he has never seen, been a part or had any knowledge of any violations of the Open Meetings Law, specifically regarding the monument. There was nothing discussed improperly or any action taken improperly, he said. Again, the Mayor felt they were giving Mr. Tilley more credence than he deserves.

**Councilman Johnson** – No report. He said he did want to piggyback on the earlier comments to say that it is a shame that he would have to use such theatrics, a stunt like that, playing a recording that no one else could hear. He said he postponed our meeting while he was escorted out, and it was just part and parcel of his motive, that there are thousands of people who want the monument put back, it’s very boisterous and in the end, makes him look bad, the Councilman asserted. He said that was the only comment he had.

**Councilman Turner** – The Councilman reminded everyone of the cruise-in this Friday night. He said he wasn’t able to attend the ABC Board meeting. The Historic Preservation Commission considered two Certificates of Appropriateness but both were denied. Hopefully, they can be resolved next month, he said.

**Speed Limit on Vance Street.**

The Councilman then asked about the speed limit on Vance Street. He asked if it could be raised from 30 mph to 35 mph since that street is wider than Scales Street, which is more densely populated than Vance Street. City Manager Pearce said it could be changed, that when the improvements were completed, it was the Council’s decision at that time to have the speed limit at 30 mph. He said it can be changed back to 35 mph and was built for a higher speed. Mayor Festerman noted the road is wider and has sidewalks now.

**Councilman Turner made the motion, seconded by Councilwoman Walker and unanimously approved by Council in a 7-0 vote, to change the speed limit from 30 to 35 mph on Vance Street.**

Asked when it could be changed, City Manager Pearce said as soon as the signs go up.

**Councilwoman Walker** – The Councilwoman said she attended last night’s New Heights Community Watch meeting. She commended Captain Ellison. This group is very dedicated and has a lot of problems, including dogs barking, but it was absolutely wonderful. She talked to one lady this morning who had seen the police drive by twice this morning. She encouraged other neighborhoods without community watch groups to start one. They do a wonderful job as people watch out for their neighbors, she said, which makes us a better community and makes us a better City. They don’t have food at all their meetings, but they will have fish in August as part of the National Night Out program, it was noted.

The Councilwoman invited Chamber President Diane Sawyer to speak about upcoming Chamber events. Sawyer thanked Council for their support of the ribbon cuttings, including those of Chamber members in the Wentworth area. She then noted that Tech Authority has been helping with Google Chromebook Seminars for those high school students using them; the Administrative Professionals Luncheon planned for Wednesday, April 24, at noon at Pennrose Park Country Club; the April 20th “Shine, Hops & Chardonnay” festival sponsored by the Chamber, City and Downtown working together; and the May 14th ribbon cutting at the Chamber for Shamrock Shredding at 2:30 p.m.

The Mayor concluded this portion of the meeting by letting everyone know that names were being sought for the local Football Hall of Fame that is being started.

**ANNOUNCEMENT OF BOARD AND COMMISSION APPOINTMENTS.**

City Clerk Angela Stadler announced the following board and commission appointments:

**Reidsville Appearance Commission** – Tyler Walker of 1119 Rosemont Drive and David Willis of 190 Willis Lane were both unanimously appointed to three-year terms on the Commission.

**Reidsville Human Relations Commission** – Cathy Badgett of 304 Moss Street was unanimously re-appointed to a sixth term on this Commission.

**FY 14 UTILITY BUDGET (WATER AND SEWER FUNDS).**

In beginning the budget work session part of the meeting, City Manager Pearce noted that the first such session was held on insurance and this second session would be dealing with the Enterprise Fund. He turned over the discussion to Assistant City Manager Chris Phillips, who has taken the lead on this part of the budget preparation. Phillips reviewed the handout for Council. (A COPY OF THE HANDOUT TITLED “COMBINED ENTERPRISE FUND 2013-2014 BUDGET” IS HEREIN INCORPORATED AND MADE A PART OF THESE MINUTES.)

Phillips started off by explaining how the Water and Sewer Funds have been combined into the Enterprise Fund. While maintained as two separate funds, the funds were combined by resolution last year for debt purposes, the Finance Director said. He stressed that City officials can’t tap into one of these reserve funds without receiving Council approval.

Mayor Festerman asked if the Local Government Commission has any say in this? Phillips said no, but they had run it by the auditors, who had no problem with it. Pearce said like other departments in the General Fund, he will have to report to City Council when he transfers between the funds. As an example, in big construction projects, money is moved between Water and Sewer Funds when it is a combined project.

Referencing page 2, Phillips noted that department heads have kept line items down from the current year, and cuts were made when we could. In Fiscal Year 2012-13, the budget included engineering for the Holiday Loop Sewer Project, which was a large expense, he explained. Next year will see big items as well, including the continuing spillway debt. They also included $1 million for repair and replacement of water lines. He noted that the Holiday Loop project couldn’t have been done without that R&R money this year.

Mayor Pro Tem Balsley asked if this includes money from grants and borrowed funds? Phillips replied in the affirmative. He said staff would come to Council later this year with final engineering costs. Sludge disposal listed for next year is a one-time expense. While a State project, the $900,000 shown for Freeway Drive is to move lines that are currently located in the rights of way. He said there will be three annual installments made to the State for this project with these monies being paid out of the reserves, he stated.

Mayor Festerman asked about sidewalks on Freeway Drive. Pearce said there will be sidewalks as part of the project from Vance Street down to in front of Lowes Foods/Pet Sense, stopping at the stoplight there. Another sidewalk will pick up at Front Street on the east side of the street, the City Manager added.

The next section on page 2 deals with revenues, Phillips explained. There is a drop in sewer charges, he said, because there has been a $200,000 decrease in industrial usage. Looking at the planned use of reserves, $653,800 is expected to be used next year. This year, $1.335 million of the $6 million in reserves is being used with $900,000 of that directly related to the Freeway Drive project (the first installment), he noted. Located behind page 2 is the detail, Phillips said, adding that they will just touch base on these pages.

Pages 3-4 are the revenue sheets, the Finance Director said. There was a brief discussion about the Return Check Charges, revenues which are expected to decrease from $6,265 to $6,000. While these fees add up over the course of the year, Phillips said they are not designed to be revenue generators. Monies from the Golden Leaf Foundation are not included but in the current year’s budget, those funds total $325,000.

Discussion touched on the payments to the State for the Freeway Drive project. The City will pay three installments of $900,000, $900,000 and $1.247 million, with the last payment being the “catch all” payment. It is hoped that the last payment will be lower, Phillips added.

On page 5, figures turn to the expense side, Phillips noted. Some employees have part of their salaries go from these funds to reimburse the General Fund, he explained. He added that some years, the City’s engineers, for example, may be more involved in Water and Sewer projects than in other years so these reimbursement figures go up and down.

As they reviewed page 6 dealing with Meter Reading-Water line items, Mayor Festerman asked how much automation have we done in meter reading? Phillips said that currently the meter readers use handheld devices, which has helped a lot. Discussion continued on this topic. It was noted that the City of Eden just put $1 million in new radio meters, which allows the operators to pick up the information as they drive down the street. These radio readings show usage for every day, but we can’t do that, Phillips said. It would cost us $1 million as well to put such technology in place, he said. City Manager Pearce said people are still needed on the street to change out meters, etc. The Mayor said most seem to think such technology is a cost savings. Phillips said as such technology gets older, the price might come down. Pearce said we would have to put a lot of thought into it before putting money into all of these upgrades. Mayor Festerman stressed he is not advocating it.

Councilwoman Walker asked what “Purchase for Resale” was on page 6. Phillips explained that these are extra meters and initial taps kept on hand for resale. Pearce said we will come back and discuss capital equipment later.

On page 7, Phillips noted that the HydroManagement (United Water) contract figure at $1.07 million jumps off the page. That number is down from the current year because the contract is renegotiated every year. While it includes a built-in increase based on the CPI (Consumer Price Index), the use of less chemicals provided a cost savings from between last year and this year. We are currently in the second year of the contract, he added. While HydroManagement/United Water could have paid back some of the chemical savings, legally, the City can’t make them do that. Pearce said we are still looking at them as a provider.

On page 8 is Water Distribution, which includes four employees, Phillips said. The $400,000 figure labeled Engineering Water Master Plan is due to the planned replacement of the water and sewer lines, he explained. Pearce reminded Council members that Public Works Director Kevin Eason had talked to Council about the replacing of these older lines. We should be finished replacing them in about 50 years and will then start over, he noted. The debt listed is for the spillway debt, Phillips said.

On page 9 is the Park Ranger-Water Fund line items. Phillips said people tend to think of the Park Ranger as checking on fishing and writing tickets, but he is charged with protecting our water supply. It is expected the salary line item will be a little less in the coming year since a long-time veteran officer retired from the position. Currently reserve officers are rotating out there right now, he said.

On pages 10-11 is Sewer Fund Administration and Wastewater Treatment Plant. Sludge disposal at $700,000 for the coming year is expected to make the process more efficient and to cost less but there is still the expense of hauling the sludge away, Phillips said.

On page 12 is the Sewer Collection System. The $600,000 for the Engineering Sewer Master Plan is the other piece of the $1 million to replace the water and sewer lines, Phillips explained. The debt listed reflects an old revolving loan from the State, with the last payment coming in 2018, he added.

On page 13 are three capital requests – a pickup truck for meter reading; a boom truck for water distribution; and a jet vac truck for sewer collection. Pearce noted that a truck was purchased in 1987 and gerryrigged as a boom truck. The City Manager said he is recommending we go ahead and purchase a boom truck, financing the $190,000 price over seven years at $31,000 annually. Phillips said the truck is over 25 years old. The jet vac truck has approximately 100,000 miles on it although the mileage is not as important as the fact that it is used every day, he said. Pearce stressed that it keeps the sewer system pretty clean; thereby, helping us save money over time. The current jet vac has old brakes, has failed inspections and needs to be replaced although it would probably bring good resale value from a smaller City, he said. Phillips noted that over the next five years, these seem to be the only big pieces of equipment out there for replacement. He said we shouldn’t be coming back to you asking for other big pieces of equipment.

Turning to page 14, Phillips discussed operating costs versus pro-forma, which was based on information from two years ago, when presented to City Council. Pro-forma is the projection prepared by staff as they go out to seek financing for projects and the subsequent debt. The question is where are we now, he said, adding that no factor was put in for inflation. The Finance Director said he took the pro-forma using real numbers from now in there and projected costs out until 2019. The first two columns on the page are audited. In 2012, the system surplus or deficit was $1.106 million, he noted. The deficit numbers are projected to get better, at least a little better throughout the years, he said.

Referencing the line item labeled “Difference Between Actual/Projected and Original Pro-Forma,” Phillips said Council may be asking how did we get off in our estimates. Part of the reason is lower than expected revenues, he said. With the City of Greensboro bringing in $300,000, which he admitted is a conservative number, we are a little short on revenues that we thought we would have, he noted. However, water sales to Greensboro have helped in past years and will probably help in the next couple of years, Phillips said.

In projected cost savings, we will see some savings in sludge removal, which has been pushed back from this year until Fiscal Year 2013-14, Phillips explained. We didn’t realize it would take so long to get this going, Phillips said. He noted that financing on the spillway project saved $189,000 from the pro-forma. With the 0% financing from the State for the Wastewater Treatment Plant improvements, we will save $140,000 in interest alone, it was noted.

The line item, Increased Operating Costs, at $532,900 on page 14 was discussed. This includes the renegotiated contract with United Water that reflects the CPI increase and other increases, as well as costs associated with Duke Energy, which has had big increases in the last couple of years, Phillips noted.

The Finance Director explained that he created a second tier that shows what happens if operating costs go up 2% a year. It shows we will be out $1.4 million in a few years over the original pro-forma. He said that is kind of where we are right now. The CPI increase the last two years has been either 5% or 2.5% a year.

Mayor Pro Tem Balsley asked what’s the solution? Phillips referred Council members to the NC Water and Wastewater Rates Dashboard on page 15 that compares Reidsville to other cities in North Carolina as of January of 2013. The average residence uses 4 units of water a month or 3,000 gallons. The State averages at 5,000 gallons so Phillips said he split the difference to use 4,000 gallons as the average for Reidsville.

Explaining the dashboard, Phillips said the first dial shows 390 water systems in North Carolina. At a $48.43 a month average water bill, Reidsville is below the average of $57.00 for that amount of water across the State, he said. The Conservation Signal meter does not apply to us, but he directed Council members to the Cost Recovery and Affordability dials. At 1.14 on the Cost Recovery dial, we are below the 1.2 benchmark needed to recover our water costs, he said. You don’t want to be in the red on the dial, and we are currently in the yellow area. Pearce noted that 1.2% is actually the “minimum” in terms of cost recovery. In terms of Affordability, at 1.74% of Median Household Income, we are below the 2% average. However, we used to be at 1.5%, which was one of the factors considered when deciding to raise water rates several years ago, Phillips said.

Mayor Festerman said we must be in one of the most expensive areas of the State to treat sewer because of our location. Phillips agreed that we’re “top dog” in the river basin so we get blamed for everything below us. Our water has a long way to go; therefore, we have to do a lot to keep it clean, he said.

At the request of Council members, Phillips showed where Eden falls on the dashboard. Pearce noted that Eden is exactly where we were several years ago when we had to raise our rates. Phillips said that Eden has already approved increasing its rates 1.5% in January and another 1.5% in July.

Differences between the two cities were highlighted, including that we are in two different river basins and that Reidsville has more industrial users than Eden. Pearce said our water charges are more favorable than Eden’s, but their sewer charges are more favorable than ours.

As they continued to discuss the water rates, staff noted that an 8% increase in water rates would get us to the 1.2 cost recovery benchmark. On the average, this would mean a monthly water bill would go from $48.00 to $52.30, about a $4.00 increase.

Referencing page 16, Phillips noted that the CPI since October of 2010 when the water and sewer rates were last increased has risen 5.8%. Half of that would be 3%, he noted. Increasing the water bills by 3% would mean the average resident would see a $1.50 monthly increase, which in turn, would raise $200,000 in revenues.

Phillips stated that staff is recommending an across-the-board increase, which would affect residents and businesses. In 2010, the City was criticized for not scheduling small increases all along rather than hitting residents so hard with a large increase, he noted. Pearce said staff was bringing this to Council’s attention because this is what the reality is. Water is a product we make, and all of the revenues are going into the Enterprise Fund, the City Manager said.

Pearce said they are recommending Council look at a 3% increase this coming year with modest increases in subsequent years so that we don’t get to the point where we have to have a 15% increase. He said they are planning to use the reserves to buy capital, but it is the operating costs that will drag us down, he warned. Revenues need to go up as the CPI goes up so that we won’t get further into the hole, he said.

Phillips said that page 17B reflects the unknowns out there, such as final cost estimates, construction bids, financing, completion and cost savings due to the sludge removal. Now is still a good time to do construction like the wastewater treatment plant improvements, he noted. He said we are going to have some savings on the spillway and some in the sludge removal. There are a lot of little pieces out there, he said, a lot of variables.

Pearce noted that this is a lot for the Council to digest.

Phillips referred to the final page of the handout, page 18, which shows the applications for the North Carolina Clean Water Revolving Fund. He pointed out that Reidsville received the second largest amount, $13.845 million, for its WWTP improvements. Winston-Salem got the largest amount at $50 million, he said. Reidsville’s project was looked at favorably because it is a rehab project rather than an expansion, he said, adding that part of the criteria is based on a City’s rates. CDM was instrumental in helping us get the loan, he noted, at 0% interest.

Pearce said he needed from Council members some sense of how they feel about a possible rate increase. He said Phillips had done a lot of work on these rate projections. Increases in operating expenses are going to happen, he stressed. The City Manager said he planned to put the increase in the budget. No vote is needed today, but he said he would like Council members to give staff feedback.

Mayor Pro Tem Balsley noted that without water, you’re in big trouble. Pearce agreed, adding especially if you can’t flush your toilet.

Councilman Gorham said he was not in favor of an increase at this time but noted that there are six other members of Council. Mayor Pro Tem Balsley pointed out that if they hadn’t raised rates when they did (in 2010), we would be in a bad situation. Pearce said staff would be going out to seek more financing, but we also have to be able to show we are operating a responsible business with our rates.

Councilman Gorham said he would like to study it further. Councilwoman Walker said this is a hard time for a lot of people. While 3% seem very fair, she said that 1 or 2% is not as much of a shock. She also expressed concerns about the homeless. Pearce reiterated that for the average household, they would see a $1.38 increase for 4,000 units. For many people, it will be less than $1.00 a month, he stressed. Phillips pointed out that older people use even less water than the average.

Council members indicated they would like to see a further breakdown of the rates and their effect on different residents. Councilman Gorham also said he would like to see the effect on people in the ETJ as well. He asked that the breakdown also show the effect on businesses too.

Discussion turned to those businesses in the downtown area. Phillips said that a lot of people downtown have a standard bill of about $68.00. He explained that people with larger meters have larger bills. If someone has a really big bill, they probably have a large meter. He said they have changed such meters out on request.

Councilman Gorham said the most complaints he gets are about the City’s water rates. Phillips noted that these people also don’t care what other cities are paying in reference to the dashboards. Pearce said they often hear people saying we have the highest rates in the State, but in fact, we aren’t even halfway to the highest.

Pearce stressed that the most important thing to him is the cost recovery figures. A comparison to Greensboro was mentioned briefly. Staff noted that the contract with Greensboro regarding water sales can be renegotiated in three years.

Councilman Gorham asked staff to research how our City compares to Eden and other cities of similar size. Phillips said he would select three “sister cities” to compare our rates to. He cited as possibilities Boone, Thomasville, Asheboro, etc. However, he stressed that all of our numbers are skewed by the debt involved.

It was decided that the Council members would recess this meeting to reconvene at 9 a.m. on Thursday, May 2, for another budget work session.

Mayor Festerman asked about receiving Legislative updates from the League. City Clerk Stadler said she could make those available to Council members if they wanted them.

**Mayor Festerman made the motion, seconded by Councilman Gorham and unanimously approved by Council in a 7-0 vote, to recess to reconvene on Thursday, May 2, at 9 a.m. in the first-floor conference room.**

The meeting recessed at approximately 5:15 p.m.

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 James K. Festerman, Mayor

ATTEST:

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 Angela G. Stadler, CMC/NCCMC

 City Clerk