

Town of Spring Lake
Board of Aldermen Special Meeting
Municipal Building
300 Ruth Street
Spring Lake, NC 28390

November 25, 2013

MINUTES

6:07 p.m.

The Spring Lake Board of Aldermen held a special meeting in the Grady Howard Conference Room of the Municipal Complex with Mayor Chris V. Rey presiding.

Board Members Present: Mayor Pro Tem Napoleon Hogans (arrived at 7 p.m.)
Alderman James Christian
Alderman Richard Higgins
Alderman James O'Garra
Alderwoman Fredricka Sutherland

Others Present:

Ken Metcalf, Town Manager
Allen Coats, Finance Director
Troy McDuffie, Police Chief
Rhonda Webb, Town Clerk

Byron Blumenfeld, Water Resources Manager
Paul Hoover, Director of Public Works
T.J. McLamb, Fire Chief

1. Call Meeting to Order

Mayor Rey called the meeting to order.

2. Approval of Agenda

The Board approved the agenda.

Action: The Board approved a motion to approve the agenda.

Motion by: Alderman O'Garra

Second by: Alderman Higgins

Vote: Unanimous

(A copy of the agenda is hereby incorporated by reference and made a part of these minutes – see attachment one.)

3. Water Bill Information Update

Mr. Coats gave the Board a review of the water bill rate structure and the capital projects that were used to determine the rate. There are three water projects (Lillington Highway, Lower Little River Interceptor and WWTP Rehabilitation) that affected the rate structure. He stated he told the Board during the budget presentation discussions for this fiscal year that the estimated savings on the projects would be used to cover the cost of the rate increase that we received. PWC raised our rate in July 2013 by 19.8 cents. That increase equates to a projected 12-month increase of \$54,900. At budget time, we anticipated that we would need less money for the projects due to bids coming in lower than expected but we would need additional money to cover the rate increase. Staff advised at that time that the savings and increase would basically be a wash and did not recommend a rate increase for the water. Mr. Coats stated that staff was given a directive from the Board in years past to pass along any rate increases to the water users. He advised we

are looking at an estimated savings of \$51,388 going into next fiscal year based on the actual annual debt payment. As a reference point he stated we have approximately 4,228 water customers. If we reduce each customer's bill by one dollar per month we would use up almost all of the \$51,000 savings. He also advised there are two parts to the rate structure. There is the flat rate which is used to cover the fixed cost like the annual debt payments and the variable rate which is used to cover the cost of operations and purchasing the water. He also reported that the Water and Sewer Fund transfers a sizable amount of money into the General Fund to cover the services that the General Fund provides for the Water and Sewer Fund. Mr. Coats advised he is expecting a rate increase from Harnett County in the upcoming year since they did not increase the rates last fiscal year. He also reported that we may get another increase from PWC for the upcoming year. Alderman O'Garra asked about the difference between a flat rate and a tiered system. Mr. Coats stated technically any adjustments should be made to the flat portion of the bill since the savings was in the debt payments. The tiers are set up now to generate enough revenue to run the system. If you lower an upper tier you will have to offset that with an increase in the lower tier. Alderman O'Garra requested that Mr. Coats do the math to determine how this would affect the rates. He suggested Mr. Coats provide information on a flat rate for 2000 gallons, a flat rate for 3000 gallons, etc.

Alderwoman Sutherland stated she appreciates the initiative to try to conserve water with the tiered system but inquired about the great savings to the Town. Mr. Coats stated there was no savings based on that. The only savings was to the debt (\$51,388.93) that we will not have to pay. He advised when the tiered system was put in place he was asked to create a system that would quit charging people for gallons that they were not getting. Originally, customers were billed a flat rate for 3,000 gallons whether you used that much or not. He had to figure out what the debt was and then determine what the rate needed to be for water and sewer to cover that debt. He stated the water flat rate is set to cover the water debt and the sewer rate is set to cover the sewer debt. He said is no one uses a single drop of water we will not be able to pay any employees but we will be able to pay our debt based on the flat rate. That is the way the flat rate works. The variable rate is set based on paying employees to fix water lines, run the plant, read meters, and any other operational expenses plus the cost to purchase the water. That rate structure is set to cover those costs as closely as possible based on water operations and sewer operations. In addition, when setting the rates he proposed a higher rate for those who put more stress on the system. This is a common practice and is meant to encourage conservation.

Concern was expressed about larger families being penalized for being large. Alderman O'Garra stated that he is finding this system "hard to swallow." He also stated that when this was originally presented to the Board the only thing that was discussed were the projects. He said no one ever shared the information about paying employees, etc. He said he would like to see us come to a flat rate system. Mr. Coats stated that the Board can change the rate structure anytime they wish to. He said he was tasked with finding a way for people to not have to pay for water that they were not using because that was unfair to them. He again reminded the Board that if they adjust the upper tier they will most likely have to adjust the lower tier as well to offset the difference. We have to bring in enough money to pay the debt.

Mayor Rey reminded the Board that the data provided to the Board during the budget process included a percentage of citizens who use a specified amount of gallons. More than 50% of the city was using less than 3000 gallons and we were charging them for more than they were using. That is the reason we made the decision we did. Mayor Rey requested that Mr. Coats provide that

information again. Mayor Rey cautioned that we need to consider everyone when we make a decision.

Alderman Higgins stated that he does not believe a family who uses 6000 gallons of water to be an excessive user. He believes the upper tiers should be for Laundromats and commercial users. He stated we are charging for the system and not for the water. He stated everyone has to help pay for the infrastructure and operational cost. He said when we think about this there are numerous things that must come into play and we cannot just think about one aspect. It will take more than a one or two hour workshop and he would like to take a good look at this once the audit report comes in. He requested to see a comparison of what the flat rate on 2000 gallons was and what it is on 3000 gallons now. Alderman Higgins stated he would like to reduce the water bills but he does not want the public to think that we are going to make drastic changes that we may not be able to do when all is said and done. He stated we need more customers.

Mr. Coats stated that Mr. Blumenfeld will present his FY 14-15 Projected Capital Expenditures following this presentation and those capital items will impact the rates if the Board determines they want to proceed with some of the requests. He stated this is just the beginning of the discussion and we will have to find a happy medium.

Alderwoman Sutherland stated she would like to see the comparison as well. She mentioned that under the old system people who did not use any water at all still received a bill and Mr. Coats stated that is correct. She stated that we need to look at the equipment that was put into the plant should make it run more efficiently and not feel as if there is no hope. We need to see what we can do and make a sound and educated decision.

(A copy of the agenda memo and PowerPoint presentation is hereby incorporated by reference and made a part of these minutes – see attachment two.)

Due to time constraints, Mr. Metcalf requested that Mr. Hunt proceed with his presentation and requested that we forgo Mr. Blumenfeld's presentation at this time.

Mr. Metcalf introduced Ms. Gail Elder White, the Town's new Recreation Director.

4. Presentation from Spring Lake Chamber of Commerce

a. Spring Lake Economic Development Corporation's Strategic Plan

Mr. Hunt provided the Board with an overview of how the Economic Development Corporation was formed. He also reviewed the Spring Lake 2020 Vision which includes being the off base home of Fort Bragg, large regional retail mall and a center for defense technology industry. The presentation also included the strengths and weaknesses of Spring Lake. Additionally, Mr. Hunt reviewed the critical success strategies. He stressed that it will take a team to effect the changes that are desired.

b. Façade Improvement Matching Grant Process for Main Street

Mr. Hunt explained the process for the Main Street Façade Improvement Grant. He advised there were two applicants who submitted for the grant.

c. Spring Lake Small Business Center and Incubator

Due to time, Mr. Hunt was not able to present this item to the Board and was asked to return for the

December 10, 2013 Winter Retreat.

(A copy of the agenda memo and PowerPoint Presentation is hereby incorporated by reference and made a part of these minutes – see attachment three.)

5. Adjournment

Action: There being no further business to come before the Board, the meeting was adjourned at 7:02 p.m.

Motion: Alderman Higgins

Second by: Alderman O'Garra

Vote: Unanimous

Rhonda D. Webb

Rhonda D. Webb, MMC
Town Clerk



ATTEST:

Chris V. Rey
Chris V. Rey
Mayor