

BANNER ELK TOWN COUNCIL

**March 10, 2014
MINUTES**

The Banner Elk Town Council met Monday, March 10, 2014 at 6:00 p.m. at the Banner Elk Town Hall for their regular scheduled meeting.

Council Members present: Mayor Brenda Lyerly, Allen Bolick, David Lecka, Charlie VonCanon, Mike Dunn and Robert Tufts

Staff present: Town Manager Rick Owen, Chief Byron Clawson, Steve Smith, Cheryl Buchanan and Attorney Four Eggers.

Others present: Rebecca Bolick, Bob Mann, Ted Silver, Jamie Shell and other interested parties.

Call Meeting to Order

At 6:00 p.m., Mayor Brenda Lyerly called the regular monthly meeting for March 2014 to order.

Pledge of Allegiance

Mayor Lyerly led those in attendance with the Pledge of Allegiance.

Invocation

Council member Bolick opened the meeting with prayer.

Approval of the Minutes

Mayor Lyerly asked council for a motion to approve the February 2014 minutes. Council member VonCanon motioned to approve the minutes as written. Council member Dunn seconded the motion. The February 2014 minutes were approved with all in favor and no one opposed.

Approval of the Stated Agenda

Mayor Lyerly asked council for a motion to approve the stated agenda. Council member Lecka motioned to approve the agenda as stated. Council member Bolick seconded. All were in favor. No one opposed.

Public Comments

Mayor Lyerly reported that two people signed up for public comments. Ted Silver reported that this is the second year he has taken students (5) attending Lees-McRae in the cycling minor program to the League of American Bicyclists' National Summit in Washington, DC. He noted that they visited Congressman Meadows and his transportation staff person. They also attended a coffee with Senator Hagan. One of the bills being proposed in congress is a grant for low income communities to allow small communities to get projects done (New Opportunities for Bicycle and Pedestrian Infrastructure Financing Act). Mayor Lyerly thanked Mr. Silver.

Jim Swinkola addressed council stating that on Saturday, April 12 beginning at 9:00, the Kiwanis Club will be joining forces with Avery High School Key Club and Cub Scout Troup 807 in cleaning up the town cemetery. He noted that he wants to make the town aware of this and to draw support for that particular day. Council member VonCanon stated that he and the town appreciate Jim's efforts.

Advertisement of Tax Liens

Cheryl Buchanan reported to council that every year the Town advertises unpaid taxes which is required by NC General Statutes. The town must give 30 days' notice. The letters went out on March 10th and will post the advertisement by April 6, 2014, which is included in council's packet. Ms. Buchanan asked council to approve the resolution supporting the collection of the delinquent taxes. Mayor Lyerly asked if there was a motion to accept the resolution. Council member Tufts motioned to approve the resolution. Council member VonCanon seconded the motion. All were in favor. No one opposed.

Attic Design Lease

Mayor Lyerly asked Mr. Owen if he had anything to say about the lease. Mr. Owen stated that he did not unless council had any questions. Attorney Eggers reported that if council approves the lease, the town must include a finding from council that the town will not have need of the space in the next year. Mayor Lyerly asked if there was a motion. Council member VonCanon motioned to approve the lease with Attic Design at \$599.46 per month with the intent that the space is not needed by the town. Council member Lecka seconded the motion. All were in favor. No one opposed.

Discuss Term of Elected Position, Mayor

Mr. Owen reported that he along with Mayor Lyerly and council member Dunn attended the conference on Essentials of Municipal Government. One of the topics discussed was the governing boards and their structure. Out of this came a discussion about the elected term of office for the position of mayor. Mr. Owen noted that currently in Banner Elk, the mayor is elected for a 2-year term whereas council members are elected for a 4-year term. He stated that attached to the agenda is a printout showing board structures in North Carolina. There are several items that council can change (i.e. number of board members, term limits) and there are options out there. Mayor Lyerly noted that another consideration is that the state has many new regulations. Every time there is an election, there are conferences and ethics seminars to attend which costs the town money. It would be wiser to go every four years versus two years. Council member VonCanon stated that he did much research on this topic and agreed that the mayor's term limit should be the same as council members. Attorney Eggers stated that there is a procedure set forth in the statute. Council can do this by adopting an amendment to the town charter. Council would have to consider a resolution of intent and call for a public hearing. Essentially we are looking at a 90-day process. Mr. Eggers stated that another option is to do it by referendum and general assembly, but the simplest is for council to act on its own. Council member Dunn noted that after attending the class he learned that having a mayor-manager form of government more times than not the mayor serves a 4-year term. If we turn over the mayor position every two years, there is no continuity and no stability in the mayor's seat. Mr. Owen

reported that if there is a consensus among council members, he will prepare a resolution with Mr. Eggers' assistance to call for a public hearing which will appear on council's agenda in the near future.

Planning/Goals – Retreat

Mr. Owen reported that a "goals retreat" was conducted a few years ago. This would be the first time the current council has held such a meeting and feels the need to schedule this into the calendar along with planning, which too is important, and along with the budget workshop. He noted that it will be a scheduling issue to determine which topics we will cover and for what purpose. Goals and planning are preempted to us having budget workshops. Mr. Owen stated that capital improvements along with water and sewer infrastructure is a part of the "planning". Mr. Owen stated that it comes to the question when does council want to schedule this retreat. Mayor Lyerly asked what the consensus of council was. Council member Tufts thanked council members for being open to this idea and noted that we should schedule a retreat soon and that it should start with general planning. He also agreed with Mr. Owen that planning and goal setting should come first before the budget. Mayor Lyerly asked council if they preferred an evening meeting or a Saturday morning meeting. After discussion, council members agreed to schedule a Planning/Goals Retreat for Saturday, April 5th from 8:30 until 12:30. Mayor Lyerly noted that this will be an informal and a brainstorming meeting, but will have some direction. Attorney Eggers stated that if it is a public meeting an agenda will have to be set. A second meeting is tentatively scheduled for April 26th. Mr. Owen asked council members which topics they would like to discuss at this meeting so that staff can prepare an agenda and any backup information required. Mayor Lyerly stated that the more information we have the easier it will be to decide our direction. She noted that she would also like to know what staff thinks we need now and how we move forward (i.e. monies we might need to spend on equipment). Other ideas: capital improvements, revisit the town's vision statement, etc.

Discuss Water and Sewer Rate Increase Proposal

Mr. Owen reported that at last month's meeting he discussed with council the proposed increase, a new minimum base charge, a new rate structure throughout the usage range for customers and the basis of this conversation was on the 3/4" residential meter users which is the bulk of our users. He noted that at that meeting he reported that there are three areas that still need to be reviewed: out of town customers, large meters and multi-use meters and how these components fit into the proposal. Mr. Owen typed out several points of interest to lay out the presentation of the structure and read the following:

Why are we doing this?

The review of the Town's water and sewer rate structure is due to the need to meet current and future expenses for the operation of our utilities along with meeting State requirements in relation to the operation of the systems as an enterprise fund.

The first issue of meeting current and future expenses for the operation of our utilities is linked with meeting State requirements in relation to the operation of the systems as an enterprise fund. Our system not only needs to generate the needed revenue to cover budgeted operating expenses but also the cost of depreciation and capital reserve for the future.

The Local Government Commission reviews the yearly audits of cities and towns in North Carolina. One of the areas watched closely is the operation of enterprise funds such as utilities. They are tasked with determining if a fund is generating the revenue necessary to be sustainable.

Currently our utility is operating as inexpensively as possible and we do not have the revenue to increase the level of operation. We also are not covering our depreciation of assets. The Local Government Commission has notified us of this issue and request that we provide a resolution to the problem.

What is the goal?

Our goal will be to set a rate structure that will insure the sustainability of the Town's water and sewer operations. We will look for a balanced structure for users. We will attempt not to over burden users with excessive rate increases. We will propose a structure that will allow for uncomplicated rate increases in the future.

Outcome?

Through extensive review of our current utility customers the following is the proposed structure and supporting information:

Rate Structure information from other utilities across the State:

59% have a minimum usage built into the structure

The proposed structure includes a minimum usage.

Our current structure includes a minimum usage.

2,000 gallons is the median amount of usage included in the base rate in NC

The proposed structure includes a minimum usage: 2,000 gallons for water and 2,000 gallons for sewer.

Our current structure includes: 2,000 gallons for water and 1,000 gallons for sewer.

Only 25% have separate structures for different uses (Residential, Commercial, Institutional, etc.)

The proposal does not separate uses.

Our current structure does not separate uses.

Most use a uniform rate (one rate per number of gallons for all usage). Increasing Block is the next most common

The proposed structure is increasing block through 50,000 gallons.

Our current structure is increasing block.

22% calculate their base rate by meter size

The proposed structure does not calculate rate by meter size.

Our current structure does calculate the rate by meter size.

Typically service provided outside of a city or towns limits is 200% of the in-town rate, but maybe higher based on the cost to provide the service

The proposed out-of-town structure is based on a rate 300% higher than the proposed in-town rate.

Our current structure ranges from 200% - 323% of the in-town rate.

Information about our utility:

602 water customers
645 sewer customers
1,247 accounts

7,204 water bills per-year
7,728 sewer bills per-year
14,932 bills

Mr. Owen noted that as mentioned last month, the reports he shared with council were based more on bills than on accounts or users because that bill we process every month is a more accurate interpretation of our user than that single account be it water or sewer.

Mr. Owen handed council a copy of the town's "Bills in Usage Range". He noted that it shows a breakdown of all meter sizes that we bill currently. Each meter is billed at a different rate. From this chart, you can see where the users are.

Mr. Owen handed council a copy of the town's "Current Rate Structure". You will see a comparison between inside and outside rates, the rate structures that we have along with the number of rate categories that we use. The big difference is the base rate.

Mr. Owen handed council a copy of the "Proposed Rate Structure". There are two structures: in town rate (based on a \$15.00 base charge for water and sewer and the usage dollar amount is the same for water and sewer) and out of town (based on \$30.00 for water and \$35.00 for sewer). As one's usage increases their percentage of the bill will be higher in some instances.

The next report that was distributed was the "Proposed Rate – Percentage of Change (Lowest to Highest)". Mr. Owen noted that with the new proposal, if one was an in-town water user only customer with a 3/4" meter, the lowest bill change that he would see would be 19% and the highest (worst case scenario) would be 50% (which is 1-million gallons). Mr. Owen stated that 93% of our users are below the 7,000 range. The sewer percentages are at a much lower change. The reason is that the sewer rates were much higher than the water rates. Mr. Owen proposes that we level this playing field out because it simplifies the town's rate structure, simplifies increases and helps get our utility where it needs to be. It would also give us a much more balanced approach to the town's revenue. In the initial setup, sewer only customers will see a much smaller increase than water only customers. And we have some water only customers who will see a bigger increase because they are only receiving that one utility from the town. The combination of the two will be seeing a rate most of our users will be in. Mr. Owen reported

that the town does have a “calculator” which can calculate water and sewer use for every rate that the town has. If a customer comes in, we can type in a usage amount and it will calculate how much their bill will change. The town is prepared to inform its customers how much ones bill will change. Mr. Owen noted that staff will research how to get this information built into the town’s website so that customers can access this information. As long as we can communicate this information to our customers the better the end result will be and will help minimize the complaints and questions coming from our customers.

Mr. Owen reported that now that he has given council the proposed rate they should understand that he no longer proposes a base rate change by meter size. It will be a flat rate no matter what the meter size.

Large Meter Accounts

Currently we differentiate user rates by meter size. Users are billed a given base charge dependent on the size meter they receive water through. The idea being customers who require larger meters also require a larger demand for water and sewer. The new rate structure proposes to remove this practice. In review of our current large meter accounts and our large system users we find that the basis for this type of distinction is not sound at our current use patterns.

A large meter is considered everything above 3/4”. We have 28 accounts: 12 accounts with 1” meters, 12 accounts with 2” meters, and 1 each at 1”, 1-1/2”, 3” and 4”.

Out of our 28 large metered accounts 15 of them are below a 15,000 gallon median usage in the 12 months reviewed. An additional 5 accounts do not exceed 35,000 gallons, 5 others fall below 100,000 and 3 over 100,000.

In contrast we have seven (7) 3/4” meters with a median use of 15,000-35,000; 2 between 40,000-80,000; 1 over 100,000. In addition to these with high median usage there are an additional eight (8) 3/4” accounts that have usages that range 10,000-60,000 throughout the year.

In the new structure, large meter accounts that do not have high demand will see their bills go down. Large meter accounts with high demand will see increases similar to other users. However, they will now pay more for usage as opposed to paying a high base charge.

The accounts that will see the highest increase will be those who have 3/4” meters at this time with high usage. They have been receiving the high usage without the large meter base charge. In creating a structure that allows for a level base charge we have raised the per gallon rate to make up for the loss of high base charges. In doing so the large meter accounts do not see as high an increase because they are no longer paying the high base charge. In contrast the 3/4” high usage accounts have not been paying the high base charge so they do not see that savings in going to a flat base rate.

Mr. Owen handed council a report showing “large meters and users by usage”. When he began his research he was expecting to find large users with also large meters, but it was not the case.

In the report are three columns: median usage, meter size and in or out of town. Mr. Owen noted that there are a number of large meters that are paying the large base rate but aren't using any more water or placing any more demand on the town's system than our residential customers. He noted a key point: that several 3/4" customers who are expecting and receiving as much water as these large meter customers who are paying a higher rate in the base charge.

Mr. Owen handed council a report showing where the town will get its monthly monies from (how much money can we count on coming in every month). The base charges are the only amount we are guaranteed. The spreadsheet is broken down into two sections. The top section lists meter sizes that are 1 inch and above, current rates, proposed rates and change in rates which are calculated and shows a loss for the town. The bottom section lists accounts with a meter size of 3/4" and shows what the town will gain by going to a flat rate, raising everyone's rates to \$15.00. This shows a net increase in revenue on a yearly basis of \$43,000. It is in the base rate that the town is guaranteed an x number of dollars on a monthly and yearly basis.

The next spreadsheet distributed shows large meter user accounts showing meter size, previous year billed, new bill based on previous year and the yearly total change in the bill. The users that are using our services and have usage, their bills will go up. They will pay the base rate and pay the increase.

Single Accounts with Multiple Users

We have 16 accounts that have single meters being used by multiple users. In this instance a user is defined as a condominium, apartment or location which operates independent of the other users connected to the same meter. There are 160 users on these 16 meters. Each of these 16 accounts should be charged based on the multiple of the number of users on the given meter.

This would more accurately represent the use of these meters and would then count as 160 user accounts as opposed to the current 16. These accounts are then paying a base charge for each user on their meter.

The accounts that are included in this list would see a varied change in their bill based on their current usage. The accounts would be given the minimum usage times the number of users (i.e. the number of base charges they are paying). Some accounts would see a savings from the proposed rate structure and others would see an increase.

Overall the change would generate \$7,566.00 over the proposed rate change based on current usage. In the long term it allows for base charge increases to be applied to 160 users as opposed to 16.

The spreadsheet "Large Meter/User Accounts" list single accounts with multiple users and is broken out into several columns (meter size, in/out of town, previous year billed, new bill based on previous year, total change bill/yearly, multi-user accounts, bill based on number of users, change from previous year, change from proposed rate, percentage change and percentage multi-change). Mr. Owen stated that if you add this change on top of the other changes being

recommended it adds a greater impact in particular on the apartment buildings listed. Mr. Owen handed council a report showing the calculations for one of the users on the last spreadsheet. This particular account has a 1" meter and has 4 users. Currently they receive 2,000 gallons in the base charge. We will now multiply that by 4 (the number of users) and they will now get 8,000 gallons a month in their base charge. Mr. Owen pointed out our normal billing range of 7,000, 15,000, 50,000, etc. That range will change based on the number of users. So as opposed to it being 5,000 gallons it is now 20,000 gallons they get in the first block because they have 4 users. Mr. Owen stated that he wanted council to see how the base usage increases times the number of users. He noted that it is not part of the proposed structure but more of an issue that arose from looking at the structure. Mr. Owen recommends that the proposed rate structure is one component that we need to do and the multiple user accounts can be done at a future date (i.e. during the budget process) if preferred. Mayor Lyerly asked if the information presented this evening was for information only or did Mr. Owen want a decision this evening. Mr. Owen recommends council call for a public hearing or a public comment period if council wants feedback to this proposed rate increase. He noted that we also discussed including in the next water bill a notice of rate increases and he also pointed out that it has been publicized in the local papers. Mr. Owen stated that he doesn't want to continue to put off a decision of some sort. The question comes up as to the amount of dollars it will raise and he is still comfortable at \$60,000 but it could be as much as \$90,000. The figure we are looking for is close to \$200,000 that we are trying to make up in depreciation offset. Mr. Owen noted that he is looking at this being a three step phase. Two steps to get us where the state would like for us to be and the third step to get us to be able to do things that currently we are unable to do. Council members agreed to move forward with a public hearing and place a notice in the upcoming water bill. Council member Lecka motioned to call for a public hearing at April's meeting (April 14, 2014). Council member Tufts seconded the motion. All were in favor. No one opposed.

Manager's Update

Mr. Owen reported that included in council member's packets were the financial report, police report, planning, zoning and tax collection report. Also included is a copy of the High Country ABC Board Meeting minutes for January 2014. Mr. Owen noted that if there were any questions regarding these reports to let him or staff know.

Mr. Owen reported that work will start this week on the restroom renovation at the amphitheater building. The contractor is waiting for a Certificate of Occupancy from the county and then for Mountain Electric to turn the power. They anticipate that it will take a week.

ABC System. Council member Dunn reported new changes that the ALE is making in regards to enforcement. He understands that it will not affect the amount of money coming into town. The new enforcement regulation will be a cost to the store itself; it will not come out of town revenues. Mr. Owen reported that he, Mayor Lyerly and Chief Clawson attended a meeting of the ABC Board (the three municipalities). The reason for the meeting is that by state requirement the ABC Board has to have an officer who inspects establishments that they sell liquor to. It effects the town because we are one of the owners of that store. The three owners met with the board to make sure we are fulfilling our obligation to provide these inspections. Currently there is about \$7,200 that is divided between the three municipalities (owners) for law

enforcement. If the store doesn't provide these inspections the state could come in, take the money away that the town currently receives and provide it themselves. The ABC Board doesn't want to lose any money to the state. Mr. Owen stated that he feels this isn't a huge issue. There are three owners and we need to decide how to respond or will the ABC Board keep the money and hire their own inspector. Mr. Owen noted that what we are proposing is that we do inspections within our town limits. We will not go outside our town limits and we anticipate that the other two municipalities will do the same.

Mayor Lyerly reported that April 1 is Mayor's Recognition Day. It is a day for the mayor to recognize people who are givers to the community (all volunteers). She noted that the proclamation has been signed and sent in. Mayor Lyerly is asking for help and input from the council members.

Council member Dunn reminded council that tomorrow March 11th there will be a Celebration of Life, an event to remember Steve Chandler. It will be held at Dunn's Deli between 4:30 and 6:30 p.m. His family will be present.

At 8:20 p.m. council member Bolick made a motion to adjourn the March 2014 town council meeting. Council member Lecka seconded. All were in favor. No one opposed.

Mayor Lyerly thanked everyone for coming.

Adjourn

The town council meeting adjourned at 8:20 p.m.

Mayor Brenda Lyerly

Steven R. Smith
Finance Officer/Clerk

Approved: April 14, 2014