CITY OF LAURINBURG
CITY COUNCIL SPECIAL MEETING
MAY 16, 2023
CITY HALL AND POLICE DEPARTMENT
303 W. CHURCH ST.
LAURINBURG, NC
4:00 P.M.

Minutes

The City Council of the City of Laurinburg held a special meeting on Tuesday, May 16, 2023, in the Council Chambers of the City Hall and Police Department at 4:00 p.m. with the Honorable James T. Willis, Mayor, presiding. The following Councilmembers were present: Mary Jo Adams, Mary Evans, Rosemary Rainer, Barbara Rogers, and Andrew G. Williamson, Jr. The purpose of the meeting was to discuss the Fiscal Year 2023-2024 annual budget.

Also present were Charles D. Nichols III, City Manager; Harold W. Haywood, Administrative Services Director/City Clerk; and Susan K. Coble, Administrative Support Assistant/Deputy City Clerk. The Leadership Team members present included: Betty Galloway, Human Resources/Risk Management Director; Stacey McQuage, Public Works Director; Dixon Medlin, Treatment Plants Director; and Walker McCoy, Community Development Director.

Mayor Willis called the meeting to order at 4:00 p.m.

Councilmember Adams gave the Invocation and led the Pledge of Allegiance.

The City Manager explained that there are five budgetary items that will be discussed, as follows:

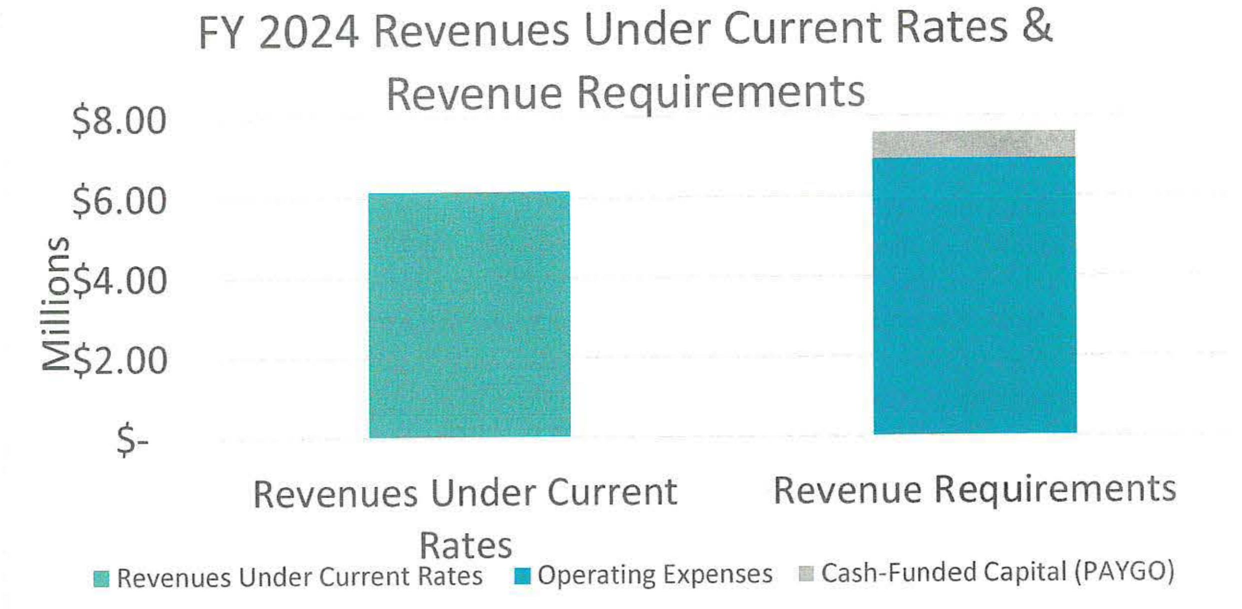
a. Water/Sewer Utility Rate Study Presentation
b. Property/Liability, Health Insurance Rates
c. Personnel Pay Study Update/COLA
d. Solid Waste Rate Discussion/Direction
e. Outstanding Budget Items

The City Manager explained that the council has discussed the need for a water/sewer rate study in the past. This current budget year, the city has contracted through Willis Engineers with Raftelis to perform the rate study on the water/sewer utility rates. Elaine Conti with Raftelis and Amanda Alley with Willis Engineers were in attendance to present the findings.

Mrs. Conti explained that one of the objectives of the rate study was to identify the level of revenue needed for financial sufficiency. Two factors to look at for financial sufficiency are funding of the five-year capital improvement program (CIP) and beyond and debt coverage/cash on hand metrics. The next step in the process is to identify alternatives to simplify the existing water rate structure.

Mrs. Conti explained that the city has not adopted a rate increase in over eight years. She added that the State and National annual increases have averaged about 4% to 5% annually, resulting in a total 50% increase on a compounded basis over the last eight years. With the recent inflation, it puts more pressure on both operation and capital costs of the water/sewer utility fund.

Mrs. Conti explained the following graph regarding the current revenue sufficiency challenges:



Mrs. Conti explained that the first part of the graph shows the current revenues that are generated from the water/sewer fees that customers pay, which is a little over $6,000,000. The second part is the revenue requirement which is the cost. This is made up of operation and operation & maintenance cost, eventually the city will have debt service cost, funding a capital improvement plan. Currently there is a deficit of $1.4 million for future annual cash needs. She explained that part of that is currently the sewer fund which is running at a deficit, and the city needs to fund the capital improvement plan as well.

Mrs. Conti explained that the current rate structure is as following:

Water Inside-City

Water	Residential	Commercial	Irrigation
Minimum 2,000 gal.	$13.18	$16.01	$15.38
Next 3,000-10,000 gal.	$2.28	$2.31	$2.79
Next 11,000-50,000 gal.	$2.34	$2.35	$2.85
Next 51,000-500,000 gal.	$2.36	$2.40	$2.90
Next 501,000-1,000,000 gal.	$2.43	$2.46	$2.96
Greater than 1,000,000 gal.	$2.47	$2.50	$3.00

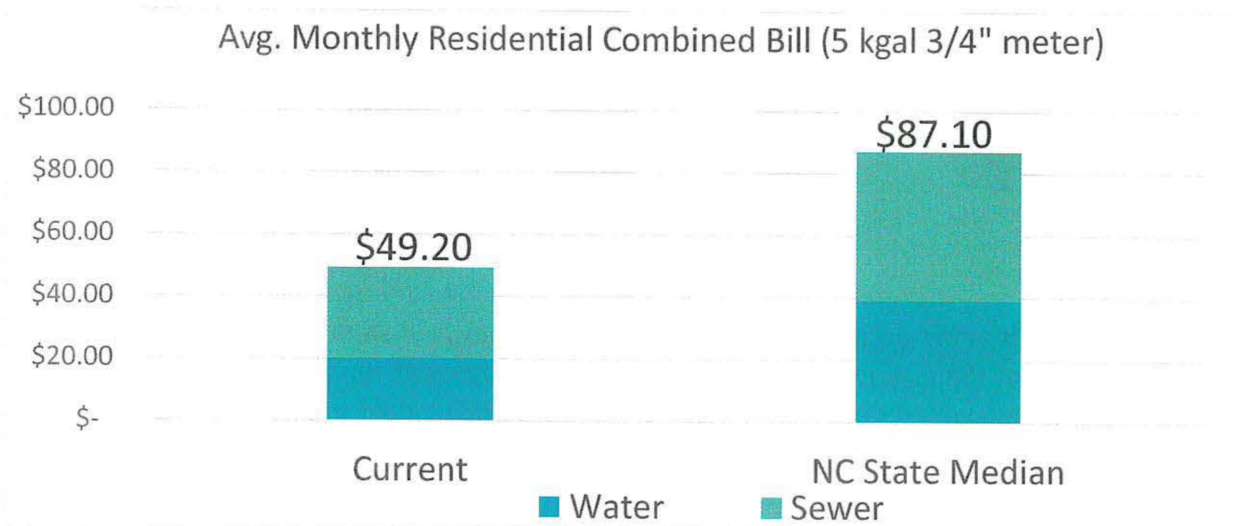
Sewer Inside-City

Meter Size	Inside-City
0.75"	$11.68
1"	$20.64
1.25"	$29.62
1.5"	$35.65
2"	$53.61
3"	$95.34
4"	$155.03
6"	$304.63
8"	$483.92
10"	$812.79

Volumetric Rate	Inside-City
All gal.	$3.50

She explained that the minimum residential rate for residents within the city is $13.18 for the first 2,000 gallons. Once the customer uses the first 2,000 gallons, the rate increases. On the sewer side, there is a base charge, which is based off the meter size with .75" being the smallest size at $11.68 per month plus $3.50 per 1,000 gallons of water usage.

Mrs. Conti explained that the currently monthly bill is as following:

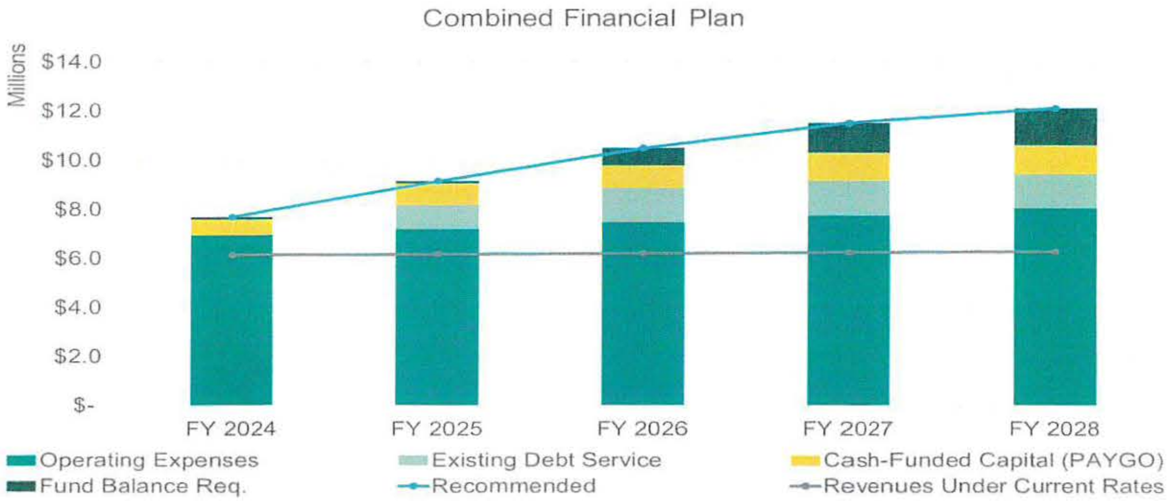


The Environmental Finance Center at UNC Chapel Hill has a dashboard that shows periodic updates on rates for all the utilities within North Carolina, which is where the state median information was retrieved from. The average residential customer uses approximately 5,000 gallons of water per month. She explained that is where the current average bill of $49.20 is calculated from. Comparing the average bill for the City to the NC State Median bill shows the city is significantly below the state median. She explained that the NC median fixed monthly minimum fee is $18.38 for water and $20.48 for wastewater, compared to the City's minimum fee of $13.18 and $11.68, respectively.

Mrs. Conti shared some customer statistics from the information that was reviewed with the water/sewer customers. The water customers located inside the city limits are 80.9% and 19.1% being outside. Most of the sewer customers are located within the city limits at 99.0%. She explained that the residential customers account for 89.6% of total customers, commercial is 8.9% and irrigation is 2.6%, which shows that the residential class comprises the majority of users for the City of Laurinburg.

Mrs. Conti explained that the Capital Improvement Plan (CIP) needs to be funded over the next six years. As of right now, the Capital Plan forecast is $69,852,500, which is for water/sewer infrastructure that the city will need for various types of projects. This is a forecast of what the revenue needs will be to repair any of the following: water supply, water distribution, wastewater collection and treatment. She explained the breakdown of the total to be anticipated grant funding of approximately $39,000,000, debt of approximately $26,000,000, and PAYGO (cash funded capital) of $5,000,000.

Mrs. Conti explained that the following chart reflects the capital improvement plan needs in addition to operating cash needs for financial sufficiency.



The large green bar is the operating expenses of the water/sewer system with an increase of 2% to 5% increase over the next five years. The yellow bar is the cash-funded capital that is used to pay for some of the expenses over the 5 years which is not being debt funded. The light green bar is the existing debt service, which includes 26,000,000 that the city has obtained from the State Revolving loan funding for. The first payment of $500,000 will begin in Fiscal Year 2025. Mrs. Conti explained that the remaining full loan amount of $26,000,000 starts in Fiscal Year 2026, which increases the total debt service for an additional $1,000,000. She explained when that debt service is all in place by Fiscal Year 2026, the City must have the revenues to be able to cover the debt that is owed. Mrs. Conti explained that to receive future funding or grants the City must show that it has debt service coverage.

The City Manager explained that the $26,000,000 loan amount is part of the loans that the City obtained with low interest funding. He explained that the City pursued grant funding for those projects, but due to the water/sewer rates being so low, the state determined the City was not eligible to qualify for grant funding.

Councilmember Adams inquired about the $70,000,000 she referenced to earlier was grant funded and asked where that money is reflected in the graph. Mrs. Conti explained that those funds are not reflected in the graph due to it not being any money that needs to be funded. She explained that the needs reflected in the CIP plan isolates out the grant funded amount to forecast the needs of what will not be covered by already secured funding.

Councilmember Adams inquired about how much money is needed to cover the CIP plan. Mrs. Conti explained that it was the $26,000,000 in debt service and $5,000,000 in PAYGO.

Mrs. Adams explains that she understands that the city could not receive the grant funds due to the city's rates being so low, so the city obtained the low interest loans, but questioned if the city has received any grant funding currently. The City Manager explained that we have already been awarded grant money and the low interest loans. He explained that we do not have to start paying the debt service on the low interest loans until the projects are finalized. He stated that part of the consideration is to determine how the city will obtain the funds to start paying those loans back in Fiscal Year 2025.

Mrs. Conti explained that the following graph shows the revenue needed for the City to fund that debt over the next five-year period.

She explained that to meet that debt service to fund the rest of the CIP plan and cover the current deficit there needs to be the following increases over the next five years:

Rate Increases	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Water and Sewer	25%	20%	15%	10%	5%

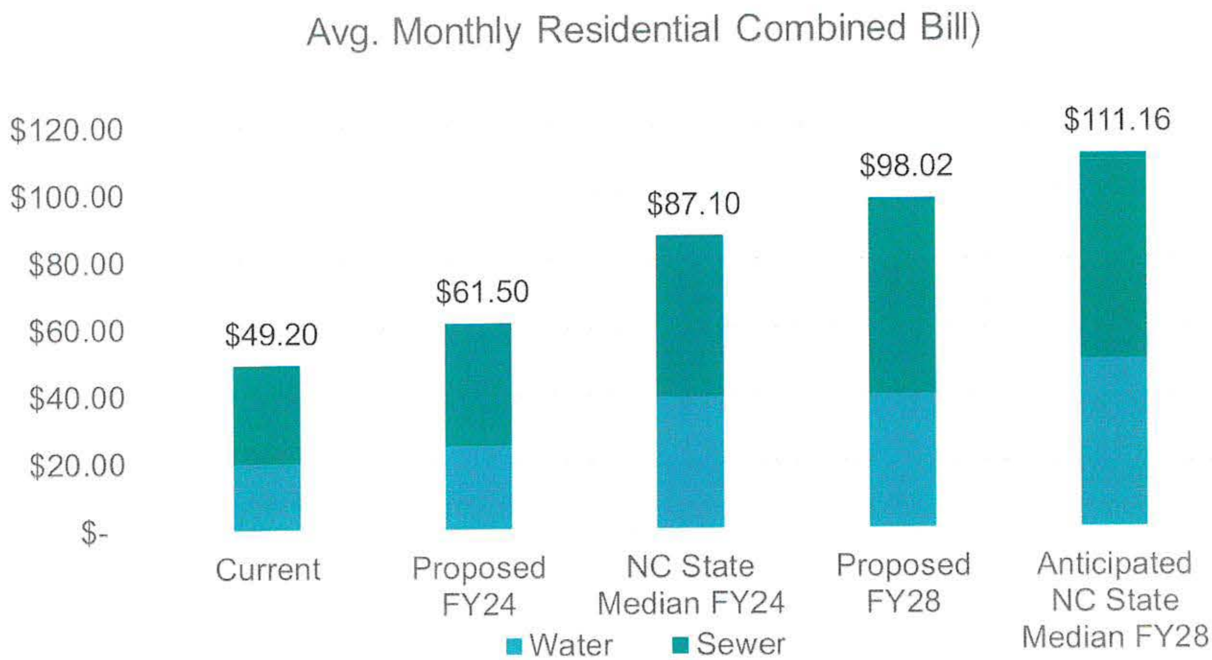
She explained that the percentage increases stated in dollar amounts would be as follows: Fiscal Year 2024, $12.31; Fiscal Year 2025, $12.30; Fiscal Year 2026, $11.07; Fiscal Year 2027, $8.48; and lower in Fiscal Year 2028 at $4.67 due to inflation.

Councilmember Rainer wanted clarification that the city had not had an increase in eight years. She inquired why the city didn't gradually increase over the years instead of having to implement a twenty-five percent increase at once.

The City Manager explained that the last increase was thirty-five percent in 2015. He explained that the city should have mirrored inflation over the years with gradual increases instead of leaving it flat to prevent the larger increase that is now needed. He reiterated that even though the percentage is high the actual dollar amount is not as high since the rates are so low.

The City Manager explained that what allowed the City to keep from raising the rates over the past few years was the FCC project, which included the seven-year incentive agreement that was about a million dollars of revenue per year of the eight-million-dollar total water/sewer budget. He explained that was why the city decided it was time to bring the rate analysts on board to reassess the rates and make recommendations.

Mrs. Conti explained that looking at the combined water and sewer bill compared to the state median, the graph below reflects what the average customer, which represents ¾" water meter at 5,000 gallons, would compare to the state median and then if the city continues the path of the proposed rate increases, the graph shows the average bill comparison to the state median by Fiscal Year 2028.



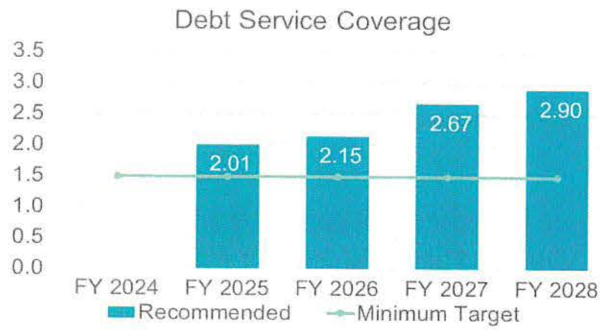
She explained that, with inflationary measures, the proposed rate would still fall below the anticipated NC State Median in Fiscal Year 2028.

Mrs. Conti explained the following graph reflects the comparison of the city with neighboring communities with the current rates and the proposed rate increase using the average residential monthly usage.

City	Water	Sewer	Total
Hoke County	$31.00	$54.00	$85.00
Fayetteville Public Water Works	$31.75	$47.25	$79.00
Southern Pines	$32.15	$40.50	$72.65
Lumberton	$24.38	40.22	$64.60
Robeson County	$24.38	$40.22	$64.60
Hamlet	$30.50	$33.00	$63.50
Laurinburg – Proposed	**$25.03**	**$36.48**	**$61.50**
Laurinburg – Current	**$20.02**	**$29.18**	**$49.20**
Richmond County	$46.76		$46.76
Maxton	$21.80	$18.66	$40.46
Rockingham	$16.50	$11.95	$28.45

She explained that with the proposed rate increase the City should compare favorably to the neighboring communities with their possible increases yearly.

Mrs. Conti explained that the following two graphs reflect the impact to the City with the proposed rate increase in debt service coverage and fund balance.



She explained that with the proposed rate increase, along with what the City would be cash funding in the CIP plan, it would generate enough revenue that would look favorable in the future to borrow additional funding if needed. This proposed plan will also increase the fund balance, as right now the City has a little over $1,000,000, and the total revenue requirement is around $8,000,000 and will increase over time.

Mrs. Conti presented what the new rates would be for Fiscal Year 2024:

Water Inside-City

Water Inside - City	Residential	Commercial	Irrigation
Minimum 2,000 gal.	$16.48	$20.01	$19.23
Next 3,000-10,000 gal.	$2.85	$2.89	$3.49
Next 11,000-50,000 gal.	$2.93	$2.94	$3.56
Next 51,000-500,000 gal.	$2.95	$3.00	$3.63
Next 501,000-1,000,000 gal.	$3.04	$3.08	$3.70
Greater than 1,000,000 gal.	$3.09	$3.13	$3.75

Sewer

Meter Size	Inside-City	Outside-City
0.75"	$14.60	$29.20
1"	$25.80	$51.60
1.25"	$37.03	$74.05
1.5"	$44.56	$89.14
2"	$67.01	$134.00
3"	$119.18	$238.34
4"	$193.79	$387.60
6"	$380.79	$761.58
8"	$604.90	$1,209.78
10"	$1,015.99	$2,031.98

Water Outside-City

Water Outside - City	Residential	Commercial	Irrigation
Minimum 2,000 gal.	$39.81	$47.36	$38.44
Next 3,000-10,000 gal.	$5.74	$5.79	$6.99
Next 11,000-50,000 gal.	$5.84	$5.91	$7.13
Next 51,000-500,000 gal.	$5.96	$6.01	$7.24
Next 501,000-1,000,000 gal.	$6.06	$6.11	$7.41
Greater than 1,000,000 gal.	$6.16	$6.21	$7.56

Volumetric Rate	Inside-City	Outside-City
All gal.	$4.38	$4.38

Mrs. Conti explained that the proposed increases in the water/sewer rates will still be below the NC State Median. She explained that the proposed rate increases will help achieve the financial sufficiency and meet debt obilgations. The impact to the average residential customer is an increase of approximately $12.31 per month. She explained that the combined bills remain comparable to the peers and below the state average. She added that the final step in the process is to review the rate structure and identify options to simply for the customer.

Councilmenber Williamson inquired if the proposed rate increases would allow the City to qualify for more grant funding.

Discussion ensued with an explanation from the City's consulting water/sewer engineer, represented by Amanda Alley, with how the grant applications are entered and ranked by grantor agencies.

The City Manager explained that going forward the rate increases will be reviewed and discussed to decide on what the following Fiscal Year increase will be. He explained that if the city secured a grant in the future to cover more of the projected needs, then the rate increase could be lowered, but that would have to evaluated on a yearly basis.

Councilmember Rogers inquired if this assessment is soley financial or is it for areas that the city might be losing money. She explained that she understands that if it is keeping the city from receiving certain funding eligiblity we should be competitive but with the structure assessment, are we making sure we are not upsetting customers addressing any problem points first.

The City Manager explained that rate analysts review information that is provided to them by the city. He explained that the City developed a city-wide CIP and with the help of Willis Engineers are trying to capture what the needs are for captial improvements. The manager explained that the revenue from the FCC project, the pandemic, and funds that came from the state and federal programs have allowed the City to start a lot of the improvements and keep the property taxes and rates as low as possible. He explained that he has made note that we need to continue to work on the rate structure over the next year to bring back to the council for approval to simplify it for the customer.

Councilmember Rainer inquired if this information regarding water/sewer rate increases could be added to the monthly newsletter to inform the customer what is expected to take place. The City Manager expressed that it will be added.

The City Manager and the council ensued discussion about how low rates disqualifed the city from receiving grant funding.

The City Manager updated the council on the property/liability and health insurance rates. He explained that the city was not expecting the proposed increase from the NCLM with the 26% increase in property/liability insurance premiums. He explained that the city has contacted several agencies and has been quoted an $85,000 savings by moving our existing coverage to another agency. The manager explained that they should receive the final numbers this week and it would decrease our property/liability premiums to around $200,000, which would be a huge savings instead of the 26% proposed increase from the current provider. The manager further explained that the transition must take place by the end of May for it all to get transitioned over.

The City Manager explained that the health insurance agent on record was changed to Allegacy. The first renewal that was submitted back to Mrs. Galloway was a 15% reduction from the current plan. Mrs. Galloway is meeting with the provider on May 17, 2023, to see if the city can improve the existing plan such as lower deductibles and out of -pocket expenses to get a better plan for the employees.

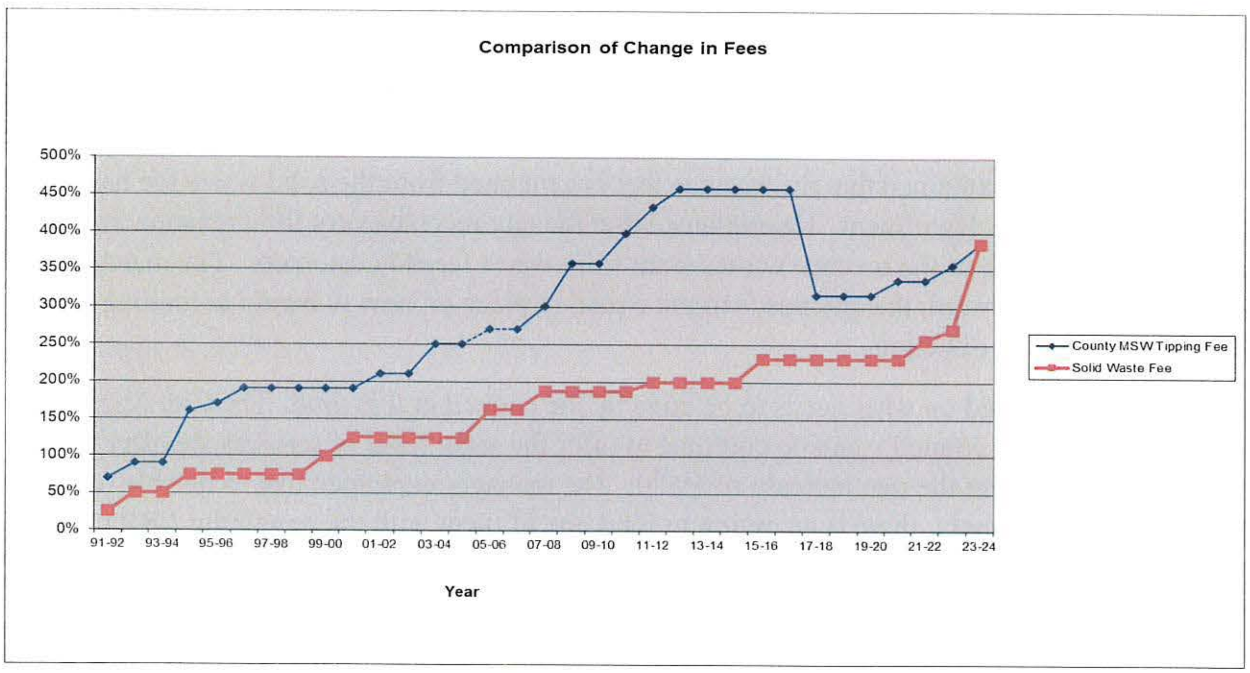
The City Manager updated the council on the personnel pay study that has been completed and sought direction. He explained that the findings were what the city expected. The direction Baker Tilly US, LLP recommended is to do a solid cost of living adjustment (COLA) for the employees, then next fiscal year move from the step program to an open pay plan. The manager stated that he is recommending a 5% to 7% COLA this year.

Councilmember Rogers expressed that she agrees with doing the 5% to 7% COLA this year and moving to a different pay plan next Fiscal Year.

Councilmember Rainer inquired about when the last 5% increase was given. The City Manager replied that it was in 2022, which was the highest COLA during his tenure with the City of Laurinburg.

Councilmember Adams asked if the manager had a recommendation on the 5% to 7%. The City Manager explained that he feels comfortable with the increase in that range but would like to see the results of the insurance premium adjustments in the budget before making a firm decision. He stated that he will send out a final proposed balanced budget prior to June 1, 2023 to each of the board members and it will have his recommendations for the public hearing in June.

The City Manager provided an update on solid waste rates and sought direction. He provided the council with a handout of the solid waste fund financial numbers and explained that the fund is always teetering on right at zero cash balance. He explained that the rates that are charged to the residents/customers are impacted by the tipping fees that are charged by the county to the city.



Mr. Nichols explained that the rate of increases for the city monthly solid waste fees are not in line with the increases in County tipping fees (as shown in the graph above). The city has not increased at the same rate due to implementing cost saving measures in operations. During the years of 2015, 2016 & 2017, the city pulled away from the county due to the tipping fee increases and transported the waste to Saint Pauls, NC. During the years of 2013-2017, the county was charging the city $55.75 per ton tipping fee. The city did, however, receive cost savings by transporting the waste but it was a 40-minute drive from Laurinburg which caused more wear and tear on trucks and was not cost efficient. He explained that when the city moved back to using the county transfer station in 2018, the tipping fees decreased by $14.25 per ton.

The county is proposing a rate increase to $48.50 for Fiscal Year 2023-2024 and the city would need to increase to $38.85 to keep up with those increases, which is a $9.20 increase from our current fee. With the current budget and purchasing the two new pieces of equipment, the city is at a deficit of approximately $950,000 and we currently only have approximately $222,000 cash balance in that fund to cover this deficit.

The City Manager stated there are multiple alternatives to take to cover the difference between the deficit and cash on hand to include increasing the rate for the citizens Transporting waste back to Saint Pauls would be a break even on current expense, but the long-term wear and tear on trucks would increase. He stated that he has spoken with the county about raising the availability fee to $85.00 for both city and county residents and then eliminating the tipping fee the city has to pay when taking waste to the transfer station. The county is not interested in doing that and proposed a 6 ½% increase for the city.

The City Manager, Mayor and the council ensued discussion about what items were considered solid waste, what is actually taken to the county landfill and the complete process of it. The manager explained that we offer a higher level of customer service for our residents/customers. He explained that a lot of other municipalities contract out several of the services that we handle in house.

Mayor Willis inquired about the yard waste that the city collects. The City Manager explained that the city has an air curtain burner that is operational. The city collects the yard waste and takes it to the city burn site and manages it there.

The City Manager explained that the revenue that is generated from the solid waste fee has to fund the solid waste department. He explained that the city receives very little revenue for recycling so the bulk of the revenue comes from solid waste fees to customers. The manager stated that going forward, the city needs to put a plan in place on how to continue funding these services with a plan of action.

Mayor Willis inquired on what needs to be done by the council at this time. The City Manager explained that if the council wants to continue to offer the same level of services we offer then we need to implement the rate increase of $9.20. The manager explained that to be able fund the two pieces of equipment, there is an option to fund one of them with the remaining ARPA funds and then just increase the rate to a $35.00 solid waste fee. He stated it would not give a zero budget balance, but we would be able to fund one piece with the increased revenue and cash balance and then use the ARPA to fund the other.

The City Manager, Mayor and the council ensued discussion about taking the waste to Saint Pauls. The manager stated that since we did go with that option from 2015 – 2017, we have more accurate estimations on what the expenses would be to choose that option again. He also stated that either way, that optoin would not be worth the wear and tear on the trucks.

The council directed the City Manager to prepare the budget with implementing an increased solid waste monthly fee of $35.00 for residential and same percentage increase for commercial customers, and purchasing one of the needed trucks with the ARPA remaining funds.

The City Manager updated the council on the outstanding budget items. He explained that the plan is for the board to receive a finalized balanced budget via email prior to June 1, 2023. The proposed budget will have the budget message, overview of changes, the large capital appropriations that are included, fund balances, etc. The proposed budget will also have the detailed line items attached. The public hearing on the proposed budget will be set at the regular council meeting on May 16, 2023, to be held on June 20, 2023, at 6:00 p.m. The budget will also include an updated CIP for the council to approve to be used to plan for capital needs and secure future grant funding that the city will pursue.

ADJOURNMENT

A motion was made by Councilmember Williamson, seconded by Councilmember Rainer, and unanimously carried to adjourn the meeting.

The meeting was adjourned at 5:28 p.m.

James T. Willis

James T. Willis, Mayor

Harold W. Haywood

Harold W. Haywood, City Clerk