

**CITY OF LAURINBURG
CITY COUNCIL SPECIAL MEETING
MARCH 19, 2024
CITY HALL AND POLICE DEPARTMENT
303 WEST CHURCH ST.
4:30 PM**

Minutes

1. CALL TO ORDER

The City Council of the City of Laurinburg held a special meeting on Tuesday, March 19, 2024, in the Council Chambers of the City Hall and Police Department at 4:30 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.

Also present were Charles D. Nichols III, City Manager; Harold W. Haywood, Administrative Services Director / City Clerk; Amanda Futrell, Administrative Support Assistant/Deputy City Clerk.

Mayor Willis called the meeting to order at 4:30 p.m. Mayor Willis gave the Invocation and led the Pledge of Allegiance.

2. BUDGET TOPICS FOR FISCAL YEAR 2024-2025

a. Presentation / Discussion of Electric Rate Study

The City Manager stated that the City of Laurinburg has not had any rate increases on the electric side since 2015. He stated that we have been fortunate to have good years and be a part of NCEMPA. He stated that there has been a rate study that we need to review. The City Manager stated that Mr. Mike Johnson of Utility Financial Solutions (a partner of Electricities) was attending virtually to give a presentation to discuss the rate study. He stated that we also have a representative of Electricities to talk about market standards and where the City of Laurinburg falls in line with that.

Mr. Mike Johnson thanked the staff at the City of Laurinburg for assisting with providing the data needed for the rate study. He stated that his presentation was going to go through the financial projection for the City of Laurinburg to

include its debt coverage ratio, minimum cash levels and target operating income. He stated that we will cover a rate plan that is established from this information. He stated that we would then review the cost-of-service results, which would include the class cost and customer charges. Mr. Johnson referenced a debt coverage ratio slide in his PowerPoint presentation which included projections of the City's debt coverage ratio from the years 2025 through 2029. He stated that this information shows whether the utility is generating enough cash to cover its debt. Mr. Johnson said that the minimum debt coverage ratio is 1.4. Mr. Johnson's PowerPoint showed that the City of Laurinburg's projected debt coverage ratio for every year from 2025 through 2029 was below the 1.4 minimum with some years being a negative number. He then addressed the next slide in his presentation which displayed the projected minimum cash reserves without a rate change for the City of Laurinburg. The slide showed that the projected cash reserves for the City of Laurinburg for 2025 through 2029 were all negative balances. The projected balance for 2029 was the highest deficit with a balance of - \$6,111,370. Mr. Johnson stated that you want to make sure that you have enough capital on hand to have 45 days of expenses excluding depreciation. He advised that the City of Laurinburg's deficits indicate that it needs to do something about the current rates. Mr. Johnson addressed his next slide which showed the City of Laurinburg's targeted operating income with no rate change. Mr. Johnson's slide showed a negative projected operating income each year from 2025 through 2029. He showed the Council a rate track slide that showed the effects of a projected 13.9% rate adjustment in 2025. This projected rate adjustment resulted in a positive debt coverage ratio every year from 2025 through 2029. The debt ratio with the projected rate adjustment was 5.05 in 2025 and will continue to increase to 11.79 in 2029. The projected rate adjustment also resulted in an improvement in adjusted operating income from -\$24,606 in 2025 to \$532,657 in 2029. The slide also showed that the projected rate adjustment also improved the target operating income, projected cash balances and recommended minimum cash to positive amounts. Mr. Johnson showed a slide that reflected a breakdown of the overall rate adjustment as follows:

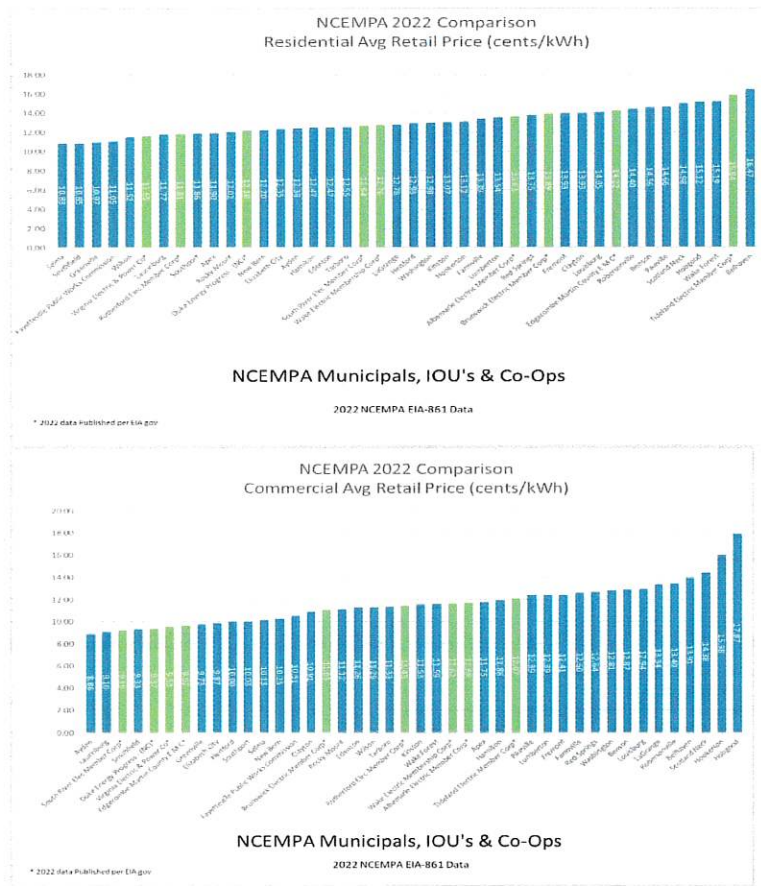
Customer Class	Projected Percentage Change Year 1
Residential (R) - Single Phase	13.01%
Residential Time-of-Use (OPR)	13.01%
Small Commercial and Industrial (SG) - Single Phase	13.50%
Small Commercial and Industrial (SG) - Three Phase	13.50%
Small Church and School (SCS) - Single Phase	13.50%
Small Church and School (SCS) - Three Phase	13.50%
Recreational Park (PR)	13.50%
Outdoor Lighting	15.00%
Medium Commercial and Industrial (MG)	15.00%
Large Commercial and Industrial (LG)	13.50%
Medium Church (MCS)	13.50%
Medium School (MSS)	14.50%
Totals	13.90%

He also presented a slide with the sample residential charges as follows:

Monthly		
Usage (kWh)	Change (\$)	Change (%)
250	\$ 6.20	17.2%
500	\$ 8.80	13.8%
750	\$ 11.41	12.4%
808	\$ 12.01	12.2%
1000	\$ 14.01	11.7%
1250	\$ 16.61	11.3%
1500	\$ 19.21	11.0%
1750	\$ 21.81	10.8%
2000	\$ 28.82	12.8%
2250	\$ 35.83	14.4%
Mean Monthly Usage 808 kWh		

Rates	Current	Year 1
Monthly Facilities Charge:		
All Customers	\$ 8.40	\$ 12.00
Energy Charge:		
Block 1 (0 - 1,750 kWh)	\$ 0.11100	\$ 0.12141
Block 2 (Excess)	\$ 0.09338	\$ 0.12141
Revenue from Rate	\$ 6,104,220	\$ 6,898,655
Change from Previous		13.0%

Rick Vander Maas, the rate manager of Electricities, was present and gave a presentation which discussed the City of Laurinburg's cost of service rates going forward. He addressed a slide in his PowerPoint presentation that showed an NCEMPA 2022 comparison of the residential average retail price (cents/kWh) and the commercial average retail price (cents/kWh) as follows:



Mr. Vander Maas stated that the City of Laurinburg's rates were favorable at that time. He then referenced the next slide which displayed a more current residential rate comparison as follows:

Laurinburg Residential Rate Comparison						
Residential Comparison	Monthly kWh					
	0	500	1,000	1,500	2,000	2,500
Laurinburg - Current	\$8.40	\$63.90	\$119.40	\$174.90	\$226.00	\$272.69
Laurinburg - Proposed	\$12.00	\$72.71	\$133.41	\$194.12	\$254.82	\$315.53
DEP - Current	\$14.00	\$85.63	\$156.58	\$226.54	\$296.50	\$366.46
DEP - Estimate Oct 24	\$14.00	\$88.80	\$161.25	\$233.71	\$306.16	\$378.61
DEP - Estimate Oct 25	\$14.00	\$90.67	\$166.40	\$242.13	\$317.86	\$393.59
Pee Dee EMC	\$30.00	\$83.53	\$135.85	\$188.18	\$240.50	\$292.83
Lumbree River EMC	\$31.00	\$77.30	\$123.00	\$167.80	\$212.60	\$256.07
<i>Difference Laurinburg to DEP Current</i>						
DEP - Current	66.7%	34.0%	31.1%	29.5%	31.2%	34.4%
<i>Difference to Laurinburg Proposed</i>						
DEP - Current	16.7%	17.8%	17.4%	16.7%	16.4%	16.1%
DEP - Estimate Oct 24	16.7%	22.1%	20.9%	20.4%	20.1%	20.0%
DEP - Estimate Oct 25	16.7%	24.7%	24.7%	24.7%	24.7%	24.7%
Pee Dee EMC	150.0%	14.9%	1.8%	-3.1%	-5.6%	-7.2%
Lumbree River EMC	158.3%	6.3%	-7.8%	-13.6%	-16.6%	-18.8%
Notes:						
Rates available via websites as of 3/15/24 not including REPS						
DEP estimated rates are based on proposed increases published 9/29/23						
Estimated DEP bills are estimated at current Rider levels not including future changes						
Seasonal Rates are calculated monthly then annualized for comparison						

Mr. Vander Maas stated that 1,000 monthly kWh is a benchmark. He stated that the City of Laurinburg is currently at \$119.40 for 1,000 kWh compared to Duke Energy's \$156.58. He stated that the 2022 fuel increases that happened on the natural gas side affected everyone, including NCEMPA and Duke Progress. He stated that those things are starting to flow into the rates. Mr. Vander Maas stated that the North Carolina Utilities Commission is slowly allowing Duke to figure those cost increases into their rates. He stated that Duke's estimates for October 2024 of \$151.25 and October 2025 of \$166.40 are increases just on the base rate side. He stated that there are more rate increases to come on the fuel side. Mr. Vander Maas stated that Duke under collected their fuel budget by \$750 million and is still under collecting their fuel. He stated that the NCUC will only allow Duke to roll out their rate increases where there is not a rate shock to Duke's customers. He stated that the staff of the City of Laurinburg had done the same thing and tried to mitigate the shock of rates going up for its citizens. He stated that even with the adjustment in place, the City of Laurinburg is in a very favorable position. Mr. Vander Maas stated that the City of Laurinburg is currently 31% lower than Duke and with adjustments in place, it will be 17% lower than Duke for 1,000 kWh of consumption. He stated that if the City of Laurinburg approves the rate adjustment, it will change its base charge from \$8.40 to \$12.00. Mr. Vander Maas explained the purpose of a base charge. He stated that a base charge allows the utility provider to collect all costs if a customer used 0 kWh in a billing cycle because there are still expenses involved with these customers, which include meter reading cost and billing cost. Mr. Vander Maas then discussed Electricities' recommendations for the City of Laurinburg after the cost-of-service study. He stated that Electricities' recommendations included that the City of Laurinburg should be doing financial projections or a COS study in the next 3–5 years and continue to make annual adjustments until all service charges are met or slightly exceeded. Electricities also recommended the City adjust energy rates to meet the budget or increase energy rates in an inflationary 1-2% adjustment and adjust energy rates down for a revenue neutral approach. He stated that demand rates, which are inflation adjusted, should also be adjusted as part of each COS study. Mr. Vander Maas asked if anyone had any questions for him or Mr. Michael Johnson.

A conversation ensued about the wholesale cost increase. Mr. Vander Maas stated that the wholesale rate is just a piece of the wider budget. He explained that if something happens on the retail side, it does not translate 1 to 1 on the wholesale side.

The City Manager stated that the City of Laurinburg is part of the North Carolina Eastern Municipal Power Agency. He stated that NCEMPA has been able to use its working capital to defer the \$40 million each year for the past

two years that Duke has passed down due to natural gas. This has prevented it from being passed down to the customers. The City Manager stated that since 2010, the City of Laurinburg has only had one electric rate increase and that was a 3.5% increase at the beginning of 2015 due to being short on cash. He stated that in November 2015, there was a 7% decrease. He stated that there was another decrease in 2017. He stated that there hadn't been any changes since. He stated that the Council has worked to keep the rates as low as they are. He explained that even with the proposed adjustment, the City of Laurinburg would still be lower than all its counterparts except for Lumbee River. The City Manager stated that the City of Laurinburg's average customer would see a \$12.01 increase on the monthly bill. He stated that this is being brought before the Council tonight to implement the adjustment in a milder season before the months when usage is higher for citizens. Mr. Vander Maas wanted to clarify that the 13.9% increase is a rate revenue increase and not a rate increase. The City Manager stated the Council could call for a public hearing that will take place at next month's meeting regarding the increase.

b. Curbside Recycling Program Options / Discussion

The City Manager stated that Mrs. Angie Foster is here to give a summary of what was discussed regarding the recycling program in a prior Council meeting. He stated that the Council can then discuss options and give feedback on what direction they would like to take with the recycling program.

Mrs. Angie Foster referenced a PowerPoint slide shown to the Council that displayed photos of items that the City of Laurinburg recycles. These items include clean metal cans, corrugated cardboard, clean glass bottles or jars and clean plastic bottles or jars. Mrs. Foster stated that when new residents come to the City of Laurinburg, they must come to Public Works and sign an acknowledgment form if they need to obtain a cart for recycling products. She stated that the form explains what can and can't be placed in the recycling cart. She stated the form also addresses the consequences of placing garbage in the recycling cart to include fees assessed and removal of the containers according to the number of offenses. Mrs. Foster stated that door hangers are still being left at residences that advise what material was placed in the recycling cart that wasn't approved material. She stated that 1517 of 5774 households/businesses had been given written notices. She stated that 768 carts had been removed due to 2nd or 3rd notices. Mrs. Foster stated that 15% of material can be processed at the City's center while the other 85% is contaminated and must be taken to the landfill. Mrs. Foster stated that currently 243 residents have signed the acknowledgment form, and they have

spoken face to face with the office staff and given specific instructions about what is acceptable. She stated that out of those 243 residents, 21% of the residents that had their carts out still had garbage in the cart. Mrs. Foster stated that 33% of those residents are recycling correctly so far and 46% are hopeful recyclers that are trying to recycle but put material in the carts that the City of Laurinburg does not recycle. She stated that in the last 9 years, the City of Laurinburg has lost \$2.5 million on recycling efforts. Mrs. Foster addressed alternative options that have been discussed to include the 1st option of removal of all recycling carts and creating an employee-monitored drop-off center in a central location. She stated that the approximate cost of the center would be \$250,000, but the City is already losing approximately \$300,000 each year in recycling efforts. Mrs. Foster stated that the 2nd option would be to remove all recycling carts, require a signature to return them to the residence, and raise the current penalty to \$350.00 for the first offense. She stated that \$350 is the average cost of a load taken to the landfill. She stated that current customers could be given 30 days to sign for their carts. She stated after the 30 days, employees would remove the remaining recycling carts. Mrs. Foster stated that the City could require customers that want to participate to watch a presentation on what is and what is not recyclable. She stated that the City would have to be firm in charging the \$350.00 fee. Mrs. Foster discussed the new acknowledgment form that the Council received in their agenda packet. She stated that there is a 3rd option which involves combining both option 1 and option 2. This option would have a drop-off center and recycling carts would be removed with a signature required to return the cart to the residents. She stated this option would allow hopeful recyclers to take material not accepted in the curbside carts to the drop-off center and residents that have their recycling carts removed can take material to the drop-off site as well. She stated that this option could require 1 additional employee.

A conversation ensued about possible hours for the drop-off site. Mrs. Foster stated that her suggestion would be for the drop-off site to be open Monday, Wednesday, and Saturday from 6 a.m. through 6 p.m. to keep citizens from being confused. She stated that this would help keep consistency for citizens with the County's schedule. The City Manager stated that if the Council decides to go with option 2 or 3, they hope to move forward quickly to get the recycling carts removed and back out to citizens that sign the acknowledgment form. He stated that if the Council decides to go with option 1, funding for the drop-off center needs to be considered in the FY 2024-2025 Budget. A conversation ensued about residents having the option to get a second garbage cart for a one-time fee of \$65.00 if they do not want to participate in the recycling program. The City Manager asked the Council if they would like to have a discussion on which option they would like to pursue.

Councilmember Williamson stated that he thinks that we should give option 2 a shot and see if it works out with those that really want to recycle. He stated that if option 2 did not have the results desired, the City could choose another option. Councilmember Evans agreed with Councilmember Williamson. Councilmember Rogers stated that the Recycling Committee wanted to find a way to meet in the middle so that recycling is not lost, but the City is not losing \$300,000 a year either. She stated that she's a fan of the drop-off facility being built to give people that truly want to recycle the opportunity. Councilmember Adams asked about a site on Hall Street that was once used. A conversation ensued about possibly promoting the sorting center on the site so that citizens that do not want to sign the new acknowledgment form for option 2 can still drop off recyclable material. Councilmember Adams wanted to get feedback from any citizens in attendance on the possible changes in the recycling program. Mayor Willis asked if anyone in attendance wanted to speak in front of the Council about the recycling program.

Mr. Ed Tessman spoke before the Council. Mr. Tessman stated that he worked for the sanitation department for 16 years. He stated that he worked in recycling for 13 of the 16 years that he was employed. He stated that Mrs. Angie Foster has brought the recycling program a long way with the recommendations she has brought forward. He stated that with prior processes such as the rear end loader, they were able to open the carts and catch garbage or other items that were not recyclable. He stated that the automated trucks speed up the process, but they do not allow the option of checking the carts. Mr. Tessman stated that he feels that option 1 would be the best bet. He stated that he doesn't think that we should put a lot of traffic at the Hall Street location because the City of Laurinburg trucks are coming in and out. Mr. Tessman stated that he did not show favoritism when he worked in the sanitation department and had left door hangers on the doors of even councilmembers and mayors. He stated that he feels that option 1 would be the best option. Mr. Tessman stated that Mrs. Foster should get credit for what she has done. He also stated that the City of Laurinburg has the best electrical crew.

Mr. Donald Anderson of Sweetgum Circle in Laurinburg, NC spoke before the Council. He stated that he was in favor of option 2. He stated that option 1 isn't favorable to citizens that can't get out and go to a recycling center, handicap citizens or citizens with no transportation. He stated that option 2 seems more of the middle ground. He stated option 1 requires the building of a recycling center, and it will be a gambling game to see who will come to the facility to recycle. He stated that he loves the convenience of having the curbside recycling pick up. He stated that if option 1 was chosen, he would not participate and would just throw everything in his regular garbage cart. Mr. Anderson stated that he doesn't have time to take his recyclables to a drop-off center. He stated that his thoughts are

that option 2 should be chosen. He stated that option 2 should be given a trial year and if it did not work, then option 2 should be done.

A conversation ensued among the Council about having updated numbers if option 2 is chosen. The City Manager stated that Mrs. Foster would be able to have that information for the Council. A conversation ensued about citizens being able to come in within the next 30 days to sign the acknowledgment form in order for the City to leave their recycling cart at their residence. A citizen asked why the items that the City of Laurinburg currently recycles are so limited. Mrs. Foster stated that at the City of Laurinburg's recycling center, there are only 6 bins, and they try to choose the items that are the most marketable.

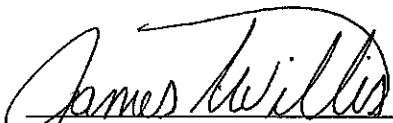
Councilmember Williams moved that the City of Laurinburg adopt option 2 for the recycling program, with a second by Councilmember Evans, and the vote was unanimous.

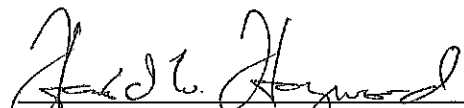
3. COMMENTS FROM MAYOR AND/OR COUNCILMEMBERS

Mayor Willis advised the Council that the Regular Meeting of the City Council was scheduled to begin in 3 minutes.

4. ADJOURNMENT

Mayor Willis adjourned the meeting at 5:58 p.m.


James T. Willis, Mayor


Harold W. Haywood, City Clerk

