Special
Council Meeting
March 11, 2008

A special meeting of the Elkton Town Council was held in Council Chambers of the Elkton Area Community Center on March 11, 2008, with Mayor Wayne E. Printz presiding. The following Council members were present:

PRESENT
M. Dearing
M. Isom
D. Kite
M. O'Neill

ABSENT
T. Pence
S. Sigafoose

Town Attorneys Lauri A. N. Sigler and M. Christopher Sigler, Chief James A. Morris, Treasurer Clairen Sipe, EACC Administrator Allison Morris and Documents Manager/Deputy Clerk of Council Richard Carey were also present.

Mayor Printz read the agenda:

1. Town Audit
2. DEQ Issues
3. Closed Session

(A copy of the agenda is appended to these minutes and marked as "Appendix A".)

Mayor Printz noted that Council members Pence and Sigafoose were experiencing medical issues. He wished both men a fast recovery.

Young, Nicholas, Branner & Phillips, LLP, Certified Public Accountants performed the Town's financial and compliance reports. David Black, Senior Accountant with the firm discussed the Town's financial management and provided an analysis regarding such. (A copy of the Town of Elkton, Virginia, Financial and Compliance Reports dated June 30, 2007 may be obtained by contacting the Elkton Treasurer's Office.)

Mr. Black focused on two main areas of the audit. First, he noted the net assets of the Town increased in 2007 to $6,014,890.00; however, the Town's debt service increased to $4,383,060. He stated that "unrestricted (deficit)" decreased which means the Town actually had less cash-on-hand than the beginning of the fiscal year. Mr. Black stated he had reviewed the Town's fiscal budget which showed an approximate $200,000.00 that the Town was expecting to spend but not receive revenue for. He noted the Town would again have to use its cash reserve in order to cover expenses. Mr. Black and Council member O'Neill were of the same opinion that the Town could potentially have cash-flow issues.

Secondly, Mr. Black stressed that the Town's business-type activities, operating revenues increased by $81,461.00 from the previous year while operating expenses increased $339,239.00. He noted that figure was significant as electric expenses had increased by $241,694.00. The expense of operating the Community Center and issues at the wastewater treatment facility were also factors.

Mr. Black noted the former Town Superintendent had reviewed extensively issues regarding electrical expenses throughout the Town. He noted his displeasure at receiving an e-mail from the Town Superintendent three months later that contained a one sentence analysis of the situation.

Mr. Black referred to last year's audit regarding the Town's electric profit / loss statement. He noted that last year the Town charged approximately $1,724,146.00 for electrical services and $1,746,048.00 for this year. He noted the increase was approximately $21,000.00. The Town's power purchase total for last year was $1,227,955.00 while this year the cost was $1,477,196.00. That left an increase of $249,000.00. He noted the cost had increased to eighty-five percent (85%) which decreased the Town's gross profit to fifteen percent (15%). He noted the Town's profit had been reduced by half.

Mr. Black noted in '05-06, the electric fund contributed $362,363.00 in revenue for the Town but that same fund only contributed $156,459.00 to the Town during the 06-07 fiscal year. The difference was in the amount of $204,000.00. Mr. Black was of the opinion that the electric provided to the Community Center was a significant source for the decrease of funds since the Town absorbed those costs. Further, he noted the center had only been open for seven months at the time the audit was prepared. Mr. Black suggested the Town contact local community/recreational centers and inquire about their electrical usage.

Vice Mayor Dearing noted the information regarding electrical usage of the Town's own facilities was a new process which Council would continue.

Mr. Black stated he had reviewed the significant increase regarding the Town's electrical usage. He noted the Town was billed accurately and the rates were correct. He was unable to arrive at a satisfactory belief of the cause. Vice Mayor Dearing stated the Town would need to review the matter again since no information was produced from the first review. Mr. Black noted the lack of information regarding this issue was the reason the audit was being presented in March instead of December. Council member Kite encouraged a full review on the matter to better inform Council of the electrical usage the Town provides free of charge.

Council member O'Neill noted that during the previous fiscal year, the water fund was $142,771.00 and the sewer fund was $85,310 respectively. Last year, those numbers were $8,780.00 (water) and $39,899.00 (sewer). He noted that the difference was significant. Vice Mayor Dearing stated the Town had problems in those areas.

Mayor Printz stated a significant portion of the increase was due to an increase in employee salaries of $30,148.00. He noted the same regarding the sewer fund. Council member O'Neill stated the Town had started allocating labor charges to each individual department. He noted the new process would inform Council on which departments consumed the most labor. Council member Kite noted the additional labor saved the Town money by allowing Town employees to work on its own projects instead of contracting work out which was expensive. He noted the recent pump job at the park.

Mayor Printz inquired as to the Town's cash-on-hand. Mr. Black responded by stating the Town's cash and cash equivalents were $1,382,191.00 not including the cemetery fund. It was determined the repo fund contained $521,000.00.

Mayor Printz queried the amount the Town paid for salaries last year as opposed to the current year. Mr. Black noted the Town would need to gather that information as he only provided a total. He noted the W-3's that Treasurer Sipe provided could assist with that information but benefits would not be included.

Council member O'Neill inquired if any procedural matters needed to be addressed. Mr. Black noted a report had been prepared and included in the audit which addressed some issues. He spoke briefly regarding internal control in small towns, preparation of financial statements by the auditors and a revised employee handbook in which employees would endorse they received a handbook and understood the contents.

Mayor Printz inquired if the report indicated the expenses and revenue for the Community Center. Mr. Black responded that information was not individualized but indicated some statistics in the audit. He noted that revenue for the Community Center was $48,237.00 and the County's allocation was $250,000.00. Expenses for the center were in the amount of $133,790.00 which did not include electrical. Construction costs were $667,623.00.

Council member O'Neill spoke regarding internal control. He inquired if having more people involved in handling the Town's finances was a positive modification as an additional employee had been hired for that office. Mr. Black responded positively.

Mayor Printz stated internal and external electronic mail needed to be logged and secured in some manner. Mr. Black noted internal control should be reasonable in order not to cost the Town additional money.

Mr. Black noted the Town was growing at a steady rate. The income seems to increase each year. However, he stated as the Town's revenues increase the expenditures seem to increase more. He noted the Town could only borrow from its cash reserves so many times until those funds become depleted.

Mr. Black noted Treasurer Sipe was the best resource to inform Council on the amount of cash-on-hand funds available to the Town.

Mayor Printz noted the major issues to work on were income to cover expenses and labor expenses. Vice Mayor Dearing, as the personnel chair, stated that contract labor charges had been reduced. He noted that the Town had a work force to perform tasks instead of subcontracting out work. Mr. Black stated that was an issue that should be taken into consideration when figuring labor expenses. Council member O'Neill also noted that the allocation of labor to each department changed the numbers for each.

Brief discussion took place regarding the depreciation of the Town's inventory.

Mayor Printz inquired as to the loan payments the Town makes. Mr. Black responded that information was located in the audit report which stated those amounts as $1,686,817.00 in principal and $882,323.00 in interest. He noted the loan for the Community Center was in debt service. Therefore, it was not being charged in the figures for the Community Center.

Council member O'Neill inquired if the debt of $1.3 million for water and sewer improvements had been charged against water and sewer. Mr. Black responded that the interest expense was formulated into the figures. However, the principal amount was not. Council member O'Neill further noted that the debt service on the Community Center is attached to two separate bonds in the amount of $2 million. Further, he noted a carryover fund in the amount of $72,955.00.

A brief discussion took place regarding the Kite property.

Closed Session

Council member O'Neill moved, seconded by Vice Mayor Dearing, and carried to go into closed session under Virginia Code 2.2-3711.A.7 to discuss possible/pending litigation and under Virginia Code 2.2-3711.A.3 to discuss real estate negotiations.

YEAS: M. Dearing, M. Isom, D. Kite, and M. O'Neill

NAYS: None

VOTE: (4 – 0 roll call) Motion carried

Council member O'Neill moved to go from closed session back into regular session and that each member, to the best of his or her knowledge, certified that only public business matters lawfully exempted from an open meeting requirement under Chapter 21 of Title 2.2 of the Code of Virginia were heard, discussed, or considered. Vice Mayor Dearing duly seconded the motion.

YEAS: M. Dearing, M. Isom, D. Kite, and M. O'Neill

NAYS: None

VOTE: (4 – 0 roll call) Motion carried

Motion to Enter Rental Lease Agreement for Belt Press

Council member O'Neill moved, seconded by Vice Mayor Dearing, and carried for Council to enter into a rental lease agreement on a belt press for the wastewater treatment facility for a period of three to four months at an approximate cost of $6,000.00 per month.

Town Attorney Sigler noted that Council should also confirm that the Mayor could endorse the contract.

Council member O'Neill revised his motion to include authorization for the Mayor to sign the rental lease agreement.

YEAS: M. Dearing, M. Isom, D. Kite, and M. O'Neill

NAYS: None

VOTE: (4 – 0 roll call) Motion carried

Mayor Printz stated the Town would purchase a belt press. According to Anderson and Associates, the Town will have an answer for the 20th of March to the DEQ with many issues that had been raised. He noted a belt press was a piece of equipment that dewaters sludge. After that process, the sludge could be taken immediately for disposal.

As there was no additional business, **Council member O'Neill moved, seconded by Vice Mayor Dearing, and carried to adjourn the meeting.**

YEAS: M. Dearing, M. Isom, D. Kite, and M. O'Neill

NAYS: None

VOTE: (4 – 0 voice vote) Motion carried

Mayor: _____
Wayne E. Printz

Recorder: Denise R. Monger
Denise R. Monger, Clerk

APPENDIX A

SPECIAL COUNCIL MEETING
Town of Elkton
March 11, 2008
6:00 p.m.

Mayor Wayne E. Printz has called a Special Meeting of the Elkton Town Council on Tuesday, March 11, 2008, at 6:00 p.m., at the Elkton Area Community Center located at 20593 Blue and Gold Drive in Elkton, Virginia. The purpose of the meeting is as follows:

AGENDA

1. Town Audit
2. DEQ Issues
3. Closed Session

The Committee Meetings will begin after the conclusion of the Special Council Meeting.