Special
Council Meeting
May 13, 2008

A special meeting of the Elkton Town Council was held in Council Chambers of the Elkton Area Community Center on May 13, 2008, with Mayor Wayne E. Printz presiding. The following Council members were present:

PRESENT
M. Dearing
M. Isom
M. O'Neill
D. Kite
T. Pence

ABSENT
S. Sigafoose (excused)

Town Attorney Lauri A. N. Sigler, Lieutenant Rodney Hensley, Treasurer Clairen Sipe, EACC Administrator Allison Morris, EACC Secretary Dianne Johnson and Clerk of Council Denise R. Monger were also present.

Chris Fewster, Engineer of Anderson & Associates, Inc. was also present.

Mayor Printz opened the Special Council meeting.

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

Mr. Fewster presented a new proposal for water and sewer rates. He noted fairly significant projects would require completion within the next twelve months. He noted "steps" could be taken to increase rates and other increases may be forthcoming. He noted some projects were identified and were approaching $1.5-$2.0 million. He noted the first "step" would increase cash flow in order to perform some of the work needed to take place.

Mr. Fewster stated the original increased rate proposal had some issues. Mainly, the issues were that some customers receiving a reduction in rates while others increased. He noted the Town had not increased rates in eighteen years. Therefore, a new rate proposal was presented to promote equality to the citizens but also increase the cost to customers who require higher degrees of treating the water. This would entail food facilities, process manufacturing, etc... He noted the proposed rates were a step in the right direction as this would indicate to regulatory offices that the Town was taking the matter very seriously by generating cash flow to remedy all issues.

Mr. Fewster noted he was comfortable with the proposed rate increases. However, he would have preferred a larger increase based on the amount of work needed at the plant. He noted the importance of "cash flow" to pay for plant improvements.

Time factor for improvements discussed briefly.

Vice Mayor Dearing stated citizens had noted the prior rate proposal was illegal due to some citizens receiving a reduction in their rates. He noted that matter had been clarified with the new rate proposal.

Newly proposed rates were received the day before the meeting.

Council member Isom queried if the basis for the rate increases was to allow the Town to borrow funds to finance improvements at the plant. Mr. Fewster responded by stating the Town would be raising revenue to pay for capital improvements. He noted the citizens could not afford a rate increase high enough to pay for $1.2 million

improvements. He noted those amounts would be astronomical. Therefore, the Town would have to borrow the money for the repairs.

Council member O'Neill noted that if the Kite property would sell, that money would pay off some of the Town's current debt service not generating revenue. The rate increases would cover that debt.

Also discussed were Community Center finances, importance of I&I, capital projects in proposed budget, consent order fines and schedule.

Mr. Fewster stated cash flow was needed immediately. And bigger projects such as finalizing the belt press and UV system for disinfection would begin after the DEQ consent order was received. He noted those projects should begin in three to six months. I&I improvements would be forthcoming in the summer. The approximate cost for that project would be $250,000.00-$300,000.00.

Dale Lehnig, Anderson & Associates, noted some revolving fund programs deadline was in July. Therefore, the Town would not be able to apply for funding until next year. Mr. Fewster noted the lenders would review expenses, revenues and the current rate structure for funding approval. He noted the low rates could be an issue.

Council member O'Neill noted the revised rate proposal would generate additional money for the sewer fund. He noted an increase would generate approximately $100,000.00 for sewer and $50,000.00 for water.

Mr. Fewster noted that DEQ would want to see positive steps forward regarding the plant. He noted in order for DEQ to accept that the Town was "cutting expenses" as a remedy to pay for improvements it would have to demonstrate the cuts. He cautioned against cutting certain utility staff. He noted increased expenses in operating costs at the sewer plant.

Topics briefly discussed were: qualified operator pay, sewer plant needed two full-time operators and one maintenance person, and samples performed in-house to save funds.

A brief discussion took place regarding the First Reading of the water and sewer rate increase. It was determined the motion about to be presented would be a modification of a First Reading that had already taken place.

Council member O'Neill queried Council's position on the rate increase. He noted the increases would generate approximately $135,000.00 in water and sewer funds and $150,000.00 from the meals tax increase. He noted both increases were necessary to move forward.

Council member Kite requested confirmation that an issue existed with the first increased rate proposal in that some user rates would be reduced. Council member O'Neill responded affirmatively. Mr. Fewster added that the perception of lowering rates when presented to a funding agency would not be favorable.

Costs to treat commercial / non-domestic users briefly discussed.

Council member O'Neill stated additional rate increases could be forthcoming.

Mayor Printz noted that the citizens could not afford for rates to be raised high enough to pay for everything at the plant.

Fines from DEQ, negotiations and nullification of a prior First Reading discussions took place.

Council member Isom noted she was uncomfortable that one proposed rate increase had been presented to the citizens and a different increase was now being proposed. She queried if the four or five items presented by Mayor Printz had been reviewed. Council member O'Neill responded those items would assist with the needed revenue, but the proposed rate increases were also needed. She reiterated her concern that the citizens were being asked to pay more before other cost-saving items were put in place.

Vice Mayor Dearing stated the Town had been under a spending freeze which had been a strain to Town employees who cannot buy the most basic supplies without approval first. He noted it was unfair to continue such a stringent process and it was hampering operations.

Council member O'Neill noted that the Elkton citizens have not had to pay high water and sewer rates for the past eighteen years. Mayor Printz disagreed and stated that the electric system had subsidized water and sewer, but that profitability was lower from previous years. He noted the Town's electrical rates were higher than other rates. Therefore, the total bill for utilities was higher.

Discussion took place regarding charging each department for electrical usage, electrical revenues pursuant to grid, Pentecostal Hill loan, and the Community Center loan.

Mayor Printz queried the amount of the highest rate increase. Mr. Fewster responded a base minimum should be charged according to the bare minimum cost for that utility to be provided to the Town. He noted the cost per additional 1,000 gallons, should be the cost of actually producing and providing that service for that number of gallons, whether treatment or supply.

Mayor Printz queried what the increase would cost for a citizen that used 5,000 gallons a month. Council member O'Neill noted the current charge was $29.75 and with the increase the amount would be $37.55. It was noted 10,000 gallons would cost $45.50 and with the increase would cost $66.30; 50,000 gallons would cost $171.50 and increase to $296.30; 100,000 gallons from $329.00 to $583.00, additional usage for higher users could be multiplied. Council member O'Neill presented the water and sewer rates for Rockingham County, with the understanding those rates would increase, to compare rates with the newly proposed Town plan.

Council member Kite briefly discussed additional revenue potential from an increase in permit fees. He noted that the building market was in a better position when Council first entered office than at present. He briefly spoke of inflationary circumstances and the responsibilities of everyone to conserve.

Council member Isom stated with the proposed rate increases a 7,000 gallon bill would increase $13.00 for one month and less if usage was less than 7,000 gallons.

Mayor Printz stated that refuse charges would increase and real estate taxes from the County would also increase.

Council member Pence raised the issue and noted that citizens do not attend the County meetings to express their concerns in the same manner in which they attend the Elkton Town meetings.

Council member O'Neill noted that the DEQ matter was a recently acquired situation. He noted that the cost of the Community Center was still a significant issue. He noted Council had chosen to support the center but, in his opinion, the DEQ matter had taken precedence over other matters. He noted that "giving up" the center would not solve financial issues.

Mayor Printz stated the accountants had noted the Community Center as a major expense to the Town. He noted financial surpluses the Town had in past years due to conservatism on expenses and income. He noted the decision had been made to keep the center and Council needed to discover ways to fund it. Council member O'Neill noted the accountants did note the financial stress the center created. But a review of the operation of the Town's utilities noted other systems were operating "in the red" with no funds for upgrades and maintenance.

Vice Mayor Dearing stated his support for the rate increase.

Council member Pence stated he and Timmy Turner, Director of Public Works, performed some inspections. He noted the Town had a major problem with manhole leaks. He noted different locations with infiltration issues which needed to be repaired immediately.

Council member Kite noted his support to move forward with the increased rates and to hold a public hearing on the matter.

Water and Sewer Rate Revision Increase – First Reading

Council member O'Neill moved on a First Reading of the following rates:

	Base includes 2,000 gal/month	Per Additional 1,000 gal
Residential		
water	**$7.70 ($5 + 2x$1.35)**	**$2.50**
sewer	**$12.60($9 + 2x$1.80)**	**$3.25**
Business/Retail (domestic waste strength)		
water	**$7.70**	**$2.50**
sewer	**$12.60**	**$3.50**
Commercial/Industrial (higher strength waste, ie: restaurants, laundromats, car wash)		
water	**$7.70**	**$2.50**
sewer	**$12.60**	**$4.00**

Mayor Printz noted the importance of "cuts" in the budget and that rate increases would only allow the Town to "break even." He was of the opinion that rates would need to be raised again in the future to cover loans on improvements if the Town borrowed money. He noted his bill for the Elkton Car Wash would be paid without complaint.

Advertising requirements and budget deadlines were briefly discussed. Council member O'Neill noted both increases had been factored into the budget. The Public Hearing on water and sewer rate increases and the meals tax increase was set for Tuesday, June 3, 2008 at 6:00 p.m.

Lengthy discussion regarding electrical rates for schools, electrical demand charge, multipliers and electrical meters.

It was determined a First Reading had already taken place on the meals tax increase. However an active date of July 1, 2008 would be established.

Motion to Amend First Reading of Meals Tax Increase

Council member O'Neill moved to amend the First Reading on the meals tax to be effective July 1, 2008.

It was noted a Special Council Meeting would be scheduled after the Public Hearing to vote on the proposed increases.

Treasurer's office would send out notices regarding the proposed meals tax increase to restaurant owners June 4, 2008.

Mayor Printz requested the following items be reviewed: increase in large retailer BPOL tax and other BPOL tax categories; increase in Community Center fees.

Council member Kite presented the new Community Center rates as follows:

Town of Elkton = $10.00 per month or $110.00 per year
Rockingham County = $15.00 per month or $165.00 per year
Non-County = $20.00 per month or $220.00 per year

Adult = $15.00
County = $20.00
Non-County = $25.00
Family = $30.00, $40.00, $50.00
Senior = $10.00, $15.00, $20.00

Walk-In = $3.00 per day
Non-Residential = $4.00 per day

Council member O'Neill noted he had factored in the budget 50% of the Community Center's revenue from the increased membership fees. Brief discussion took place regarding the newly proposed membership fees. *(Agenda)*

Mayor Printz also requested the following items be reviewed: all Town permit fees regarding building and zoning should be increased and include expense coverage; add an engineering fee to any permit which would require the Town to submit documentation for review, games for kids available through Bruce Duncan on a 50/50 basis; visit County regarding additional funding for the Community Center.

Further discussion took place on the following: meeting with County regarding the center and persons attending a possible meeting, $70,000.00 not received from County, County budget, recreation services at the center, County support to Plains District Community Center, meeting to be scheduled with Mike Breeden.

Council member Kite asked the following items be placed on the agenda for the Regular Council Meeting: Jeff Hensley nomination to Recreation Commission with a term expiring on January 1, 2010 and cost of bricks for flagpole and sign.

Vice Mayor Dearing requested a purchase of two diesel carts be placed on the agenda. The carts were needed to read meters and for maintenance.

Mayor Printz noted that Council member Pence should be informed on water and sewer matters.

Council did not adjourn but continued into the Committee Meetings.

<u>Electric</u>

- Discussion of pole being moved
- Disconnect fee increase *(Agenda)*
- Local realtors used to sell Kite property
- Other agencies being interviewed for auction sales
- Define what areas of Kite property are for sale and price
- Wetlands as a park
- Listing property v. auction
- RFP for developers
- Public Hearing needed for sale of property

Finance

- Income v. expenses for Community Center; categories to be redefined
- Discussion regarding expense tracking
- Income and expenses of center could be presented to County

Miscellaneous

- Fence request by Nicky Campbell
- Council member Kite to review Mr. Campbell's request
- Possibility to rescind vote to allow Mr. King to withdraw application
- Meeting called to ensure action was taken before thirty day deadline pursuant to the Town code
- No additional action to be taken regarding the King project
- Questionable issue regarding minutes *(Agenda)*
- Action minutes discussed
- Strike entire comment; majority of Council would need to vote
- Public comments section discussed
- Call to be placed on agenda
- Robert's Rules of Order to be followed regarding meetings
- Garage issue at a residence since not attached to a house; covenants
- Contract signed regarding Cemetery upkeep

Chris Fewster, Anderson & Associates, Inc. and Frank Nadeau were in attendance for the closed session.

Closed Session

Council member O'Neill moved, seconded by Council member Kite, and carried to go into closed session under Virginia Code 2.2-3711.A.11 to discuss personnel issues and under Virginia Code 2.2-3711.A.7 to consult with the attorney.

YEAS: M. Dearing, M. Isom, M. O'Neill, D. Kite, and T. Pence

NAYS: None

VOTE: (5 – 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. Council member Kite duly seconded the motion.

YEAS: M. Dearing, M. Isom, M. O'Neill, D. Kite, and T. Pence

NAYS: None

VOTE: (5 – 0 roll call) Motion carried

Since there were no additional items for discussion, **Council member O'Neill moved, seconded by Council member Kite, and carried to adjourn the meeting.**

YEAS: M. Dearing, M. Isom, M. O'Neill, D. Kite, and T. Pence

NAYS: None

VOTE: (5 – 0 voice vote) Motion carried

Mayor: _____
Wayne E. Printz

Recorder: _____
Denise R. Monger, Clerk

APPENDIX A

SPECIAL COUNCIL MEETING
Town of Elkton
May 13, 2008
6:00 p.m.

Vice Mayor Dearing and Council Member O'Neill have called a Special Meeting of the Elkton Town Council on Tuesday, May 13, 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. Discuss revised water and sewer rates provided by Anderson & Associates
2. Water and sewer rate revision – First Reading
3. Schedule public hearing on water and sewer rates and meals tax
4. Closed session – consult with Town Attorney & personnel

The regular committee meetings will follow the conclusion of the Special Council Meeting.