



**TOWN OF AYDEN
GOVERNING BOARD MEETING
MINUTES**

September 29, 2015 – 6:00 pm (Special Called Meeting)
Ayden Town Hall – Second Floor Boardroom

I. CALL TO ORDER

A. Call to Order
Mayor Tripp called the meeting to order at 6:03 pm

B. Roll Call

Present:

Mayor Tripp

Commissioners Davenport, Harris, Mewborn, Ross and Skinner

Absent:

None

Also Present:

Brandon Holland – Town Manager

Sherri Scharf – Town Clerk

Phil Dixon – Acting Town Attorney

Scott Dixon – Associate to Town Attorney

C. Approval of the Agenda

Mayor Tripp called for a motion to approve the evening's agenda.

Motion: Commissioner Mewborn

Second: Commissioner Harris

Discussion: None

Approved: 5-0

The motion to approve the agenda passed.

II. PUBLIC HEARINGS

A. CDBG Infrastructure Grant Application

Mr. Rich Moore of McDavid Associates, Inc. was present to discuss the purpose of the public hearing for the Town of Ayden's CDBG-I funding application. Mr. Moore stated that the purpose of the public hearing was to obtain citizens' views, respond to funding proposals, and answer any questions posed by citizens. Mr. Moore also stated that the public hearing must cover the Town of Ayden's community development needs, development of the

proposed activities, and a review of program compliance before the submission of the Town's CDBG-I funding application to the State of North Carolina.

The Town proposes requesting funding from NCDENR'S CDBG-I program for 2015 Sanitary Sewer Improvements. The purposes of the CDBG-I grant program are:

- To improve the quality of life for low to moderate-income people by providing a safe, clean environment and clean drinking water through water and sewer infrastructure improvements and extensions of service.
- To benefit a residential area where at least 51% of the beneficiaries are low to moderate income as defined by the United States Department of Housing and Urban Development.
- To perform eligible activities.
- To minimize displacement, and
- Provide displacement assistance as necessary.

For the fiscal year of the CDBG-I, funding available is expected to be \$26 million, split in two grant rounds of \$13 million each. The maximum available grant is \$2.0 million over a 3-year period. Applications for funding are received on September 30, 2015.

The CDBG program is able to fund a wide variety of community development activities. The State of North Carolina has chosen to fund two activities: water and sewer infrastructure, and economic development projects that lead to job creation or retention. The infrastructure program, or CDBG-I program can fund a range of water and sewer infrastructure and economic development activities, including, but not limited to the, following:

Water:

- Projects that resolve water loss in distribution systems.
- Projects that extend public water to areas with contaminated wells.
- Projects that extend water lines to areas with dry wells.
- Projects that assist with low water pressure in public water systems.
- Projects that regionalize two or more water systems.
- Projects that rehabilitate or replace a water treatment plant.

Wastewater:

- Projects that resolve inflow and infiltration to collection systems and surcharges from pumps stations and manholes.
- Projects that extend public sewer to areas with failed septic tanks.
- Projects that rehabilitate a wastewater treatment plant to allow for greater efficiency/compliance with regulations.

The Town is seeking an amount in CDBG-I funds not to exceed \$2,000,000 for 2015 Sanitary Sewer Improvements. The purpose of the Town's request is to rehabilitate/replace existing waterlines and sewer lines along Montague Street and Washington Street. The project proposed by the Town of Ayden was identified in the Town's Capital Improvement Plan. Community meetings have been held in the project area to inform citizens of the potential project, and get feedback from the residents (as well as door-to-door surveys).

A total of 100% of the CDBG- I funding will be used to benefit Low to Moderate Income (LMI) people. The project area in the Town of Ayden has been determined to have an income survey area of approximately 100% low-moderate income. The project area includes a target area of residential homes located on Montague Street and Washington Street. The range of activities covered by the CDBG-I funds for the 2015 Sanitary Sewer Improvements includes:

- Construction
- Engineering Report
- Environmental Review
- Engineering Design
- Construction Administration and observation.
- Legal activities.
- Surveying.
- Grant Administration.

If the Town of Ayden is awarded a CDBG-I grant the town is required to adhere to federal procurement requirements and other federal regulations which include:

- Americans with Disabilities Act/Section 504 Survey
- Davis-Bacon & Related Labor Acts
- Adoption/Submittal of a Citizen's Participation Plan
- Adoption/Submittal of an Equal Opportunity Plan
- Adoption/Submittal of a Fair Housing Plan
- Adoption/Submittal of a Language Access Plan
- Adoption/Submittal of a Relocation Assistance Plan
- Adoption/Submittal of a Section 3 Plan
- Excess Force Provision

The State of North Carolina requires that if the Town of Ayden receives CDBG grant funding the town will certify that they will comply with the requirements of the general displacement and relocation policy for CDBG grant funding. This policy assists low to moderate income people with costs associated with relocation or displacement, should such relocation become necessary due to the project activities. CDBG funds can be used for those costs, if necessary. No displacement and relocation will occur because of the proposed CDBG grant activity.

In the past, the Town has applied for and received for the following completed CDBG project:

- Small Cities Program Concentrated Needs Housing Rehabilitation Program

Mr. Moore explained that the deadline for submitting Ayden's CDBG-I application for the 2015 Sanitary Sewer Improvements is September 30, 2015. The CDBG-I application will be available for review during normal business hours at the Town Hall located at 4144 West Avenue, Ayden, NC 28513, and the Town Clerk can be reached at (252) 481-5826 if any additional information is requested. Should there be any complaints or grievances

regarding the subject public hearing, they should be addressed to the Town Clerk within 10 business days, and a written response to the written complaints and/or grievances will be sent by the Town within 10 business days, where practicable.

Mayor Tripp declared the Public Hearing to be open at 6:14 p.m.

Mr. Marvin Baldree, 4246 Wildwood Drive, asked how long the Town of Ayden had known about the grant opportunity, adding that the Town needed "adequate sewer lines." Mr. Moore responded that the Town and McDavid Associates had been engaged in the project since May 2014. Ayden was not awarded grant funding during the last round as another town had scored higher on the application and, thus, was determined to have greater need. Mr. Moore stated that the project scope had been reduced a bit during this round in the hope that Ayden would score higher on the current application. Mr. Baldree inquired if local funds would be required, and Mr. Moore responded that no local match in funding is needed.

Seeing there were no other comments, Mayor Tripp closed the Public Hearing at 6:20 p.m. Mayor Tripp called for a motion and corresponding votes.

Motion: Commissioner Skinner

Second: Commissioner Harris

Discussion: None

Approved: 5-0

The motion to approve Resolution No. 15-16-04 to approve the application for financial assistance for the CDBG Infrastructure Program was approved as presented.

Mayor Tripp stated that not the entire Town of Ayden needed water-sewer rehabilitation. However, McDavid Associates had launched several successful projects in the past that had "transformed Ayden."

B. Ayden's Electric Service Retail Rate Adjustment

Mayor Tripp initiated the discussion by stating that the Board had met twice prior to this evening to review the projections and data from the Electric Rate Study that was developed for the Town of Ayden. He then explained that the Chief Operating Officer of ElectricCities, Mr. Roy Jones, was present to give a brief presentation that offered an overview on how the NCEMPA/Duke Energy-Progress assets sale had played out in terms of electric rate reductions across eastern NC.

Mayor Tripp joined Mr. Jones in explaining how the data is useful in determining a specific electric rate reduction percentage for Ayden. Mayor Tripp also discussed Ayden's operational expenses and the Electric Fund reserve as key components to factor into the decision making process, as the Town of Ayden owns its electric infrastructure (i.e. poles, lines, transformers and substations) and must keep funds in the budget for maintenance and upgrades.

Although Ayden will see a 15% reduction in its cost for purchasing wholesale power, those power purchases make up 82% of the cost to provide power to Ayden; the remaining 18% is operational costs, most of them fixed assets (i.e. electric infrastructure). Mayor Tripp

restated that the 82% for power purchases can be discounted by 15%, but operational costs will remain the same. He also stated that you have to factor in the debt from the NCEMPA assets sale. Mr. Jones stated that ElectricCities will now invoice Ayden directly for its power purchases and its portion of the (NCEMPA) debt, which will be \$792,000 spread over 20 years. The upside is that with ElectricCities negotiating the purchase agreement for its members, Ayden is protected against any liabilities associated with shutting down the nuclear power plants (a cost that Duke Energy-Progress calculated at \$2 billion).

Mr. Jones compared and contrasted data among the NCEMPA Members that was used by their City/Town Councils to determine final electric rate reductions, noting that only half of NCEMPA's 32 cities/towns had given a rate reduction at this point. For example, based on customer usage of 1,000 kWh/month, Greenville Utility's monthly charge was \$133/month and will now be \$123/month (due to 7% electric rate decrease). He just learned that Kinston made a decision, so based on 1,000 kWh/month its \$147/monthly charge will now be \$132/month (due to 10% rate decrease). With the same usage, Winterville's currently monthly customer charge is \$126/month and Ayden's is \$136/month – both will be reduced based on their decisions for electric rate reduction percentages. Mayor Tripp pointed out that the larger municipalities serve more customers which allow them to spread out the costs; thus their lower monthly rates.

Mr. Jones then discussed data specific to Ayden which included rate reduction scenarios of 7%, 8.5%, 10% and 12%. He admitted that the scenarios were based on projections, but Duke-Energy Progress has stated that it intends to raise its electric rates in the future. Referring to the above-referenced scenarios he explained that none of them indicated a rate increase in 2016 and 2017 but 3% increases across the board are being projected starting in 2018.

Making the case for Ayden's retail rate reduction, Mr. Jones recommended 8.5% or 10% as the "best bets" as they would maintain a debt service ratio of at least 1.2 and maintain the Town's Electric Fund Balance with about 100 days of working capital. An 8.5% reduction would bring Ayden's current \$136/month customer charge (based on 1,000 kWh usage) down to \$124/month, and a 10% reduction would bring it down to \$122/month. On the other hand, Mr. Jones would not recommend a 12% reduction because it would reduce Ayden's working capital to 71 days, which he thinks would "cut it too close" and could have a negative impact on operations.

Mayor Tripp added that although the Town has a healthy Electric Fund Balance, it has been reduced by 22% over the past 8 years. A Fund Balance reserve is necessary not only to "pay the bills" but also to respond to a natural disaster, such as Hurricane Irene and for infrastructure maintenance, which includes the storm water projects (i.e. "ditch" maintenance). He summarized the rate reduction decision by stating that there are "two lines of thought": (1) the savings belong to the citizens and we shouldn't subsidize future citizens by keeping rates higher now and (2) a rate stabilization fund puts money aside to prevent rate increases for a period of time, like Greenville did with its 7% decrease and the surplus placed into a 5-year rate stabilization fund. He prefers a measured approach so that a big decrease this year doesn't lead to large increases in coming years, which will make it tough for families and businesses plan their budgets. He is optimistic that within 3 years Ayden will experience increased growth that will help offset the Town's fixed costs and may help further reduce the electric rate as well. Adjustments can always be made later.

Commissioner Skinner agreed saying that having no increases for the next 2 years will give the Town time to determine its true costs; maybe they won't rise as much as projected and then another small rate reduction could be considered. Commissioner Harris agreed with Mr. Jones that 8.5% to 10% would bring sizeable customer savings while also protecting reserves in the Town's Electric Fund.

Mayor Tripp stated that what is decided tonight will affect Ayden's future. After determining that Board members had no more questions for Mr. Jones, Mayor Tripp declared the Public Hearing to be open at 7:15 p.m. The following citizens spoke.

Mr. Marvin Baldree, 4246 Wildwood Drive, thanked the Governing Board for their courage in addressing the rate issue and encouraged them to "do the right thing." After being informed by Town Manager Holland the Electric Fund Balance was more than \$5 million and Mayor Tripp that the balances in the Water-Sewer and General Funds were about \$2 million each, Mr. Baldree declared the Town of Ayden to be in a "sound financial position." Addressing the citizens in the audience, he stated that Ayden must maintain adequate fund balances or else risk having auditors "shut down the town." He acknowledged that the citizens need help, adding that his utility bill amounts to about \$10 per day. Mr. Baldree recommends a 10% electric rate reduction, adding that it will not change the cost of operations for the Town.

Mayor Tripp stated that Mr. Baldree was the former Ayden Mayor and thanked him for his comments and (past) governance concerning the Town's financial position and fund balances.

Mr. Don Brown, 4208 Park Avenue, stated that as a business owner (his funeral home at 497 Second St.) he has talked to other businesses and feels that they all pay more in utilities than they do in rent. He is concerned that if the electric rate remains too high, the Town will not grow. He asked the Governing Board to be fair.

Ms. Mary Dail, 313 Garris Street, stated that she gets only one check each month to pay for her living expenses. She also stated that she believes Ayden can't grow with its high utility rates. She asked the Governing Board to "do the right thing."

Ms. Linda Evans, 4224 Beldeer Court, stated that she used to live in Grifton and utilities were less expensive there. She says she cannot afford Ayden's utilities.

Ms. Gloria Dail, 4625 Julie Marie Court, stated that she cannot afford Ayden's utilities.

Mr. Travis Woods, 3953 Northeast College, thanked the Governing Board for its leadership, adding: "if you keep doing what you are doing, it will be the right thing."

Ms. Delicia Little, 4492 Pleasant Plain Road, stated that her utility bill is higher than her mortgage payment, despite installing energy-efficient windows and reading her meter every day. She fears she cannot afford to have her grown children stay with her during the holidays.

Ms. Paula Loftin, 520 Wellington & 3789 Ernest Loftin Road, stated that she appreciates what the Governing Board is doing but feels that the electric rate study process has taken "too long." She believes that the Town needs electric rate stabilization. She would recommend an 8.5% rate reduction because "I don't want my kids paying off my debt."

Ms. Gretta Darden, 4018 Sunny Lane Drive, stated that she is a property owner and has lived in Ayden 18 years. She likes Ayden and wants to stay, but in speaking with her neighbors, she feels none of them can afford the utilities. She knows people who moved out of Ayden for this reason. She is asking the Governing Board to reduce the electric rate "as much as possible" to keep more residents from leaving.

Mr. Robert Reaves, 4328 Mill Street, stated that his property taxes are so "cheap" that he doesn't mind living in Ayden. But it bothers him that the Town of Ayden "uses citizens' utilities to finance the Town." He believes "half of Ayden's citizens use gas heaters" to save money on their utility bills. He feels the Town's operational expenses drive up the cost of utilities. For all these reasons, he is asking the Board to decrease the electric rate.

Mayor Tripp closed the public hearing at 7:45 p.m.

Commissioner Mewborn thanked the citizens for their participation. He then cited statistics on the high rates of poverty in Ayden and Pitt County stating that these were "facts, not projections or assumptions." He added that he is not looking for a handout for the citizens, but he feels that he was elected to be their advocate and speak for them. He feels that the Town is not "broke," that "the time is always right to do the right thing," and that Ayden's citizens have endured stress year after year due to high utility bills. For these reasons, he feels the full 15% rate reduction is fair and will help Ayden's citizens and businesses. He also stated that he wants the Town to hold a "utility forum" to help citizens understand how to read their meters and learn how to control their usage.

Commissioner Davenport inquired: "what amount does the government require us to keep on hand?" and Town Manager Holland replied: "8%"

Commissioner Ross thanked the citizens for expressing their concerns. She stated that she agrees with Commission Mewborn and is "behind the citizens 100%" because she knows they need help. She is for giving the citizens as much of an electric rate reduction as possible.

Commissioner Harris thanked the citizens for their input. He stated that a 12% reduction has about the same impact as a 15% reduction since operating expenses are not discounted. He feels a 10% electric rate reduction is the "sweet spot" since it protects reserves for 3 months, and is "closer to a real reduction."

Mayor Tripp stated that the Governing Board has been good stewards of the taxpayers money. He acknowledged that the "numbers" are projections, but they are tools to guide decisions, just like projections that are used to craft the Town's budget. He stated that he knows the Commissioners are very concerned and will do the right thing today and for the future. Mayor Tripp stated that electric rates are only part of the equation; utilization is still a key factor and of particular concern with the older homes in Ayden. He agreed with Commissioner Mewborn that it was time to hold another utility forum to educate the citizens and answer any questions they may have.

After a great deal more discussion about the need to be conservative but fair with an electric rate decrease and the importance of maintaining the Town's Fund Balance to allow flexibility for future business and residential growth, Mayor Tripp called for a motion and votes:

Motion: Commissioner Harris

Second: Commissioner Skinner

Discussion: None

Approved: 3-2 with Commissioners Mewborn and Ross opposed

The motion to decrease the Town of Ayden's electric rate by 10% effective October 1, 2015 was approved as presented.

III. ADJOURNMENT

With there being no further business to discuss, Mayor Tripp called for a motion to adjourn.

Motion: Commissioner Harris

Second: Commissioner Skinner

Discussion: None

Approved: 5-0

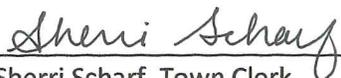
The motion to adjourn at 8:45 p.m. was approved.

CERTIFICATION

Minutes from September 29th, 2015 meeting were adopted and certified this 9th day of November 2015 in Ayden, North Carolina.



ATTEST:



Sherri Scharf, Town Clerk

AYDEN, NORTH CAROLINA



Stephen W. Tripp, Mayor