

**Town Council Minutes
Morehead City, North Carolina**

**Tuesday, June 28, 2011, at 9:00 a.m.
Special Meeting/FY2011/2012 Public Hearing**

The Honorable Council of the Town of Morehead City met in Special Session on Tuesday, June 28, 2011 at 9:00 a.m., in Conference Room at City Hall, 706 Arendell Street, Morehead City, North Carolina. The purpose of the Special Meeting was to consider bids for the Waste Water Treatment Plant [WWTP] Laboratory Facility and to consider FY2010/2011 Budget Amendments [Operating and selected Capital Projects]. Those in attendance were:

MAYOR: Gerald A. Jones, Jr.
MAYOR PRO TEM: Demus L. Thompson
COUNCILMEN: George W. Ballou
Paul W. Cordova
David Horton
John F. Nelson

CITY MANAGER: R. Randy Martin
CITY CLERK: Jeanne M. Giblin

OTHERS: Finance Director Ellen Sewell, Public Utilities Director Daniel Williams, City Engineer Tyndall Lewis, P.E., WWTP Manager Karl Dangerfield, Reporter Mike Shutak, THE CARTERET NEWS TIMES

Consider Bids for the Wastewater Treatment Plant [WWTP] Laboratory Facility:

Mayor Jones opened the meeting at 9:00 a.m. and stated that the Public Utilities Committee of the Council discussed the laboratory facility bids at their last meeting.

Councilman Horton stated that it was his recommendation not to go forward with the project.

Public Utilities Director Williams stated that the current facility was built in 1964 and that the bid was for Contract #74 – construction of a new laboratory and offices with the low bidder being Thomas Simpson Construction Company at a bid price of \$608,091. There were decreases made in the project to reduce the costs by \$70,491 which would make the award in the amount of \$537,600. The total cost of the project would be approximately \$605,000 with expenses for contingency, engineering revisions, stormwater permitting, and fees for advertising and public notices. With the revenue of \$587,476 from the previously authorized WWTP Division of Water Quality loan and Council approved local funds set aside from the utility reserve fund combined with \$17,523 revenue from the sales tax, there are sufficient funds available in the budget to construct the project.

Councilman Horton questioned why the project does not need the items which were removed from the bid.

Public Utilities Director Williams stated that those items were necessary, but to reduce the cost of the project, they were removed, for example, items such as a generator which will be recycled from another project soon to be completed.

City Engineer Lewis recapped the project which was originally started eight [8] to ten [10] years ago. The plan evolved beginning with the WWTP project from a \$15 million loan from the Division of Water Quality at a 2.2 percent interest rate and \$1 million of local matching money. Approximately \$400,000 was left from the WWTP construction project to build a laboratory with office space. Plans were designed to adjust to the funds that were available from the original project funds and matching money from the City. The current situation is that the state is concerned that their monies allocated for the project are not being spent as timely as they wanted and therefore the state has now set time limits on the project. The state has a deadline of August 1, 2011, for Morehead City to have authorization for the project and to move forward or the City will lose the state monies. The proposed building includes administrative office space for all water/sewer employees, a conference room for training and separate labs for drinking water and sewer water. It is a much needed facility.

Laboratory testing is a daily occurrence with most testing done in-house with the exception of metal testing which is done by an outside contractor. Seven [7] employees would be using the building.

Councilman Horton commented that it seemed like a huge building.

WWTP Manager Dangerfield stated that originally the building was larger, but it has since been scaled back.

Councilman Horton questioned if the City had ever experienced problems with contamination of water and sewer testing because the tests are currently being done in the same lab.

WWTP Manager Dangerfield replied that sometimes there are difficulties and that Morehead City does paid contract work for the Town of Atlantic Beach.

Councilman Horton commented that the Public Works building was metal, approximately 4,000 square feet and cost approximately \$200,000. This proposed building is smaller and is \$600,000 which equates to \$166 per square foot in his estimation.

City Engineer Lewis commented that this is a masonry building which should be very low maintenance over its lifetime and that the laboratory equipment is probably \$10 per square foot alone.

Manager Martin commented that most of the Public Works building is bay area.

City Engineer Lewis replied that his cost estimate per square foot is \$138 if calculated on the bid price. A metal building would have a lower cost of \$100,000, however, the maintenance over the long years would be higher. He has designed a building which should be low maintenance and last for over 30 years.

Councilman Ballou stated he had issue with the Public Works Committee of the Council not being able to sit down and help design the building. As a member of the Committee he stated he had no input on the design of the building.

Councilman Horton stated that he looked at the building the City has been using for a lab since the 1960's and that the City did not consider renovating that building. He felt that there is money available, so the City is just trying to use the funds. He was concerned with the City taking on more long term fixed debt. He continued that the proposed lab is nice, but not necessary.

Councilman Ballou commented that the City has to stop spending, spending, spending.

Manager Martin stated that the building is an essential services building. It is not something that the City can do without and the City hopes to have the use of it for another 50 years. The current lab does not meet current code, and it would be an expensive renovation which would require a necessary addition to the building to meet the City's needs. The City Engineer stated it was not a viable alternative. The staff had input based upon their years of experience and the engineer has designed something that would meet the needs of the WWTP today and into the future. He continued that he takes full responsibility for the Public Utilities Committee lack of input. The former Public Utilities Director and he discussed the project and tried to get the scope within the budget in 2009 when it was first presented to the entire Council at a work session. At that time the scope of the project was approved and the Council also subsequently unanimously approved the transfer of additional monies for the project. The procedure on this project was no different than what transpired during the WWTP project design and budget phases. The building started to be designed in February 2009, when the entire Council approved the project, but not the detailed plans.

Councilman Horton stated there was no consensus from the Council on this project.

Councilman Nelson commented that the Council is comprised of lay people, not architects or engineers and he finds no fault with what the City Manager and the City Engineer has done.

Discussion ensued about certain Council Members who then served on the Public Utilities Committee visiting various sewer plants and when the information was dispersed on the proposed laboratory building details.

Manager Martin advised that based upon the recent state timetable and deadline the City has bid the construction of the building and the project needs to move forward or the City will lose the state funding. The City waited until the very end of the WWTP project until all the contingencies were done to bid out the laboratory. Either the City moves forward with the project or not at this juncture. If the state does not fund the project, the City would have to acquire the money from reserves to do the project.

City Engineer Lewis explained that not accepting the state funding or not doing the project would not impact the repayment of the loan, it would only reduce the last payment by \$250,000 and \$5,000 a year of loan interest would be saved over the life of the loan.

Manager Martin reiterated that this was an opportunity to do the project without an adverse impact on the utility system operating funds and that the City needed the building as an essential services building.

Councilman Horton commented that it is not an “either/or” situation. The present lab building could be redone. The City does not need a \$600,000 building, it should be \$200,000.

Councilman Cordova stated that the issue of the laboratory building has been going on for many years. There are over 100 water tests needed currently and the current lab was not built for that kind of testing. The Council has discussed the proposed lab ever since the WWTP project was done. Morehead City needs the lab building for now and future use and to match the other WWTP facilities.

Councilman Cordova MOVED, seconded by Councilman Nelson, to award the contract for the Laboratory Building at the Wastewater Sewer Plant to the lowest bidder, Thomas Simpson Construction, in the amount of \$537,600.

Councilman Thompson explained that he has never served on the Public Utilities Committee, however, he depends on the experts and the City staff to advise if they see a need. He continued that he does not think it is anyone’s place to design the building, but the experts and that he does not also think that, we, as the Council, are supposed to design things. The question is what Morehead City needs.

Councilman Ballou stated that it is too late to change, but as a member of the Public Utilities Committee he did not have opportunity for any input.

Councilman Horton stated that \$40,000 for engineering fees was too expensive also.

City Engineer Lewis stated that he worked for 15 months designing the lab. He met with then Public Utilities Director Steve Hamilton, WWTP Manager Carl Dangerfield and recently retired Chemist Karen Mault and others on what they wanted built with the money that was in the budget. The original 4,000 square foot building was compromised to the 3,600 foot building currently presented. The Council worked to amend the budget to have \$162,000 transferred to the building of the facility. The decision was made by Morehead City to have a new building and it was a known factor what the project was going to cost. The concept was a new building which would position everything in the same place; offices, labs, conference room, etc., and the building was shaped with the budget proposed and approved in 2009. The existing lab has been used for over 50 years and was built at a time of minimal testing requirements. Sewer infrastructure was a low priority with many townships during that time. It is different today with a complex regulatory environment. Morehead City hopes to get 40 to 50 years of use from the proposed project. The time to disagree with the details of the building was at the concept stage.

The motion passed with a vote of three [3] to two [2] with Councilmen Ballou and Horton casting the dissenting votes.

Budget Ordinance Amendments:

Budget Ordinance Amendment 2011-16

Finance Director Ellen Sewell explained that the Council needed to take action on four [4] budget ordinance amendments to update the General Fund and to close out FY2010/2011. These items had been discussed to varying degrees at the previous sessions.

Budget Ordinance 2011-16 adjusted the General Fund to update projections for grant related revenues and expenditures for the Little Nine Road project, Barbour Road sidewalk project, the Bike/Pedestrian Plan and work at the Mitchell Village Park; to reclass expenditures currently budgeted in debt service for principal and interest payments to be reported in the Wallace School property, Jib Waterfront Access Capital Project Fund and to move recognition of a "Build America Bond" interest rebate related to financing of the Morehead City Police/E911 Center to the Wallace School Property Capital Project Fund; to fund fee credits recorded in FYE 6/30/2011 as consideration for acquisition of the Jib property; to update the budget for various miscellaneous income; and to appropriate fund balance and increase transfers to other funds adequate to repay the interfund borrowing from the Water/Sewer Fund by the Jib Waterfront Access Capital Project Fund. Finance Director Sewell commented that based upon updated projections there are adequate reserves to pay off the entire balance of the Jib property loan by the General Fund back to the Water/Sewer Fund.

Manager Martin explained that if the Council chooses to, unless something dire happens, for example, a hurricane, the loan is expected to be paid off.

Councilman Nelson concurred that the Council can appropriate the funding to pay off the Jib loan, but not be committed to the transfer if some emergency arises.

Budget Ordinance Amendment 2011-17

The purpose of this budget ordinance amendment is to update the budget to recognize activity related to the Police Station/E911 Center to increase interim financing loan proceeds by \$5,000,000; recognize permanent financing by the United States Department of Agriculture [USDA] in the amount of \$4,808,000; decrease the estimated funding provided by Carteret County for the E911 Center by \$400,000; recognize an interest rebate of \$34,300 on the interim interest; recognize a transfer to the General Fund of \$63,700 to pay interim interest net of the interest rebate; recognize payoff of the interim loan in the amount of \$5,000,000; recognize interest charges on the interim financing of \$98,000; and to decrease construction and other related building costs by \$50,000.

Budget Ordinance Amendment 2011-18

This ordinance is to increase the budget for transfers from the General Fund and increase expenditures to recognize transfer in the amount of \$100,000 to make the annual debt service payment [principal and interest] on the interfund loan from the Water/Sewer Fund; to recognize transfer in the amount of \$560,000 to fund payoff of balance of the interfund loan from the Water/Sewer Fund and related interest; and to increase budgeted transfer and expenditures in the amount of \$200,000 for fee credits issued for acquisition of the Jib property.

Councilman Nelson wanted to know the fund balance of the General Fund on June 30, 2011.

Finance Director Sewell replied that the question cannot be adequately answered until September 2011 when the state sales tax revenues are received.

Manager Martin noted that the City fund balance projections are in a much better condition than anticipated.

Budget Ordinance Amendment 2011-19

The purpose of this amendment is to update the budget to recognize \$16,000 of interest earned by the fund and to increase expenditures by the same amount.

Councilman Cordova MOVED, seconded by Councilman Thompson, and carried unanimously, to approve Budget Ordinance Amendments 2011-16, 2011-17, 2011-18

and 2011-19 as presented. [Budget Ordinance Amendments 2011-16, 2011-17, 2011-18 and 2011-19 are attached to Ordinance Book #6 in the vault.]

Councilman Horton questioned the status of the water reuse project and the possibility of moving the funding from that fund.

Manager Martin replied that the City has not finalized the potential use of a portion of the money. The City may want to use the money [\$68,000] to actually connect the water reuse system to nearby City parks and start to use the treated reuse quality effluent for irrigation purposes without constructing the holding tank originally envisioned. However, it has not been determined whether there is enough money available in the fund. The lines would then be there if and when the tank was constructed.

There being no further business, the meeting was adjourned at 10:40 a.m.

Gerald A. Jones, Jr., Mayor

Attest:

Jeanne M. Giblin, City Clerk