

**TOWN OF SELMA
SPECIAL COUNCIL MEETING
OCTOBER 5, 2015**

PRESENT:

Mayor Cheryl Oliver, Mayor Pro-Tem Jackie Lacy, Councilmembers Eric Sellers and William Overby, Town Manager Jon Barlow, and Town Clerk Cynthia Richardson.

Councilmember Tommy Holmes was not present.

**OTHER STAFF
PRESENT:**

Planning Director Julie Maybee, Police Chief Richard Cooper, Electric Utility Director Donald Baker, and Deputy Clerk Brenda Thorne

**REVIEW AND POSSIBLE
CONSIDERATION OF
THE ELECTRIC RATE
FEE SCHEDULE:**

Mayor Oliver called the meeting to order at 6:00 p.m. She said that there was one item on tonight's agenda, which was the continuation of the electric rate discussion with the Town's consultant Ms. Dawn Lund of Utility Financial Solutions, which would be participating in the meeting by webinar.

Town Manager Barlow stated that Ms. Lund was at the September 14, 2015 Council meeting, and gave the initial cost of service presentation. He said that tonight was a follow-up to that meeting with questions and scenarios. Mr. Barlow stated that since Council now knows what the Town's cost of service is, Council would need to give some direction to the consultant so that she could create a new electric rate model for the Town.

Ms. Dawn Lund, Electric Rate Consultant with Utility Financial Solutions stated that at her last meeting with Council, there were some questions about some possible alternative rate tracks. She said that there was one rate track that she preferred; however, she would review any rate track that Town Council would like to see.

Ms. Lund stated that she had four models that she would be presenting. She said that the first scenario would be a 7 % rate increase beginning in January 2016 with no increase in July 2016 followed by inflationary rate increases each July thereafter. Ms. Lund stated that the inflationary rate increases were inserted as a way for the Town to keep up with expenses.

Mayor Oliver advised those present that the scenario of a 7 % increase would come after the 10 % reduction that Town Council approved on August 24, 2015.

Ms. Lund stated that in August, the Town Council approved a 10 % rate decrease. She said that on September 14, 2015, she presented to Council a rate study. Ms. Lund reviewed a scenario of what the Town's financial position would look like if the rates were left the same. She said that there were three key financial targets that are looked at to determine if

any rate adjustments are needed. Ms. Lund reviewed the three financial targets: adjusted operating income to be at about \$255,000; debt coverage ratio at a minimum of 1.4%; and a minimum cash balance range of \$1.9 to \$2.1 million to be financially sound. She said that looking at this scenario, the Town needed to do something to counteract the financial path of the Town.

Councilmember Overby asked Ms. Lund if she could remove the 10 % rate decrease that was approved in August 2015 to show what would have happened without that decrease.

Ms. Lund stated that if the Town had not had a 10 % rate decrease, the Town probably would not have needed to do any rate adjustments until about 2020.

Councilmember Overby questioned decreasing the utilities by only 3 % instead of 10 %.

Ms. Lund stated that with a 3 % decrease instead of 10 %, the Town would have to follow-up with a possible increase in 2019.

Ms. Lund cautioned Council about doing a rate increase in July. She said that usage is higher during July, and citizens would attribute the whole increase to the rate increase when in actuality the customer is using more. Ms. Lund recommended a 7 % rate increase in January 2016.

Ms. Lund also reviewed a scenario with a 3.5 % rate increase in January 2016 and a 3.5 % rate increase in July 2016 followed by the inflationary increases each July thereafter. She said that with the two 3.5 percentage increases, the Town was pretty much meeting its operating income, was just meeting the debt coverage minimum ratio, and was short in cash the first year or two, but not critical. Ms. Lund stated that the negativity to this rate would be 3.5 % increase in July, but was not too concerned about it. She said that she was more concerned with the 7 % in July.

Mayor Oliver stated that the Town would soon be going before the North Carolina Local Government Commission to ask for their support of revenue bonds for the Noble Street Interceptor Project. She asked if any of these scenarios positioned the Town well for the revenue bonds, and if one scenario was better than the other.

Councilmember Overby questioned how much money was being transferred from the Electric Fund to other funds.

Ms. Lund stated that a transfer of \$175,000 was included in the model for fiscal year 2016 and \$267,000 was included as a transfer out for 2017.

Councilmember Sellers requested Ms. Lund to include in her scenarios a 5 % increase for November 2015 and a 2 % increase in July 2016.

Councilmember Overby stated that they needed to cut out some of the transfers.

Councilmember Sellers asked for the sake of the model that the funds being transferred could be put in at a cost of \$175,000 across the board. He said that he would like to get rid of the transfer, and did not think that doing a transfer on a regular basis was a healthy scenario.

Councilmember Overby also asked what effect this would have on the residential customers.

Ms. Lund stated that she did not have the residential rate information with her that would show the effect this increase would have on residential customers, but would be glad to provide that information.

Ms. Lund discussed with Council the use of a 2 % bandwidth. She also advised Council that when the 5 % increase was implemented in 2015 to the electric fund, they would need to continue to monitor the fund each year to make sure it does not revert back to the condition that it was in.

A motion was made by Councilmember William Overby and seconded by Councilmember Eric Sellers to approve for Ms. Dawn Lund to create an electric rate model based on a 5% rate increase with a bandwidth of 2% to be implemented in the December billing cycle, and the maximum payout from the Electric Fund to other funds be set at a maximum of \$175,000. Motion carried unanimously.

Ms. Lund stated that it would take approximately two weeks to get those figures put together.

ADJOURNMENT:

With no further business, a motion was made by Councilmember William Overby and seconded by Mayor Pro-Tem Jackie Lacy to adjourn. Motion carried unanimously.

The meeting adjourned at 6:06 p.m.

BRENDA W. THORNE, Deputy Clerk