

The Smithfield Town Council held a Special Meeting on Monday, September 14, 2015, at 6:30 pm. in the Council Chambers of the Smithfield Town Hall. Mayor John H. Lampe II presided.

Councilmen Present:

M. Andy Moore, Mayor Pro-Tem
Marlon Lee, District 1
Perry Harris, District 2
Travis Scott, District 3
Roger A. Wood, District 4
Emery D. Ashley, At-Large
Charles A. Williams, At-Large

Councilmen Absent

Administrative Staff Present

Jim Freeman, Interim Town Manager
Pete Connet, Interim Public Utilities Director
Greg Siler, Finance Director
Shannan Williams, Town Clerk

A. Presentation: Dawn Lund, Vice President of Utility Financial Solutions

Dawn Lund presented the Electric Rate Study results to the Council in the form of a PowerPoint presentation. A copy of the presentation is on file in the office of the Town Clerk.

1. Review Electric Department

a. Debt Coverage ratios

Ms. Lund explained the debt coverage ratio to the Council. She further explained that when setting rate policies a safety factor must be built into the coverage ratio for planning and projection purposes. Typically, .2 is added to the bond coverage requirement.

b. Minimum Cash Reserves

Ms. Lund explained that the cash reserve policy is important because it helps to ensure timely payments of bills including: operating expenses, debt service payments and capital improvements. It creates a reserve fund for catastrophic events. It helps ensure that funds exist for system improvements. Rating agencies look at cash reserves when determining bond ratings. Ms. Lund explained that the policy should contain a minimum amount of cash and not a target amount.

c. Target Operating Income

Ms. Lund explained that the rate of return is used to identify the level of operating income and it has to be set high enough to cover interest expense on debt and inflationary increases in asset replacement costs.

2. Review Cost of Service Results

a. Cost to service each class of customers

Ms. Lund reviewed the cost of service results for each class of customers. She explained that the percentage changes were different for each class. The overall goal is to try to move toward the cost of service rates for all classes.

b. Monthly Customer Charges

Ms. Lund explained that another factor that should be considered is the monthly customer charge. Monthly charges are designed to recover a portion of the fixed costs such as: meters, meter reading, customer service and billing. She explained that based on the data, some monthly charges could be increased while others could be decreased.

3. Obtain Guidance prior to design of rate

a. Rate Adjustment

Ms. Lund explained that there were many possible ways to amend the utility rate, but it was important that the Council understand that rates would need to be considered during every budget process. Based on the cost of service study, that rates could be decreased in 2016 and 2017, but then increases would need to occur in 2018. Ms. Lund recommended that the Capital Improvements be healthy enough to reinvest in the system.

It was the consensus of the Council to instruct Ms. Lund to devise a rate plan with a 5% rate reduction allowing a 2% bandwidth.

B. Manager Hiring Process Proposed Public Input Meeting

It was the consensus of the Council to hold the Public Input Meeting concerning the hiring of the next Town Manager on Monday, September 28th at 7:00 pm in the Town Hall Council Chambers

Adjourn

There being no further business, Mayor Pro-Tem Moore made a motion, seconded by Councilman Ashley, to adjourn. Unanimously approved.

ATTEST:

John H. Lampe II, Mayor

Shannan L. Williams, Town Clerk