Town of Clayton
Town Council Work Session Minutes
Monday, April 1, 2024 at 12:00 PM
Rotary Room, Town Hall
111 E. Second Street

Council Present:
Mayor Jody McLeod
Council Member Andria Archer
Mayor Pro Tem Michael Sims
Council Member Porter Casey
Council Member Gretchen Williams
Council Member Ruth Anderson

Council Absent:
None

Staff Present:
Rich Cappola, Town Manager
Jim Cauley, Town Attorney
Dolores Gill, Deputy Town Manager
Lee Barbee, Deputy Town Manager
Robert McKie, Finance Director
Greg Tart, Police Chief
Nathanael Shelton, Communication Officer
Joshua Baird, Engineering Director
Patrick Pierce, Economic Development Director
Conrad Olmedo, Planning Director
Sam Johnson-Phillips, Deputy Town Clerk
David Ranes, Fire Chief

1 CALL TO ORDER

Mayor McLeod called the meeting to order at 12:07 p.m.

2 ADJUSTMENT OF THE AGENDA

a)

Approve or Adjust the Agenda

RESULT:	**CARRIED**
MOVER:	Ruth Anderson
SECONDER:	Porter Casey
YES:	Andria Archer, Michael Sims, Porter Casey, Gretchen Williams, and Ruth Anderson
NO:	None

3 WELCOME

a) Welcome (12:00 - 12:15 p.m.)
Agenda

4 INTRODUCTIONS AND SPECIAL PRESENTATIONS

5 ITEMS FOR DISCUSSION

a) Text Amendments (12:15 - 1:00 p.m.)
Presenter: Chad Meadows, CodeWright and Conrad Olmedo, Planning Director

Mr. Meadows provided an update on the first rounds of the UDO. It was reported this is a living document and it isn't uncommon to make changes to keep it current. Mr. Meadows communicated to Council the process began with the adoption of an ordinance. It was explained that all comments and questions are always maintained throughout the life of the project. Mr. Meadows reported the redline text has been provided showing the changes made. It was stated that the summary table is a tracking mechanism and that the editor notes would show the changes and how it was changed. The UDO pages are retained by Staff.

The UDOTA 1-24 had 38 changes which were organized into the following 7 groups:

- Administrative/Non-Substantive (10)
- Procedures (4)
- Districts (4)
- Uses (4)
- Development Standards (11)
- Enforcements (2)
- Definitions (3)

Mayor Pro Tem Sims inquired about the timing requirements for a neighborhood meeting and asked if the citizens would be able to conduct a neighborhood meeting at any time during the process.

Council Member Archer echoed her concerns regarding the timeline for the neighborhood meetings.

Council Member Anderson expressed that the process seems ambiguous. It was communicated that she would like the wording to be more defined regarding exactly when the neighborhood meetings would be held. She stated she believes requiring a meeting would make it easier on the Planning Department.

Council Member Casey stated the wording has been updated to reflect the meeting and must be held at least 10 days prior to the formal submittal of application.

Mr. Meadows stated some local governments do have requirements and that the Town of Clayton opted not to make it mandatory. He asked if the Town of Clayton wants to require a neighborhood meeting.

Mr. Meadows provided clarifications on the following procedures:

- Conventional Rezonings only processed in accordance with Town's schedule
- Removal of trail from fee-in-lieu procedures (trails are private and not required like greenways or sidewalks)
- Clarify that a Town-initiated street renaming does not require a petition
- Temporary use permits for special events
- Revise traffic assessment from "shall" require to "may" require
- Revise Riparian Buffer provisions to clarify administration by the State, not the Town Districts:
- Duplexes, triplexes, and quadplexes no longer permitted by right in RHD (CZR district option still available)

- Clarify that Type 3 Conditional Rezonings with deviation requests are expected to result in higher quality development
    - Applicant seeking a Type 3 Conditional Rezoning that includes a request for a deviation or reduction from the generally applicable Ordinance standards are responsible for demonstrating, in the concept plan or related application materials, that the proposed development will result in a higher quality development than would otherwise result from strict compliance with the standards. Alternatively, the applicant shall demonstrate how the proposed development with the requested deviations will result in a development that is in closer alignment with the Town's adopted policy guidance than would otherwise result from a strict application of the standards
- Clarify the default density standards that apply to conditional rezoning districts
    - <u>(CZD) Conditional Downtown - Allowable Density</u>

  Unless modified as part of a Type 3 Conditional Rezoning application and Section 3.5 Incentives and Alternatives the maximum density standards I Section 3.2.3. (DTNC) Downtown Core, shall apply to all development withing a CZD District

    - <u>CZM Conditional Mixed-Use – Allowable Density</u>

  Unless modified as part of a Type 3 Conditional Rezoning application and Section 3.5 Incentives and Alternatives the maximum density standards in Section 3.2.8 (MXD) Mixed -Use shall apply to all development within a CZM District

    - <u>(CZC) Conditional Commercial – Allowable Density</u>

  Unless modified as part of a Type 3 Conditional Rezoning application and Section 3.5 Incentives and Alternatives the maximum density standards in Section 3.2.1 (CRM) Corridor Commercial District shall apply to all development within a CZC District

    - <u>(CZI) Conditional Industrial – Allowable Density</u>

  Unless modified as part of a Type 3 Conditional Rezoning application and Section 3.5 Incentives and Alternatives, the maximum density standards in Section 3.2.6 (HID) Heavy Industrial shall apply to all development within a CZI District

Mr. Meadows communicated changes for uses which were shown on the UDOTAA 1-24 Uses table. A suggestion was provided by Mr. Meadows that self-storage be removed from permissible uses in the light industrial permitted only as conditional zoning. It was reported transfer stations would have to be in the Public Zoning District or the Conditional Zoning District.

Mr. Meadows discussed there are provisions that limit the ability to park heavy trucks and trailers in a variety of residential districts and some non-residential districts. The provision was set on axles and gross vehicle weight. The numbers are anything over 2 axels or anything more than 10,000 pounds of gross vehicle weight, would be subjected to these limitations and not permitted to park in the neighborhood. It was stated there has been continuous discussion. Mr. Meadows stated to Council they might want to have discussion and decide to raise the number to 12,400 pounds. It was communicated to Council, even if they decided to raise the number to 12,400 pounds, he would strongly recommend keeping the max number of axels at 2. More than 2 axels are heavy vehicles, a dump truck etc.

Mr. Meadows provided clarifications on the water and sewer extension provisions. It was stated it was redrafted by Engineering as part of the initial adoption of the ordinance. Additional clarity was added for things that were not subdivisions. It was stated this needs to be revisited. There was discussion on adding additional clarity to street stubs about when they are required and the things to come along with, they are not easily extendable. Mr. Meadows provided clarification on the minimum number of development entry points. He stated further discussion needs to be had on this due to statutory changes having taken place. Mr. Olmedo communicated to Council if there were any questions, feel free to email him.

Mr. Meadows told the Council he would like to come back before Council on the 15th with the amendments. Council Member Archer stated she felt this was a great first round and great discussion. Mayor McLeod thanked Mr. Meadows and Mr. Olmedo for their presentation.

Administrative/Non-Substantive

- No exclusion of TRC members from a TRC meeting
- Add conservation subdivisions to the subdivision table
- Clarify exempt subdivisions identified in NCGS
- Replace "side path" with "multi-use path"
- Remove the timing requirement from neighborhood meetings, and permit Town staff to attend meetings in accordance with Planning Director discretion
- Remove circular reference in conditional zoning and clarify that density incentives may be combined
- Clarify that district setbacks are measured from lot lines, not from easements or required landscaping areas
- Clarifies how setbacks are measured if there are conflicts with required landscaping or easements
- Clarify that open space set-aside is not required for minor subdivisions and some forms of residential development
- Clarifies parkland dedication is not required for minor subdivisions

6 BREAK

a) Break (1:00 - 1:10 p.m.)

7 ITEMS FOR DISCUSSION

a) Electric Rate Study (1:10 - 2:10 p.m.)
Presenter: Craig Brown, 1898 Consultants

It was reported by the Town Manager that the cost of service is more in depth this year. Mr. Cappola stated that Craig Brown has been the rate designer. Mr. Brown stated the rate study is a 3-step process. Step 1: Financial Planning, Step 2: Cost of Service, which is done once every 5 years and deals with how equitable the rates are. Step 3: Rate Design. It was reported that the growth has been good and that it has increased to 8.5% in the past 12 months. The energy sales forecast has grown at a slower rate than the customer growth. That means as new developments come in, they are using more energy efficient appliances and becoming more knowledgeable on conserving energy.

Customer growth, not matching the energy sales forecast, was factored in. It was reported the Revenue Requirements Under Existing Rates:

- Larger than expected increase in Power Supply Costs from NCEMPA True-ups
- O&M escalation of 5% from FY25 budget
- Very little capital outlay from rate revenue in 2024 and 2025 to allow cash balance to return to the minimum target
- Increased debt

There was a substantial drop in the cash balance in FY23. It was communicated that Clayton management has recommended increasing days cash on hand from a target of 100 days to 120 days. The policy target for debt service coverage is 1.50. It was stated that the debt level service coverage ratio is very low. It was stated the plan is to debt finance and bring the balance back up to target.

<u>Rate Adjustment Summary</u>

- Requesting lower increases than forecasted last year

2023 Study
FY25 5.0%
FY26 3.0%
FY27 3.0%
FY28 3.0%

Current Plan
FY25 3.0%
FY26 2.0%
FY27 2.0%
FY28 2.0%
FY29 2.0%

- Only requesting Council approval for FY25 increase
- Reduced rate forecast is driven by lower projection of new residential developments and deferred capital projects

Mr. Brown explained the cost-of-service process. The process consisted of three steps. The first step is Cost Functionalization. This step included production, transmission, distribution, customer and direct. The second step consisted of cost classification which included the customer, demand, and energy. The final step entailed cost allocation which consisted of residential, small community, large community, large power, and lighting.

It was communicated to Council the allocation factors are developed using energy (kwh), demand (kw), and customer data. The development of these allocation factors can vary by utility based on the available data. It was stated correctly allocating costs gives utilities valuable insight into fixed and variable costs for each customer class.

Cost of Service Summary

- Residential is just under the system average 1.69%
- Commercial classes are over recovering allocated costs
- City Usage under-recovers costs 31.10%
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Recommendations for Applying COS Results

- All classes except City Usage are within a reasonable range of allocated costs
- It is common for commercial classes to slightly over-recover costs to limit residential rate increases
- It is also common for municipalities to under-recover costs
- We recommend no inter-class rate adjustments
- All classes receive the system average 3.0% increase

Cost Causation Principles in Rate Design

Customer:

- Costs that vary based on the number of customers on system
- Billing, meter reading, onsite distribution facilities, and some distribution field equipment

Demand:

- Cost caused by peak loads on system
- Non-variable generation, transmission, non-customer distribution

Energy:

- Costs that vary with the number of kWh produced or consumed
- Fuel, variable generation costs, variable transmission charges

Examples of common problems with the typical rate design was communicated to Council.

It was reported to Council that the Clayton rate design goals would have equal rate increases across all classes and would maintain the same general rate structure. Mr. Brown explained that the typical Clayton resident uses 868 kwh per month, or about 29 kwh per day. The proposed increase would increase the typical electric customer's bill by about 13 cents per day.

b) Water Rate Study (2:10 - 3:00 p.m.)
Presenter: Robert McKie, Finance Director and Rich Cappola, Town Manager

Mr. Cappola presented an overview of the water and wastewater utility profile. It was reported that there are 11,800+ water accounts, 140+ miles of water pipes, 10,400+ sewer accounts, 1 wastewater treatment plant, 3.6+ million gallons of water delivered daily on average, 170+ miles of sewer pipes, 35 M+ waste and wastewater rate revenues, 2.9+ million gallons of wastewater collected daily on average and 6 MGD wastewater treatment plant under construction.

It was reported that there are 4 different factors on how the rates are being built:

Utility Costs:

- Chemicals, Labor, Supplies & Power beginning to normalize
- Significant need for capex investments

Regulatory Rules Landscape – Require both capital investments & increase in annual O&M costs:

- LCRI (Oct 2024)
- M/DBPs (July 2025)
- PFAS (2024)

Capital Program Funding:

- Gap likely to widen
- $85 Billion needed in the next 5 years
- Federal funding: More loans than grants

Other Factors:

- Enhanced consumer confidence reports (CCRs)
- Sector-driven cybersecurity framework
- Risk & resilience assessments (AWIA 2018)
- Extreme weather resilience planning
- Higher than normal interest rates lingering

Mr. Cappola explained each of the 6 governing principles of an enterprise fund.

- Fully supported by user fees
- Nexus between charges and costs
- Revenue stability
- Adequate reserves
- Self Sufficient
- Dedicated to the utility

Mr. Cappola discussed the best practices for an enterprise fund. The practices mentioned are as follows:

- Financial Performance Metrics
- Multi -year financial plan
- Prioritized Asset Management
- Balanced Rate Structure

The water and wastewater rate study objectives were presented to Council. The objectives discussed were as follows:

- Fund operating and capital requirements
- Support cost effective capital program financing
- Align financial plan with desired performance metrics
- Build modest reserve
- Design rates based on cost of service
- Balance customer bill impact

Mr. Cappola provided information regarding the revenue requirements for FY 2025 – FY 2029. It was stated the FY 2025 rate model would be siding on July 1, 2024. It was communicated that currently the projected revenues are $35,019,100, that is under the existing rates. Revenue under existing rates reflects the increase in the number of accounts and billed volumes over the study period (FY 2025 – FY 2029). Those numbers would continue to grow with normal customer growth. It was stated the O&M projections are going up with the current projection of 2025: $21,281,000; 2026: $24,174,800; 2027: $22,965,100; 2028: $24,413,200; 2029: $$24,971,600. The O&M for wastewater increases significantly from FY 2025 to FY 2026 due to the start of Sam's Branch Wastewater Plant operations. The decrease in FY 2027 is due to decrease in purchased treatment costs.

Mr. Cappola presented the financial plan that was based on stated assumptions and information provided by the Town. Actual results may differ from the assumptions and information that the forecast is based on.

c) Davenport Financial (3:00 - 3:30 p.m.)
Presenter: Ted Cole, Davenport Financial

Mr. Cole presented the Davenport report that included the general fund or the tax supported universe project. Two of the three common bond ratings were discussed. The two discussed were: Moody's Investor Service and Standards & Poor's. The highest that any local government can achieve is AAA, it was reported that Clayton is one notch below AAA. It was communicated to Council that Clayton is AA1 (Moody's Investor Service) and AA+ (Standard & Poor's), that upgrade occurred in 2021.

Council Member Anderson inquired if the projections continue the way that are, what is the timeframe for us to get to AAA-Review Moody's Methodologies; Mr. Cappola estimated by the end of the decade based on the current trajectory. Mr. Cole discussed the general fund financial performance. Historically, the Town's operating revenues have exceeded operating expenditures, resulting in a structurally balanced budget and annual operating surpluses. It was reported that the Town has increased its total fund balance each year for the past five fiscal years.

The Town has an adopted financial policy that states, "General Fund unassigned fund balance at the close of each fiscal year shall not be less than 20% of actual General Fund net expenditures without prior Town Council Authorization." The Town has also formalized their policy to reflect a General Fund Target to maintain unassigned fund balance as a percentage of net expenditures of at least 30%.

8 BREAK

a) Break (3:00 - 3:45 p.m.)

9 ITEMS FOR DISCUSSION

a) Town Council Discussion (3:45 - 5:00 p.m.)
Decisions
Outcomes
Presenter: Rich Cappola, Town Manager

Mr. Cappola provided a recap on the earlier presentations. It was reported there would be an approximate $20 month increase for the average customer in utilities. Council Member Williams inquired on the message to those who are on a fixed income. Mr. Cappola responded there are a few different options, there are energy audits and there are loan programs for those who may have outdated and inefficient utilities.

Mrs. Game stated they are trying to be more of an educational group instead of a billing group. Information is provided in bills about conservation, it was stated they alternate between water and electricity. Also, her staff is prepared to discuss and inform the customer of ways they can lower their bill. Council Member Casey shared that Smithfield has had a 6% electric increase and 6% sewer increase. There was also discussion on sharing the overall cost from the previous years with the usage rates. Mrs. Game stated it has been shared.

10 ADJOURNMENT

With nothing further, the meeting was adjourned at 4:53 p.m.

a)

Motion To Adjourn

RESULT:	**CARRIED**
MOVER:	Michael Sims
SECONDER:	Porter Casey
YES:	Andria Archer, Michael Sims, Porter Casey, Gretchen Williams, and Ruth Anderson
NO:	None

Duly adopted by the Town Council this 6th day of May 2024 while in regular session.

Jody L. McLeod
Mayor

ATTEST:

Heidi L. Holland

Heidi L. Holland, CMC, NCCMC
Town Clerk

TOWN OF CLAYTON
INCORPORATED APRIL 1869
CLAYTON, N.C.