

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

**Tuesday, April 13, 2020, at 2:00 p.m.
Special Budget Meeting**

The Honorable Council of the Town of Morehead City met in Special Session on Tuesday, April 13, 2021, in the Council Chambers, Morehead City Municipal Building, 202 South 8th Street, Morehead City, North Carolina. The purpose of the Special Meeting was to review the proposed FY 2021-2022 Budget.

This meeting was partially conducted utilizing Zoom Video Communication Inc. software due to the COVID-19 crisis and Governor Cooper's Executive Order 141 imposing the requirement to maintain six-foot (6') distancing. Those in attendance were:

COUNCIL PRESENT: Mayor Gerald A. Jones, Jr.; Councilmembers George Ballou, David Horton, Keri V. McCann, William F. Taylor, and Diane C. Warrender.

STAFF PRESENT: City Manager Ryan Eggleston; Communications Director Alize Proisy; Planning Director Sandi Watkins, Police Chief Bernette Morris, Finance Director Jewel Lasater, Human Resources Director Susan Nixon, Parks and Recreation Director Jerry Riggs, Public Services Director Daniel Williams, Deputy Fire Chief Courtney Wade, and City Clerk Cathy Campbell.

OTHERS PRESENT: Elise Clouser of the Carteret News Times

STAFF PARTICIPATING VIA ZOOM: Executive Assistant Kathy Eagle

CALL TO ORDER

Mayor Jones opened the Special Budget Meeting at 2:07 p.m. with a quorum present. He then called on City Manager Ryan Eggleston to lead the budget discussion. Mr. Eggleston began by explaining that today's discussion would be a high-level overview of the FY2021-2022 budget.

BUDGET DISCUSSIONS

Municipal Comparisons

Mr. Eggleston provided a Municipal Comparison report reflecting Morehead City's position in relation to other regional governmental entities' solid waste fees, stormwater fees, water and sewer fees, ad valorem taxes, and other taxes. Morehead City's solid waste fees were the highest; however, it was noted that many are beginning to charge separate solid waste fees. Morehead City's water and sewer rates were the most competitive, being nearly half of what others are charging. Newport was one of the only municipalities charging less than Morehead City for water and sewer; however, it was noted that their sewer client base is much less than Morehead City's. In relation to population, Morehead City's tax rate was also very competitive.

Morehead City's tax rate was one of the highest in the County, surpassed only by Beaufort and Newport which also include fire district taxes. This is reflective of the broad range of services that Morehead City provides to its citizens. Councilmember Taylor asked why a fire tax is listed for Beaufort and Newport but is not listed for Morehead City. Finance Director Jewel Lasater explained that Beaufort and Newport assess the fire tax to incorporated properties, while Morehead City only assesses this tax to the unincorporated districts.

When comparing a full range of fees and taxes, Morehead City was lower than both Beaufort and Newport. Public Services Director Daniel Williams explained that Morehead City's solid waste charges are considerably higher than the other two due to customer volume, impact fees, and vehicle maintenance. The cost is also based on the contract negotiations.

High Level Cost Picture 2021-2022 Budget

As reported during the mid-year review, Mr. Eggleston stated revenues are up and the budget is being prepared with that in mind to project the most accurate position as possible. Personnel costs are up as well. He provided the following projections that will be included in the FY 2021-2022 draft budget:

- Merit Increases: Estimated at 2.75 % overall increase / \$244,000 (average of all increases)
- COLA (Cost of Living Adjustment): 1.4% / \$123,000 (Department of Labor rate)
- Pension: State is increasing the employer paid percentage from 10.2% to 11.4%/ \$140,000 increase. Current cost is approximately \$900,000.
- Health/Dental Insurance: Health 2.5% increase / \$141,000; Dental 2% increase/ \$2,700; Vision will remain the same.
- LEO (Law Enforcement Officer) Separation – State is increasing the employer paid percentage from 10.84% to 12.94% / overall increase of \$29,000.

In addition, Mr. Eggleston stated that he will be looking at the possibility of adding back some of the positions that were cut earlier in the year due to COVID.

Addressing the Compensation and Classification Study, Mr. Eggleston reminded Council that Option #1 will address salary compression by re-setting employee salaries in relation to their length of employment. The cost to implement Option #1 would be \$221,500. Option #2 addresses market competitiveness but does not address salary compression as it moves positions up to the recommended pay grade without moving them on the scale in relation to length of service. The cost to implement Option #2 would be \$522,307. Option #3 addresses market competitiveness by assigning each position to the recommended pay grade and range determined by the comparative market analysis, but after assigning pay grades salaries remain unchanged except for those whose salaries fall below the minimum salary of their new pay grade. The cost to implement Option #3 would be \$61,464.

Piedmont Triad Regional Council recommended Option #1 because it will place Morehead City in a competitive position while also providing a mechanism to begin to address salary compression. It was also recommended that Council continue to offer merit and COLA increases to prevent compression from increasing. Mr. Eggleston was supportive of Option #1.

Councilmember Warrender asked for the overall personnel cost amount (salary and benefits). Mr. Eggleston did not have the information readily available but agreed to provide it following the meeting.

Councilmember Taylor questioned whether Council would prefer to give a 4% inflation adjustment to resolve compression rather than COLA and merit increases. Councilmember Horton stated that a COLA holds salaries where they are; if average employees are not offered a raise under the merit program, they will become discouraged and if continued, disgruntled. Mr. Eggleston stated that this was one of the items discussed with Mr. Hill during the study and as a result he recommended that Council develop a methodology to increase salaries towards the midpoint while continuing to offer COLA and performance improvement increases each year to prevent increased compression. Mr. Hill also recommended that Council establish a written, philosophical salary plan that will drive future new hire salaries and merit increases.

Council agreed by consensus to accept the recommendation of Option #1 along with paying a 1.4% COLA and merit increases as appropriate. Council will vote on the acceptance of Option #1 at this evening's regular meeting. It was noted that within Option #1 separate pay plans will be established for general employees, police, and Fire/EMS to ensure that the most competitive positions are set at the appropriate levels.

2021-2022 Budget Goals and Priorities

Mr. Eggleston provided an excerpt of the February 16, 2021 Planning Retreat minutes identifying the FY 2021-2022 goals as set by the Town Council.

1. Stormwater Plan Implementation
2. Sugarloaf Plan Implementation
3. Fire Station 3 Implementation
4. Municipal Building (202 S. 8th Street) Future Use
5. Dog Park
6. Communication with State, County, & Cities Regarding Regional Cost Sharing
 - A. SROs
 - B. Library
 - C. Humane Society/Animal Control
 - D. 911 Center
 - E. Fire Contracts
 - F. Broadband Communications
7. Comprehensive Plan for Town
 - A. Policy Plans for Long-term
 - B. Economic Development
 - C. Land Use Plan
 - D. Aesthetic Requirements
 - E. Pedestrian/Trail System
 - F. Broadband/Work from Home
 - G. Transportation

In considering how these fit into the budget, Mr. Eggleston quoted from the University of North Carolina School of Government's publication, Local Government Budgeting: A Guide for

North Carolina Elected Officials, *“The budget serves as an annual statement of the policy priorities of the local government. Areas that receive significant funding have a greater priority than those to which fewer funds are allocated. The budget is thus the most powerful opportunity for elected officials to influence the programs and policies that they want to see carried out in their communities.”* As a policy tool, Council should consider how this budget relates to future goals. It suggests the following questions be asked during budget discussions:

1. How are priorities set for our city budget?
2. What long-term plans have been adopted for our city?
3. How closely does our city budget follow a master plan?
4. How closely does our budget reflect annual goals?

Council indicated a need for a long-term or comprehensive plan that outlines long-term goals for the city. This will be a first step in driving future year budgeting.

The Stormwater Plan, Sugarloaf Island Stabilization, and Fire Station 3 will have significant impacts on the upcoming budget, and all will have huge impacts on future plans for the city.

Councilmember Ballou was concerned that paving was not included in the list of goals and that funding the goals may not leave an adequate amount for paving projects. Other councilmembers reminded him that paving is a continual expense. Mr. Eggleston assured him that funds are allocated to paving under the Capital Projects Fund.

Addressing the Communication goals, Councilmember Taylor stated that it will be the City’s responsibility to initiate discussion with Carteret County by sending a letter to the chairman of the Carteret County Board of Commissioners, and it is important to establish a timeline. Councilmember Horton suggested starting with only two or three items, and he recommended starting with Fire Station 3 and a small increase in the fire/EMS tax rate for Wildwood and Mitchell Village Districts. He stated that this is important because our citizens are paying two (2) to three (3) times as much as other county residents for fire service. After a discussion of the goals listed, Council agreed by consensus to begin with SROs, Fire Station 3, and fire district cost share. It is desired that the County would continue to match the two SRO positions provided through the state grant awarded to the County and add the match for the third SRO position. Mr. Eggleston stated that staff is working with the County regarding the 911 communication response issue noted in the study.

Since Carteret County has separated from the Craven-Pamlico-Carteret Regional Library group, the County can no longer contribute to other libraries without losing state funding. Therefore, the City must increase the library budget by \$50,000 to offset their traditional contribution to the Morehead City Library. This will increase the City’s library budget to about \$235,000. Council will call for a closed session this evening to consult with the city attorney regarding the library lease.

Capital

Regarding capital expenditures, Mr. Eggleston stated that there will never be enough available funds to satisfy all capital projects. Council must determine how much should be spent this year toward each project by setting priorities.

With revenues coming in higher than projected, the Fund Balance is expected to remain stable without the need for a transfer of funds. Two of the largest capital expenditures for the upcoming budget year are the continuation of Fire Station 3 and the Webb Library building. This is a building that the city does not own but is responsible for maintaining. The amounts for both projects remain unknown at this time.

Federal Funding

The City estimates the receipt of about \$2 million from the latest stimulus bill provided by the American Rescue Plan Act. Staff is awaiting further details about how it can be utilized. A Coates' Cannons Blog entitled, American Rescue Plan Act of 2021: Local Government Authority to Expend their Allocation, was distributed to Council.

The City is very close to finalizing all FEMA reimbursements. A status report will be provided at an upcoming meeting.

Upcoming Budget Meetings:

Council was reminded of the budget schedule:

May 11th Council Budget Workshop #2 (2:00 p.m.) – departmental presentations

May 18th Council Budget Workshop #3 (2:00 p.m.)

June 1st Council Budget Workshop #4 (12:00 p.m.) – if necessary

June 8th Council Budget Adoption (5:30 p.m.)

ADJOURNMENT

There being no other business to discuss, Mayor Jones adjourned the meeting 3:42 p.m.

Gerald A. Jones, Jr., Mayor

Attest:

Cathy Campbell, City Clerk