

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

**Tuesday, May 26, 2020**

The Honorable Council of the Town of Morehead City held a Special Budget Meeting on Tuesday, May 26, 2020, in the Municipal Chambers located at 202 South 8<sup>th</sup> Street, Morehead City, North Carolina.

This meeting was partially conducted utilizing Zoom Video Communication Inc. software due to the COVID-19 crisis and Governor Cooper’s Executive Order 141 prohibiting the gathering of more than 10 people in a single indoor space. 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; Finance Director Jewel Lasater, Public Services Director Daniel Williams, Fire Chief Jamie Fulk, Police Chief Bernette Morris, Parks and Recreation Director Jerry Riggs, and City Clerk Cathy Campbell.

OTHERS PRESENT: Elise Clouser of the Carteret News Times.

STAFF PARTICIPATING VIA ZOOM: Communications Director Alize Proisy, Human Resources Director Susan Nixon, and Deputy Clerk/Executive Assistant Kathy Eagle.

OTHERS PARTICIPATING VIA ZOOM: Information was not captured or available.

Mayor Jones called the Special Budget meeting of the Morehead City Town Council to order at 2:10 p.m. with a quorum present. The purpose of this meeting was to continue discussion of the Proposed FY 2020-2021 Budget. Mr. Eggleston then called on department directors to continue budget fund reviews.

**WATER AND SEWER FUND**

City Manager Ryan Eggleston advised that water and sewer revenues are expected to decrease slightly and collections may be delayed due to COVID-19. Customers may sign up for a payment plan on the City’s website, [www.moreheadcitync.org](http://www.moreheadcitync.org). Finance Director Jewel Lasater explained that the “Manager Recommended” column as shown on the budget document included a three percent (3%) increase, while the “COVID19” column reflects no rate increase and a five percent (5%) reduction in collections, thinking that some accounts will not be collectable due to relocations and/or shutdowns.

Public Services Director Daniel Williams stated that “Miscellaneous Late Fees” was left blank rather than entering a random number. It is unknown at this time when the State will allow the collection of late fees again and what the collection potential might be.

Ms. Lasater explained that the “Appropriated Fund Balance” increase from \$160,000 to \$265,000 is reflective of there being insufficient revenues to fund some of the Capital items as was initially expected.

Ms. Lasater reported on Billing and Collections expenses stating that the biggest change is in “Salaries” where one (1) employee was reassigned to Finance. Finance reflects a comparable decrease in “Salaries”. This realignment is also part of the reason for the increase in “Office Supplies” as well. The remainder is for credit card equipment.

## **WELLS, WATER TREATMENT PLANTS, TANKS**

Public Service Director Daniel Williams stated that the City operates four (4) wells, three (3) water treatment plants, and four (4) tanks. The tanks hold about two (2) million gallons of water each, and the City can produce, if necessary, four (4) to five (5) million gallons of water per day.

This department consist of two (2) employees. This budget was reduced overall by approximately nine and 25/100 (9.25%). The increase in “Maintenance Equipment” reflects the new AMI transmitters. “Maintenance Utility System” shows a decrease, which reflects a delay in preventative maintenance.

The fresh water filtration equipment was brought online between 2013 and 2014 with the media costing \$250,000 per plant. The life span of each is seven (7) to ten (10) years depending on water quality and how hard the equipment is run. Mr. Williams stated that the replacement equipment is included in the 5-year plan, which calls for \$100,000 to be set aside each year for ten (10) years; however, it was cut from this year’s budget. He explained that the failure of the media would be abrupt and the City would have to make immediate repairs.

## **WATER AND SEWER**

Mr. Williams explained that the increase in “Information Technology” accounts for the direct allocation of Water and Sewer cost for VC3 support, Office 365, data backup systems, and AMI reading and testing. The decrease in “Contracted Services” is due to the removal of opportunistic land acquisition budgeting and delayed maintenance, such as slip lining. Tank maintenance accounts for the majority of this line item.

## **LIFT STATIONS**

The City operates thirty-seven (37) lift stations with SCADA control, generator backups and automated testing. Two (2) employees are assigned to maintaining these stations. Typically, the City would budget to update one station per year, but is not budgeted this year.

## **WASTEWATER TREATMENT PLANT**

The Wastewater Treatment Plant is permitted to treat 2.5 million gallons of wastewater every day. On average the City processes 1.3 to 1.4 million gallons per day. If the City reaches the point where it is processing, on average, 75% of the permitted volume, the State must be notified. If operating at 85% of the permitted volume, the City must have plans and specifications in hand for a plant expansion. The City possesses sufficient land to build facilities capable of doubling the capacity; however, it would be a challenge to obtain a permit to process at that volume due to outfall limitations. Mr. Williams stated that this is not of great concern because the city's treatment volume is the same today as in 1980 due to an aggressive approach to I&I (Inflow and Infiltration) mitigation. He anticipates that some modification will be required within the next twenty (20) years but it will be due to new regulations rather than capacity. The current plant was built to treat up to 3 million gallons per day.

The Wastewater Treatment Plant is staffed by nine (9) employees with two (2) of these dedicated to the lift stations. This department budget is about the same as last year with a slight increase in "Utilities" based on projected increases.

## **SANITATION**

Mr. Williams stated that the Sanitation budget is essentially a repeat of last year. The department consists of one (1) employee who drives the pickup truck to address trash and yard waste pickup.

The increase in "Information Technology" is due to the transition to VC3 full support model.

## **PROPOSED STORMWATER FUND**

City Manager Ryan Eggleston advised that staff continues to work with Wood Consulting to complete Phase 1 of the stormwater program development. \$160,000 is budgeted this year for the next phase of the project based on projections from the review estimation. These funds were allocated from the Water/Sewer Fund. The next phase will include completion of the ordinance and planning document.

The 5-year Capital Improvement Plan will include recommendations for infrastructure to place the City in a position to plan ahead. The stormwater program is being developed to address run-off issues within the city and to look at a systematic approach to stormwater improvements.

## **5-YEAR CAPITAL IMPROVEMENT PLAN**

Mr. Eggleston reminded everyone that the development of a 5-Year Capital Plan was one of the Council's goals for this year. Departmental directors worked together to determine priorities for the first year and then to properly place the remaining items. COVID-19 forced staff to further scrutinize priorities limiting FY2020/2021 projects. Those that did not make the

final cut for the upcoming year were pushed out to FY2021/2022. As a result, the plan was extended to a 6-year plan. Each director then addressed items scheduled for their department.

Building & Grounds – The only item included for Building and Grounds is for vehicle replacements over the next 6-years. The first replacements scheduled for FY2022/2023

Information Technology – IT includes only one item. \$15,000 is allocated in FY2020/2021 for VC3 wiring network upgrades. This expense is not tied to the new city hall facility.

Police Department - Funds are included for FY 2020/2021 for three vehicles at a total cost of \$109,500 to include all necessary equipment. A discussion followed about the possibility of renting city vehicles rather than purchasing them. Police Chief Morris was asked to look into this possibility and to make a future presentation to include the option of borrowing funds to bring police fleet up-to-date and a financial analysis of all possible options.

Fire Department – FY2020/2021 includes \$21,000 to repair the garage doors at Station 1 and \$40,000 for SCBA (Self Contained Breathing Apparatus) unit replacements. \$600,000 is scheduled to be set aside each year, beginning in FY2021/2022 for the purchase of a new ladder truck.

Fire Chief Fulk reminded Council that the contract with Carteret County for Station 3 expires in 2024; therefore, \$3,328,000 has been added in FY2022/2023 for a new station. It is preferable to secure the land prior to this deadline. The General Fund Balance could be utilized for land purchase if an opportunity becomes available. Looking at priorities, Chief Fulk stated that the land would be his first priority and the ladder truck would be his second. Councilmember Taylor asked for an analysis of all station costs to determine if the funds received from Carteret County are sufficient to prevent city taxpayers from having to subsidize the cost of serving County residents and businesses. He stated that this should be completed prior to any land purchase consideration.

In response to a question about the possibility of sharing a truck with the County, Chief Fulk explained that insurance rates are based on the distance a truck would have to travel in response to a call; therefore, rates would increase for citizens living the furthest distance from where the truck is housed.

Automatic CPR Units are scheduled in FY2022/2023 for \$18,000; however, staff hopes to purchase them sooner. Four (4) heart monitors were funded for FY2019/2020 but staff has been awaiting the release of the newest model, which they hope to see released this year. If this does not happen, funds will be rolled over to FY2020/2021. The current equipment must be replaced by 2023.

Transportation – Vehicles for this department are assigned by job. It is proposed that the \$38,000 budgeted would be used to purchase one (1) F250 to replace the Department's three (3) aging vehicles by combining tasks assigned to vehicles. The current vehicles will be surplus. Two other vehicles are scheduled to be replaced in FY2022/2023.

Road Repairs – A total of \$502,500 is scheduled to be spent in FY2020/2021 for street paving (\$400,000), related drainage (\$62,500), and sidewalks (\$40,000). \$200,000 is estimated to be provided by the State in Powell Bill funding. The remaining will be provided by the City budget. Hearing that Council would like a list of specific projects, Mr. Eggleston stated that staff will be re-evaluating the street system to update priorities, and will provide a full report when complete.

Planning and Inspections – The most urgent item for the Planning Department is the ADA (Americans with Disabilities Act) Transition Plan mandated by the NC Department of Transportation and is scheduled for the upcoming year in the amount of \$47,000. A plotter/scanner replacement is scheduled in FY2022/2023 in the amount of \$15,000. That same year they will begin setting aside \$30,000 per year for vehicle replacements in the future.

Recreation - The Recreation Department scheduled \$60,000 in FY2020/2021 for Recreation Center exterior building repairs to include window framing. Funds will continue to be set aside each year thereafter for Center renovations and related building equipment replacements. An additional \$20,000 is included for FY2020/2021 to address exterior renovations as well as major termite damage at the Train Depot. Other items scheduled for future years were briefly reviewed. The Recreation Center Playground upgrade is also scheduled for FY2021/2022.

Parks - \$8,000 is scheduled for FY2020/2021 for mower replacement. All other items were pushed out to future years. Shevans Park is ready for dedication and citizen enjoyment as soon as COVID-19 restrictions are lifted.

Wells – The Wells capital improvement plan primarily includes multiple year projects with scheduled annual allocations. Mr. Williams explained that each well feeds off another with the exception of the Arthur Farm Road well. Eventually, another well will be needed in that area and he budgets \$50,000 each year in case a suitable piece of property becomes available for this purpose. There are no allocations recommended for FY2020/2021.

Water & Sewer – The only expenditure scheduled for FY2020/2021 is \$25,000 for GIS Mapping of Utility System. Other capital improvement items were briefly reviewed.

In response to a question, Mr. Williams explained that the funds allocated from the Water/Sewer Fund for the new City Hall Complex was based on the percentage of space within the building that will house Water/Sewer operations and services. Councilmember Horton expressed concern with using the funds for this purpose.

Lift Station – There are no allocations recommended for FY2020/2021.

Wastewater Treatment Plant - \$20,000 is allocated for “Research and Testing to Meet New NPDES Rules” and \$60,000 for “Clarifier” critical repairs. Additional funds are scheduled to be reserved annually towards a future replacement. The “Research and Testing” item is

for the previously reported new cooper testing requirements. Other items were briefly reviewed.

Sanitation - \$12,266 is scheduled in FY2020/2021 towards reserves for a future Freightliner/Boomtruck replacement.

Stormwater – The stormwater allocation of \$160,000 serves as a placeholder for future costs.

Addressing the volume of projects projected for FY2021/2022, it was noted that they include \$3.3 million for Fire Station 3, which would be financed. Removing this expenditure will bring the overall total back in line with other years.

## **DEBT SCHEDULE**

Mr. Eggleston explained that the debt schedule is a report of outstanding debt. The City's debt balances as of June 30, 2020 will be:

General Fund	\$11,550,291.05
Water/Sewer Fund	\$15,496,500.00
<b>Total</b>	<b>\$27,046,791.05</b>

## **FUND BALANCE**

Finance Director Jewel Lasater advised that the City is awaiting additional funds from FEMA. She is confident the funds will be received; however, it is unknown when these funds will be received. Therefore, two different reports were presented and reviewed based on whether the funds are received prior to June 30, 2020 or prior to June 30, 2021. It is Ms. Lasater's expectation that portions of the funds will be received in both years.

## **REVENUE NEUTRAL DISCUSSION**

City Manager Ryan Eggleston made a presentation regarding Carteret County's property re-evaluation and its potential impact on the Town of Morehead City. He shared that the FY2019/2020 countywide real and personal property valuation as of July 1, 2019 was \$1,958,776,740; the FY2020/2021 countywide real and personal property valuation as of May 1, 2020 was \$2,160,701,121. This results in a taxable increase of 9.35% or \$201,924,381. Based on the countywide re-evaluation, a revenue neutral budget would have a tax rate of \$0.3515 per \$100 valuation. Finance Director Jewel Lasater provided a demonstration of how the revenue neutral rate is calculated.

Mr. Eggleston stated that the budget is proposed with keeping the current tax rate of \$0.38 per \$100 valuation due to COVID-19 and the significant budget impacts as a result. It was noted that most Carteret County communities are either maintaining their current tax rate or slightly increasing them.

A lengthy discussion followed about the difference between a tax rate increase and increased revenue as a result of property evaluations. The county evaluates the value of real and personal property. The city sets the tax rate necessary to raise revenues required to support city operations. Revenue neutral is the calculation of the rate at which no additional revenues would be collected. It was explained that although maintaining the current tax rate might earn more revenue overall, under the new evaluation, it is not considered a tax increase because not all citizens will experience an increase. Some may increase, but some may remain about the same or decrease.

Mr. Eggleston estimates tax revenue of \$2,117,881,656 after removing motor vehicle tax and the estimated appeal approvals (60%). Budgeting conservatively with an estimated collection rate of ninety-four and 28/100 percent (94.28%), the City projects tax revenue of \$7,569,097.

Councilmember Horton disagreed with Mr. Eggleston's interpretation of revenue neutral and the proposed collection rate stating that this accounts for the major of the budget shortfall. He recommended a tax collection rate of 96.8%. He further recommended that the tax rate be lowered to the revenue neutral rate of \$.3515 to make it easier for residents to afford them.

Councilmember Taylor explained that increases resulting from a reassessment is an increase in taxable income. Raising the tax rate from \$0.35 to \$0.38 per \$100 valuation, for example, it is a property tax increase. To lower the rate to a revenue neutral level, is equivalent to the City giving away the benefit of growing taxable income.

Mr. Eggleston confirmed that there are no funds within the budget to support library operations; however, Council could choose to utilize the Unassigned Fund Balance contingency to fund the operation.

**NEXT MEETINGS:**

The next monthly workshop meeting (9:00 a.m.) and budget workshop (12:00 p.m.) will be held June 3, 2020. SRO and library operation discussions will be placed on the budget meeting agenda. It was also requested that a closed session be placed on the workshop agenda to discuss the City Hall building located at 706 Arendell Street. The budget public hearing will be held at the June 9, 2020 regular monthly meeting.

There being no other business to discuss, Mayor Jones adjourned the meeting 5:37 p.m.

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Gerald A. Jones, Jr., Mayor

Attest:

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Cathy Campbell, City Clerk