

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

Tuesday, May 19, 2020

The Honorable Council of the Town of Morehead City held a Special Budget Meeting on Tuesday, May 19, 2020, in the Municipal Chambers located at 202 South 8th Street, Morehead City, North Carolina.

This meeting was conducted utilizing Zoom Video Communication Inc. software due to the COVID-19 crisis and Governor Cooper's Executive Order 121 siting that no more than ten (10) persons should be gathered in the same location at the same time. 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, Finance Director Jewel Lasater, and City Clerk Cathy Campbell. The following joined the meeting one at a time to provide a report and answer questions regarding their departments: Public Services Director Daniel Williams, Police Chief Bernette Morris, Fire Chief Jamie Fulk, Planning & Inspections Director Sandi Watkins, Parks, and Recreation Director Jerry Riggs.

OTHERS PRESENT: Elise Clouser of the Carteret News Times;

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

OTHERS PARTICIPATING VIA ZOOM: Lisa Rueh and Lee Hinson of Downtown Morehead City Inc; and Curtis and Melissa Oden.

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 discuss the FY 2020-2021 Proposed Budget. Mayor Jones stated that it would not be necessary to hold a closed session as stated on the meeting notice.

Mr. Eggleston opened the discussion stating that the City was established in 1857, has a census population of just under 10,000, lies within 9.75 square miles, and offers a full line of public services. In an overview of the presented budget, he said that the General Fund does not require a tax increase, and no utility rate increase is required for this year's enterprise fund budget. A one-time use of the General Fund balance and Utility Fund balance would be required toward limited capital improvements.

The overall budget totals \$24,127,871 demonstrating a decrease from the current year. The decrease is reflective of significant cutbacks in operational costs as well as personnel in an attempt to help offset a projected loss of over one million dollars (\$1,000,000) in this year's General Fund budget due to COVID-19. Cutbacks included a reduction in staff of ten (10) full-time and eight (8) part-time employees, a 20% reduction in the Travel and Training budget, elimination of the COLA (Cost of Living) increase, as well as additional overall departmental cuts of two and one-half percent (2.5%).

Mr. Eggleston commended Finance Director Jewel Lasater, Assistant Finance Director Leeann Vinson, Human Resources Director Susan Nixon, City Clerk Cathy Campbell, and Deputy Clerk/Executive Assistant Kathy Eagle for their help in preparing the budget.

Mr. Eggleston then began a review of General Fund Revenues pointing out anticipated reductions in Sales Tax, Motor Vehicle Tax, Parks and Recreation, Planning and Inspections, and to a lesser degree in Fire-EMS. Sales Tax revenue losses are expected to have the greatest impact. In trying to determine the impact of COVID-19 on tax revenues, staff utilized modeling reports from the NCLM (North Carolina League of Municipalities), NCCCMA (North Carolina Association of City and County Managers), and ICMA (International City and County Managers Association).

The following points were noted during a lengthy discussion about the amount of projected Real & Personal Tax Revenue, how it is calculated, and how it relates to a revenue-neutral property tax rate following the Carteret County's property re-evaluation.

- The difference between the Manager Requested and COVID -19 Manager Requested figures reflects the anticipated delay in collection of ad valorem taxes.
- The budgeted amount is based on expected collections not the invoiced amount.
- The estimated rate of collection for taxes levied by the City is 94.28% (\$2,212,986,781).
- Revenue-neutral reflects the calculated tax rate required to draw the same amount of tax revenue as last year to include the property values of all annexations recorded since the last evaluation (2015).
- The \$7,569,097 includes the anticipated collection of real and vehicle tax less exemptions and appeals.

Staff was asked to provide:

- The percentage of overall increase based on the County's property re-evaluation.
- The percentage of property tax increase based on the new property assessments.

In response to further questions, Mr. Eggleston provided the following information:

- A significant decrease in Powell Bill funds is expected; however, it is expected to be even more reduced in FY2021/2022.
- The lack of recorded Library Funding Revenue from Carteret County increases the uncertainty of Library operations at this time. It is not meant to imply that the County will not provide funds; it was simply left blank as a conservative measure.

- Summer Camp is funded in anticipation of holding the camps next year.
- The decrease in “Recreation Train Depot Rental”, “Recreation Rent Park Field Classroom”, and “Morehead City Docks at Jaycee Park” is due to an anticipated reduction in lease collections due to COVID-19.
- A mid-term budget review will be conducted based on half-year collections and expenses. This should be take place by the end of January,

Mr. Eggleston began department reviews inviting each director to make a presentation on their department operations and to answer questions.

MAYOR AND COUNCIL

Mr. Eggleston reported that the Council’s Training & Travel budget was reduced by twenty percent (20%). Staff was asked to clarify why the Council’s Group Insurance budget did not increase.

ADMINISTRATION

Mr. Eggleston stated that there was a ten percent (10%) increase in the NCLGERS (North Carolina Local Government Employees Retirement System) required benefits, and a fourteen and 2/10 percent (14.2%) increase in medical premiums. The City pays one-hundred percent (100%) of full-time employee medical, dental, and vision insurance as well as life insurance premiums. He noted that salaries and benefits comprise at least two-thirds (2/3) of the City’s annual budget.

The proposed budget includes a performance merit-based increase, but as part of adjusting to the COVID-19 impact the COLA (Cost of Living Adjustment) increase is eliminated. Mr. Eggleston further recommended that the City move away from COLA increases and stay committed to performance based increases as a measure of rewarding good performance and attracting high performing employees. During the discussion about the pros and cons of COLA and merit increases, it was explained that employees that meet standards or excel would receive a raise, those evaluated below that would not.

Asked about possible bias when evaluating an employee, Mr. Eggleston explained that the management team has worked hard to develop an evaluation process that includes multiple layers to prevent prejudice. An appeal process is available for employees who feel they have been evaluated unfairly.

Mr. Eggleston shared that the two primary budgeting changes in the Administration Department are the reduction in Travel & Training and the reassignment of the Public Relations and Advertising (newsletter expense) to Central Services.

FINANCE

Finance Director Jewel Lasater reported that the Finance budget is in line with last year’s budget with the exception of Travel & Training. Although this item was reduced by twenty-

percent (20%), it is still a little higher as they need to catch up on training missed in 2019 and 2020 due to FEMA reporting and the software conversion. The Contracted Services line item includes the collection of motor vehicle taxes as charged by the NC Department of Motor Vehicles.

In response to questions, Ms. Lasater stated that Uniforms reflects the cost of the logo shirts for her department. The “Allowance” includes mobile phones and travel of less than twelve (12) hours, which is a taxable expenditure. Noting the sizable increase in this line, Ms. Lasater agreed to verify the figure of \$1,750. The “Other Postemployment Benefit” reflects the Finance Department’s retired employee insurance costs. The City continues to provide health care insurance for retired employees until they are Medicare eligible. This line item is included in every departmental budget.

BUILDING & GROUNDS

Public Services Director Daniel Williams reported that the Building and Grounds budget has been reduced by approximately eleven-percent (11%). “Maintenance Grounds” is the cost of contracted cemetery maintenance. Building & Grounds staff are responsible for all building and ground maintenance, tree and bush maintenance on city streets, and fountain maintenance.

CENTRAL SERVICES

Finance Director Jewel Lasater reported that the two major differences under Central Services is Insurance and Legal Fees. Insurance is projected at a five-percent (5%) increase due to a full year of cyber insurance through the North Carolina League of Municipalities. Legal fee increased in part due to having to pay FICA (Federal Insurance Contributions Act) on the city attorney’s direct hours, as required by the Internal Revenue Service.

Ms. Lasater stated that the previous year “Bad Debt Expense” reflects uncollected ambulance fees. “Contracted Services” and “Contract Services Professional” includes shredding, banking fees, EAP services, and the annual actuarial study for OPEB (Other Post Employment Benefits) liability, or net asset, that is reported in the Comprehensive Annual Financial Report.

INFORMATION TECHNOLOGY

Mr. Eggleston advised that the IT budget is representative of the City transitioning to an IT service contract model with VC3. As the City develops this relationship, much of the hardware cost will be transferred to VC3 as well. Once fully converted, the City should only realize some wiring and firewall expenses. The City is also discussing the possibility of VC3 providing a phone system.

GARAGE

Public Services Director Daniel Williams stated that two (2) employees are assigned to the garage to maintain the city fleet and lift station engines. Rather than generating income, this

department serves as a cost avoidance asset. Gas, Oil & Tires expenses are charged back to the departments.

COMMUNITY PROJECTS

With regard to Community Project allocations, Mr. Eggleston advised that not much has changed from last year with the exception of lowering the amount for the Main Street Project. This includes \$60,000 for operations and four (4) \$5,000 façade grants.

POLICE

Police Chief Bernette Morris reported that the department has forty-one (41) sworn officers and three (3) civilians. The Department's budget was reduced due to COVID 19; however, she is committed to doing as much as they can with the available funds.

The greatest need continues to be fleet vehicles. Of the fifty (50) vehicles assigned to the department, nineteen (19) have between 100,000 and 150,000 miles, nineteen (19) have between 50,000 and 100,000 miles, and one (1) that has more than 200,000 miles. They requested five (5) vehicles this year, which three (3) were moved to the 5-year capital plan. Councilmember Horton requested that all local dealers be allowed to bid on new fleet vehicles. Chief Morris agreed to look into this possibility.

In response to questions, Chief Morris explained that "Dept Supplies Protective Gear Body" is for masks in response to COVID-19. The Department is set to receive ten (10) body cameras and Tasers per year on 5-year contract. These are included in budget under "Maintenance/Equipment." At this time, Chief Morris distributed a more detailed breakdown of the department's budget.

FIRE- EMS

Fire Chief Jamie Fulk reported that the Fire Department budget has overall reduction beginning with the elimination of two personnel. One of these positions was vacant and the other was cut.

The increased cost last year in "Maintenance Equipment" includes funds for the two (2) replacement engines. This line item was reduced to normal levels for FY2020/2021.

It was noted that EMS Transport rates have not increased since 2017, but they need to be raised to discourage unnecessary transports and to offset aging vehicle costs. COVID-19 temporarily reduced the call demand; however, that is expected to increase again within the next few weeks.

Chief Fulk explained that the NFPA 1710 (National Fire Protection Association) is a national standard written for fire departments to follow in ensuring their adequacy to respond to calls. Chief Fulk stated that in his opinion Morehead City currently does not meet the standard and is not staffed sufficiently for the increasing high-rise infrastructure. A lengthy discussion

was held regarding the need for a service rate study, meeting current demand, and what steps need to be taken to prepare to offer the same level of service as the population increases.

In response to a question, Chief Fulk stated that the income from Carteret County for ETJ (Extraterritorial Jurisdiction) Fire-EMS service is recorded in the General Fund Revenues under “Fire Crab Point District Charges” and “Fire Wildwood District Charges.” The rate is based on the 2013 cost of service with allowance for up to a two percent (2%) annual increase, based on CPI (Consumer Price Index), beginning after the first five (5) years of the contract. The City is in the seventh (7th) year of the ten (10) year contract.

STREETS/TRANSPORTATION

Public Services Director Daniel Williams reported that Streets and Transportation staff was reduced by one (1). This group takes care of routine street maintenance, basic repair, and assists with the special events such as the Seafood Festival. Overall, this department’s budget was reduced by twenty percent (20%).

POWELL BILL

Mr. Williams continued by reporting that Powell Bill are funds received from the State of North Carolina from the gas tax. These funds are used for street repairs including curb and gutter.

PLANNING & INSPECTIONS

Planning and Inspections Director Sandi Watkins stated that her staff was reduced by one and one half (1.5) employees; therefore, she is requesting an increase in “Overtime” budget. There are increases included in “Printing” for flood mailings and the community rating program, and “IT” for software maintenance, GIS mapping software, merchant connector, and maintenance for the aging wide format plotter. “Contract Services Clean Off Pro” includes funds for the condemnation program and the nuisance abatement. “Contracted Services” shows a significant decrease due to reassigning the ADA (Americans with Disabilities Act) Plan to the 5-year Capital Plan.

It was noted that income from inspection and permit fees have been higher than expected for the last couple of years, but this year they are estimated conservatively due to the COVID-19 shutdown.

LIBRARY

Mr. Eggleston reported that the library was closed down due to COVID-19. Due to ongoing budgeting restraints and the uncertainty of when it might reopen, the Library was not funded except for the building utility fees. Council requested that this be discussed before the budget is adopted. Some funds were placed in “Contingency” to fund the library should it reopen.

RECREATION

Parks and Recreation Director Jerry Riggs advised that the Recreation Department consist of three (3) positions. Two (2) part-time and two (2) full-time positions were lost as part of the staff reduction.

Responding to a question about the lack of reduction in “Part-Time Salaries”, Mr. Eggleston stated that these are program driven and that the revenues will offset the part-time salaries. If the City is unable to move forward with planned programs, the salaries will not be expended.

Mr. Riggs explained that their fleet was increased to three (3) vehicles last year due to increased programming throughout town. The increase in “Gas, Oil & Tires” reflects this increase. He pointed out that these are older vehicles that require more maintenance. The “Maintenance Buildings” includes the Train Depot cleaning service contract, and the air conditioners at the Recreation Center.

Councilmember Horton pointed out that the Recreation Department’s “Other” section of the budget increased by sixteen percent (16%). Mr. Riggs stated that it was reflective of the increased cleaning requirements and the hope to increase programs under Phase II and III of the COVID-19 Reopening Plan.

The Parks Department has three (3) full-time employees plus the Dock Master. Mr. Riggs is restructuring staff, and everyone is working together to ensure all tasks are complete. Salaries appear to be higher due to the reassignment of the assistant director from the Recreation Department to Parks Department to spread managerial oversight across both departments.

NEXT STEPS

Mr. Eggleston stated that the next meeting would include discussion of Marlins Baseball, Library, Non-Operating Expenses, Water- Sewer Fund, Billing & Collections Fund, Wells, WTP & Tanks Fund, Wastewater Treatment Plant Fund, Solid Waste Fund, Sanitation Fund, and the Capital Project Fund.

The next budget meeting is scheduled for Tuesday, May 26, 2020 at 2:00 p.m.

Noting a conflict, the June 2, 2020 Workshop meeting and Budget meeting were rescheduled for Wednesday, June 3, 2020 for the same times. Workshop at 9:00 a.m. and the Budget meeting at 12:00 p.m. (noon)

There being no other business to discuss, Mayor Jones adjourned the meeting 5:15 p.m.

Attest:

Gerald A. Jones, Jr., Mayor

Cathy Campbell, City Clerk