

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

Wednesday, February 15, 2023

The Honorable Council of the Town of Morehead City met in Special Session on Wednesday, February 15, 2023, in the Council Chambers of City Hall located at 1100 Bridges Street, Morehead City, North Carolina. The purpose of this meeting was to set goals for the FY 2023-2024 budget year. Those in attendance were:

COUNCIL PRESENT: Mayor Gerald A. Jones, Jr.; Councilmembers David Horton, William Taylor, Harvey Walker, and Diane Warrender.

Councilmember George Ballou was absent. Councilmember Walker was absent for the morning session but present for the afternoon session.

STAFF PRESENT: City Manager Chris Turner, Finance Director/Assistant City Manager Jewel Lasater, Public Services Director/Assistant City Manager Daniel Williams, and City Clerk Cathy Campbell,

OTHERS PRESENT: There were none.

Mayor Jones called the Budget Planning Retreat #1 to order at 10:06 a.m. with a quorum present. City Manager Chris Turner shared that the goal for today is to review the status of where we are today and set the strategic goals for FY2023-24.

FINANCIAL SNAPSHOT

Mr. Turner outlined the focus framework for the budget process and reviewed the budget calendar. Finance Director/Assistant City Manager Jewel Lasater then provided a full year snapshot of General Fund revenues for Fiscal Year ending 6/30/2023 as compared to Fiscal Year ending 6/30/22 showing 95.46% Ad Valorem Taxes, 9% Sales Tax (only 5 months of collection), 28.07% Utility Sales Tax (only 1 quarter of collection), 79.97% County Fire and Rescue District Taxes and 61.76% Ambulance Fees.

Ms. Lasater explained that the State's Fund Balance peer groups are now based on budget dollars rather than population. This places Morehead City in the peer group identified as, "Budgets of \$10 Million and Above Without Electrical Systems", which places Morehead City in the highest peer group along with the State's largest cities - Raleigh, Durham, Chapel Hill, etc. For this peer group, the NC Local Government Commission (LGC) reports that the "Average Fund Balance Available as a Percentage of Average Expenditures" is at 56.27% and the "Median Fund Balance Available as a Percentage of Average Expenditures" is 57.30%. Based on the LGC's formula the benchmark is 56.27% and the City is currently at 24.31%.

Ms. Lasater recommended that the Town Council amend the City's Unassigned Fund Balance Policy to require a minimum Unassigned Fund Balance to a range between 30% and

35% rather than a dollar amount. The City's minimum Unassigned Fund Balance threshold is currently set at a minimum range of \$2.5 million to \$2.75 million. This will allow the City to keep pace with the growing rate of expenditures. She proposed that bringing the unassigned fund balance to the percentage goal be done over a three (3) year period. In addition, she recommended a fund balance policy with the inclusion of an allowance for a one (1) time significant expenditure(s) if for the fiscal health of the city, and building towards a complete financial policy.

In response to a question about trends, Ms. Lasater stated that the current position is a little worse than prior years due to the impact of new Governmental Accounting Standards Board (GASB) rules. Barring no further unforeseen issues, she would expect next year's Unassigned Fund Balance to fall within the range of 28%.

Mayor Jones noted that the current policy was originally based upon a percentage but was not updated to keep up with rising costs. A dollar-based threshold allows the city to fall behind without realizing it.

The recommendation was not challenged.

FY 2023-2024 COLA CONSIDERATION

Ms. Lasater reported that the City has historically based its Cost of Living Allowance (COLA) increase on a 12-month average of the Consumer Price Index (CPI). This year, the 12-month average calls for an 8% COLA increase, which would have an effective impact of 10.22% increase when the increased benefit costs are added. Figures were provided to show the impact of 8%, 5%, 4% and 3% increases for the General, Water and Sewer, and Solid Waste Funds. She expects that staff's recommendation will fall between 3% and 5% to be based on what the budget can absorb once all budget figures are entered. Staff will provide a comparative study of what other local government units will be offering along with their recommendation.

Mr. Turner reported that currently the City has a total of 251 employees.

REVIEW OF FY2022-23 GOALS AND ACCOMPLISHMENTS

Mr. Turner reviewed the FY2022-23 Goals noting the status of each. Reviewing the status titles, he provided the following:

- Done - indicates that the project has been initiated and is progressing towards completion, if not fully completed, and no longer demands the same degree of effort from staff.
- Working On It – means that staff is in discussion about the project and investigating the best method for resolution.
- Stuck – indicates that there has been no progress on the objective and that staff needs direction from Council as to how they would like to move forward.

1. Cost Sharing (Training Facility/Fire Tower, 911 Center, Animal Control, Library, SROs, Fire Contracts, Ladder Truck, and Fire Station) **Done**; (Council identified as *In Progress*)
2. Sugarloaf Island Plan Implementation (carryover) **Done**; project initiated and grants secured to support at least the initial phase of the project preparing for mobilization; 40% complete. (Council identified as *In Progress*)
3. Paving **Done**; road grading system in place and program established to ensure annual improvements; \$500,000 budgeted annually.
4. Street End/Public Access (Clean-Up Drainage Pipes for Safety Reasons) **Done**; steps are being taken to address old pipes; staff had hoped to extend the outflow pipes further offshore, but they do not hold up well in storms.
5. Fire Station #3 Land Purchase (carryover) **Done**; land has been purchased and a needs assessment study is underway.
6. Comprehensive Plan (carryover) (Policy Plans, Economic Development, Land Use Plan, Aesthetic Requirements, Pedestrian/Trails, Broadband/Work from Home, and Transportation) **Done**; 90% complete.
7. Police Department Study (Manpower Assessment to Determine Appropriate Level of Force) **Stuck** – unsure why this was included as an objective since a plan has been initiated to assess the salaries of a third (1/3) of staff each year ensuring that they are properly classified and compensated. Councilmember Taylor shared that the intent of this objective was to conduct a staffing study to identify if the Department is properly staffed and effectively allocated. This should be carried over with better clarifying terminology.
8. Preparing for New Effluent Copper Testing Requirements **Done**; grants secured to support the project that is now in the planning phase. (Council identified as *In Progress*)
9. Sea Level Rise and Tide and Water Intrusion Solutions/Utility Systems **Done**; grant funds obtained to address the sea level rise at 10th and Shepard Streets. There were questions as to whether this included the Stormwater objective or not. All agreed that they should be kept separate. Councilmember Taylor recalled that a consultant was hired to offer solutions for addressing stormwater. All agreed that Council cannot implement policy to control rising tides. (Council identified as *In Progress*)
10. Additional Parking/Parking Deck Downtown (Multi-Year Goal) – **Working On It**; staff is gathering data concerning potential parking in Katherine Davis Park and has participated in conversations regarding a possible parking deck in the downtown area.

11. Dilapidated Structures/Improved Housing **Done**; staff is addressing through *Community Development Block Grants (CDBG) projects.*
12. RFP and RFB Additional Parking for Boat Ramp at Newport River Water Access Park (Construction/Funding Source?) **Done** – *no land availability.*
13. Increase Use of Big Rock Stadium by Community Groups **Done**; *Parks and Recreation staff is focused on increasing usage.*
14. Stormwater Study Implementation (carryover) **Done**; *study was obtained and Council declined to accept.*

Council disagreed with the use of “Done” for anything short of a fully completed project and requested that he establish a category of “In Progress.” Mr. Turner encouraged the Council to review the projects in Monday.com for more detail.

CITY STAFF STRATEGIC RETREAT:

Staff conducted a needs assessment and mind mapping exercises followed by a budget entry session in the afternoon to allow departments to work together on items that overlap departments. Mr. Turner shared the lists of key objectives set for each department adding explanation as necessary for clarification. These resulted in the following overall FY2023-34 Staff Strategic Objectives:

- Establish Minimum Fund Balance Policy
- Expand Healthy Revenue Streams
- Utilities Expansion Plan
- Utilities Rate Study
- UDO Rewrite
- Financing of Capital Improvement Project (Debt Instruments)
- Continue City – Classification and Compensation Studies
- Establish Stormwater Mitigation Plan
- Continue Fleet Management program (Maintenance, Surplus and Replace)
- Succession Planning and Staff Development Training
- Special Events Cost Policy (Breakeven vs Subsidized)

In addition, staff will continue to look for opportunities to increase customer self-service and frontline data retrieval. A discussion arose about the fee assessed for credit card payments and where the City realizes the most savings. It was pointed out that the fee for credit card payments is a convenience pass-through fee; customers have the option of automatic draft at no cost.

Councilmember Taylor asked if staff is maximizing the security measures available for Munis or must this wait until the program is fully implemented. Ms. Lasater reported that security is applied for each module as it is implemented.

Councilmember Horton suggested that a new gym should have been included in the Parks and Recreation objectives since it has been discussed several times.

Councilmember Horton also suggested that the City consider security provisions to prevent data hijacking. Mr. Turner report that the City has implemented two factor authentication and Proof Point that additional layers of security. This qualified the City for affordable system insurance. The City has moved major software operations to cloud storage.

At 11:46 the Council recessed the meeting for lunch and reconvened the meeting at 12:33

SET GOALS FOR FY2023-24

Mr. Turner then guided the Council in an exercise where their individual objectives were recorded with the goal of identifying the top 7 to 10 strategic goals for FY2023-24. The following were listed:

- Parks and Recreation Programs/Management and Manner of Use
- Parks and Recreation Partnerships / County / Cities / Schools
- Economic Development Officer / Strategy and Workshop
- Stormwater Plan
- Purchasing Officers/Centralized-Unify Bulk Purchasing
- Multi-Use Facility at W.S.King Building – Parks and Recreation Complex
- Financing of Capital Projects / Identify Debt Instruments / Create Debt Toolbox for Council
- Fleet Management, Fleet Maintenance, Fleet Centralized Control
- Fleet Fuel Partnerships / County / Cities / Schools
- Diversity-Equity and Inclusion in Human Resources Advertising Policies
- Translate City Critical Documents Into 2nd Languages
- Public Private partnerships (P3) with City and County
- Comprehensive Ordinance Review
- Seek Proactive Healthy Revenue Streams / Annexations and Development Growth Strategy
- Unified Development Ordinance Rewrite
- Special Events Cost Strategy / Gift Policy Thresholds
- Workforce Housing
- Migrate 2032 Policy Suggestions Into Our Unified Development Ordinance
- Fire/EMS Fair Cost, Capital Cost Share/Equipment Cost Share (carryover)
- Street Ends / Storm Drain – Repair (carryover)
- Station #3 – Debt Instrument / Funding (carryover)
- Establish Fire / Police Staff Thresholds (carryover)

- Sugarloaf Project (carryover)
- Dilapidated Structures – Policy (carryover – policy is new addition)

The Special Events Cost Strategy / Gift Policy would set a dollar threshold for gifts made to mid to small events so that staff can properly budget. Mayor Jones recommended that a \$100,000 be budgeted.

As part of a discussion as to the benefit of having an in-house Economic Development Officer, it was noted that no government unit or organization is identifying or communicating what is available in Morehead City and/or Carteret County for commercial or industrial development, nor is anyone gathering the information that such industries will need to make an informed decision. Councilmember Taylor suggested that a dedicated work session be held for this topic. It was noted that before the position is established, clear guidelines must be set in regard to what territories they will target and exactly what the Council expects this individual to accomplish. Mr. Turner shared that staff is looking into capitalizing on historical tax credits to aid in revitalizing some of the failing structures in town. North Carolina Office of Recovery and Resiliency's (NCORR) compliance requirements for this type of credits requires that a staff member be certified. This could become a responsibility of an Economic Development Officer.

In closing, Council was asked to select seven (7) items from the objective list that they believe should be a priority for budget consideration and management focus for FY2023-2024.

ADJOURNMENT

There being no other business to discuss, Mayor Jones adjourned the meeting 2:17 p.m.

Attest:

Cathy Campbell
Cathy Campbell, City Clerk

Gerald A. Jones, Jr.

Gerald A. Jones, Jr., Mayor

