

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

**Tuesday, May 21, 2019, at 2:30 p.m.
Special Budget Meeting**

The Honorable Council of the Town of Morehead City met in a Special Meeting on Tuesday, May 21, 2019, 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 2019-2020 Budget. Those in attendance were:

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

STAFF PRESENT: City Manager Ryan Eggleston; Deputy Policy Chief Bryan Dixon; Fire Chief Jamie Fulk; Finance Director Jewel Lasater; Police Chief Bernette Morris; HR Director Susan Nixon; Communications Director Alize Proisy; Interim Parks & Recreation Director Jerry Riggs, IT Manager Jon Snyder; Planning Director Sandi Watkins; Public Services Director Daniel Williams; Shirl Meadows; Sandy Judy; and City Clerk Cathy Campbell.

OTHERS: Elise Clouser, Carteret News Times; Lisa Rueh and Arrington Moore of Downtown Morehead City, Inc.; and Bruce Caldwell.

CALL TO ORDER

Mayor Jones opened the Special Budget Meeting at 2:35 p.m. with a quorum present, and called on City Manager Ryan Eggleston to lead the discussion. Mr. Eggleston stated that he would have each department director give a brief overview of their department budgets, and then move onto answering questions posed by Council at the last budget meeting.

BUDGET DISCUSSIONS

Public Services

Public Services Director Daniel Williams reviewed the Public Services budget by division.

The Public Utilities operating budget is based on a 3% water and sewer increase that is consistence with the recommendation of the 2018 rate study. Capital items include a Jet Vac truck, Ford F250 truck, back hoe, Jack Hammer and GIS Mapping.

The replacement Jet Vac truck at the cost of \$450,000 will be used daily to clean sewer lines and perform the mandated annual requirement to clean and camera at least 10% of the City's sewer lines. The current 2008 truck is costing approximately \$18,000 per year to maintain. When out of service, the City borrows one from Beaufort. The remaining life of the current truck will be utilized by Street crews to clean catch basins and storm drains.

This Budget also include the purchase of Ford F150, F250 and Chevrolet Tahoe that will replace existing trucks. The current trucks will be used by other departments that do not require the same degree of demand on the vehicles.

The back hoe will replace the 1999 back hoe that is out of service and will be sold. The Town has four (4) back hoes including the one (1) to be replaced. One (1) is used solely for the Wastewater Treatment Plant to move sludge; two (2) are used by the Street division and two (2) are primarily used by the Water/Sewer division. In response to a question about the feasibility of renting this piece of equipment, Mr. Williams stated that back hoes are the “Swiss army knife” of equipment, and they are continuously being used for everything from moving equipment and performing street maintenance to hauling trash for the Seafood Festival. Renting would not be feasible as it is difficult to anticipate when one might be needed and it would be costly to rent one on a continuous basis to ensure availability.

The proposed jack hammer is an efficiency tool and will minimize injuries. The sewer tap coring machine supports the I&I program. It is a hydraulic jack that can be lowered into a man hole to core out blockages. GIS Mapping is ongoing expense for mapping the location of water and sewer lines.

The Public Works operating budget is very similar to the current year with minor adjustments in the maintenance area. The existing annual Water & Sewer Capital Project Fund included major repairs as well as capital outlay items. Finance Director Jewel Lasater reported that these expenditures are now being separated into a Multi-Year Enterprise Capital Project Fund. The meter reading project, which is not included in the budget, will become an Enterprise Capital Project Fund at some point in the future. Costs for this project have reduced from \$3 million to \$1.5 million that will be phased over three (3) years.

The operating funds for Building & Grounds and Garage are basically the same. Other items not included in the proposed budget are generators for the garage and showers previously proposed for use during emergency events. These will be included in the five (5) year plan.

Fire/EMS

Fire Chief Jaime Fulk stated that the majority of his line items show a zero or negative increase. The area with increases were Uniforms, Medical Supplies & Drugs, and Contracted Services. The increase in Contracted Services reflects the increase in fees for EMS billing which is offset by revenues.

In regard to Capital Outlay, the Fire Department cut all proposed items except the replacement heart monitors. The current monitors will not be serviceable after 2022. These were budgeted for purchase during the current year, but the purchase was delayed awaiting the release of new models and to ensure that all vehicles carry the same equipment. The \$160,000 budgeted this year will rollover to the next year’s budget to cover the expenditure. They will be placed in each ambulance and the Quick Response Vehicle (QRV).

Expenditures for the new fire station property are not included in the budget and will be discussed at a later date.

Chief Fulk suggested that the replacement of the breathing apparatus be included in the purchase of a future ladder truck. He anticipates that planning for the purchase will begin next year with a target purchase in FY 2020-21. Once purchased, the current truck would be sold or repurposed for an equipment hauler. It would be too expensive to maintain as a backup ladder truck.

Parks & Recreation

Interim Parks and Recreation Director Jerry Riggs reported that both the Recreation and Parks operating budgets are consistent with the current year with no significant adjustments.

On the capital improvement side, all but one of the proposed items are being moved to the five-year plan. Mr. Riggs briefly reviewed the projects. The Shevans Park Renovation project is tied to potential matching funds of the PART-F grant the City applied for earlier this month. The award will not be announced until August. Should an award be granted, the City's match will be dollar for dollar up to the max dollar amount of the grant.

In response to a question about whether the addition of a concert stage at Jaycee Park would eliminate the need for a stage at Katherine Davis Park, Mr. Eggleston stated that the addition of a stage at Katherine Davis Park will relieve the demand on Jaycee Park and provide another venue for large events, but that our immediate focus should really be building a permanent stage at Jaycee Park.

Planning & Inspections

Planning Director Sandi Watkins reported that the Planning Operational budget includes the addition of a part-time building inspector. Originally, a full time inspector was proposed. Additional help is needed in this area due to increased activity: 76% increase in building permits and a 25% increase in overall permits issued. This position was originally funded in FY 2017-2018, but was later cut.

The increase under Information Technology is for the SmartGov permitting software. The project timeline calls for "going live" in September. This will support the department's goals of enhanced customer service, providing online capabilities, improved efficiency, and emergency event resiliency. The initial implementation fees will be paid under the current FY 2018-2019 budget, and it is the ongoing maintenance fees are included in the proposed operation budget.

The Capital Outlay expenditures includes Stormwater Services for Phase 1 of the Stormwater Plan. Planning will be accepting a vehicle from Public Services; therefore, the 2019 Dodge Journey proposed has been pulled. Mr. Eggleston advised that the 2005 vehicle to be replaced in the Planning Department will be retired and removed from the City's insurance policy.

IT

Information Technology Director Jon Snyder reported that increases in the Operations Budget for IT can be seen in Gas, Oil & Tire to maintain the department's two vehicles; IT Software & Licensing to upgrade of the Town's email system with the Microsoft Cloud Based

365 System; and Document Proc Hardware Peripher to purchase the Laserfiche Document Management model that will aid in managing document retention and allow for the redaction of sensitive information when responding to public record requests. The Software & Licensing also includes all Microsoft Office Suite licenses for the Town. The increase in IT Services Contracts is due to maintaining aged equipment and capturing items that have historically been add-ons throughout the year.

Mr. Eggleston shared that the Microsoft Cloud Based 365 System will provide additional redundancy in emergency situations, such as a hurricane. In response to a question, Mr. Snyder stated that Dropbox will be replaced by the Microsoft Teams product that provides options for more efficient communication and Mr. Eggleston added that will the new website roll out full packets for council meetings will be available online.

Police

Due to Chief Bernette Morris' recent return to duty, Deputy Chief Bryan Dixon made the Police Department's budget presentation. Deputy Chief Dixon advised that there are only a few minor increases included in the operations budget.

The increase in Departmental Supplies Protective Gear accounts for the 40 active shooter kits or elevated body armor to be purchased. As with the current vests, these vests have a five (5) to six (6) year life span. The department budgets for several replacements each year. As replaced, the outdated vests will be used for training.

Maintenance Equipment includes ten (10) audio capable body cameras to be shared across the department in a pilot program. These cameras are compatible with current equipment, and the Department's servers are equipped to support them. Staff has also included funding for a pilot program for tasers.

The Dues Subscription & Internet line item reflects a fiber optic upgrade.

In response to a question about the decrease in Separation Allowance, Finance Director Jewel Lasater explained that this reflects a projection of retirees who will drop off due to reaching Social Security availability age.

Deputy Chief Dixon reported that the Department is not including any capital outlay items. The original requests have been pulled for the good of the whole City. However, he advised that a delay in the 10-year replacement schedule will increase expenditures in the future. Currently, the Department does not have any spare vehicles. The Department favors purchasing SUVs in the future as they are better suited for high water events, such as hurricanes, are capable of maneuvering all road types, and have space for carrying more equipment. Cars are suitable for pursuit situations, but City policy limits the need for such capability.

In response to a question, Deputy Chief Dixon stated that the Fuel Resupply Trailer was initially requested for use in emergency events to ensure immediate gas supply. The Town has an agreement with local providers for fuel; however, emergency vehicles have to circumvent gas lines in order to refuel.

Finance

Finance Director Jewel Lasater began by stated that there are no significant changes in the Billing & Collections or Finance operations budgets. The Department is currently managing the FEMA wrap-up and documentation for Hurricanes Florence and Michael; is in the initial phases of establishing a P-Card program; and will move into Phase III of Munis software conversion in September with the implementation of the Billing & Collections module. Munis Phase III will be a nine (9) month project, and will also include Public Utilities asset maintenance and meter management. It is her intention to implement the P-Card program before moving into Munis Phase III.

Administration

City Manager Ryan Eggleston reported that the most significant change in the Administrative area is the addition of the communications director position. There were no capital outlay items to address.

Municipal Comparisons

Mr. Eggleston began by presenting Council with a report of the project initiatives identified through the budgeting process. One item recommended by Mr. Eggleston at the May 7, 2019 Budget Work Session was to reduce some of the Town's debt by utilizing funds from the Fund Balance: Train Depot (\$276,243), 2005 Street Improvement (\$160,534), and Shepard Street Boat Ramp (\$420,736). At that meeting, Mr. Eggleston was asked to report on the amount of interest to be saved from the debt payoff. He advised that the savings would be \$132,000.

Another question posed at the May 7, 2019 meeting was, how many of the capital projects proposed were recommended. Originally, \$2.295 million in capital projects were proposed, and \$1.16 million have been recommended for inclusion into the FY 2019-2020 budget based on approving a 5 cent tax increase to fund capital improvements. The remaining projects will be included in the 5-year plan.

He then presented State and County tax comparative data, as well as comparative data regarding water and sewer, solid waste and stormwater fees from across the County. In each case, the fees varied broadly, and it was explained that such comparisons are not truly equal comparisons in that there are many variables and contracts are negotiated differently. In most of the comparisons, Morehead City fell somewhere in the middle.

Addressing the proposed ad valorem tax increase of five cent (\$.05) on \$100 valuation, Mr. Eggleston stated that the increase will not be used to support daily operations, but would provide funds to accomplish the projects set by the Council for FY 2019-20 related to capital expenditures. These projects are:

PROJECT	RATE EQUIVALENT	PROJECT AMOUNT
Stormwater Phase I	0.0059	\$116,310.00
Street Sweeper	0.0066	\$128,600.00
<i>Total \$158,600 - \$30,000 pulled from Street Sweeping contract</i>		

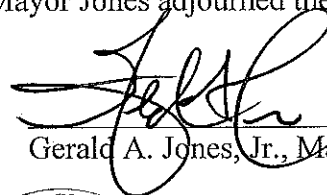
Shoreline Stabilization & Dredging for Sugarloaf Island (City Portion) <i>\$500,000 total - \$330,000 from NCDEQ Grant</i>	0.0087	\$170,000.00
Paving and Resurfacing <i>\$500,000 less \$262,000 Powell Bill Revenue Collected in General Fund CPF</i>	0.0121	\$238,000.00
Shevans Park Playground Renovation <i>Total \$600,000 - \$300,000 PartF Grant</i>	0.0153	\$300,000.00

When asked about the \$857,817 estimated Street Project funding balance, Mr. Eggleston confirmed that this is not designated to a particular street project and will be added back to the Unassigned Fund Balance unless Council chooses to allocate it to a specific project. This is the estimated balance from the \$2 million budgeted for FY 2018-2019 less the \$300,000 to \$400,000 spent for completed projects, \$300,000 for additional projects to be completed by June 30, 2019, and \$60,000 allocated for contracted work. A budget amendment will be presented at Regular May Town Council meeting to reassign \$1.1 million to the Capital Project Fund, which includes the \$857,817, remaining Powell Bill funds, and the \$60,000 allocated existing contracted work. Following the expenditure of these funds, the Unassigned Fund Balance will be at \$2.7 million.

After confirming that the full balance could not be fully utilized by June 30, 2019 on road work, Councilmember Taylor questioned if the \$857,817 could be used to offset the proposed capital projects in lieu of a tax increase. Mayor Jones noted that these funds plus \$150,093 will provide the funds needed to cover the cost of the proposed Capital projects for FY 2019-2020; therefore, it appears a tax increase may not be necessary. Mr. Eggleston cautioned that without a tax increase there will be no funding mechanism to support capital projects going forward, and paving alone is a tremendous ongoing expense. Discussion ensued about whether or not this is the best time to impose a tax increase with citizens still recovering from Hurricane Florence, how another hurricane might affect Town finances, and the need for additional revenue streams. It was pointed out that the County is due for another re-evaluation next year, and it might be best to wait for those results in order to better determine exactly what the tax increase, if any, should be.

ADJOURNMENT

There being no other business to discuss, Mayor Jones adjourned the meeting 5:11 p.m.


Gerald A. Jones, Jr., Mayor

Attest: 
Cathy Campbell, City Clerk

