

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

**Wednesday, May 29, 2013
Special Meeting/Budget Work Session**

The Honorable Council of the Town of Morehead City met in Special Session/Budget Work Session on Wednesday, May 29, 2013, at 8:00 a.m., in the Municipal Chambers located at 202 South 8th Street, Morehead City, North Carolina. Those in attendance were:

MAYOR:	Gerald A. Jones, Jr.
MAYOR PRO-TEM:	Harvey N. Walker, Jr.
COUNCIL:	George W. Ballou
	Bill Taylor
	Demus L. Thompson
	Diane C. Warrender [Arrived at 8:30 a.m.]
CITY MANAGER:	David S. Whitlow
CITY CLERK:	Jeanne M. Giblin
OTHERS:	Planning Director Linda Staab; Recreation Director

Craig Lands; Human Resources Officer Susan Nixon; Finance Director Ellen Sewell; Library Director Sandy Bell; Fire/EMS Chief Jamie Fulk; Public Works Director David McCabe; Police Chief Wrenn Johnson; Public Utilities Director Daniel Williams and Downtown Morehead City Revitalization [DMCRA] Director Tom Kies

I. Special Meeting/Budget Work Session Call to Order

Mayor Jones called the meeting to order at 8:00 a.m.

II. Budget Overview

City Manager David Whitlow explained that the budget format is in a different form from those in the past. In general, in looking at the broader economy, improvements are being seen. In the budget overview, City Manager Whitlow explained that he included some information from Carteret County which shows leading indicators of an improving economy. He continued that the economy seems to have bottomed out during the 2008 to 2010 period, and there is a general gradual increase in economic improvements being seen. The strong indicators are that for the past 7 to 9 months the state sales tax revenues have risen and residential construction has increased.

The budget was developed from the goals which were set in the early spring during the Staff Retreat and the Council/Staff Retreat sessions. The first focus was to work on a compensation plan for Morehead City employees with the second goal to fill key slots for staff. Springsted, Inc., did a Compensation Study for the Town of Morehead City in which the Pay Study was the first phase. External equity of ranking Morehead City compensation with other like entities as well as seeking internal equity within the Town of Morehead City was the second phase with the development of a ranking system for employees. The third goal was to deal with compression. Morehead City was finding that it was hiring new employees at the same compensation rate as individuals who had been employed by the Town for five [5] or so years.

To fully implement the entire Compensation Plan would take approximately \$1.25 million, therefore, City Manager Whitlow recommended a three [3] year process to attain the goals of the plan. He continued that some City employees were more than 50 percent below the market rate for specific jobs.

City Manager Whitlow explained pages 21-23 of the Proposed Budget and the general overview of the Compensation Plan. He commented that employees will be placed into salary adjustment bands with the appropriate recommended percent increase and that the proposed budget plans for the implementation of these recommendations would be compounded over a three [3] year period in order to get employees within the correct compensation range. To deal with compression, City Manager Whitlow recommended a .2 percent adjustment for each year of service would be added to the base pay.

The second year of implementation of the Compensation Study would be a merit increase based upon a performance evaluation for a 1, 2 or 3 percent increase. Year three of the plan, a cost of living adjustment [COLA] would be applied. On page 22, City Manager Whitlow explained the salary adjustments commenting that the goal was to get all City

employees into an equitable pay plan and that if this plan is adjusted in later years, it will keep the organization within the equitable range with other entities. He then explained that the proposed plan would do away with the current regimented salary step increases. The plan would now allow a minimum, median and maximum pay range in which any specific employee could “float”.

Upon Councilman Ballou’s request, City Manager Whitlow explained the minimum, median and maximum pay range for a specific job title.

City Manager Whitlow explained that the Fire/EMS jobs were the most out of range and he explained the Title & Grade chart listed under Exhibits in the Proposed Budget book.

Discussion ensued regarding individual employees’ performance evaluations and how long an employee could stay within the pay scale range.

City Manager Whitlow stated that in the Compensation Study, 16 different entities were surveyed to develop the proposed salary scale which was also tied to fit the internal position as well. He continued that the goal was to rate Morehead City as a premier community which would attract the “cream of the crop” in terms of a place of employment.

Councilman Taylor interpreted the Compensation Plan by noting that an employee would be “in the ball park” if the salary was out by 6 percent, but once the salary was out by 10 percent, the salary would be entirely out of equity.

Councilman Ballou commented that as the tax rate would need to be increased, the Council will have to know how to explain the study and to defend the increase.

City Manager Whitlow stated that there was a 5 percent increase in the difference of grades as you move up the salary scale. There would be a 50 percent increase in range over the lifetime of a job just using years of service in the process.

Upon a question from Mayor Jones, City Manager Whitlow explained that a 2 ½ cent [\$0.025] increase in the tax rate was necessary to implement the first phase of the Compensation Plan. That 2 ½ cent [\$0.025] would also be necessary in each of the other two [2] years to implement the full Compensation Plan which equates to a \$400,000 investment in salaries each of the three [3] years. This number also includes benefits such as FICA, retirement, etc.

Councilman Thompson commented that he was always led to believe that Morehead City was competitive in terms of salaries.

City Manager Whitlow advised that Morehead City loses significant Fire/EMS and Police personnel to other jurisdictions. In developing the Compensation Study, other jurisdictions such as Cape Carteret and Beaufort as well as Wilmington were used.

Councilman Taylor commented that the budget may have to be adopted before the Council views the final Compensation Study developed by Springsted, Inc.

Mayor Jones commented that the staff has been working closely with the consultants and are familiar with the study.

Councilman Walker stated that the Council should help the employees reach salary equity.

Upon a question from Mayor Jones regarding the tax rate in succeeding years after the initial first three [3] years of the implementation, City Manager Whitlow replied that there would probably be less of an increase in taxes because there would not be the necessity for huge increases in salaries in order reach parity. In Year Two of the Compensation Plan, a COLA increase and merit increase of either 1, 2 or 3 percent with natural revenue growth would mean within the range of a \$0.01 increase in taxes consistently for each year; less if Morehead City was experiencing a growth year.

City Manager Whitlow continued stating that the revenues have been estimated very conservatively and may come in a little higher than anticipated. He spoke about the

vacancies which are budgeted as if each position is filled 12 months of the year, but in reality there are gaps in the positions being totally filled. He commented that the largest costs in the budget are for personnel because managing a town and providing services for citizens is a heavy labor intensive business.

In developing the budget, City Manager Whitlow explained the critical areas in which more employees were needed. In the Fire/EMS Department, 12 positions were needed in order to provide the level of services necessary. In this budget year, three [3] additional Fire/EMT positions should be budgeted with three [3] more each of the following three [3] years.

Fire/EMS Chief Jamie Fulk explained that the Department has dedicated so much staff to the EMS side that the firefighting side has been bereft.

Councilman Taylor spoke about the City providing Fire/EMS services to the extraterritorial jurisdiction area in Carteret County and that the county does not fully fund Morehead City back for the services provided.

Councilman Ballou concurred.

City Manager Whitlow continued that this budget recommends two [2] full-time positions in the Public Works Department; an Assistant Public Works Director and a building maintenance position. He also recommended unfreezing the three [3] seasonal positions.

Two [2] law enforcement positions are recommended contingent upon the receipt of the COPS Grant. If these positions are not funded, the positions will not be recommended. City Manager Whitlow continued that it was his estimation that the positions are needed, but not critical. He agreed that the demand for police services will continue to grow and that he would be back next year to request to fill these two [2] positions.

Police Chief Wrenn Johnson commented that the Police Department needs investigators. Every time a box store opens more cases which need to be investigated are added. Walmart practically needs round the clock services. The Police Department staffing is at the same level as 13 years ago. The City lost a SRO [School Resource Officer]. She disagreed with the City Manager and stated that staffing is critical for her Department. The COPS Grant will not be funded and her staff is working at their maximum abilities. The calls for services are rising and 25 percent of the staff is in training because of so many new employees. The crime rate is rising and the types of calls are changing.

City Manager Whitlow recommended discontinuing the longevity bonus. The longevity bonus will be traded for the factor of .2 percent for each year of service added to salaries.

City Manager Whitlow commented that the presented budget is “bare bones.” He recommended cutting out car washes and reducing the uniform cleaning allowance. Capital Outlay has been slashed to the bare minimum. The following projects are recommended:

- Repair the boat ramp at 10th Street.
- Repair the Recreation Center gym floor.
- Four [4] new vehicles in the Police Department.
- Labor only for replacement of the Train Depot Floor. [Materials were bought in this year's budget.]

Every project this budget year falls more in the category of maintenance.

City Manager Whitlow explained that \$800,000 was cut from the Department's requests. The presented budget is less than FY2012/2013 budget. Over the previous years, Morehead City has done a lot of investment in capital projects which have been funded from the Undesignated Fund Balance. The City is now approaching the level where using these funds for capital projects is becoming uncomfortable. With the improving economy it is hoped that capital projects will become easier to fund in the future. The Council has always approved of a “pay as you go” policy for funding capital projects and never using the Undesignated Fund Balance to pay for operating costs.

Break: The Council took a 15 minute break and resumed at 9:45 a.m.

III. Review of Individual Revenues and Funds

The individual pages of the budget were reviewed.

City Manager Whitlow started the process with the information on Page 24 of the Proposed Budget. The revenue estimates are \$10,630,000. He continued that 52.2 percent of the budget is for salary and benefits which is consistent with a service organization. He complimented the employees for fully participating in the available health and wellness programs. He stated that 80 employees participated in the Fitness Challenge in January and February. It is through these efforts and the lessening of filed insurance claims that Morehead City will realize a reduction of 9.2 percent in health insurance premiums and that \$83,000 was saved. Most other similar organizations are experiencing a 10 to 15 percent increase in health insurance premiums.

Finance Director Sewell explained the manner in which revenues and expenses are allocated throughout the Departments.

City Manager Whitlow brought attention to the Mayor/Council budget sheets on Page 35 and also to the fact that the cost of the November election to Morehead City will be approximately \$8,000. Travel and Training allowances were increased because it is an election year and new Council Members will need additional training.

On Page 37, Finance Director Sewell commented that in all Departments this is the first year for a Reserved Fund for Unemployment Expenses.

On Page 39, City Manager Whitlow stated that the position for an Assistant Finance Director is in the budget.

On Page 41, under Cemetery, Buildings and Grounds, the additional full-time position is included in the budget in addition to unfreezing a seasonal position.

On Page 42, the budget for the Swanson Docks [Waterfront boat docks] maintenance and rents was reviewed in addition to the funding for the Dock Master. Activity levels at the docks have increased.

On Page 45, Central Services, the FICA is listed for the City Attorney which must be paid according to federal law. City Manager Whitlow explained about requiring the services of a health insurance consultant, namely due to Obama Care [Affordable Care Act] coming online. He commented he would prefer the RFP [request for proposals] approach to insurance.

On Page 47, the requested exchange server will not be funded. The server would have allowed the City to be the repository for all e-mails, but it is a \$20,000 to \$30,000 cost. This function is currently being handled by Time Warner Cable.

The Council discussed having the Municipal Building at 202 South 8th Street being converted to natural gas and requested this funding be placed back into the budget.

On Page 48, regarding the leases on Katherine Davis Park and Parking Lot, the Municipal Building Parking Lot, the Hamilton Building and the Parking Lot at City Hall were reviewed.

On Page 51, City Manager Whitlow reported that no replacement of the garage is being recommended this year, however, it will have to be done at some point.

Councilman Taylor inquired about perhaps leasing a building for the Public Works Garage.

On Pages 52-54 regarding Community Projects, City Manager Whitlow recommended dropping the membership in the National League of Cities. He also stated that those organizations which do not provide a direct benefit to the community were recommended for a 10 percent decrease. These were the Carteret County Arts Council, the Downtown

Morehead City Revitalization Association [DMCRA] and the Historical Society. It was ascertained that where requested organizations did not receive funding, it was because they did not provide the proper paperwork. Other requested donations may be added in the future if possible.

On Page 57, regarding the Police Department, City Manager Whitlow explained leaving the type of vehicles requested flexible with regard to the recommended four [4] new vehicles budgeted.

Councilman Walker inquired about having 4-wheel drive vehicles in the Police Department.

Councilman Ballou commented that he had concern with the type of arrangement made in the canine vehicle. He stated that better equipment is necessary for housing the dog.

On Page 64, Planning and Inspections Department, the request for the part-time position is not recommended for funding, however, this position will be reviewed if activity increases. There is \$5,000 for additional mapping software and \$5,000 for miscellaneous planning studies included. City Manager Whitlow commented that funding for demolition of condemned structures should come from Contingency and funded on a place-by-place basis.

On Page 69, Transportation, an Assistant Director position was recommended and the unfreezing of two [2] seasonal positions. City Manager Whitlow commented that Morehead City has done many capital projects over the last few years which has stretched the working crew. The seasonal employees are from early April/May through the North Carolina Seafood Festival in the beginning of October.

On Page 71, Sidewalks, Public Works Director McCabe stated that the City was cooperating with the North Carolina Department of Transportation to complete the sidewalk from the Camp Glen School to North 25th Street.

Councilman Taylor stated that the sidewalk from the State Port to the Morehead City Waterfront is in poor condition.

Councilman Walker spoke about the hazard of pedestrians trying to cross the Morehead City/Atlantic Beach Bridge ramp on Evans Street.

On Page 75, Library, the plan is to have the elevator completed by July 1, 2013. Finance Director Sewell commented on a line item, that when part-time employees work more than 1,000 hours, it produces a retirement expense.

On Page 78, Recreation, Recreation Director Craig Lands commented that the Department is on the books for five [5] full-time positions, but only funded for four [4]. The Recreation Department has been recently re-organized. Jerry Riggs was promoted to Assistant Recreation Director and the Department is reviewing combining some of the responsibilities and re-hiring a Program Assistant for the position vacated by Susan Drake.

On Page 82, Parks, the “No Wake Zone” at the Newport River Access has been funded as is the Bryan Street pond repair and \$10,000 for various playground equipment.

Councilman Ballou questioned the funding for the scoreboard at O’Neal Baseball Park.

City Manager Whitlow replied that is something he hoped an organization would undertake.

On Page 86, under Debt Service, City Manager Whitlow explained the transfer of funds to support the Fire/EMS Program. If Carteret County comes through with more money, this could be adjusted. As discussed previously, the county does not fully fund what it costs Morehead City for Fire/EMS Services in the Fire District. He continued he met with county officials to discuss a formula which he felt was more than fair. In addition, he reminded county officials that there is also an additional \$280,000 which could be paid to the City for use of the water which is in the Fire District along Country Club Road. This means that a county resident in the Fire District is paying less for Fire/EMS services than what a

comparable Morehead City resident pays. Morehead City is working on a contract with the county for Fire/EMS service to the Fire District.

Discussion ensued regarding the funds which the county has collected for Fire/EMS service in the Fire District over the years, but has not dispersed. Councilman Ballou commented that the county has a moral obligation to the citizens from which it has collected the money.

It was the consensus of the Council that the funding for Fire/EMS services should be equitable and that Morehead City should be comparably compensated for the service it provides to the Fire District.

City Manager Whitlow stated that there is a \$105,000 difference from what the Fire Commission has recommended to the county and what it costs Morehead City to provide the services.

On Page 99, Water & Sewer, the City only has to pay interest on the interim loan which is left under Water & Sewer Capital Projects. City Manager Whitlow continued that an additional Water Plant Operator is necessary. The City currently has one [1], but with construction of two [2] additional water plants, the City will need more than one [1] operator. On Page 104, there is a request for a computer interphase which will help on the collection side. Money has been included for well repairs, etc. An additional vehicle for the new Plant Operator plus two [2] replacement vehicles is also included. It is recommended to place flow meters at four [4] or five [5] of the lift stations. On Page 119, there is an increase in the maintenance of the grit chamber which has been funded. Page 133, the Water/Sewer Capital Project Fund was reviewed. On Page 138, the preliminary engineering for the west end force main was included. The new lift station on Emmeline Place is moving forward as is the ongoing inflow and infiltration project.

IV. Conclusion

Upon a question from Councilman Thompson, it was ascertained that a draft of the Compensation Study may be available next week. Councilman Thompson also requested that at least one [1] person from Springsted, Inc. meet with Council to explain the study.

Councilman Ballou commented that the Council needs to do whatever it can to make the study happen.

V. Adjournment

There being no further business, the meeting adjourned at 12:00 noon. The Council will meet again in a Special Meeting/Budget Work Session on Wednesday, June 5, 2013, at 8:00 a.m., in the Municipal Chambers.

Gerald A. Jones, Jr., Mayor

Attest:

Jeanne M. Giblin