

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

**Tuesday, May 18, 2010 at 8:00 a.m.
Special Meeting/Work Session**

The Honorable Council of the Town of Morehead City met in a Special Meeting/Work Session on Tuesday, May 18, 2010, at 8:00 a.m., in the Municipal Building Auditorium at 202 South 8th Street, Morehead City, North Carolina. Those in attendance were:

MAYOR:	Gerald A. Jones, Jr.		
MAYOR PRO TEM:	Demus L. Thompson		
COUNCILMEN:	George W. Ballou		
	Paul W. Cordova		
	David Horton		
	John F. Nelson		
CITY MANAGER:	R. Randy Martin		
CITY CLERK:	Jeanne M. Giblin		
OTHERS:	Finance Director Ellen Sewell,	Mike Shutak,	
	Reporter, THE CARTERET NEWS TIMES		

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

Manager Martin advised that the proposed budget is just management's recommendation based on the input received for the next fiscal year. He continued that it is always difficult to predict what will be spent for the period July 1, 2010 to June 30, 2011, based upon information available before June 2010. The Manager was pleased to report that no tax increase is recommended nor a water/sewer rate increase. There are no increases in the operating revenues. The Sanitation Fund shows the City will have a tipping fee increase at the landfill which will be imposed by the Solid Waste Authority, but no changes are recommended to the City's sanitation rates.

Some of the City's other fees will need to be reviewed by the Council this year. There are no changes recommended in our major revenue sources. The overall budget is a reduction in that the City paid off a major debt in the water/sewer fund last year to help with the cash flow and that artificially inflated last years budget by approximately \$1 million. Otherwise, there is not a lot of change in the budget since last year. Over \$1 million was cut from the requested budget which is roughly 5 percent less than requested by departments.

Manager Martin reviewed page 6 of the proposed budget in which he stated that the City's property tax base changed very little from last year. Morehead City realized more real estate increases, but personal property taxes were down likely due to fewer new vehicles being purchased and depreciated values on older vehicles. This offset some of the real estate gains. In view of revaluation next year, the City will probably experience dramatic changes in the overall tax base.

Councilman Ballou questioned what were some of the items in the \$1 million cuts from the requested budget?

Manager Martin responded that most of the items were capital outlay projects, some were grant related, some personnel related.

Manager Martin reviewed the projected General Fund revenues. The City just received the May sales tax allocation and from this the Finance Director updated her projection of the sales tax for the current fiscal year which is just slightly over the budget estimate by approximately \$15,000. Next years projection is just as conservative as this year. The City did not increase the amount budgeted for the beer and wine tax in the proposed budget as the General Assembly cut that money last year after the City had adopted its budget.

In reviewing the Fire/EMS Fund, Manager Martin stated that the City staff and the Carteret County Fire Commission had a most productive session. He continued that at the County Fire Commission meeting Finance Director Sewell had converted the numbers so that county officials could better understand the City's budget since they use a different budget format. The county commission members seemed to be satisfied with the same arrangements as last year in terms of revenues collected by the county for Morehead City

Fire/EMS serving the fire/EMS districts. The County Fire Commission recommended the budget presented by Morehead City for the districts served.

Inspection permit fees are at the lowest level in several years, \$83,000 below last years approved budget. Investment earnings are also down. To balance the budget, the City is using restricted and unrestricted fund balance appropriated, but funds are only allocated for capital expenditures. Unrestricted Unfunded Fund Balance was \$2.9 million, \$2.23 million without the money from the Water/Sewer Fund to the Jib Capital Project Fund in the form of a loan.

No additional increases are predicted for the Water/Sewer Fund revenues for this year. The fund continues to do well. However, if calculating the debt service, the fund is running at a deficit primarily due to the debt added for the new Wastewater Treatment Plant [WWTP]. The City has received over \$6 million in grant funding this year for the water system projects. The City will continue to experience some impacts from the new meters and water conservation measures.

Councilman Horton questioned the new meter reading system that was recently installed throughout Morehead City as to whether its cost supports the money savings to be realized by the City.

Manager Martin replied that the full impact of the automatic meter reading system cannot be calculated at this point, as the system is too new. Over time once the debt service is retired the City should realize cost savings. Savings will also be realized in the form of cost avoidance resulting from the automated system. The system has lessened the amount of wasted water and customer service has significantly improved.

Councilman Horton commented he would like to see an analysis of the cost of the new meter system and cost savings to the City.

Manager Martin replied that once the system is in use for a full year, the City should have a better feel for the impact. He agreed an analysis should be done.

Upon a question from Councilman Horton, Manager Martin advised that there is money in the Water/Sewer Capital Project Fund as planned to rebuild the laboratory depending upon the cost amount of the bids. This item was initially not included in the base bid for the WWTP Capital project.

Councilman Nelson commented that some of the methods that are currently being used in the lab are antiquated.

Councilman Cordova commented that when the lab was built there were perhaps only nine [9] tests that had to be done, now it is over 110 test reports. The City needs a new laboratory.

Manager Martin agreed that much of the justification/need for the new lab is compliance related.

Manager Martin advised that in the Sanitation Fund this is the year the City is scheduled to purchase the replacement yard waste truck at an estimated cost of \$105,000. The City has been on a schedule to replace this item every six [6] to seven [7] years. The City has two [2] running trucks at this time and would sell the oldest vehicle. This fund is self-sufficient and has been setting aside money in restricted reserves to purchase the truck.

In the Fire/EMS Fund, the changes from the prior year are related to the recently completed property acquisition for the new Station #2 and the application for the fireboat grant. Other than that, there is very little change from the previous year.

In reviewing the expenditures on page 10, Manager Martin advised that the General Fund budget is down 2.2 percent from last year. No changes in salaries and no COLA [cost of living adjustment] are recommended. He advised that the City will review finances in mid-year and this could be an opportunity to consider something for employees.

Upon a question from Councilman Horton, Manager Martin explained that a 2 percent salary [COLA] increase would cost approximately \$120,000 over all funds.

Councilman Horton stated he would like to consider a 2 percent COLA for all City employees.

Councilman Cordova stated he had no problem with adding one [1] cent to the tax rate strictly for employee salaries, however, he wanted the entire Council to have consensus on this issue.

Councilman Thompson cautioned that the Council should consider the people in the general population who are not getting increases. He did not want to increase taxes on people who are not getting any increase.

Councilman Cordova commented that he has been advised the Town of Beaufort is giving their employees a 2 percent raise which may be due to addressing a problem of retaining good personnel. He continued that the City employees have done a good job and whatever the Council could do, he was sure the employees would appreciate it.

Councilman Thompson commented that over the years he voted for COLA increases, but the City's department heads are already the City's best paid people. He would prefer if the City could hold the department heads at the same level for one [1] year and give a COLA to the "small person" who is trying to make a living.

Councilman Horton commented that he does not want to see a tax increase.

Councilman Cordova considered that next year will be a revaluation year and there is always a change in the tax rate at that time.

Councilman Horton commented that the City gives a tax discount for residents who pay early. It was his opinion that most of these people were wealthy and did not need the tax break. This could save the City approximately \$50,000.

Councilman Cordova commented that when the taxes are paid early, the City has money to function for cash flow purposes.

Finance Director Sewell stated that the City has adequate cash flow overall, however, the discount for early property tax payment does help with tax collections early in the year.

Councilman Horton continued that the City has a "lot of fat" in some departments, for example the contract post office and summer camp.

Mayor Jones commented that he would prefer merit increases over COLA increases.

Manager Martin advised that he would like to give the City employees a raise, however, in his opinion the City compensates employees adequately and the City has only missed three [3] years of salary increases in 15 years. This budget encompasses increasing retirement costs and health insurance costs for employee benefits which equates to approximately \$150,000. There are areas in which the City could reduce services, however, that was not a recommendation he would make. He did not feel a tax rate increase in this economy was a good idea. The City's costs for health insurance are increasing by at least 6.08 percent. City employees are retaining the same benefits they have had while the City's costs are rising. Morehead City has a low tax rate. Our tax values have increased and we have a good tax base. Salary increases compound. Looking at the economic forecast, Manager Martin was not convinced that it was going to get better fast. He cautioned that the City would have to pay the salary increase next year especially in a revaluation year when the City may have to raise the tax rate just to keep pace. County-wide there may be a 25 percent reduction in property values which would equate to a 5 cent tax rate increase just to break even. The Council would be in a difficult position to meet the current obligations. It was Manager Martin's opinion that next year would be a very difficult economic year and he would prefer not putting more of a burden on the budget until economic indicators are growing.

He continued that if the economy improves and things are better mid-year, the Council could consider a one [1] time bonus. He was not opposed to a salary increase to employees without cutting service levels.

Councilman Ballou stated he liked the idea of an employee bonus at Christmastime.

Manager Martin commented he was more concerned with going forward than with today. There are a lot of unknowns and the City has got to be conservative in these times.

Councilman Nelson concurred that the times are tough and he too was concerned about the unknowns.

Manager Martin commented that the last salary increase was 2 percent in July 2008, and that Morehead City's salaries compare to peers favorably overall based upon the last analysis taken.

Councilman Cordova stated he too liked the idea of a bonus at Christmastime.

Manager Martin stated that generally, Morehead City's budget compares favorably to the previous decade, however, there are always some variables which affect the City that are beyond the City's control and the state has not had the best of budget years and the City does not know what it will receive from the state in terms of revenues.

Councilman Horton commented that there are still many areas to cut such as the City funding \$75,000 of community items. He would prefer to shift that money to the City employees. He continued that one has to balance summer camp being more important than not paying the employees.

Manager Martin commented that the City would have to fire 25 temporary part-time employees if the summer camp program were to be eliminated and that service would be eliminated.

Councilman Horton continued that he would prefer to protect the full-time employees. The City has good people and there are other opportunities and places for jobs. He mentioned the high turnover rate in the Police Department.

Manager Martin commented that the City will realize a retirement early in the fiscal year in the Planning Department. That job will be frozen which will help the budget for the balance of the year. The City will also lose four [4] full-time dispatchers in January 2011 or later. This will realize a partial savings in the proposed budget with the full impact on the budget being realized in the following fiscal year. The Parks & Recreation Department will eliminate a position in March 2011. This equates to a significant reduction in the following budget year. The City is phasing in these changes, it just takes time.

Councilman Horton advised that the City should shift some things that are not essential to things that are.

Manager Martin replied that the City is in the service business and City services are not intended to be "money makers". He commented that at the employee benefit meetings being held this week he spoke about the differences between operating expenses and capital expenses to help employees understand budget restraints.

Councilman Nelson commented that according to the figures on page 7 in the proposed budget, the City is using \$525,000 of Fund Balance to balance the budget.

Manager Martin brought attention to page 10 stating that there is a loss of a middle school resource officer in the budget and the City does not expect to get a state grant for this position. There is a vacancy in the Police Department to accommodate this loss. For safety reasons Morehead City will still provide an officer at the middle school to direct traffic during the morning and afternoon school releases.

Councilman Horton stated that the county should participate in providing the traffic control at the schools. He felt that Morehead City has a significant amount of officers doing a county function.

Manager Martin pointed to page 145 to Capital Outlay items in the General Fund. This current year \$900,000 was requested from the departments. Some items were cut. He mentioned the water access sites, jib property and the repair of the docks being items that remain in the proposed budget. As far as road paving and resurfacing, there are funds set aside in a capital reserve for streets. There is \$150,000 that the City does not expect to spend that will roll over and be placed in reserve. He recommended the City do the same with the reserves in the storm drain fund. This would give the City over \$200,000 in reserve. The needs assessment was just completed for streets, sidewalks and storm drains. The Council needs to review the assessment and decide to spend the money or not and on what projects. He recommended an additional \$129,000 be set aside again this year. This is consistent with the Council's directive begun last year to accumulate funds for meeting street needs and reducing dependence on borrowing for street capital spending.

There are funds recommended for Christmas decorations for the waterfront area which would cost approximately \$10,000. Some of the oldest fiberglass light poles on the waterfront will also be replaced. Money was re-appropriated for the Little Nine Road project. All the City has spent thus far on this project was for engineering.

Councilman Nelson wanted it explained why the waterfront area was taking precedent over the western end of Morehead City. He commented that from 25th Street westward on Arendell Street there are no Christmas decorations. He recommended that the City do something for the western end of the City.

Councilman Horton felt it was better to spend the money for summer projects on the waterfront when the area was more heavily populated.

Councilman Ballou commented that the City needs to do something to improve the appearances of the jib property on the Morehead City waterfront before the start of the summer season.

Manager Martin advised the he is recommending replacing three [3] police vehicles in this budget. This would place the City five [5] vehicle replacements per year a total of one [1] year behind the regular schedule, however, the City has not skipped a year in at least ten [10] years.

Councilman Horton questioned that with the advent of the new police station, is there any idea of the costs of the transition with some costs overlapping during the transition.

Manager Martin replied that staff has tried to estimate as best they could for the costs of the police buildings and the cost of the transition to the new building.

Manager Martin reviewed page 145 regarding the Sidewalk Fund. He stated the City will continue the Barbour Road sidewalk, but that is the only major sidewalk that has been funded with the exception of minor incidentals. The City is starting the bidding process this year on the next section of the Mayberry Loop sidewalk from the Rotary Park entrance to the housing project at Kings Terrace.

Some funding is being set aside for playgrounds, however, a site has not been designated as yet. One of the Council's suggestions last year was Piney Park. The Bryan Street Park donated by Mr. Hester continues to be improved. There may be funding to help clean up the pond located on that site.

Councilman Thompson stated that Shevans Park playground is going to need repairs and replacement.

Manager Martin also advised that a safety necessity is fencing around the playground at Rotary Park.

Councilman Nelson commented that the Rotary Clubs could be requested for funding the fencing since the playground is at Rotary Park. The Clubs are making donations regularly for such needs.

Manager Martin advised that the City is working with PAWS [Pet Adoption Welfare Society] to develop a doggie park at their new facilities. The City is making a one-time donation in the proposed budget.

Manager Martin reviewed page 77 regarding the funding for the Jib project. An appropriation of \$135,000 is recommended to be transferred to the Jib Capital Project Fund from the General Fund. The funds will be used to repair the existing dockage and be a start to safety and aesthetic enhancements. The Big Rock will donate \$400,000 to the jib site improvements for the fountain and marlin statue project.

Councilman Ballou requested that improvements be done as soon as possible to improve aesthetics and made it of benefit for access.

Manager Martin replied that the fencing and pilings could be removed and bollards or some other type of improvements could be placed. There is only \$15,000 available in the budget for a “quick fix”.

Councilman Thompson MOVED, seconded by Councilman Ballou, and carried unanimously, to authorize the City Manager to secure bids and necessary permitting to improve and cleanup the pilings on the Jib property.

Councilman Horton stated in reviewing the group insurance figures, it appears to have increased more than 6 percent.

Manager Martin replied that the figures represented were a high estimate prior to knowing the exact costs before the insurance carrier quoted the increase.

Manager Martin reviewed page 78 stating that there is \$182,000 in the General Fund set aside for the Contingency Fund for next year. The overall fund is reviewed on page 14.

Councilman Ballou offered that the City should use the \$89,699 unencumbered in the Contingency Fund in the current year budget to improve the Jib project now rather than wait for the new budget.

Manager Martin advised in reviewing page 146 that the Council approved moving forward to acquire an ambulance for the Fire/EMS Department.

Manager Martin continued that in the Water/Sewer Capital Fund the expansion of the existing office/storage building was not funded. The other capital items were all high priority needs, particularly the backup power supply for lift stations.

Councilman Horton requested an update on the sludge operations at the WWTP.

Manager Martin replied that the City is continuing to receive the training and that the dryers are functioning well in the test runs thus far.

Manager Martin commented that in the Library budget an elevator was requested as the City is trying to gain accessibility to the second floor. He continued that he did not recommend funding this project, however, there was \$10,000 that the Friends of the Webb Library were willing to commit to the project. Long term this is an area which needs to be addressed.

Councilman Nelson recommended that the design for the elevator be done in case there is funding for this project in the future. He also requested to begin planning the design for the Charles Wallace School and the need to have a plan in place.

Manager Martin replied that the City has a concept from EDA Architects from the county commissioners when Carteret County owned the property. The City needs to hire someone to do an assessment for the historical tax credit which is like a grant. If secured, it could save the City 35+ percent in the costs of developing the project.

Councilman Cordova suggested looking into using a qualified retired engineer for the planning of some of the City's projects.

Councilman Nelson stated the City should consider dredging the area around the 8th Street dock and using it as a site for the City's fireboat. He also wanted to review dues and subscriptions.

Manager Martin replied he will give more information on the types of items included in the dues and subscriptions line item.

Councilman Nelson referred to the \$3,000 requested by the Downtown Morehead City Revitalization Association [DMCRA] which he understands is for employee benefits.

Councilman Thompson commented that the request came from the DMCRA Board of Directors and as a courtesy it was brought before the Morehead City Council.

Councilman Nelson commented that the DMCRA funding from the City was raised \$10,000 last year and he would not recommend the City increasing their funding at this time. He continued in his opinion, employee benefits need to come from the DMCRA. The City is providing the building and other amenities.

The Council concurred not to fund the \$3,000 to the DMCRA for employee benefits.

Councilman Nelson offered to use the \$3,000 to purchase an additional exercise treadmill for the ladies workout area at the Parks & Recreation Center.

Manager Martin reminded the Council that the public hearing on the FY2010/2011 budget will be held on Thursday, June 3, 2010, at 5:00 p.m., in the Municipal Chambers. The Council will meet at 4:00 p.m. on that same date to review changes to the proposed budget.

Councilman Nelson MOVED, seconded by Councilman Cordova, and carried unanimously, to adjourn the meeting at 11:15 a.m.

Gerald A. Jones, Jr., Mayor

Attest:

Jeanne M. Giblin, City Clerk