

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

**Tuesday, June 14, 2011**

The Honorable Council of the Town of Morehead City met in regular session on Tuesday, June 14, 2011, at 5:30 p.m., in the Municipal Building Auditorium at 202 South 8<sup>th</sup> 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
CITY ATTORNEY'S OFFICE:	Nelson Taylor, III, Derek Taylor, Michael Thomas
OTHERS:	Finance Director Ellen Sewell, Ken Wood, Bill Taylor, West Brown, Terry Rosless, Lennie Griffin, Librarian Sandy Bell, Major Richard Abell, Catherine Mennear, Planning Director Linda Staab, Tom Kies, Craig Hassler, Mike Shutak, Reporter, THE CARTERET NEWS TIMES

**I. Regular Meeting Call to Order, Invocation and Pledge of Allegiance**

Mayor Jones called the meeting to order at 5:30 p.m. Councilman Thompson gave the invocation and all joined in The Pledge of Allegiance.

**II.A. Approval of Minutes: Monday, May 2, 2011, Special Meeting  
Tuesday, May 10, 2011, Regular Meeting  
Thursday, May 19, 2011, Special Meeting**

*Approved the Minutes of Monday, May 2, 2011, Special Meeting; Tuesday, May 10, 2011, Regular Meeting; and Thursday, May 19, 2011, Special Meeting and dispensed with the reading.*

**II.B. Approve the Requests for Release of Overpayment of Ad Valorem Taxes for May 2011, in the amount of \$892.98; and Accept the Tax Collector and Finance Director Reports for May 2011**

*Approved the Requests for Release of Overpayment of Ad Valorem Taxes for May 2011, in the amount of \$892.98; and accepted the Tax Collector and Finance Director Reports for May 2011.*

**II.C. Voluntary Contiguous Annexation Request from Harrell Acquisitions, LLC, for PIN #6356-1167-1478-000, located 5273 Highway #70, 0.64 acres, zoned CH [Highway Commercial] District –Adopt Resolution 2011-24 Directing the Clerk to Investigate the Petition and Resolution 2011-25 Setting the Date of the Public Hearing for Tuesday, July 12, 2011, at 5:30 p.m.**

The property under consideration for annexation is contiguous to the present City limits, contains approximately 0.64 acres and is currently zoned CH [Highway Commercial] District. The site in question is not part of a subdivision and therefore, will not fragment a subdivision. The current tax value of the property is estimated to be \$216,945. Based on a 22-cent tax rate, \$477.28 in tax revenues would be generated. Water and sewer will be accessed from Highway 70. All costs associated with extending the water/sewer service to the newly annexed property will be the responsibility of the owner.

*Adopted Resolution 2011-24 Directing the Clerk to investigate the petition and adopted Resolution 2011-25 Setting the date of the public hearing for Tuesday, July 12, 2011, at 5:30 p.m., in the Municipal Chambers. [Resolutions 2011-24 and 2011-25 are attached to and made a part of these minutes.]*

**Councilman Nelson MOVED, seconded by Councilman Thompson and carried unanimously to adopt the CONSENT AGENDA in one [1] motion.**

**III. Old Business: Contiguous Annexation requested by Flowers Development Corporation, for property located at 310 Friendly Road, PIN #6376-1313-1941-000, 3.9 acres, Zoned IU [Unoffensive Industry] District - Adopt Ordinance 2011-02**

The Council formally held the public hearing for the requested annexation on Tuesday, April 12, 2011. The applicant, Cass Flowers, the developer of the property, requested that the Council action on the annexation request be postponed because receipt of his state stormwater permit for the development of the property was delayed. Manager Martin advised that because the public hearing for the annexation had already been advertised, it was recommended to hold the public hearing and to defer action on the annexation ordinance until a future date if the Council desired to honor the requested delay in taking action.

The applicant has advised that he is ready to proceed with finalizing the annexation. The action before the Council is to consider the adoption of Ordinance 2011-02 granting the requested annexation.

***Councilman Horton MOVED, seconded by Councilman Ballou, and carried unanimously to adopt Ordinance 2011-02 granting contiguous annexation as requested by Flowers Development Corporation for property located at 310 Friendly Road, PIN #6376-1313-1941-000, 3.9 acres, zoned IU [Unoffensive Industry] District. [Ordinance 2011-02 is attached to Ordinance Book #6 in the vault.]***

**IV.A. New Business: Approval of an Agreement with Soundside BBQ & Grill for Concessions at the Newport River Boat Ramp on Radio Island and Authorize a Contract**

Manager Martin reported that the Public Works Committee of the Council reviewed the sole proposal received for concession services at the newly opened boat ramp and fishing pier on the Newport River at Radio Island. The proposal is from Soundside BBQ & Grill. The initial request for proposals [RFP] included the use of a City provided structure to be constructed on site and used as a prep kitchen, however, it is now understood that the Recreation Center Concession room at 1600 Fisher Street would make a suitable prep kitchen and meet Health Department requirements. The RFP required that telephone services, utilities, labor, supplies, equipment, materials and security provisions were to be the responsibility of the concessionaire. This received proposal indicates water, sewer and electrical service be provided by the City.

The respondents are proposing a \$305 monthly rental for a term of 12 months for an annual fee of \$3,660.00 per year. The fee would be subject to renegotiation for subsequent years based upon the first year experience. The recommendation from the Public Works Committee is to authorize a contract with Soundside BBQ & Grill.

Manager Martin reported that essentially the concessionaire will be paying the City a fee and giving services at the new boat ramp. The only outstanding item which has since been resolved is that the concessionaire will pay for utility services on the site. The service will sell concession items from a mobile unit on the site and will use the Recreation Center concessions area as a designated prep room. The service will focus on barbeque, but will probably have other menu items such as hotdogs and hamburgers. The menu selection items were not considered as part of the contract. A small additional modular unit will be provided on the site at the concessionaire's cost to serve as the tackle and bait shop. All units and equipment will have to meet all required codes. The food service unit will be self contained, similar to a modular kitchen and not unlike the unit that Cubbie's used to have.

The City will provide the designated water/sewer connection and the food service will pay the monthly user fees. The modular unit will be parked close to the water/sewer connection availability

Councilman Horton questioned the need to have a food service on site and was of the opinion that it would be competing with current established businesses.

Councilman Ballou felt that the concessions would more likely be used by people fishing on the pier and it was a convenience to have it on site.

Councilman Horton commented that personally he could see someone there collecting a fee for the use of the amenities, but could see no benefit from providing a food service.

Manager Martin commented that the concessionaire is taking all the risk. If the service doesn't work, they will probably not be back next year. The concessionaire believes there will be a demand for their services. The City did advertise locally for proposals and this was the only one received. The costs to the City will only be incidental, the City has no plans to construct a building on the site as was initially requested and indicated on the site plan.

Councilman Horton questioned the costs to Morehead City.

Manager Martin replied the cost would be having water/sewer there, perhaps an incidental cost of maybe \$200. The City will not charge impact fees because of the temporary nature of the service since the provider may only be there a year if it does not work out.

When further questioned about the prep area at the Recreation Building, Manager Martin explained that the area is the concession stand area back by the football field and a Health Department permit was necessary and would be obtained by the City.

Councilman Nelson thought the concessions would provide a service and offset some of the City costs for maintaining the site. He commented that the contract is only a one [1] year deal, the terms will be reviewed after the first year and can be renewed for up to five [5] years.

***Councilman Nelson MOVED, seconded by Councilman Cordova to approve an Agreement with Soundside BBQ & Grill for Concessions at the Newport River Boat Ramp on Radio Island and authorize a contract with same. The motion passed with a vote of four [4] to one [1] with Councilman Horton voting opposed.***

#### **IV.B. New Business: Approval of a Marina Management Agreement with Fred Roehrig of Beaufort for the Morehead City Boat Docks at Jaycee Park and Authorize a Contract**

Mayor Jones reported that the Public Works Committee of the Council reviewed a revised Marina Management Agreement for the boat docks at Jaycee Park submitted by Fred Roehrig of Beaufort. The Council previously authorized a contract with Robert Purifoy to manage the docks, but the City was unsuccessful in finalizing an agreement with Mr. Purifoy. In the interim, an unsolicited proposal from Mr. Roehrig for management services was received that had strong provisions for promotion and marketing. City staff was very impressed with Mr. Roehrig's background in hospitality and the boating business as well as his willingness to market the business of the boat slips. It was the suggestion of the City staff that Mr. Roehrig's proposal be pursued. Robert Purifoy was advised that the City was withdrawing the offer for his services. He expressed his regret that he was unable to commit to the management agreement for the slips, but was pleased that an alternative was found.

The Public Works Committee recommended awarding a contract for management services with Fred Roehrig. The terms of his proposal are much more attractive for the City than the previously authorized agreement. Instead of the City paying Mr. Purifoy a monthly fee of approximately \$2,000 for the services and the City keeping all the rental revenues, the Roehrig proposal splits the revenue with the City without the fee. The Purifoy agreement did not provide for him providing any marketing. The Roehrig proposal gives the contractor the incentive to market and thereby receive more compensation for his efforts.

Manager Martin explained that there is no financial or other increased risk on the part of the City in this endeavor. The marina manager will meet all insurance requirements.

When Councilman Ballou questioned the length of the contract and stated he would have preferred to see only a one [1] year contract it was ascertained that the City could escape the contract at any time for just cause. All marketing and advertising will come from the marina management's budget.

Councilman Horton asked what that budget was.

Councilman Ballou replied that if the marina management does not rent the slip, no money is made.

Manager Martin stated that the Webb Memorial Library personnel have done a tremendous job managing the docks and need to be commended.

Councilman Nelson commented that the City needs to get the dock rental business separated from the library operations.

Upon a question regarding the City keeping track of the dock fees and finances, Finance Director Ellen Sewell stated that the requirements of a payment schedule can be worked out similar to what the City does with ambulance fees. The dock manager will have to keep records of the boat, size, time, fees, etc., and make regular deposits with the City.

***Councilman Nelson MOVED, seconded by Councilman Thompson to approve a Marina Management Agreement with Fred Roehrig of Beaufort for the Morehead City Boat Docks at Jaycee Park for a one [1] year period with the option to extend the contract and authorize a contract with same. Councilman Horton stated he was abstaining from voting because the City did not have enough information to make a contract. City Attorney Taylor explained that Councilman Horton's vote is counted as a yes vote. The motion carried unanimously.***

**IV.C. New Business: Consider Adoption of FY2011/2012 Budget Ordinance 2011-14 in the total amount of \$20,177,754.00 and Adoption of the FY2011/2012 Municipal Goals**

The Council conducted several work sessions on the budget proposal for FY2011/2012 and the draft goals. The Budget Ordinance and Municipal Goals reflect input received and discussed during these sessions. The proposed budget ordinance for FY2011/2012 totals \$20,177,754 and reflects revisions made and agreed upon by the Council.

Manager Martin commented that he had no additional comments other than what was presented at the budget meetings. He did indicate the Council had received the updated ordinance reflecting the changes previously agreed upon by the Council during the work sessions.

Mayor Jones reported that the City has already held the public hearing and he would recognize the Council for comments.

Councilman Nelson commented that the Council has been working on the budget for a while as has the Finance Director and City Manager. The budget is soundly thought out. The projections for the past 15 years have been pretty close to being accurate. He continued that he didn't know if the Council could come up with anything better than the City staff who have done the job for the past 15 years. He felt it was as good a budget as Morehead City was going to get. The proposed budget is not 100 percent revenue neutral, a rate of 28.36 cents per \$100 is revenue neutral. The proposed budget has been rounded up to 28.5 cents per \$100 and the bottom line is that taxes in Morehead City have not been raised this year.

Councilman Ballou stated he disagreed. The percentage of increase from revenue neutral to 28.5 percent is \$25,000 which will increase the taxes on the Morehead City residents. He also did not agree that the revenue neutral figure includes a 2.65% growth rate as set by state statute. He proposed that the City Manager should go to the City department heads to see if the City could save 1 cent for the taxpayers. He continued that it was the Council's fiscal responsibility to look out for the taxpayers. One cent in the tax rate equals \$185,000 and he proposed that there are places in the budget to cut \$185,000.

Councilman Cordova agreed with Councilman Nelson and stated that for the last 16 years the budgets presented by the City Manager and Finance Officer have placed money away each year in Fund Balance. We have made the budget for 16 years. The last time we raised the tax rate, it lasted for seven [7] years.

***Councilman Cordova MOVED, seconded by Councilman Thompson to adopt FY2011/2012 Budget Ordinance 2011-14 in the total amount of \$20,177,754.00 and adopt the FY2011/2012 Municipal Goals.***

Councilman Horton questioned if the budget includes the 10% increase for water/sewer rates and all the proposed goals. He contended that the water/sewer rates should increase 5 percent in July 2011, instead of the proposed 10 percent increase in January 2012, to allow the City engineer time to do a comprehensive rate study. He continued that there are some goals which the Council did not discuss such as seeking to build a gym training facility. He continued that the City had not given the employees a raise for three years and the Council should seek to do this now. Another goal is having more transient big docks and the Council just discussed on how mismanaged the docks are now. He disagreed with the goal of completing the master plan on Big Rock Stadium. He stated that this master plan was never approved by Council.

Councilman Cordova commented that those goals are for future years, and that Councilman Horton has not approved the presented budget for the last three years.

Councilman Horton stated he was worried about the citizens of Morehead City and that he was one of them.

Councilman Ballou responded that he respected the motion, but believed there was an opportunity to save money for the citizens. He continued that he was here to serve them and believed a lower budget could be done.

Councilman Thompson agreed that he was disappointed that the numbers were rounded up instead of down. He continued that many people are calling him about the budget. He stated he felt sorry for City employees not getting a raise, however, many in the community have not had a raise either. He asked that the Council come to some compromise on the budget.

Councilman Cordova commented that individuals are mixing the proposed water/sewer increase with the regular general fund budget which are two [2] different items.

Councilman Thompson replied that most people are going to look at the proposed budget as an increase no matter where the money comes from. He asked the City Manager to explain the consequences of rounding the figure down instead of up.

Manager Martin replied that at the last revaluation, the City did round up the rate a full penny which allowed the City to maintain that tax rate for four [4] years. He reminded Council that the lower the Morehead City tax rate, the less of the county distribution of revenue the City will receive in sales tax distributed by the state. If the City tax rate is reduced a penny, the City would lose approximately \$53,000 of sales tax revenues based on conditions this year. The county has not as yet set their tax rate which is another major determining factor. In response to questions raised, he was not sure where he would target if the tax rate were reduced to revenue neutral, except from contingency or not buying one [1] vehicle for the Police Department or not giving the employees the full \$500 proposed employee bonus. In any event, he could not in good conscience recommend lowering the tax rate below what was recommended in the proposed budget.

Councilman Thompson stated he did not want to suggest taking away the bonus from the employees.

Councilman Ballou recommended to get the one cent rate reduction very simply taking away the \$150,000 which is being proposed for the improvements to the municipal building.

Manager Martin explained that the \$150,000 for the improvements to the municipal building was coming from reserves which were not generated by the proposed tax rate revenue. One needs to cut the money from the recurring operating expenses to achieve a penny reduction in the tax rate, plus the City would lose \$50,000 from the sales tax revenue if the tax rate was lowered which would also offset future budget years. This would have longer term implications.

Councilman Horton commented that if the \$150,000 was not spent it could balance the budget.

Manager Martin replied that he could not recommend that because the City would be using reserves to pay recurring expenses. That procedure is a red flag when municipalities are reviewed by the Local Government Commission and financial institutions for borrowing, etc. For the past 16 years the City Council policy has been not to use reserves for the funding of recurring operating expenses. Manager Martin explained that if the tax rate was cut this year, the City will be forced to have a significant tax increase next year or be forced to cut services which will likely negatively affect personnel since that is the biggest item in the budget. He felt it was not prudent to go below revenue neutral and at the present time did not have an alternative to present to the Council. This practice in the City many years ago had negative budget results and depleted reserve funds well below minimum required standards.

Councilman Thompson reminded the Council that when some of them became members of the Council there was a zero fund balance. He remembered that the Council Members chipped in for a City employee Christmas party. He continued that he has been a Council Member for 14 years, and that the Council has generally gone along with the proposal from the City Manager and Finance Director because these individuals get paid to know for sure what they recommend. He did not want to take a chance of having to raise taxes next year, and stated he was satisfied with the recommendation from the Manager and Finance Director.

***Councilman Nelson called for the previous question. The Motion carried with a vote of three [3] to two [2] with Councilman Ballou and Councilman Horton voting opposed.*** [FY2011/2012 Budget Ordinance 2011-14 is attached to Ordinance Book #6 in the vault. The FY2011/2012 Municipal Goals are attached to and made a part of these minutes.]

#### **V. Citizen Requests/Comments:**

Craig Hassler of 1904 Arendell Street, thanked the Council for their services and stated he appreciated just how difficult the job is. He was of the opinion that the City should be viewed as a business which provided services. He continued that he is amazed at how inexpensive the water/sewer rate is for Morehead City and felt that water charges should be based on usage with a price per gallon.

Catherine Mennear of 504/506 Arendell Street said she was appalled when she entered the municipal building. She was of the opinion that \$150,000 to renovate the building would not be enough and the building needs renovations. She also stated that the pedestrian ramp at Radio Island Beach Access needs repair.

Mayor Jones replied that the ramp at that location is under Carteret County jurisdiction and the county will be advised.

#### **VI. City Manager's Report: Update on Taxi Franchise Ordinance Review**

Manager Martin reported that for some time, the Public Safety Committee of the Council has been considering revisions to the City ordinances and policies governing taxis and potentially other types of vehicles for hire. This was an agreed upon goal of the Council for this year. Recently, taxi operators have raised concerns about the degree of fairness of the situation and enforcement related issues.

The Public Safety Committee of the Council met with representatives of two [2] of the three [3] City taxi franchise operators. All franchises were invited to discuss concerns with the Committee. From the discussions, the Committee agreed to recommend to Council that the City ordinances and policies be modified as necessary to:

- 1) Regulate vehicles for hire
- 2) Update enforcement tools
- 3) Create a staging area on the south side of Evans Street in the loading zone for taxis awaiting customers after 10:00 p.m.
- 4) Create a "safe zone" for pedestrians in a portion of the 500 block of Evans Street where vehicles would be prohibited after 10:00 p.m.

The Committee asked staff to work with the City Attorney to develop draft regulations as soon as practical. In the meantime, the Committee recommends the Council authorize an immediate suspension of the “No Parking” enforcement for taxis in the loading zone on the south side of Arendell Street from 6<sup>th</sup> to 7<sup>th</sup> Street after 10:00 p.m. to create the taxi staging area on Friday and Saturday nights and on holidays. This recommendation would give time for an ordinance to be done.

As Chairman for the Public Safety Committee of the Council, Councilman Ballou stated the Committee listened to concerns from the taxi drivers and hopefully an ordinance can be proposed to help mitigate some of the instances of concern. There was discussion on setting up a taxi zone and also a pedestrian safety zone on the waterfront.

***Councilman Ballou MOVED, seconded by Councilman Nelson, and carried unanimously, to suspend “No Parking” enforcement for taxis as defined in our ordinance in the loading zone on the south side of Evans Street from 6<sup>th</sup> to 7<sup>th</sup> Streets after 10:00 p.m. to 4:00 a.m. to create a taxi staging area on Friday and Saturday nights and on holidays.***

Councilman Cordova questioned the responsibility of the City if someone should get hurt in the “safety zone”.

City Attorney Nelson Taylor advised that the City could be sued for anything, but he was of the opinion that in such a case, the City could successfully win.

Councilman Ballou explained that the taxi staging area will be run on an honor system policed by the taxis themselves.

Councilman Cordova voiced concern about the issue of limousines working as taxis.

Manager Martin stated that the Police Department will be responsible for only taxis to be in the loading or safety zone.

Councilman Nelson commented that large numbers of people are congregating on the street in the vicinity of the Ruddy Duck Restaurant and when the *Carolina Princess* is docked, especially on Friday and Saturday nights. He would also like to see a safety zone for pedestrians.

***Councilman Nelson MOVED, seconded by Councilman Ballou, and carried unanimously, to implement a pedestrian safety zone [no vehicular traffic] starting immediately on Evans Street along the waterfront from mid-5th Street to 6<sup>th</sup> Street from 10:00 p.m. to 4:00 a.m. on Fridays and Saturdays and holidays.***

Councilman Ballou stated it would be a good idea for the City Manager to meet with the downtown business owners to help with this situation.

## **VII. Council Requests/Comments**

Councilman Horton requested that the Council approve adding his comments which he submitted to the City Clerk to the minutes on why he did not vote for the FY2011/2012 budget.

***Councilman Nelson MOVED, seconded by Councilman Horton, and carried unanimously, to allow Councilman Horton to add his comments to the minutes.*** [Attached to and made a part of these minutes are the written comments of Councilman Horton dated 6/14/2011.]

## **VIII. Nominations for the Carteret County Economic Development Council [EDC] Board of Directors**

Manager Martin reported that the Carteret County Economic Development Council Board of Directors nominated and recommended the following members for election by the membership:

Jerry Jones, Libby Eaton, Daniel Fischler

Based on our membership contribution, a total of 32 votes may be cast. Write-in candidates are allowed if the nominee has consented.

***The Council concurred to divide the vote as equally as possible with the first two [2] candidates receiving 11 votes each and the third listed candidate receiving 10 votes.***

There being no further business, the meeting was adjourned at 7:10 p.m.

\_\_\_\_\_  
Gerald A. Jones, Jr., Mayor

Attest:

\_\_\_\_\_  
Jeanne M. Giblin, City Clerk

For the last few years I have stated my position on the budget in writing. During the budget discussions I have brought up all of these ideas yet none of them were agreed to by the group. In fact very little substantive debate on the budget came up at all. However, I think it is only fair that I explain my reasons for not wanting to approve the budget in its current format.

The current economic times are very bad. They have been bad for a few years and only seem to be getting worse. As leaders of Morehead it seems like a time to tighten our belts, make cutbacks in spending and not only balance our budget but prepare for possibly more difficult times ahead. Instead we have continued on the path of building more and bigger buildings and recreational facilities. These buildings not only add to debt but have much higher costs associated with them such as utilities, maintenance, insurance and upkeep. This has become very obvious with the new baseball park and police station.

I am opposed to the following parts of this years budget:

\* Any increases in tax revenue above last years budget. The proposed new rate of .00285 is above the revenue neutral rate and the revenue neutral rate penalizes all taxpayers with a 2.65% growth rate increase.

- Continuing subsidy by Morehead taxpayers of the “for profit” Riverfront Sporting Group. I estimate their subsidy to be around 88,000 per year.
- The general fund should not borrow from the water and sewer fund particularly at a time we are being asked to raise water and sewer fees by 30% over 3 years. The interest rate of less than 1% per year is also unreasonable.
- Our employees have not had a raise in three years. While we spend money on new buildings and recreation facilities it seems we have put the needs of our employees on the back burner.
- We do not need a new 14,000 square foot fire station costing 2 million dollars. It is too expensive and will add too many fixed costs to future budgets.
- Morehead City residents should not subsidize a boat ramp launching facility for the County. We should be charging a fee to “out of City” residents who use it to recoup the expenses Morehead taxpayers will incur.
- We should be funding our street improvement every year. \$300,000 over three years is totally inadequate and these deferred costs will be pushed on city residents and Councils in the future.
- We should not accept the Goal on page 1-48 of completing any sort of Master Plan at Big Rock Stadium. The alleged “Master Plan” was never accepted by the Council and the Council was told that 2.5 million dollars would build the ballpark to first class standards. These new plans would cost taxpayers an additional 300-500 thousand dollars.
- I am opposed to the Goal of more transient Big Docks. The ten that we have now sit empty most of the time and are not properly managed.
- We should not be seeking to build another Gym/training facility at a time we can’t even give our employees raises.
- Until we have a comprehensive financial analysis done we should not consider a 10% water and sewer rate increase in January.

- We should not be providing a Post Office in the town, at taxpayers expense, that loses more and more money each year.
- The City manager and mayor should not leave City Hall and move their offices to the old Police station spending \$150,000 to upgrade the building and their offices.

We are in the middle of difficult economic times. We need to recognize it and tighten our belts with an aim towards reducing, not increasing, future fixed costs. Things might get worse or better, we can't know, but it would be much wiser and safer to plan for things getting worse.

David Horton