

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

**Tuesday, May 11, 2021, at 2:00 p.m.
Special Budget Meeting**

The Honorable Council of the Town of Morehead City met in a Special Meeting on Tuesday, May 11, 2021, in the Council Chambers, Morehead City Municipal Building, 202 South 8th Street, Morehead City, North Carolina. The purpose of the Special Meeting was to discuss the proposed FY 2021-2022 Budget.

This meeting was partially conducted utilizing Zoom Video Communication Inc. software due to the COVID-19 crisis and Governor Cooper's Executive Order 141 imposing the requirement to maintain six-foot (6') distancing. Those in attendance were:

COUNCIL PRESENT: Mayor Gerald A. Jones, Jr.; Councilmembers George Ballou, David Horton, and Diane C. Warrender.

Councilmember William F. Taylor arrived at 2:40
Councilmember Keri V. McCann participated via Zoom
Technology.

STAFF PRESENT: City Manager Ryan Eggleston; Fire Chief Jamie Fulk, Communications Director Alize Proisy; Planning Director Sandi Watkins, Police Chief Bernette Morris, Finance Director Jewel Lasater, Human Resources Director Susan Nixon, Parks and Recreation Director Jerry Riggs, Assistant Fire Chief Courtney Wade, Public Services Director Daniel Williams, Library Assistant Ellen Sewell, and City Clerk Cathy Campbell.

OTHERS PRESENT: Elise Clouser of the Carteret News Times;

STAFF PARTICIPATING VIA ZOOM: Executive Assistant Kathy Eagle

OTHERS PARTICIPATING VIA ZOOM: There were none.

CALL TO ORDER

Mayor Jones opened the Special Budget Meeting at 2:07 p.m. with a quorum present. Councilmember Horton questioned whether the meeting should be rescheduled until Councilmember Taylor could attend. The remaining councilmembers were agreeable to move forward. Mr. Eggleston stated that Councilmember Taylor would be arriving a little later and arrangements have been made to record the portion of the meeting he misses.

BUDGET DISCUSSIONS

Mr. Eggleston opened the meeting with a quick review of the budget timeline and shared that today's meeting would include a review of General Fund revenues and expenditures as well as Water & Sewer and Sanitation revenues and expenditures. He pointed out that the budget

document was prepared using ClearGov software and therefore looks different than previous documents.

Mr. Eggleston provided a brief overview of city demographics stating that Morehead City is a full-service municipality with a population of 9,635. The City's funds are primarily divided into three (3) different types of funds, general funds, enterprise funds (proprietary funds), and capital funds.

The proposed FY 2021-2022 budget represents a balanced budget with a one-time use of fund balance toward capital expenditures. The proposed budget does not require a tax increase and does not recommend a utility rate increase. The Water & Sewer Fund also requires a one-time use of fund balance toward capital improvements for this year. The presented overall budget totals \$29,785,352 demonstrating an increase of 13.7% from the current year. This increase is reflective of significant revenue gains compared to what was anticipated with COVID-19 last year. The proposed budget also reflects a significant increase in personnel costs related to legacy costs and proposed new personnel hires for the city. The General Fund budget is \$19,020,952, Water & Sewer is \$9,647,500, and Sanitation is \$1,116,900.

Mr. Eggleston publicly thanked Finance Director Jewel Lasater, Assistant Finance Director Leeann Vinson for their tireless hours preparing the budget, and the department directors for providing departmental data.

General Fund Review

Revenues

Looking at the Budget Summary it was noted that staff budgeted conservatively in 2021 unsure of what the impact of COVID might be. However, the City fared better than expected as reflected by the thirteen (13%) percent revenue increase. This is not representative of normal growth. Most of the city's revenue comes from ad valorem taxes.

Councilmember Horton questioned the effectiveness of the budget projections based upon the percentage of change being a comparison between the *FY2021 Actual* which only accounts for ten (10) months of activity and *FY2022 Manager Recommended* which reflects a twelve (12) month projection. He suggested that comparing the *FY2021 Actual* including estimates for the remaining two months of the year to *FY2022 Manager Recommended* would provide a much more accurate picture. It was explained that the percentage of change reflects the comparison between *FY2021 Budgeted* and *FY2022 Manager Recommended*, which both reflect twelve (12) months of activity. Councilmember McCann suggested that the comparison may be clouded by the fact that the City surpassed the 2021 anticipated income within ten (10) months making it unclear how to determine what to expect in 2022. After a lengthy discussion it was decided that the *FY2021 Actual* column will be retitled as *FY2021 Year-to-Date* with two dates for clarity, and the addition of a projected estimated column as requested.

Continuing to review the projected revenues, Mr. Eggleston noted that the increase in *School Resource Office Carteret Co* is reflective of the two (2) additional grants. Under *Permits & Fees*, it was noted that the City collected over \$500,000 in *Inspection Fees* within the first ten (10) months of the year and therefore, revenues in this area and in *Ambulance Fees* have been

projected at a higher amount. Ms. Lasater explained that these projections are calculated using historical data and consideration of the collection schedules. It was noted that the percentage of increase for facility rentals is skewed based on a lack of use during FY2021 due to COVID. In addition, recreation camp fees are skewed due to the FY2022 camp fees, and possibility FY2020 late fees, being paid in FY2021. *Miscellaneous Revenue* is elevated for FY2021 due to a workman's compensation reimbursement and the resubmission of hurricane insurance claims. It is projected at a much higher amount for FY2022 because this will be the first full year of receiving P-Card revenues.

Mr. Eggleston shared that the recommended budget proposes the implementation of the compensation plan as adopted by Council. The implementation of the compensation plan is recommended to begin on October 1, 2021, with a salary cost of approximately \$146,300 and benefit cost of approximately \$35,400. It was also recommended that some of the increased tax revenue be used to add staff positions, primarily replacing positions lost due to COVID. These were presented as:

Human Resources –	1 FT HR position; HR will become its own department and anticipates growth of 1 additional person (title TBD)
Finance -	1 FT Accounting Technician*
Police -	1 FT Police Officer; continue PT Animal Control Officer*, PT Records Clerk* and 1 PT Police Officer
Planning & Inspections -	1 FT Planning & Inspections Assistant*
Recreation -	1 FT Sports Coordinator* & 1 FT Recreation Center Coordinator*
Library -	Increase year-round PT staff to 9 employees
Fire-EMS -	1 FT Firefighter/Paramedic*
Billing & Collections -	1 FT Customer Service Representative*
Water & Sewer -	1 FT Utility Maintenance Technician*

*Indicates those positions previously eliminated due to COVID.

The City's total number of full-time positions remains below the pre-COVID levels due to a shift in utilizing part-time employees that offer more staffing flexibility and prevent excess overtime hours.

Departmental Reviews

Mayor/Council: The primary change was to restore the travel and training budget back to the pre-COVID level.

Administration: A reduction in salaries and benefits reflecting the reassignment of the Human Resources Director to the new Human Resources Department. This is also reflected under Travel & Training.

Human Resources (HR): Human Resources Director Susan Nixon explained that with the addition of another HR position, it was thought to be beneficial to break HR off into its own department to better track HR expenses. She reviewed the HR expenditures explaining what was

included in each. Councilmember Taylor asked about the job expectations for the new person. Ms. Nixon explained that this would be an intermediate position that will assume and/or share in many of the tasks she is currently administering. It is expected that this will not be a secretarial position. She agreed to share the job description with Council when finalized.

Finance: Finance Director Jewel Lasater explained the realignment of staff between the Billing & Collections and Finance Departments stating that in FY2020, staff was reassigned to the department that matched the tasks of the position rather than how they were budgeted. The budget is now being amended to reflect the reassignments. In addition, Finance is requesting one (1) additional employee for Billing and Collections and one (1) additional employee for Finance. Billing/Collections is operating short-staffed, which created the need to close city hall at lunch due to insufficient coverage. Once the proposed staff is in place, the practice of closing for lunch is expected to be discontinued. Currently, there is also no coverage to provide for illnesses or vacations.

Councilmember Taylor asked if Finance staff could now provide the necessary coverage for Billing & Collections since they are wrapping up the new software projects, FEMA claims, and adaptations to new accounting practices. Ms. Lasater explained that Finance has not slowed down since 2018, and staff is working a tremendous amount of overtime to complete its own tasks. The overtime has not been evident in salaries due to the number of exempt employees within the department. Mr. Eggleston added that the Finance department has been understaffed for several years, which also skews the perception. The staff person requested for Finance will work under the payroll specialist to assist with payroll, do account reconciliations, manage variable billing, and to aid in creating a more equitable redistribution of work across the department.

Ms. Lasater also agreed to find a mechanism to track city expenses for community events such as the Seafood Festival and Big Rock in order to analyze the adequacy of the fees charged. However, this project will probably be delayed until after the Munis tax module is launched.

Building & Grounds: Public Services Director Daniel Williams stated that Building & Grounds staff is responsible for maintaining all city buildings, grounds, and cemeteries. The only increase in this budget is to continue the new in-house custodian position.

Responding to a question about the increase in *Salaries, Wages and Benefits*, Mr. Williams stated that the increase is not solely attributed to the custodian position. It also includes the replacement of positions lost during COVID, the new compensation plan, as well as the increase in benefit costs. The expense of the in-house custodial position is offset by the reduction in contracted services.

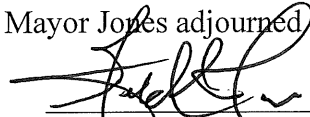
Central Services: Finance Director Jewel Lasater stated that Central Services has no employees. It consists of employee benefits, professional services contracts and operating expenditures that are not tied to a specific department. Changes include increases in workman's compensation; departmental and janitorial supplies related to the new city hall; utilities due to adding the new city hall while maintaining the existing two buildings; insurance for the new building, Shevans Park playground, and new and surplus vehicles; and legal fees. The reduction in leases reflects the reassignment of the Swanson lease from Central Services to Park & Recreation. Simultaneously, leases under Parks & Recreation increased. The decrease in

Contracted Services is due to the completion of the classification and compensation study, and the GASB 87 implementation contract with RSM.

In closing, Ms. Lasater distributed copies of the capital improvement plan to be reviewed at the next budget meeting. Departmental reviews will also continue at the next budget meeting.

ADJOURNMENT

There being no other business to discuss, Mayor Jones adjourned the meeting 4:35 p.m.



Gerald A. Jones, Jr., Mayor

Attest: 

Cathy Campbell, City Clerk

