

**City Council Budget Work Session  
April 17, 2023**

The City Council of the City of Elizabeth City met in work session on Monday, April 17, 2023 in Council Chambers, located on the 2<sup>nd</sup> floor of the Municipal Administration Building, 306 E. Colonial Avenue, Elizabeth City, NC.

MEMBERS PRESENT: Mayor Kirk Rivers  
Mayor Pro Tem Kem Spence (*Arrived at 5:25 p.m.*)  
Councilman Johnson Biggs  
Councilman Joseph Peel  
Councilman Jarvis Gibbs  
Councilwoman Rose Whitehurst  
Councilwoman Katherine Felton  
Councilwoman Barbara Baxter  
Councilman Johnnie Walton

MEMBERS ABSENT: None

OTHERS PRESENT: City Manager Montre' Freeman  
Interim Chief of Police J. Phillip Webster  
Finance Director, Alicia Steward  
Assistant Finance Director, Brian Lewis  
Human Resources Director, Montique McClary  
Electric Superintendent, Donnell White  
Deputy Chief of Police, James Avens  
Public Utilities Director Dwan Bell  
Parks and Recreation Director Sean Clark  
Grants Administrator Jon Hawley  
Fire Chief Chris Carver  
ECDI Director Debbie Malenfant  
IT Director Matthew Simpson  
IT Systems Analyst Pedro Holley II  
City Clerk April Onley

Mayor Rivers called the Budget Work Session to order at 5:00 p.m. Invocation was given by Councilwoman Felton, after which Councilwoman Whitehurst led the Pledge.

**1. Presentation – Manager's Recommended Budget Presentation for FY 2023-2024;**

Mayor Rivers welcomed everyone to the meeting and advised this was a special Budget Work Session for the Manager's Presentation of the FY 2023-2024 Budget. He recognized Manager Freeman for his report.

Manager Freeman asked if the Council preferred receiving a hard copy or an electronic of the budget? General consensus was the Council would like a hard copy of the recommended budget. Mr. Freeman briefed the Council on his budget message, which was titled "Transacting to Transform." He said he is currently vetting financial consultants with the necessary skillset who will be able to assist us with our catch-up process. He advised that he is looking at addressing the City's wastewater capacity to potentially save up to a million gallons in water. The City successfully petitioned for \$3.5 million in funds for infrastructure. He said he did not recommend any capital improvement in this budget.

He is researching several ways to address salary compression. Due to inflation, the employee pay scale must be looked into. He recommended that the finalized plan will be presented in 2024-2025.

He was not recommending a tax increase in this budget.

Two new positions are being proposed in the IT department in hopes of allowing for more automated functions and control. He is not recommending employee raises or any COLAs. Currently, health care costs and/or insurance costs have not been received, so we do not have those numbers or recommendations at this time.

He is recommending a decrease in the City's contribution to the retirement system. There are 16 employees approaching retirement.

He is recommending entering into a lease agreement with Enterprise as a phased process. Historically, the Police Department has received vehicles first, but he is not recommending they are included in phase one due to turnover. He anticipated that this will allow City vehicles to be replaced at 1/3 of the cost.

The City is entering into a lease involving the gymnasium, which will run for six-years. We will be responsible for the up-fit of this facility.

HR will address the City's career development and resources program. Currently, any employees who complete their probationary period or achieve certain certifications get a 2% increase in pay. This has not been a budgeted program and is usually paid for through vacancies and lapsed salaries. He is recommending that this be paused, but the tuition assistance program be continued until the program is restructured.

There are two main software programs used for our billing, which are MCSJ and Tyler. He intends to have staff complete an analysis of the systems that are available and move into a conversion process.

The Council has made significant investments in water and sewer, including successfully lobbying for funding for infrastructure on Grace Drive. There's also been an increase of residential and commercial water rates and residential and commercial sewer rates. The Council is now discussing an analysis of the current water and sewer rate study. He is recommending \$15,000 be set aside for a study to analyze our rates. The Council has requested funding from state and elected officials for the wastewater treatment plant in order for us to meet the requirements for permitting. We have 17 major pump stations that require improvements. If the Council decides to initiate a new rate study, he will recommend rates based on the outcome of that study.

In FY 2023-2024, he will focus on recouping fees in the electric fund, particularly in new development.

All stormwater fees are proposed to remain the same.

Staff will look into leasing options for a new garbage truck. Collection fees are increasing for the City, and we may need to increase collection costs for the downtown district.

He said he is willing to meet with the Council one-on-one if any of them have questions at any time.

Councilman Peel asked about the hiring of financial consultants. Would they be employed by the City? Manager Freeman said they would be contracted and not employees. Councilman Peel asked what about the people that are already here – Greg Isley? Are they not still here? How many of them do we have? Director Steward said we have three here. Councilman Peel asked what do we think this is going to cost us?

Councilwoman Felton asked if at some point we can phase these people out and hire our own people, right? Manager Freeman said that's what we hope to do, yes. It's more valuable to our organization if we can. Councilman Peel asked if we have a job description for the financial consultants. Manager Freeman said it's being pulled together. He's talking to other cities who have them.

Councilman Peel asked about the \$76,000 on page two – what does that reference? Manager Freeman said that's the cost for retirement for the 16 employees. The cost last year for retirees was \$116,000.

Councilman Biggs asked if we have to now pay for fireman from X amount of age until 62, correct? That's a hefty burden on the budget. Manager Freeman said he did not

anticipate that. It wasn't broken out which of the 16 were fire. Biggs asked if that was PD as well. Manager Freeman confirmed that it was.

Councilman Peel asked if the LGC was going to let us lease the vehicles. Manager Freeman said he wasn't sure. He was going to find out and do what he could. Councilman Peel asked what the \$458,000 for the middle school was. Manager Freeman explained that was the cost to outfit the complex. There's the gym, office spaces, weight room, showers, equipment. He said he would provide a layout of it. He said the Council voted to do that, but there were not funds associated with it when the vote was made. Councilman Peel noted one thing that was not in the budget message was the projected revenue increase concerning sales tax – are we projecting an increase? Manager Freeman said it's not in there. Councilman Peel stated that's a significant amount of money and it might help us. He asked about the Raftelis study. Manager Freeman said that was the \$15,000, which is what Rural Water offered to do the study for. Councilman Peel said he didn't know anything about them, but Manager Freeman said he and Director Bell were familiar with them and they did a good job.

Councilwoman Felton said he if could fix salary compression, he'd have done more than most. Manager Freeman said he thought he had a plan, he just wanted to vet some details. Councilwoman Felton said her other concern was the statement on the third page where he said he was going to pause the 2% certification increases. Does every position have a salary grade? What they were doing before, rather than starting an employee at an entry level, there was a six-month learning curve where 2% was taken from the grade and then given to them at the end of six-months. So you're talking about pausing that 2%, is what are you talking about? Manager Freeman said that process will remain, as well as the tuition. He's pausing the 2% increases throughout the program to make sure we can fund it and there's a real structure. If the position is \$40,000, we'd lower it for the first six months and then give it at the end of the probationary period.

Councilwoman Felton said she was all for employees receiving an increase for going to school, but there are some employees who are uncomfortable going back to school learning extra stuff, but they're excellent employees. She said they used to have merit increases for employees who went above and beyond. Will there be a way for employees who don't want to return to school but still excel? She didn't want anyone to be intentionally left out. Manager Freeman said school will encompass their area of work. Electric should go get their certifications. He wanted to make it more inclusive. Is 2% worth just one class or is it worth two or three before you get the 2%? Because there were so many questions around it, that's why we need to pause that piece of it.

Councilwoman Felton wanted to know if employees were still given an annual evaluation. Manager Freeman said not that he was aware of. Councilwoman Felton said she felt that we needed to do that again. Manager Freeman said he agreed because that was part of his role of protecting the city and mitigating risks.

Councilman Walton said he felt it was good that they were getting more personnel with IT because things are evolving and we need to keep up with trends. The new software will dictate with us catching up with other things that are happening. The county has hired an assistant county manager – are we still talking about hiring an assistant city manager? Manager Freeman said that we were. Councilman Peel said that on at least two occasions he'd been attacked over salary studies because we need to have a plan in place to implement them and temper expectations if we can't follow through.

Mayor Rivers asked what is allocated in this year's budget so far for Greg Isley? Manager Freeman said he was looking into reducing their hours. He said he'd be able to get more out of a financial consultant if we hired one and it would be a reallocation of the funds we're charging for the Greg Isley firm. Mayor Rivers asked how many new positions total are in the budget? How many new contracts? Manager Freeman said there are two new positions for IT and one new contract for the financial consultant. We do need to keep the contract with PB Mares. There are funds for the Assistant City Manager. Mayor Rivers asked if we're looking to fund an assistant city manager or a financial consultant? Manager Freeman said the funding for the assistant city manager would go to the financial consultant because he thought that person could serve both him and Director Steward. Mayor Rivers clarified that you're looking at a financial consultant and no assistant city

manager, right? Manager Freeman said that was correct and he's in the vetting process now.

Councilwoman Baxter asked if anything had been allocated for inspectors? Manager Freeman said not more than the number we currently had, but there are vacancies that we're looking to fill. Director Steward said she believed that there were two, but we would check.

Councilman Walton asked how much money had been given to the Greg Isley Group so far? Director Steward said the estimated amount was about \$450,000. Councilman Biggs asked if that was for this fiscal year or overall? Director Steward said overall. Councilman Biggs asked if she knew for this fiscal year? Director Steward said she could find out. Councilman Walton asked if the manager was speaking with them. Manager Freeman said they mostly spoke via email, but Councilman Biggs had helped with the conversation and the suggestion to go forward. Director Steward advised the total was \$175,000 this fiscal year.

Manager Freeman directed the Council's attention to a few slides he wanted to go through. He reiterated the importance of a financial consultant and initiation of a short-range and long-range financial plan. He also wanted to analyze the fee schedule. There will be new internal control procedures, particularly with bank reconciliations, which we are getting ready to take over in the Finance Department. In 2025, our debt payment will drop to about \$1.3 million and right now, we're at about \$2.3. Mayor Rivers noted that was if we added nothing new. He asked how many new debt payments we were looking at this year? Manager Freeman said we'd dig deeper when we got into specific departments and we were trying to get into the Enterprise contract. He noted that PD would not be included because they have enough cars, so that was a big deal. The only truck he knew for sure that could not go for sure into this would be the fire truck, which is scheduled for September of this year.

Councilman Peel said we need to have a conversation with the LGC about this before we count all of our eggs. There's a lot riding on this. We don't want to pass a budget that has nothing in it because we're hoping for this and then it can't come to pass. Councilman Biggs asked if the FY 2024 debt payment included the payment on the fire truck? Director Steward said it did – we'd already issued debt for it. The majority of what was left was outfitting the truck. Councilman Biggs said looking at the budget to actual, if you look at the maintenance on vehicles, we spend more on vehicles than what they're worth. He said that when we make the proposal, that we show how much more efficient we would be with the lease. He often saw the trucks riding up the road and they have to be about the fall apart. If we could dial in and show the worst ones we want to replace and show how much we've spent in repairs on those vehicles versus the value and what it would cost to lease them. Manager Freeman said he'd been having conversations with Enterprise about pulling that data for us.

Councilwoman Felton said 2021 is finished and 2022 will be done in the next month or so; at what point do we no longer need permission? Manager Freeman said he hoped to have an answer by next week. We were originally told that once we turned in 2021, we were only six months late. He was preparing the team to get 2023 to get done on time so there's no questions at all. In light of what he's trying to achieve, he's having conversations with the Enterprise team preemptively.

Councilman Walton said no disrespect to LGC, but we don't need their permission. They haven't locked us out of how we spend yet. We're just on the list. Treat them nicely, but they can't stop us from putting our budget together.

Councilwoman Baxter asked if we're no longer on the list. Manager Freeman said he had to find out because he was originally under the impression that once 2021 came in, we were off the list. He wanted something concrete and then he'd let them know.

Mayor Rivers said we are still late because we don't have 2022 in. Staff is still working 2022. It was due by December, but we couldn't do 2022 until we did 2021. We needed step one before step two. We're encouraging our staff to work with LGC because we are technically late. We won't be late on the current budget or audit, but because of concerns, it's more than just the budgets we have to be mindful of as we go forward.

Councilwoman Felton said staff should work with them, she just wanted it to be time to move forward.

Mayor Pro Tem Spence said if he recalled, 2021 and 2022 had to be complete before we could be considered to come off the watch list because we were already two behind. He thought we'd still have to stay and communicate with them until we had 2023 complete. Manager Freeman noted that we'll be current once 2022 is in. The beginning date is October 15<sup>th</sup> for 2023 and late in December, but we're anticipating to be on time for 2023., and mid-June submission for 2022.

Manager Freeman redirected the Council's attention to the slides, including debt payments by funds. Mayor Rivers asked if in the future, he could break it out by the list of revenues with debt so the Council can know what the revenue is like with the debt. He wanted the Council to be able to know what a good percentage would be. Can that particular fund withstand debt? The Council is prepared to make hard decisions but they want to make sure there's savings and no strain on the funds.

Councilman Peel asked if cash and cash investments was the total for each fund? Director Steward said that was just the liquid amount. This is not the fund balance. There are other things that add to this amount to create a fund balance. Councilman Biggs clarified this is our total liquidity position, regardless of whether it's allocated or unallocated.

Councilman Biggs asked if the \$458,500 was the City's portion for the gymnasium or the total? Manager Freeman said it was the total, which would be split. He asked if it included the \$80,000 lease payment as well? Manager Freeman said that it did. Councilman Biggs asked what the split was between City and County. Mayor Rivers advised that it was 55/45. He noted that we would see more of that when we went through each department. This was just the overview of the big ticket items.

Manager Freeman said the cost for the firetruck this year was likely to be about \$61,000. He said we would need to replace some of the fire department's air packs, as they age out and cannot be used any longer.

We have two earmarks in the budget, Albemarle Hopeline and PAL. Councilman Biggs noted that the former Council offered \$150,000 to the Boys and Girls Club, but he doesn't know if he gave them any of it to them yet. Manager Freeman said he would have the Clerk try to pull any info on it. Councilwoman Felton asked how we would know if there were any other promises like that out there? Councilman Biggs said he didn't know. He only knew about that one because he was on the board.

Councilman Walton asked if there was a bill going on about property taxes right now? Manager Freeman said there was a lot of discussion on property tax right now, but he did not anticipate anything happening in this budget year.

Manager Freeman said once the budget is passed, he wanted to have a one-day retreat with the directors to discuss what was approved, what wasn't approved. He said he would be tight with the purse strings. He wanted to make sure they all understood everything going forward, the capital plan and budget training. Councilman Biggs said he would encourage that because their feedback is very valuable and they need to know why certain decisions were made. It will also help us develop talent.

Mayor Rivers asked when the hard copy of the budget working document would be delivered? Manager Freeman said on Wednesday.

Mayor Rivers asked if the Council had anything they'd like to put on the table at this time? He said he hoped we could cut back on our numbers with the Greg Isley Group before we looked to add any new employees. He asked for a list of all obligations that are projected next year and year after next so Council can be aware of those so those can be placed in the budget.

## **2. Adjournment:**

There being no further business to be discussed, Mayor Parker adjourned the meeting at 6:12 p.m.

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Kirk Rivers  
Mayor

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April D. Onley  
City Clerk, NCCMC