

**City Council Budget Work Session
April 29, 2024**

The City Council of the City of Elizabeth City met in Budget Work Session on Monday, April 29, 2024 in Council Chambers, located on the 2nd floor of the Municipal Administration Building, 306 E. Colonial Avenue, Elizabeth City, NC.

MEMBERS PRESENT: Mayor Kirk Rivers
Mayor Pro Tem Kem Spence
Councilman Johnson Biggs
Councilwoman Katherine Felton
Councilman Johnnie Walton

MEMBERS ABSENT: Councilman Joseph Peel
Councilman Javis Gibbs
Councilwoman Rose Whitehurst

OTHERS PRESENT: City Manager Montre' Freeman
Chief of Staff Monica Cole
Finance Director Alicia Steward
Deputy Finance Director Brian Lewis
Chief of Police J. Phillip Webster
Deputy Chief of Police James Avens
Electric Superintendent Donnell White
Interim Human Resources Director Anna Spence
Public Utilities Director Dwan Bell
Public Utilities Deputy Director Raymond Staten
Community Development Director Reggie Goodson
Parks and Recreation Director Sean Clark
Fire Chief Chris Carver
Deputy Fire Chief Thomas Brooks
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 5:04 p.m. The Mayor provided the invocation, after which Manager Freeman led the Pledge of Allegiance.

1. Presentation / Discussion – FY 2024-2025 General Fund Continued:

Human Resources:

Manager Freeman reminded the Council that the last session left off with questions about Human Resources, and whether the salary total was correct. There was also the question of whether to leave the department at four positions or drop it to three positions.

Mayor Rivers asked about the increase included in the notes because he was under the impression the 2% training increases had been stalled. Manager Freeman stated that item was included in error. The correct number should be \$299,200. Councilman Biggs said last year, it was \$282,350 with four positions. With a 3% increase, it comes to \$298,020. If we are not going to backfill, it should be significantly less than what's being shown. Mayor Rivers believed the 4% increase was included as well as a 3% COLA. Councilman Biggs noted that did not add up correctly either when he attempted to calculate it. Mayor Rivers asked for the salary range of the HR employees. If they were dropping to three employees, they would know exactly which salary to deduct. If we budgeted on last year's basis of keeping it all the same, we round off at \$291,000 with the increase. Now we're getting \$299,000, which doesn't make sense. Director Steward advised the Council that they were looking at "old" numbers. Mayor Rivers pointed out that they had just received these numbers on the newest handouts. Councilman Biggs opined that a department with only four employees should be easy to figure out. Manager

Freeman stated that last year, the HR Director was at \$101,000, and this year the position has a range of \$110,000. Mayor Rivers explained that they were not talking about the increase. We just want to know what was assigned last year. This year we put in for a 3% raise. We're not discussing bringing in a new person because we don't know that number yet. The number we're supposed to see is not up here. Councilman Biggs said he thought the manager was saying he was raising the salary on the HR Director position so the increase is included in the budgeted position in case someone comes in to fill that role. However, the number is still wrong because the position is over-budgeted. Manager Freeman stated the \$9,000 difference is tied into the HR Director's position. Councilman Biggs noted that when the Council is going through the budget, they don't know when the manager or staff is accounting for an increase in salary. All the Council knows is that there's a 3% COLA. They don't know the rest of this information. They need that information in the notes or somewhere so they can get the same calculations.

Councilman Walton pointed out that they've found the problem and the question has been answered. Mayor Pro Tem Spence stated that personally, he wanted to know what was going on so he could be well informed. Manager Freeman confirmed that the \$308,000 number is incorrect. The correct number is the \$299,200, which is due to the salary range of the new director. Mayor Rivers noted that they have a \$9,000 savings if they deduct that from the incorrect number presented in the budget now. He would also like a presentation with three employees in HR instead of four. Manager Freeman stated that the question the Council raised last time was whether to go with four or three employees in that department, and the options would be three full-time and one part-time or three full-time and no part-time. Mayor Rivers asked for the Council's feelings on that item. Councilman Biggs said he would be fine with that decrease. He asked staff and the Council to keep in mind that there was still a salary that had to be removed from HR and added to Administration to account for the Chief of Staff.

Mayor Rivers asked if the City received the numbers for the insurance yet. Manager Freeman replied that we had, and those amounts had increased from the previous year. Councilwoman Felton asked the name of the company we're using. Manager Freeman relayed that they are called Cigna. Councilwoman Felton asked why the request for overtime was doubled. Manager Freeman was uncertain why the request itself was doubled, but he did not recommend that.

Mayor Rivers recalled that the other HR question was around the wellness funding. Manager Freeman said they'd reached out to Cigna and he'd have Chief of Staff Cole explain that to the Council. Chief of Staff Cole stated that Cigna allowed \$32,500 for health engagement. We can use that for initiatives like Mental Health Mondays, Employee Wellness Days, etc. and they take that off our bill until June 30th. Once HR meets with Cigna and they personalize a health plan, that's how we get the screenings, employee plans, food trucks, and so on. Mayor Rivers asked if the \$10,000 added to that would give us a wellness budget of about \$42,000. Chief of Staff Cole confirmed that was correct. Even when we have the annual biometric screenings, they pay for that too.

Councilman Biggs pointed out that we're showing a budgeted amount of \$3,000 of overtime in HR, but the budget book says \$3,350 so we're off somewhere in there. The actual amount is correct and it's correct in the original HR pages, but the new pages are incorrect.

Mayor Rivers reiterated that he'd like a presentation or projection in terms of three full-time positions. Part-time has its own line, so he wasn't concerned with that one.

Councilman Biggs asked why the group insurance went up roughly \$60 per person, but the line item has only gone up \$26. Manager Freeman said they would go back and check again. They'd already added the projected amount in and it turned out it was a bit more. Mayor Pro Tem Spence advised that it would be beneficial if staff would add these notes in, because the explanations were clear when they got them but it was confusing when looking at the budget.

Community Development:

Director Goodson made a request for a senior planner in the budget, but Manager Freeman recommended that position be cut after he received updated numbers. Unfortunately, the numbers were off and put us seriously into fund balance at about

\$460,000 to get a 3% COLA. He has a new proposal for 2% COLA, which will keep them out of fund balance. Councilman Biggs asked how a jump of 1% is taking them that deeply into fund balance. If you can find 2% without going into the fund balance and you only need one more percent, I can't believe it's that much. We'd already figured up what a 1% increase would be. Manager Freeman stated the insurance and everything else would need to be added in, and that was the issue. Councilman Biggs worried the numbers were compounding somewhere. What's the total salary in the employee base? Manager Freeman stated that in Fund 10 it's \$11,606,981.67. You have to include longevity and Christmas bonuses for a total of \$11,898,431.67. For 2%, it's \$11,942,272.86. The difference is \$164,251. Councilman Biggs noted that a 1% increase in the General Fund is \$83,888 including full benefits and everything that comes with that. It would be about \$251,000-ish for a 3% COLA. I don't understand how we're hitting \$460,000.

Mayor Rivers said he was confused because he could not understand how if they did a 2% increase, they didn't have to touch the General Fund but if they went up to 3%, they'd have to go deeply into the General Fund balance. Councilman Biggs agreed, and said he would argue that 1% is 1% no matter how you cut it. What has gone up that we don't know about that's creating that much of an impact on the budget? Manager Freeman reminded them that there were positions in the Police Department that were not funded.

Mayor Rivers noted that every year, the budget increases several million dollars. He understood that, but sometimes we need to hold the line. We have numerous capital needs. We need to tighten and control some things. We don't want to have to raise taxes. We have to decide what we can do without so we don't have to pass on a tax increase to our citizens. We have to sharpen our pencils and see what we can cut. I'm not in favor of a blanket 3% increase across the board for all employees because those at the bottom don't see that. It may need to be more for those at the bottom so they can see it too. When it was a flat \$500 raise, it was the same for everyone. The Council needs to make sure everyone is getting something that they can see. We have a big problem with salary compression. We need to put more people in the Street Division. If we take away positions from certain areas, problems will compound and we are not putting money away for a rainy day.

Councilman Walton pointed out that they'd given some big raises throughout the year already, and those positions were eliminated from the raise consideration in the budget process. Manager Freeman said he wanted to return to the Council with the numbers for the percentages because there were a few things they didn't discuss.

Mayor Pro Tem Spence asked about the senior planner being cut from the budget. With the way Halstead is growing, is that really a wise move? We already have a problem with retaining planners and inspectors. Manager Freeman stated that he was open to putting it back in. Mayor Rivers asked how many housing inspectors we had. Manager Freeman said we have only budgeted for one. There are three total in the department, but only one minimum housing employee. The other two are code enforcement officers. We are 100% staffed in that department. Councilman Biggs asked if they budgeted for the minimum housing inspector last year. He thought they did but didn't see it. Director Goodson confirmed that they did, but they put it under Building Inspections. Mayor Rivers noted that Building Inspections should be decreasing in that case. They are asking for an appropriation of \$80,000 however, and that seems like a new position in Building Inspections. Previously it was \$171,000, and this year is \$251,000. If minimum housing just was moved, it should go down. Manager Freeman said the contracted building inspector would be coming in house. The payroll increase for the certifications comes to about \$92,000. Councilman Biggs pointed out that we had a chief building inspector last year when the budget was passed. We paid for the contractor just for the hospital and then transitioned. How many are you slotted to have? Director Goodson replied that his department should have two building inspectors and the chief. Councilman Biggs noted that part of the issue is that so many people have been moved that we no longer know where anyone needs to be paid from or where they were originally being paid. Director Goodson believed that the two building inspectors together were about \$115,000 and the one we had for chief was about \$75,000 or \$80,000 salary alone. You will not get one for that now. Councilman Biggs said he'd have to go back and check to see if they actually put the money in there for the minimum housing inspector. He knew the position passed, but did the money pass? Manager Freeman stated that he would go back and look to see

if it was actually funded when it was passed. Just based on what he's seeing now, it's questionable.

Director Goodson stated that \$194,000 last year would cover the two inspectors and the chief. The contracted chief for the hospital is listed under contracted services. Councilman Biggs asked if we're still paying him under contract. Manager Freeman confirmed that we were. With the contracted service, we don't have to pay any fringe benefits or anything beyond the salary. If they come in house, we have to cover those items.

Councilman Biggs asked Assistant Director Lewis if we have a master workbook that shows each department with each approved salary range. Assistant Director Lewis believed that HR might have something like that. Councilman Biggs understood the Council throws a lot of requests at staff and something is bound to get missed. When the Council looking at this, if they had some kind of breakdown of what these positions should be paid it would be helpful. These are big swings year in and year out.

Mayor Rivers asked if the manager included the senior planner in the budget. Manager Freeman said it was included at first, but when he received the updated numbers, he cut everything that he could, which include that position. Mayor Rivers asked how many positions the total salary presented funded. Director Goodson explained there were two office personnel, plus the director and the Planner II, so four positions in total. Mayor Rivers asked if that's just one planner. Director Goodson confirmed that it was. Councilman Biggs reminded them that the Customer Service employee serving as the second office person over there was coming out of the Enterprise Fund, so they needed to verify it was okay to transfer. That position is not being supported by activities happening out of the Enterprise Fund. He said he was not opposed to it and he understood why the position was there, but it was another one to track.

Councilman Felton asked if there was a list somewhere that showed how the departments that had switched up were being paid now. Manager Freeman stated that he would work on getting something like that for the Council. Director Goodson pointed out that the Chief of Staff brought to his attention that there are four employees listed at a total salary of \$444,478, which is incorrect. That is the total for five employees in Community Development. Manager Freeman stated that according to the notes, Interim Manager Hicks didn't fund the position in question because it was vacant.

Mayor Rivers noted that based on the flowchart from last year, we're saying Code Enforcement is three positions, which is fine. Then you have the Community Development Director, the Admin Assistant, the newly-created Office Manager position and a Planner II. Then the full-time Chief Building Inspector and two other Building Inspectors. There's an increase of \$92,000 to accommodate hiring the Chief Building Inspector as full-time and in house. Councilman Biggs said they budgeted \$221,349 and the budget book reads the same – so the question is did they move the salary for the Minimum Housing Inspector out and put it in Code Enforcement? Manager Freeman stated that the hospital inspector came after the budget was approved. There was an inter-fund transfer to cover him from salaries and wages to contracted services. That was when we realized the hospital had not paid their permitting fees. Councilman Biggs clarified that he debited wages and salaries and increased contracted services. Manager Freeman said that was correct. Councilman Biggs stated that they aren't out of balance then, but the problem is there's so much movement and not enough narrative to explain where the money is coming from or where it went. Mayor Rivers agreed that when the money is pulled, it should track. It shouldn't change what the Council voted on. Even if you have to pull \$50,000, it should not change the Council's original vote. Councilman Biggs pointed out that they approve at a departmental level and give the manager the authority to move money inside the budget. He should just let the lines be over because you wouldn't truly be over budget unless it's over at the department level. Now we're moving everything to try to balance each line out, so we don't know what the actual costs are. I would leave your appropriated number the same otherwise we're going to have to start approving at the line item level and I don't want that. Mayor Rivers agreed and expressed concern that with movements like this they don't know what positions or money amounts they originally voted on.

Director Goodson noted that the situation with the Building Inspector was unusual. The hospital needed the inspection, and they were going to charge us more than \$500,000 to do it. We had to go into the contracted services for that one. Mayor Rivers concurred that

was a one-off, and it was discussed at length. They just need a flowchart or notes, something to help them keep up with what's happening. Manager Freeman opined that part of it was going through the budget-to-actuals and moving things around. The LGC recommends approval at the department level and letting lines go over because you won't be dinged for that and you'll get a true number. When they run over, it gives us a roadmap to go forward with and helps us manage the budget better. He advised that he would proceed that way in the future.

Manager Freeman asked the Council if they wanted to try to fund the Senior Planner position at this time. Mayor Rivers said he wanted to go through the entire budget and see where they stood before they made that decision. They had a balanced budget right now, so anything they added would require cuts somewhere else.

Councilman Biggs pointed out that the Administrative budget had increased significantly and he wondered if the Chief of Staff salary might have been counted more than once. In addition, the financial consultant is mentioned in Administration where it was previously paid in Finance. Director Steward stated that they took it out. Instead of getting rid of the Assistant City Manager position, they left the position in there. For the new budget, they have to include the position until the Council votes on whether to include it. Mayor Rivers said he'd like to keep the financial consultant under contracted services. Manager Freeman reminded the Council that they'd given him a salary he couldn't go over. Mayor Rivers confirmed that was correct. When they started discussing the consultant, they figured up how much they'd pay an assistant manager and set the consultant's pay there. If we stop using the consultant after we're caught up, we can move that to funding the assistant city manager. For future councils, we want them to understand what they're looking at because it can be confusing. Manager Freeman said his understanding was that the position was funded and then he could decide to bring on the consultant instead. Councilman Biggs explained that it wasn't funded, but it was included as a position within the organization. Mayor Rivers felt they just needed to make a line item and put contracted services for the consultant. That number should be getting smaller each year. We know why we're funding it now so we can get everything caught up, but it will not be staying the same year after year. If the manager ever says we don't need services and he's ready for an assistant, he can just use that money and we don't have to vote otherwise.

Councilman Biggs pointed out that if you look at the notes in Administration, it says HR positions are being reduced from four to three to account for the Chief of Staff position. Director Steward stated that the \$172,000 can't be subtracted from the other amount because that amount includes all fringe benefits and everything else. Councilman Biggs said the \$172,000 was budgeted for the financial consultant. We've increased everything through the budget. Explain how we jumped from \$45,000 in retirement to \$94,000. Director Steward stated that the payroll spreadsheet contains all the salaries that equal up to that amount. Councilman Biggs felt that it looked like it was too much to him. Manager Freeman advised that the current total is \$501,725 with 3% COLA. There are five positions, with one being that of the Assistant City Manager that is being used to fund the financial consultant. Director Steward reiterated that she had to put the Assistant City Manager in the budget until the Council voted to move that funding to the financial consultant. Councilman Biggs said he was having déjà vu because they are all looking at different information and he didn't know how they were supposed to approve a budget much less discuss it without the same information. Councilman Walton noted that benefits change the numbers. Mayor Pro Tem Spence said he understood that but they should not have changed those numbers. Mayor Rivers pointed out that if they are getting a piece of paper that says financial consultant at \$172,000, and then in Administration, you also have \$172,000 and you're telling us it's balanced, you have this in the budget twice. You are showing five people in Administration. It is in there in two places, so you can cut one. Councilman Biggs noted that what the Finance Director just implied is that the Council was just handed new numbers. Some of the numbers they first received may not be accurate. So how do they make a decision on numbers that may not be correct? I'm seeing this duplicated thinking we can save \$172,000, but she's saying we've got old information. Mayor Pro Tem Spence agreed that they are looking at totally different pages. Councilman Walton stated that they need to stop reading from two different bibles. Mayor Rivers said that's all they're asking to do. Move the consultant to contracted services because the way they have it now likely has retirement, insurance, and everything stuck in there. Move it out and see if it's funded because the paperwork we have shows that it is. If you have new printouts, the Council needs to see them. Manager

Freeman asked if the contracted services needs to be reflected in Administration or Finance, Councilman Biggs opined that he would put it in Finance because that's what it's supporting. Mayor Rivers concurred, as that's where it got put last year. It just got confused because we used what funding might have gone to an assistant city manager. There should only be four people in your department. Show us four people and then we'll get a true number.

Councilman Biggs offered that with healthcare numbers changing and all the movement back and forth, would it be possible to just get new, updated books and try again. If it takes them a week or a week and half, if we need to skip a meeting, whatever. We're wasting everyone's time like this. I know they have other things they wanted to discuss, but we need to allow them the mental break. We'll be right back next Monday night. Mayor Rivers noted they also need the true-up numbers of everything that went over so they can budget accordingly and ask the appropriate questions. If they look at these documents, they can't tell what happened because the changes have already been made.

Mayor Rivers asked if the Council was in favor of three full-time positions in HR. Are there other things we already know we want? Councilman Biggs was not in favor of adding any new positions because we can't support the ones we have. Mayor Rivers was not in favor of adding the Load Management position back. Mayor Pro Tem Spence pointed out that's already been moved and there's someone in it. Mayor Rivers opined that position shouldn't have been moved and needs to be cut. We don't need to be paying people out of four different pots of money. You have an accountant coming out of Load Management and that cannot be because it messes up everything. You think you're funding it but you're not – it's withholding the true cost. When you're doing rates, you need to make sure your rates are covering what they need to cover. We're sending money all over the place by moving things around.

Councilman Biggs asked if it would be an unreasonable request to have a listing of not necessarily people, but positions and associated salary to help them figure out where those numbers were coming from in the budget book. Councilman Walton stated they had received something like that in the past. Councilwoman Felton asked if they needed to put the request in writing. Manager Freeman stated that he had made a note and would get that to them.

Mayor Rivers reiterated that he was not in favor of a 3% increase across the board. He felt the people at the bottom should get more. Maybe instead of all members of the Council, they could meet a few at a time to discuss how to handle increases. We have more people at the bottom than at the top. The people making \$15 an hour need to receive more than just 3%. Maybe they can come back with a recommendation. I think what Councilman Biggs asked for would be great because we can see where most of our people are. I am for Public Works and this is the time we need to get all of our employees making a good salary, which is why I don't want to look at just 3%. Some will get more and some will get less. Maybe just three Council people could get together and work on that. Councilman Felton wondered if they were going to do that, should they wait until the rest of the Council returned. Mayor Rivers stated that everyone would be back for the next meeting except Councilwoman Whitehurst. He would like Councilwoman Felton, Mayor Pro Tem Spence and Councilman Biggs to take that task on and maybe come back with a few recommendations.

2. Consideration / Discussion – Any Additional Budget-Related Items Requiring Review:

Mayor Rivers requested that the Council make a motion to enter Closed Session for contract negotiation at this time.

Motion was made by Mayor Pro Tem Kem Spence, seconded by Councilman Johnson Biggs at 7:07 p.m. to enter Closed Session as allowed by NCGS 143-318.11(a)(5) for Contract Negotiation. Those voting in favor of the motion were: Biggs, Spence, Felton, Morris and Walton. Against: None. Motion carried.

The Council returned to open session at 7:45 p.m.

Mayor Rivers asked when the new budget books would be ready. If they wouldn't be ready by Monday, they don't need to have a meeting. He wanted the manager and Finance staff to go through everything and make sure the numbers match. Councilman Biggs added that he would make sure the department heads had matching books as well. As Councilman Walton said, we all want the same sheet of music. Mayor Rivers noted that when the budget is originally presented, it had to be in balance. The Council's requests might put it out of balance, so just put a note page that showed a running list of requests. Councilman Biggs said they should represent the manager's budget with his thought process so they could follow along. If there's \$100,000 in wages, what positions are those for? Is Monday too quick to turn this around? Manager Freeman said the budget wasn't a problem, but the salaries might be a longer process. Councilwoman Felton stated that Data Processing should be able to pull that information easily enough.

Councilman Biggs stated that there had to be a process in place for how we got these numbers to start with. I don't know how we got to the point of the numbers that we have. Mayor Rivers confirmed that they would have a meeting on Monday, as planned.

Councilman Biggs asked if there was any new about the bridge. Did we come up with a new amount? Manager Freeman did not know, but he would find out. Councilman Biggs said he didn't need an answer personally, but we need to remember this will have an impact.

3. Adjournment:

There being no further business to be discussed, Mayor Rivers adjourned the meeting at 7:50 p.m.

E. Kirk Rivers
Mayor

April D. Onley
City Clerk, NCCMC