

**City Council Budget Work Session
April 8, 2024**

The City Council of the City of Elizabeth City met in Budget Work Session on Monday, April 8, 2024 in Council Chambers, located on the 2nd floor of the Municipal Administration Building, 306 E. Colonial Avenue, Elizabeth City, NC.

MEMBERS PRESENT: Mayor Pro Tem Kem Spence
Councilman Joseph Peel
Councilman Jarvis Gibbs
Councilwoman Katherine Felton
Councilman Ronnie Morris
Councilman Johnnie Walton

MEMBERS ABSENT: Mayor Kirk Rivers
Councilman Johnson Biggs
Councilwoman Rose Whitehurst

OTHERS PRESENT: City Manager Montre' Freeman
City Attorney Bill Morgan
Chief of Staff Monica Cole
Finance Director Alicia Steward
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
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 Pro Tem Spence called the Budget Work Session to order at 5:13 p.m. Councilman Gibbs provided the invocation, after which Councilman Peel led the Pledge of Allegiance.

1. Presentation / Discussion – Manager’s Recommended Budget FY 2024-2024:

Manager Freeman reported that earlier today the FY 2022 audit letter was signed and it would be entered into the LGC portal by tomorrow at the very latest. He would send out an email confirming receipt as soon as it was accepted. He thanked everyone for helping get that audit compiled and put in, as it was a collective effort and had been very tedious. He advised that City staff is ready to roll into the 2023 audit, which will play a vital role in this year’s budget.

Manager Freeman shared that the budget books were being prepared by Finance staff in the conference room at the moment and should be brought out to Council in the next 30 minutes or so. Unfortunately, there had been a glitch during printing that slowed them down, but they were being put together now. He read his FY 2024-2024 budget message into the record, which was titled “The Transition.” He thanked the Council for their continuing efforts in seeking outside funding from state and federal sources, as well as allowing him to secure Susan Tezai as a financial consultant, as it was she who helped him finalize the audits and ultimately helped us get to the place we are at the moment.

Last year, the Council allocated \$709,000 to the Find and Fix It project, the results of which would be presented in the coming weeks. After the Council adopts the budget this year, they will need to work on adopting a new Capital Improvement Plan as the current

one will be reaching expiration soon. Once the 2023 audit is completed, the City will be able to enter into the Enterprise fleet contract. He reached out to the LGC about the possibility of getting into that contract now, but was told that although they were pleased with the City's financial progress, the 2023 audit must be completed before entering into those types of contracts. He noted that for a cost of about \$175,000, we will be able to turn half the fleet of the City, which will be pivotal to our overall fiscal health.

Manager Freeman stated that Chief of Staff Cole had created a team to assess the fee schedule, which had not been attended to in many years. That team has completed a review of the fee schedules across the organization. In some cases, this analysis also included the fee structure itself. The team has analyzed like-sized and like-serviced municipalities throughout the state and found that in many cases our fees are woefully outdated. Many of our fees are not coming close to covering the cost of the services themselves, much less the labor or soft costs tied to them. There are several more changes expected to occur to this schedule, which will be brought forward during this budget cycle.

He applauded the Council for investing in the human capital in the Police Department, which had so far yielded six more sworn officers and raised morale. They also invested in the journeyman lineman positions in the Electric Department, which allowed the City to retain their current linemen. Most recently, the Council agreed to raise salaries for the fire fighters. Manager Freeman stated that his FY 2024-2025 budget proposal included COLA of 3% for all employees, other than fire fighters, police and linemen.

There was no tax increase recommended in this budget. The employee contribution for health insurance will be rising from \$49.73 to \$60, with the remainder absorbed by the City per usual practice. The Human Resources Department will continue their wellness initiatives. The contribution to the employee retirement system is projected to remain the same. There is no proposed increase in transfer from the Electric Fund to the General Fund.

Historically, the City has purchased vehicles for the Police Department before other departments; however, that will not be the recommendation with the Enterprise contract. The Enterprise contract will follow a three-year phased approach, and the Police Department will not be included in the first phase as they have enough vehicles for the time being due to vacancies in their department.

The City's lease with the renovated gym in the former middle school will begin around June of this year. We have an option to purchase at the end of six years, which will depend on the final estimated cost.

The HR Department will continue to develop the Tuition Development Assistance Program as we have a program but it needs to be revamped. The 2% increases that were included for certifications and certain classes are recommended to continue to be paused while the program is reassessed. Those 2% increases were previously funded by lapsed salaries, which is not an appropriate way to fund that item. He noted that they will continue to utilize the 2% increase after the probationary period ends for new employees.

He reminded the Council that they funded the Rural Water study, which will be presented within the next month or two. There are no electric rate increases included in the budget at the time, but that may change based on information we receive from Electricities.

A review of the stormwater plan and fee schedule will be coming this year. The proposed budget keeps the City as the facilitator of solid waste services. He said he believed that the budget should be adopted on the same timeline as the previous budget.

Councilwoman Felton asked about the employees paying an additional fee for their health insurance. How much is the health insurance right now? Chief of Staff Cole relayed that it was \$43.49. Councilwoman Felton asked how much the City pays. Chief of Staff Cole replied that the City pays \$752.12 per month, per employee and the employee pays \$43.49. Councilwoman Felton asked what the City portion alone would be increasing to. Interim HR Director Spence said they were estimating about \$870, effective July 1st.

Councilwoman Felton opined that the problem with the Tuition Assistance Program was that there were no policies or criteria to determine what employees exactly could go to school for. If the City is going to pay for reimbursement, there must be policies. She felt it

was a good incentive, but incentives required proper rules. The classes the employee takes must be in the realm of the job they're doing. There needs to be a set of criteria if the City is going to use their money to pay for these things.

Councilman Peel stated that according to a document they'd received from NCEMPA and ElectriCities, the City's electric rates would be going up, so he was expecting to see an increase there. Manager Freeman confirmed that was correct, but that was not all-inclusive. They had a conference call going happening in the new several days and they were going to discuss putting in a rider for a period of time. The City's first payment was due this month and we have already paid that. We knew we had to absorb that first payment because we didn't know about it until the first week of February. Right now, we're asking ElectriCities to help us have a plan of action in place by July 1st to figure out how we'll pay for this. The rider would be a way to pay for it and reduce our costs. Councilman Peel asked how we'll reduce our costs if our costs are increasing. Manager Freeman explained that we're currently just paying this increase of our budget and it's not a small increase. If we go the way of the rider, we can spread it cost across the whole city. Councilman Peel pointed out that ElectriCities did a rider and he wasn't sure what our portion was, but he thought it was about \$2 million. He wasn't sure how we'd do that without charging more. Manager Freeman concurred that ElectriCities did a rider but we as a City also have the option to do a rider, which would be an increase on the electric rates just until the bills are paid off. He didn't have an increase on the electric rates right now, but that's only because he didn't have all the information yet.

Councilman Gibbs said that anytime we talk about increases, he just wanted to make sure we gave people the information in layman's terms. Nobody wants an increase, but it's always better to present it the right way so everybody can understand it. Don't tell them in percentages, just tell them in plain English. As soon as it goes out, our phones start ringing. If we tell them 12%, that's different than if we tell them it's going up \$3. Mayor Pro Spence concurred that "plain talk makes clear understanding."

Councilwoman Felton said she understood we'd have to do something with the electric rates, but right now there are citizens in the city who feel like the utility bills are not right. She was one of them concerning one of the houses she paid for, but she usually just went along and paid it. She noted that she didn't know what the answer was, but she wished there was an answer to know that the meters are absolutely correct. Many customers, including her, are concerned about bills that double from one month to the next because it doesn't seem right. We should know that the bills are right. Manager Freeman noted that if the Council wanted to go with Nexgrid for electric metering, they offer an app that the customers can download and look at their own usage on their phone at any time. They can be made aware of leaks with water. They can cut down on water loss. When water and electric are integrated, they can identify all that information that's tied up in it. He didn't know that it could be considered the "magic pill", but it would give customers a lot more information about how to use their services and how to track it.

Councilman Peel asked if people can check their usage through Nexgrid now since we have that already for electricity. He noted that was one of the reasons to go to with Nexgrid because it gave so much information about what was happening in the house. He shared that he'd had a \$2,000 water bill when he returned home from vacation several years ago because of a toilet running while he was gone. If he'd had Nexgrid water, he would have known that was happening and so would the City. Director Simpson explained that we have two consumption tools with Nexgrid; one is when you pay your bill online with electric, but we don't have anything with water yet. Manager Freeman suggested that we should work on some additional education for the customers about the available offerings because we do already have things available and people don't know.

Councilman Walton noted that people don't always realize that water is a big part of the bill too. We need to make sure some of the old water meters are replaced because water can drive a bill up.

Councilman Peel asked if the manager's recommendation was to go with Nexgrid. Manager Freeman confirmed that it was, but it was not in the budget because it was going to be part of the Capital Improvement Plan and we'd need to borrow money for that as well, which we couldn't do right now. Councilman Walton asked if the Capital Improvement Plan would start next year. Manager Freeman replied that was right.

Councilman Walton asked about the audit being in the portal. If it's denied, we still have a problem. Manager Freeman stated that it wouldn't be denied, but we need to make sure it goes into the portal when PB Mares says it will go in, which is by tomorrow. Councilman Walton noted that our sales tax money would be withheld if 2022 was held up. Manager Freeman said that was correct, but he did not feel that we'd find ourselves in that position. Councilman Walton stated that the 2023 audit shouldn't take that long, but every time it's not supposed to be that long, it is. He asked how much have we paid PB Mares. Director Steward replied that we were at a little over \$100,000. Councilman Walton said he went back and read over all of that information and couldn't find anything about having to pay them over \$50,000. Manager Freeman stated they wrote in on the new contract about receiving notification if it's going over and they haven't received anything yet. Additionally, he had Susan Tezai pull information and she believes we would be well within our right to not pay it and to stand on our contract. The contract was never approved by the LGC, so that alone plus three other matters gives us some footing. He stated that when he brings that report forward, he will be bringing other recommendations. The other piece of that is the bookkeeping firm has been adamant about switching from PB Mares because they are now running into major issues with them as well. They said they fully support and understand.

Councilman Peel said once we get through the final audit and we're able to borrow money and enter into contracts, we don't have to wait. Manager Freeman confirmed that's correct; they could start right away. Councilman Peel said the problem now is the City could have a Capital Improvement Plan; they just couldn't start it. Manager Freeman pointed out that the Enterprise fleet contract would not be able to include Electric trucks, but they thought they could point us in another direction. There is a heavy duty yellow company having a sale coming up so they're trying to look into that as well. Mayor Pro Tem Spence asked if he said they'd be purchasing no police cars. Manager Freeman said they'd purchase them, just not in the first phase. In the first phase, he needed Parks and Rec, Public Utilities and Planning. The second phase would be Police and Fire. Fire only needs two regular trucks. They also need a boat because we are expanding our footprint on the water. We can often deploy a lot faster than the Coast Guard, so we need to look at that.

Mayor Pro Tem Spence opined that if the City were to get a new audit team, there's nothing more they can ask for than what this team has asked for. Manager Freeman concurred. Mayor Pro Tem Spence said he felt that any other audit would have to be easy after these. They beat on the directors just to do it. He gave everyone that had to deal with this process the utmost credit.

Councilwoman Felton asked if Enterprise was off the table until the audit was finished. Manager Freeman said that was correct. We will roll right into the 2023 audit aggressively after 2022 is uploaded in the portal tomorrow.

As an aside, Manager Freeman stated that the new fire truck has finally arrived and is outside right now. He thanked the Fire Chief and the Council for making that happen because it was a long process. He showed an illustration of the layout of the truck and encouraged the Council to take a look at it out front if they had a moment.

2. Adjournment:

There being no further business to be discussed, Mayor Pro Tem Spence adjourned the meeting at 6:03 p.m.

E. Kirk Rivers
Mayor

April D. Onley
City Clerk, NCCMC