I. Call to Order – The Meeting was called to order in the Council Chambers at City Hall at 6:00 p.m. by Mayor Thompson.

II. Public Comment – There were no speakers signed up for public comment.

III. Pledge of Allegiance to the Flag – Mayor Pro-tem Fleming led the recitation of the Pledge of Allegiance to the Flag.

IV. Invocation – A moment of silence was held in memory of those, including many municipal employees, whose lives were taken in the City of Virginia Beach shooting.

V. Introduction of Council – The Mayor introduced the Council and staff.

VI. Retiree Resolution

The Mayor read a resolution honoring Dwain A. Benton, who retired from the City of Morganton on June 1, 2019 with 25 years and two month’s service. Dwain retired from the Water Resources Department as Supervisor of the Distribution and Collection Division.

Benton stated he enjoyed for working with such a good group; then he stated he was looking forward to retirement.

Upon motion by Councilwoman Cato, seconded by Councilman Hawkins, and carried unanimously, the Council adopted Resolution #19-17 honoring retiree Dwain A. Benton.

VII. Public Advocacy Issues and Strategies

a. The Mayor announced there would be no July City Council meeting.
The Mayor then announced that TGIF concerts continue on Fridays, 6:00 p.m., on the Old Courthouse Square; and Farmers Markets on Wednesdays (N. Green) and Saturdays (Beach St.). He announced that the State of Origin Craft Brew Festival would be held Saturday, June 8, 5:00 - 9:00 p.m. on the Old Courthouse Square.

There will be a ribbon cutting at the Skate Park on Wednesday, June 12, 10:00 a.m. at Gene Turner Park. The Mayor announced the Old Time July 4th Fireworks on July 4 with activities beginning at 5:00 p.m. at Catawba Meadows Park. The Red, White, and Blue Festival will be July 4-6 at Catawba Meadows Park and the Freedom FAB Crawl will be held Downtown all day on Saturday, July 6.

b. Resolution: In Support of the Current ABC Control System for the Sale of Liquor – The Mayor read a resolution in opposition of HB 971 which has been introduced in the North Carolina General Assembly. The bill is to allow privatization of the sale of spirituous liquors in North Carolina. Attempts to privatize the current ABC control system come up almost every session.

The North Carolina Association of ABC Boards and the local ABC Board have asked Council to consider a resolution supporting the current system and oppose privatizing the sale of liquor in North Carolina. The City currently receives around $275,000 annually in ABC revenues. This is a significant revenue for the City.

Upon motion by Councilman Simmons, seconded by Councilwoman Cato, and carried unanimously, the Council adopted Resolution #19-19 in support of the current ABC control system for the sale of liquor.

c. Proclamation: National Homeownership Month – The Mayor read a proclamation recognizing National Homeownership Month in Morganton. Beverly Carlton accepted the proclamation and shared information on the Home Buyer Resource Fair hosted by Olive Hill Community Economic Development Corporation to be held on June 29th.

VIII. North Carolina Municipal Power Agency Number 1 Update – The City Manager stated there were no updates.

IX. Consent Agenda – The City Manager presented the Consent Agenda and asked if any items should be removed from the Consent Agenda. No request was made.

Upon motion by Councilwoman Cato, seconded by Councilman Fleming, and unanimously carried, the Consent Agenda was approved and each individual item adopted as stated, these being as follows:

A. Approved minutes for a Regular Meeting held on May 6, 2019 and for a Closed Session held on May 6, 2019 as submitted.

B. Adopted Resolution #19-18 approving the 2018 Local Water Supply Plan with any updates.
X. Items Removed from Consent Agenda – There were no items removed.

XI. Presentation of Proposed Budget for FY 2019-2020

Presented by Sally Sandy, City Manager – following is the text of the Manager’s budget message to Council.

June 1, 2019

Honorable Mayor and Members of the City Council
Morganton, North Carolina

In accordance with the North Carolina Local Government Fiscal Control Act, the recommended budget for fiscal year 2019/2020 is presented for your consideration. The budget document represents balanced revenues and expenditures. Continuing to reinvest in our City in ways that support our vision and implement our Masterplans for the betterment of Morganton requires leadership. Each City department contributes to the whole and is vital to the team. The capital budgets include equipment replacements, facility and infrastructure investments, park improvements, and local matches for several grant funded projects. The budget summary by fund is included below.

### Statistical Summary

<table>
<thead>
<tr>
<th>Fund Description</th>
<th>Revised Budget FY 18-19</th>
<th>Requested Budget FY 19-20</th>
<th>Increase (Decrease) Dollars</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Operations</td>
<td>20,199,292</td>
<td>20,717,865</td>
<td>518,573</td>
<td>2.57%</td>
</tr>
<tr>
<td>- C.I.P.</td>
<td>4,365,662</td>
<td>5,504,400</td>
<td>1,138,738</td>
<td>26.08%</td>
</tr>
<tr>
<td>- Powell Bill (less capital)</td>
<td>199,449</td>
<td>356,027</td>
<td>156,578</td>
<td>78.51%</td>
</tr>
<tr>
<td>Total General Fund</td>
<td>24,764,403</td>
<td>26,578,292</td>
<td>1,813,889</td>
<td>7.32%</td>
</tr>
<tr>
<td>Water Fund</td>
<td>6,233,934</td>
<td>6,459,096</td>
<td>225,162</td>
<td>3.61%</td>
</tr>
<tr>
<td>Electric Fund</td>
<td>32,073,267</td>
<td>33,251,850</td>
<td>1,178,583</td>
<td>3.67%</td>
</tr>
<tr>
<td>Wastewater Fund</td>
<td>6,801,886</td>
<td>6,103,200</td>
<td>(698,686)</td>
<td>(10.27%)</td>
</tr>
<tr>
<td>CoMPAS CATV Fund</td>
<td>5,099,181</td>
<td>5,427,050</td>
<td>327,869</td>
<td>6.43%</td>
</tr>
<tr>
<td>Cemetery Trust Fund</td>
<td>9,800</td>
<td>10,500</td>
<td>700</td>
<td>7.14%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>74,982,471</td>
<td>77,829,988</td>
<td>2,847,517</td>
<td>3.80%</td>
</tr>
<tr>
<td>Less Interfund Transfers</td>
<td>(733,535)</td>
<td>(743,202)</td>
<td>(9,667)</td>
<td>1.32%</td>
</tr>
</tbody>
</table>
Not included in the summary above, but presented within this document, is the budget for the Intergovernmental Service Fund. This fund is an internal service fund and represents costs already accounted for within the General and Enterprise Funds. Inclusion of this fund in the statistical summary above would include these expenditures twice.

The 2019/2020 General Fund budget includes funding for operations and the capital improvement program (CIP). The budget includes separate Capital Project funds for large, multi-year projects. Equipment replacements, park improvements, vehicle purchases, infrastructure improvements, and funds to continue masterplan implementations are included. The City staff continues to pursue grant and public/private partnership opportunities to finance and pursue capital projects. General Fund CIP totals $5,504,400.

The utilities and the internal service funds budgets include capital improvement programs that appropriate funding for equipment purchases, plant improvements, distribution and collection system improvements, and infrastructure improvements. The total CIP in all utility and internal service funds is $6,608,728. As our infrastructure ages, staff continues to plan for systematic improvements and replacements. Masterplanning, rate studies and business model evaluations continue in all business enterprise funds.

The 2019/2020 total budget is $77,086,786 and is $2,837,850 or 4% more than the revised budget for fiscal year 2018/2019. Large capital projects whose duration spans more than one fiscal year, or that get moved to the next fiscal year, are being accounted for in project funds to prevent skewing budget to budget comparisons in the future.

Our long standing partnership between the City of Morganton and other governmental partners in the areas of economic development, airport service, public library services and now public transportation continue. In the 2019/2020 budget proposal these entities are funded as follows:

Burke Development, Inc. (BDI) $ 280,723
Burke County Library 225,000
Foothills Regional Airport Authority 47,137
DIG Incentive 32,843
Greenway Transportation 14,000
Total $ 599,703

The BDI contributions fund operations, local incentives to industry and debt service on the business park. The debt service on the business park will be paid-off in May 2020 so this amount will be reduced by $126,384 after next year. Local incentives to industry are included at $154,399 which is a significant increase due to recent industrial expansions that earned performance based incentives. The Foothills Airport request includes funding for operations and $36,917 for capital. The capital request is to
accumulate local matching funds for federal grants for airport improvements in the future.

The library request is $6,750 lower than last year and includes no capital improvement request. The budget proposal includes $14,000 to continue funding the public transit route in Morganton. Finally the City continues to budget $5,000 a year to do routine maintenance on the library grounds which is in addition to the requested amount in this schedule. The DIG amount of $32,843 is for Alpine Mill a recently completed mixed-use project that qualifies for incentives based on new investment that results in increased tax revenue. The program is supported by Burke County and the City.

The funding associated with these partnerships equates to the value of 3.65 cents on our tax rate.

General Fund

The General Fund is the home of traditional government services – public safety, sanitation, street maintenance, inspections and zoning, recreation, and administrative functions. By its very nature, the General Fund houses services that are not self-supporting but instead community supporting. The General Fund is where community development meets economic development. As a matter of fact, there are only two significant revenues over which the City has control – local property taxes and Solid Waste fees. Decisions made by the NC General Assembly can greatly affect this fund’s revenues.

The 2019/2020 proposed General Fund budget is $26,578,292. This is $1,813,889 more than the revised budget for 2018/2019. The increase is due to a large grant award for the College Street CIP project. The proposed budget assumes no proposed changes to services currently provided. The goal of providing quality service at the most affordable price possible, continuing to invest in quality of life activities and pursuing initiatives that will attract new development and new people to our City still guides the budgeting process. Housing development and family friendly entertainment are being shopped to developers far and wide.

The requested General Fund CIP for 2019/2020 is $5,504,400. While this request seems quite a bit higher than usual, it is important to note that one project – the College Street improvement/complete streets/road diet project – represent $3,312,000 of the total. College Street improvements are funded with $2,649,699 of grant funds and $662,301 of local funds.

Other CIP requests include regular equipment replacement, park improvements, downtown restaurant recruiting funds, repaving projects, public safety radio replacement and public safety car replacement. Grant funding is included at $2,865,469 and installment purchase funding totals $798,000 in the General Fund budget.

Significant Local Controlled Revenues
• **Ad valorem Tax** – For fiscal year 2019/2020, the Burke County Tax Office performed the statutorily mandated revaluation of real property. In 2013 or 6 years ago, the revaluation of property in Morganton resulted in a decrease in value of approximately 7%. In 2019, the revaluation of property which is still being finalized appears to indicate a 7% increase in value. Bottom line – in 6 years, it appears we have regained the earlier loss in property value and we are assessing taxes on property values roughly equal to 2012 values. These percentages are overall based on averages and do not reflect individual property value changes.

The 2019/2020 proposed budget includes a recommendation to leave the current tax rate of $0.57/$100 value in place which staff believes will generate $9,378,070 or 35% of the general fund. Once cent on the tax rate generates approximately $164,500. The tax rate considered revenue neutral considering appraised values provided by the Burke County Tax Office at a collection rate of 98.5% is believed to be $0.54/$100 value.

Maintaining the tax rate will generate an estimated $478,070 over current year which will allow us to reduce our reliance on fund balance to balance the budget. Current year’s non-committed budgeted fund balance is $960,535. To use this amount of savings year after year is unsustainable.

• **Downtown Special Tax (MSD tax)** – The property values in the Morganton Municipal Service District (MSD) have increased on average 8% since the last revaluation in 2013. The investment by property owners in downtown properties is reflected in that growth. The 1997 Masterplan guided that investment and now the 2017 plan will guide efforts to reinvest in Downtown Morganton for the next ten years.

The 2019/2020 proposed budget includes a recommendation to leave the current downtown special tax rate at $0.14/$100 value which staff believes will generate $129,328 or 14% of the 2019/2020 Main Street expenditures. One cent on the downtown tax rate generates about $9,238. The tax rate considered revenue neutral for the MSD at a collection rate of 99% is believed to be $0.1265 cents/$100 value.

• **Solid Waste User Fees** – The budget includes $1,330,000 in solid waste user fees based on no increase in the $12/month fee for residential service and no change in commercial service fees. Simply Green Recycling has been sold, but City staff has been assured the new owners are committed to continue the residential and commercial service to the customer who have contracted with Simply Green. The Shuey Park recycling collection center remains open and available as a recycling option for all City residents. The market for recycled products is very challenging and costs to dispose of captured materials reflect such. Recycling is important. Averting the waste from the Burke County landfill is beneficial to everyone. The City staff, Burke County staff, representatives of NC Division of Environmental Quality, and private sector providers have been working together to explore recycling solutions that make sense in a challenged marketplace.
Motor Vehicles Tax – The 2019/2020 budget includes $255,000 from the motor vehicle tax of $20.00 per vehicle per year. This revenue is being used to pay back $255,300 of advanced funding from the capital reserve fund in 2018/2019 for significant storm water repairs on South Sterling Street. The motor vehicle tax funds will be used to pay back the capital reserve at $50,000 for 5-years. Additionally, the dollars are helping to fund a $200,000 resurfacing budget next year which cannot be totally funded by the $465,455 Powell Bill funding from the state. No resurfacing dollars were used in the current year so the $200,000 is critical to maintaining our streets.

Significant Revenues not Locally Controlled

Sales Tax – Once again, a bright spot in the revenue stream. Sales tax is budgeted at $4,419,907 and is once again a 4% increase over current collections. Refunds to public/non-profit entities remain high, but growth is outpacing the refund amounts.

The importance of sales tax dollars to fund necessary purchases, to fund basic services, and to allow continued investment in all that makes Morganton special cannot be overstated. This engine drives many of our enhancement projects as sales tax represents 15% of the General Fund budget. Sales tax distributions are the engine funding County investments in our schools as well as investments in our neighboring communities. Maintaining a retail mix that attracts shoppers from the entire region is vital to our County’s economic future.

I would like to remind everyone that shopping local is very important. Amazon may be convenient, but those purchases put zero dollars in local coffers to be reinvested in our quality of life.

Utility Franchise Tax – Budget includes $1,835,265 which is an increase of just over $11,000 from current year.

Powell Bill – This is the state collected revenue distributed to municipalities annually to be used exclusively for public street maintenance purposes. The projected distribution for 2019/2020 is $465,455. It is worth noting that expenditures related to streets and all relevant appurtenances for next year total $1,742,187.

The Community House and CoMMA continue to enjoy increased usage. Revenues from both facilities have been increasing the last several years. Community House 2019/2020 revenues are projected at $322,000 which is $67,000 more than 2018 and represents 50% of the requested budget. CoMMA’s projected revenues of $390,000 in 2019/2020 more than cover the $351,000 in performance costs.

Great things continue to happen in Morganton. Our strong vision for the future sets a path for us to follow. Progress toward achieving that vision is advanced every day as hard-working dedicated employees deliver routine day-to-day services alongside the large multiyear capital investments that make Morganton special.
The 2019/2020 General Fund budget includes using $150,000 of fund balance committed for capital expenditures; $32,000 committed for health insurance costs, and $44,798 of general fund balance. Using these funds to balance the budget does not violate the Council's policy of maintaining a 15% fund balance.

**Water Fund**

The proposed 2019/2020 budget is $6,459,096 which is $225,162 or 4% more than the current year. No appropriation of retained earnings is required to balance the budget. There is no increase in water rates included in the proposed budget.

We are experiencing a modest growth in usage of around 4%. Next year’s budget includes $20,000 for supplementary construction inspection on new and upgraded lines. Multiple large projects are occurring on the same time schedule and additional support for inspections is necessary to ensure development and large projects are not stalled unnecessarily.

Morganton continues to have water rates lower than our neighbors and lower than similar utilities across the state. A household using 5,000 gallons a month will pay $15.25. The Water Department employees continue to be recognized and awarded consistently for providing water of the highest quality to our citizens and industry.

City staff continues to use the 20-year masterplan and rate study to map out future investments and match resources and expenses. The 2019/2020 Water fund budget includes $300,000 to be set aside in a capital reserve fund to be used for future capital reinvestments into our water system. This is the second year in a row we have set aside funds for this purpose. The plan would be to do this for several more years before using these funds on capital improvements.

The proposed budget includes a capital budget of $1,228,200. The capital improvement program (CIP) includes $180,000 in funding for design and bidding of the upcoming coagulation and sedimentation upgrade at the water treatment plant. Water tank maintenance, small equipment replacements and routine line maintenance and replacements round out next year’s capital plan at a total cost of over $800,000. An extension and upgrade to the 12” line crossing South Sterling is necessary to serve the new restaurant planned at I-40 Exit 105. The estimated cost of $219,200 is included in the budget and is being funded by the developer.

Line upgrades and replacements in the distribution system will be necessary to support growth. Answering the housing crisis with new units constructed will help to drive prioritization of these upgrades.

**Electric Fund**

The total proposed Electric budget for fiscal 2019/2020 is $33,251,850 which is $1,178,583 more than the 2018/2019 revised budget. For several years the Power
Agency has passed on agency wide decreases in wholesale power costs. Effective July 1, 2019, the City will receive a wholesale rate decrease of 2%. The proposed budget includes passing on an average 3% reduction to our customers. No appropriation of retained earnings is required to balance the budget.

A typical residential electric customer should experience an average decrease of $3.70 per month. Commercial and industrial customers should see decreases in their monthly bills ranging from $100 to $3,000. These changes in rates get us much closer to rate parity with Duke Energy in most customer classes. The rate change will be effective July 1, 2019 which means it will be reflected in August bills. The fixed facilities charges will remain the same for all customers.

The City will be phasing out the outdated load management credits. The system is no longer functional and the benefits derived from residential load management no longer justify the investment. Credits for participating customers will continue through October 2019. We have approximately 825 customers affected by this. Switches will be removed from meters as we do routine maintenance. We continue to offer rebates for qualifying energy efficient appliances.

The proposed budget includes $408,000 in contracted services. This amount includes $130,000 for engineering services for a 10-year masterplan for future electric system investments. The contract tree trimming budget of $267,500 is three times the funds available in the last several years and is included in the contract services total. Staff believes this is a good use of credits from NCMPA1 as significant weather events continue to occur each year causing damage to the distribution system. An aggressive tree trimming contract is a good approach to help reduce outages in times of severe weather.

In addition to the 2% wholesale rate decrease, NCMPA1 is retiring debt early thus reducing future debt service payments and passing on savings in the form of a one-time cash distribution. The estimate of our cash distribution is $2,200,000. Exact amount will be dependent on the actual August 2019 billing. In order to help with future system investment, the 2019/2020 budget proposal includes a capital reserve set aside of $2,000,000. This is funded with the one-time cash distribution.

The requested CIP next year is $3,590,528. Included in the total is $2,200,000 to replace the Rand Street substation, $550,000 to get electric service to the Burke Business Park and funds for routine maintenance and system improvements. A planned contribution to rate stabilization of $750,000 is included.

Wastewater Fund

The total proposed Wastewater budget for fiscal year 2019/2020 is $6,103,200 which is just under $700,000 less than the current year. The budget proposal recommends no increase in sewer rates. This is welcome news to our customers on the heels of increases for the past two years. No appropriation of retained earnings is included in the
proposed budget. The significant decrease in budget results from a decrease in capital and chemical costs. The completed conversion project at the plant allows us to save money on chemicals during the treatment process.

The CIP for Wastewater for 2019/2020 totals $1,030,000 and is almost half a million dollars less than current year. Routine replacements and manhole rehabilitation are funded at $500,000. Lift station maintenance, small equipment replacement and upgrades to the compost mix box and screen are included for fiscal year 2019/2020. The mix box and screen are budgeted at $200,000.

Debt service payments of $1,999,510 which equal 33% of the proposed budget are included. Significant investments at the Wastewater plant over the last few years have been financed and debt payments on these projects make up the lion share of total debt service.

An inside residential customer using 5,000 gallons of water will see a monthly sewer bill of $33.23. Outside residential customers continue to be billed at double the inside rate. The Masterplan and rate study continue to guide investment and rate decisions. The sewer rates, although reflective of significant recent capital investment, remain very comparable to rates charged by our neighbors.

Just like in Water, new development is driving a need for line extensions and replacements in the Wastewater collection system. Future upgrades and reinvestment in the system will be necessary. The 2019/2020 proposed budget includes $225,000 to be set aside in a capital reserve to fund future projects. It is a goal of staff to be able to set aside a similar amount for the next several years.

CoMPAS Fund

The proposed budget for CoMPAS for fiscal year 2019/2020 is $5,427,050 which is $327,870 or 6% higher than current year. No appropriation of retained earnings is required to balance the budget. There are no proposed rate increases for internet or phone in this budget. Rates for TV service will increase in January 2020.

In the current fiscal year, CoMPAS offered a promotional campaign for commercial/business internet customers. The projection to add 25 new customers will be exceeded by fiscal year end as we are on track to add 35 total. Half of those new customers have chosen fiber to deliver their signal.

Internet revenues are projected to grow by $271,000 in 2019/2020 over current collections. Internet speeds to businesses will be increased with no additional charge as CoMPAS strives to remain competitive. Residential internet service growth has slowed to 15 to 20 new customers a month. We continue to experience positive residential internet growth each month of $3,000 due to new customers and upgrades of existing customers.
The good news continues as CoMPAS has added 26 new business phone customers while only 13 residential customers have cancelled service. Customer service is the difference. We are told over and over by the new customers of their dissatisfaction with private sector providers and the lack of customer service. Phone revenue is conservatively projected to grow by $5,000 next year.

The video or TV business continues to slip but only at about half of our assumed rate. During the last year, CoMPAS dropped about 74 customers while per national averages should have been 160. We conservatively are planning to lose the full 160 video customers next year. Programming costs remain significant and at $2,269,182 represent 42% of the budget. Renegotiations and loss of subscribers have helped a little. In January 2020, costs will increase and our business commitment to keep CoMPAS cash flow positive requires us to charge rates required to keep TV offerings at no less than breakeven.

The budget includes a recommended increase of $4.00/month effective January 1, 2020 for broadcast basic. An increase of $5.00/month for basic service effective January 1, 2020 is required. Beginning in August 2019, CoMPAS will offer the newly launched ACC Network on the digital tier. The cost for the digital tier will increase on January 1, 2020 from $10 to $12 per month to cover this cost.

The 2019/2020 budget proposal includes $15,000 to re-engage our national consultant to assess our progress and help plan for the future now that we have three years of experience with the previous recommendations. The financial picture of CoMPAS has turned around with the help of our consultant and a willingness to make necessary operating changes. CoMPAS has moved very positively forward and we want to continue that momentum. It is important that we understand national trends and react timely to ensure positive financial results.

Finally, the proposed CIP is $502,500 and includes routine expansion funds for the delivery system. A replacement bucket truck is funded by an installment purchase at $120,000. The digital conversion continues systematically and cautiously and is included at $250,000 next year. We continue to phase in the conversion so that our financial position is not compromised.

**Cemetery Trust Fund**

The Cemetery Trust Fund is a fund designed to accumulate funds for maintaining the City owned cemetery and providing perpetual care for that property. The budget for 2019/2020 is $10,500. Lot and niche sales and marker sales are budgeted at $8,000 next year. This is fairly consistent revenue.

Once again, the proposed budget does not include using any one-time funding from the original fund since no capital projects are planned for next year.
Intergovernmental Service Fund

The Intergovernmental Service Fund includes the Warehouse and Garage and Information Resources Management Services (IRMS). The total budget for these services for 2019/2020 is $2,464,353 which is $151,909 or 7% higher than last year. These departments provide services to the other funds.

The IRMS budget is up slightly at $1,226,853. IRMS projects continue to span multi-budget years. Contracted services which include support costs for hardware and software are $396,949 or 32% of the IRMS budget. Technology is intertwined and critical in most aspects of our operations. Adequate service to our customers depends on technology. CIP is budgeted at $121,000 and includes routine purchases and connectivity costs. The CIP includes $40,000 to replace and upgrade the outdated alarm/access control system at City Hall. The current system is 17 years old.

The Warehouse and Equipment Services budgets are $575,000 and $662,500, respectively. The Warehouse budget includes $520,000 for inventory purchases which is a significant increase. The increase is representative of the number of infrastructure projects already in progress and those planned to support our commercial and industrial growth occurring during this positive economic cycle. The garage budget includes $400,000 for fuel purchases.

The Garage CIP includes $63,000 of improvements to the fuel service area and $65,000 for roof replacement at the equipment services facility. CIP requested for the garage services totals $136,500.

Personnel Issues

The proposed budget includes funding for 290.5 positions. The only new position funded is the second maintenance worker in Recreation. That position was recommended in the Masterplan.

We are in the second year of mini-review of market requirements for 1/3 of our positions. This is a three-year process to get through all positions in an attempt to better match the market so we are competitive for retention and recruitment. This year’s review included Development and Design, Finance, Recreation, Administrative Assistants, non-sworn Public Safety, IRMS, Water and Wastewater. The proposed budget includes $70,500 spread across all reviewed positions. The largest adjustments to keep us in the mid-market range were in IT positions and water/wastewater positions. The budget continues to include additional funding in the way of professional services dollars to allow contract labor to fill service gaps in providing services without adding personnel.

The budget proposal includes a 1.1% COLA for all employees that will be effective July 2019. Additionally, to continue Council’s commitment to a merit system that rewards high performing employees, a 2.5% merit award to be effective in March 2020 is
The COLA costs $175,171 city-wide while the merit increase costs $136,830 city-wide.

In a period of economic growth, where unemployment is hovering around 3.5%, attracting and retaining qualified employees is challenging. The City of Morganton remains committed to being an employer of choice. We are competing with private sector employers and other public sector employers for a talented workforce. Other entities are actively recruiting the existing workforce. Being able to compete for a skilled workforce is critical to our service delivery.

The rising costs of healthcare continues to be a concern in the public and private sectors. For decades, salaries and wages in the public sector have lagged behind the private sector and it has been the practice to lessen the gap with benefits for public servants. Historically, employer paid health insurance benefits related to an employee’s years of service has been a benefit important in filling the gap. The benefits are known as other post-employment benefits (OPEB).

For decades, governments have paid for these benefits on a pay-as-you-go basis not setting aside any current dollars to fund future required payments. This practice has come under scrutiny as the liabilities associated with OPEB are growing as people are living longer and as healthcare costs are soaring with no hint of slowing. Governments providing OPEB are now required to contract to have the liability actuarially calculated and then disclose the value of the liability. As of June 30, 2018, the City’s OPEB liability was $19,005,352. The budgeted cost for OPEB expense in 2019/2020 is $1,131,851.

Recommendations to begin setting aside funds to accumulate for future OPEB expenses are coming from the State Treasurer, the GASB, the bond rating agencies, the LGC and others. While the City has set aside some funds to use for funding future OPEB expenses, those funds are not recognized unless deposited in a trust fund that cannot be used for any purpose other than OPEB.

The 2019/2020 budget recommends opening an OPEB trust account with $250,000 from our “OPEB savings account”. The recommendation is to open the trust account with the State Treasurer so we can take advantage of the opportunity to grow those funds with the greater investing power of the much larger pool being overseen by the State Treasurer’s Office. The City would benefit from the low cost management fees negotiated by the Treasurer and the greater earnings potential from a larger investment pool. Establishing the trust and committing to regularly fund the trust is the financially responsible decision.

The total cost budgeted for insurance benefits next year for active employees is $2,025,020. Law enforcement separation allowance has decreased slightly by $11,467 and is funded at $200,951 next year. Employees remain our most valuable asset.

Summary
The 2019-2020 proposed budget is $77,086,786. The budget includes funding for basic services and for projects that will advance the vision for Morganton to be a vibrant and attractive community to citizens and visitors.

Weaving together the components of our master plans and leveraging our partnerships to achieve our goals is a long-standing tradition in Morganton. Over the Memorial Day weekend, I was watching the Star Wars marathon and in the Empire Strikes Back, I was reminded of Morganton. As Yoda, the Master Jedi, is training Luke Skywalker for his ultimate battle with Darth Vader, Yoda gives Luke wise counsel. His words reflect the attitude in Morganton. “Do or do not. There is no try.”

Certainly, this sage advice does not require perfection, but I believe it does inspire an attitude where settling for less than we deserve is not an option. In today’s world, people are very mobile. Today’s workplace is not as defined by bricks and mortar but by high-speed broadband access. People choose to live and work in a place where the experience is inviting, attractive and exciting. They want safety, activity, and comfort.

The proposed budget supports continued investments in the experience of Morganton. Resources are included to not settle for “trying” but to keep on “doing”. Large projects are underway all over Morganton. New hotels, restaurants, housing, North Carolina School of Science and Mathematics-Morganton, housing, greenway connectors and streetscape projects just to name a few. The City and our partners are investing to ensure the positive economic momentum in this community is not interrupted.

Thank you to the City Council, the City staff and employees, and our partners for believing in Morganton. Your dedication to providing excellent service helps to define Morganton. To Karen Duncan, Finance Director, and the Finance staff, this road map to our future would not be possible without you. While the process may be old hat, the development and commitment to a budget that challenges us and takes Nature’s Playground to new levels is anything but old hat. Karen continues to master all the pieces that allow us to fund the climb to realizing the vision.

I encourage the community to get excited. Look for ways to be involved in the bright future of Morganton. At the very least, take pride in the community we call home. Remember, in the advice of Yoda – there is no try – just do or do not. Choose DO.

Respectfully submitted,

Sally W. Sandy, CPA
City Manager
Upon motion by Councilman Fleming, seconded by Councilman Simmons, and carried unanimously, the Council called for a public hearing and vote on the proposed budget on Monday, June 17, 2019, 6:00 p.m. to be held in the Council Chamber at City Hall.

XII. New Business

A. Public Hearings

1. Public Hearing and Consideration of a Contiguous Annexation Petition Submitted by Glenwood Hills, LP for 3.49 Acres Located at 1300 Burkemont Avenue

The Mayor opened the public hearing at 6:43 p.m.

The City Manager stated the management of Glenwood Hills, LP have submitted a petition to voluntarily annex their property located at 1300 Burkemont Avenue into the corporate limits of Morganton. The property consists of 3.49 acres and is contiguously located to the portion of the development already in the corporate limits. This property is developed as a multi-family complex. The current tax value of the property is $1,134,249. The property currently has access to City water and sewer service. It is also within the current service route of other City services. The City staff has reviewed this request and does not anticipate existing City operations to experience adverse operational impacts if approved.

At the last Council Meeting the Council received an annexation petition, the Clerk certified the sufficiency of the petition and there was a call for a Public Hearing on this date.

There being no speakers, the Mayor closed the public hearing at 6:44 p.m.

Councilman Simmons asked if there was anything negative for the City if this is approved. The City Manager stated she could not find a negative – it was positive for everyone involved.

Upon motion by Councilwoman Cato, seconded by Councilman Hawkins, and carried unanimously, the Council approved the annexation request from the management of Glenwood Hills, LP to annex property located at 1300 Burkemont Avenue into the corporate limits of Morganton (Ord. #19-19).


The Mayor opened the public hearing at 6:45 p.m.
Lisa Helton of the Western Piedmont Council of Governments stated this public hearing is to receive public input and comments concerning the proposed 2019 Action Plan of the City of Morganton. This Plan, as required by the U.S. Department of Housing and Urban Development (DHUD), outlines the goals and actions of the City of Morganton in its use of Community Development Block Grant (CDBG) funds for the period beginning July 1, 2019 and ending June 30, 2020.

The Action Plan continues to fund small business loans and annual grants to non-profits. These are two very popular programs. Additionally funds are included to clear slum and blight.

• Beverly Carlton of Oak Hill Economic Development Corporation asked if she could receive a copy of the plan. Helton stated she would get a copy for her.

• Ruth Roseboro stated the CDBG Action Plan mentioned revitalizing blighted areas. What parts of money are being used for blighted areas, she asked.

Lisa Helton stated that money is set aside in anticipation of an issue that might arise. She stated that there is nothing currently targeted.

Roseboro asked for clarification on whether there are specific areas being looked at for revitalization. Helton stated there were not.

The City Manager stated that specific blight removal would happen once they got into a project. She shared that recently properties were razed in conjunction with the Greenway Connector project.

Roseboro asked if monies could be used in the Vine Arden or Rockyford areas. The City Manager stated they could be but those areas were not currently being looked at.

The City Manager stated the two “popular” programs have been the small business loan program and grants to non-profits. There is a process for non-profits to apply for these grants. Another use of CDBG funds is to help with utility upgrades such as the Green Street utility upgrades which will help the Bouchelle area.

Roseboro asked how they pick and choose the projects each year. She specifically asked about how the non-profits are chosen for grants and are minority non-profits given the opportunity to receive grants. Helton stated 15% of the budget can be used for non-profit grants. She stated that every year a direct mailing goes to every local non-profit that she can find asking them to apply. Of those who respond, they are put through a scoring system that has been HUD approved in order award the grants, typically 3 per year. The City Manager stated the funding limit is set by HUD. The policy is that the same non-profit cannot be awarded a grant more than twice in a three year period.
Beverly Carlton stated she is concerned because they have to use the Action Plan when they apply for their funding. She stated they are looking to understand what is in the Action Plan to better coordinate with their services. She stated that Olive Hill Economic Development Corporation is rarely mentioned.

There being no other speakers, the Mayor closed the public hearing at 6:56 p.m.

Upon motion by Councilman Fleming, seconded by Councilwoman Cato, and carried unanimously, the Council approved the 2019 CDBG Action Plan as presented.

b. Consideration of a Project Budget Ordinance for 2019 CDBG

Helton stated that a requirement of the CDBG Entitlement Program is that the City of Morganton adopted a Project Budget Ordinance each year to reflect the current budget revenues and expenditures. For 2019/2020 fiscal year, the City is receiving $148,237.

The project budget which carries over from fiscal year to fiscal year is $287,991. The attached ordinance shows the proposed breakdown of the new funding and balances on hand by activity.

Upon motion by Councilwoman Cato, seconded by Councilman Fleming, and carried unanimously, the Council approved the 2019/2020 Project Budget Ordinance (Ord. #19-18).

c. Consideration of Administration Contract with Western Piedmont Council of Governments

The City Manager stated the City will contract with the WPCOG to administrate the 2019/2020 CDBG Entitlement Program.

Upon motion by Councilman Hawkins, seconded by Councilman Simmons, and carried unanimously, the Council approve Grant Management Assistance agreement with WPCOG.

B. Other Business

1. Consideration of Sidewalk Encroachment at 109 North Sterling Street

The City Attorney stated that Toasted and Rolled, owned by Juan Vasquez, located at 109 North Sterling Street in a building which is owned by Gresham Orrison, listed as WGO Properties 1. Vasquez has requested a sidewalk encroachment in order to place outdoor seating for customers. Mr. Vasquez will be adding wood and steel railings around the perimeter of the outdoor area. The design has been approved by city staff.

The City Manager stated this particular stretch of Sterling Street in downtown offers wider sidewalks than those in other sections, therefore staff is recommending an 8.5’ encroachment which is in line with Treat’s encroachment. This still leaves 9’ to back of...
curb. Five feet is the minimum requirement for pedestrian passage and to meet ADA standards.

Councilman Fleming stated that businesses with current encroachments should stay within their encroachment area. He stated there should be no plants or extra seating outside the encroachment area for ADA compliance. Councilman Simmons stated he agreed with Councilman Fleming’s statements.

The City Manager stated that Sharon’s office has been going around talking with those businesses. She also stated that staff is working on an ordinance to bring before Council at the August meeting that sets up encroachment parameters.

Councilman Fleming stated that he hopes the people with encroachments would keep their areas neat, with no excessive tables and chairs or piled up with debris.

Upon motion by Councilwoman Cato, seconded by Councilman Hawkins, and carried unanimously, the Council approved a sidewalk encroachment at 109 North Sterling Street with Gresham Orrison dba WGO Properties 1.

2. Consideration of Award of Contract for Sidewalk/Greenway Improvements as Part of the North Green Street Revitalization Project

The City Manager stated this project includes the removal and replacement of approximately 360 linear feet of greenway, installation of approximately 610 linear feet of concrete sidewalk and approximately 700 linear feet of concrete curb and gutter along 400 North Green Street and Fleming Place.

This project is part of the larger North Green Street Revitalization Project funded by an ARC (Appalachian Regional Commission) grant. The grant is a 50% grant. The sidewalk/greenway portion of the larger project was budgeted at $93,800 including contingency. Funding for the additional cost of this portion of the project will be paid from savings in other portions of the Green Street Revitalization Project.

The original bid was received on Tuesday, April 30, 2019. All bids were over budget and rejected by City Council at the May 6, 2019 Council meeting. The project was re-advertised on May 10, 2019.

Sealed bid proposals were received and opened by the Development & Design Services Department on Wednesday May 29, 2019. Three bids were submitted for the project. The lowest responsive, responsible bid was submitted by Wilkie Construction Company SE, LLC of Lenoir, NC, in the amount of $111,121.40 which includes the base bid and additive alternate.

The Mayor asked for clarification of the project area. The City Manager stated the greenway section is on North Green Street from the Catawba Street to Fleming Place and the sidewalk is on Fleming Place.
Upon motion by Councilman Hawkins, seconded by Councilman Fleming, and carried unanimously, the Council awarded a contract to Wilkie Construction Company SE, LLC of Lenoir, NC, in the amount of $111,121.40, for sidewalk/greenway improvements in the North Green Street area.

3. Appointments to Boards and Commissions

a. Board of Adjustment

There are three terms expiring: Dale Brittain, Bryant Lindsey, and George Baily all have term expiration dates of June 3, 2019. These three have been consistent members of the Board of Adjustment and are willing to continue serving on this Board.

At the March 2019 meeting, the Board of Adjustment held elections and Thomas Eure, serving as an alternate to the board, was elected as Chairman. Mr. Eure needs to serve as a regular member of the board.

In light of this election and Mr. Eure’s willingness to serve, staff recommends appointing Mr. Eure to the Board of Adjustment as a regular member and selecting Mr. Brittain, Mr. Lindsay or Mr. Baily to fill Mr. Eure’s unexpired term as an alternate. Staff further recommends reappointing the remaining two members as regular members for new terms to expire on June 1, 2022.

This will leave two vacancies on the Board. One is a County “regular” appointment and one is a County alternate position. The County is actively advertising for interested members.

Upon motion by Councilwoman Cato, seconded by Councilman Simmons, and carried unanimously, the Council appointed Thom Eure, Dale Brittain, and Bryant Lindsey, to the Board of Adjustment as regular members for terms to expire on June 3, 2022.

Upon motion by Councilwoman Cato, seconded by Councilman Fleming, and carried unanimously, the Council appointed George Baily to fill an unexpired term as an alternate member of the Board of Adjustment for a term to expire on June 3, 2021.

b. Cable Commission

There are two terms expiring: William Robertson (clergy) and Dr. Audrey Garvin (NCSD), with term expiration dates of June 1, 2019.

Rev. Robertson has been a consistent member of the Cable Television Commission and is willing to continue serving on this Commission. Dr. Garvin no longer works with NCSD and staff is working to find a replacement member.
It is recommended by staff that William Robertson be reappointed with a term to expire on June 1, 2022.

This leaves one “at-large” vacancy as well as the NCSD appointment on the Commission.

Upon motion by Councilman Fleming, seconded by Councilman Simmons, and carried unanimously, the Council reappointed William Robertson to the Cable Commission for a term to expire on June 1, 2022.

c. Community Appearance

There are three terms expiring: Liz Beach, Bill Lennon, and Eddie McGimsey. These three have been consistent members of the Community Appearance Advisory Commission and are willing to continue serving on this Commission. It is recommended by staff that they be reappointed with terms to expire on June 1, 2022.

There is one vacancy on this Commission and no recommendations for members at this time.

The Mayor reappointed Liz Beach, Bill Lennon, and Eddie McGimsey to the Community Appearance Advisory Commission for terms to expire on June 1, 2022.

d. Main Street Advisory Board

Keith Suttles, Jerry Norvell, Bobbie McCombs, John Cantrell, Jr., and Ginny Erwin have expiring terms. All have been consistent members of the Mainstreet Advisory Commission and are willing to continue serving on this Commission. It is recommended by staff that they be reappointed with terms to expire on June 30, 2022.

The Mayor reappointed Keith Suttles, Jerry Norvell, Bobbie McCombs, John Cantrell, Jr., and Ginny Erwin to the Mainstreet Advisory Commission with terms to expire on June 30, 2022.

e. Planning & Zoning Commission

There are three terms expiring with term expiration dates of June 3, 2019. Those members are Judy Francis, Pete Wallace, and Hank Dickens. These three have been consistent members of the Planning and Zoning Commission and are willing to continue serving on this commission. It is recommended by staff that they be reappointed with terms to expire on June 1, 2022.

This leaves two vacancies on the Board. One is a County appointment and one is a County alternate position. The County is actively advertising for interested members.
Upon motion by Councilwoman Cato, seconded by Councilman Hawkins, and carried unanimously, the Council reappointed Judy Francis, Pete Wallace, and Hank Dickens to the Planning and Zoning Commission for terms to expire on June 3, 2021.

f. Recreation Advisory

The following three individuals have terms expiring: Stephen “Pat” McGrady, Butch McSwain, and Sherri Morris.

Sherri Morris has requested not to be reappointed as she is moving from the area. The others have been consistent members of the Recreation Advisory Commission and are willing to continue serving.

Staff would also like to appoint Daniel Hernandez and John Whisnant which would then leave two vacancies on this advisory board.

Staff will pursue applicants for the vacant positions.

Upon motion by Councilwoman Cato, seconded by Councilman Fleming, and carried unanimously, the Council appointed/reappointed Pat McGrady, Butch McSwain, Daniel Hernandez, and John Whisnant to the Recreation Advisory Commission for terms to expire on June 30, 2022.

XIII. Other Items from City Manager and City Council Not on Agenda

• Consideration of Approval of a Contract for Advertising Insertion for CoMPAS

The City Manager stated that CoMPAS does ad insertion for many local businesses on 24 of its most popular channels, and also self-promotes. We would like to grow by expanding ad insertion to all channels, both digital and analog. The current vendor of such services has been unwilling to agree to the terms CoMPAS desires, and in fact has now stopped doing insertions.

Ad Systems, Inc. (“ASI”) is a major national company, certified through NCTC, which provides ad insertion services. ASI is willing to install the necessary new equipment for both analog and digital at no cost to the City, in return for a share in the ad revenues. They will accept reasonable financial terms, and will reserve 15% of available spots for CoMPAS self-promotion, which includes many City events. The ASI contract would be for a term of 5 years. This contract would be structured much like the recently cancelled one.

Because the previous provider has ceased its services, CoMPAS needs to move very quickly to get the new contractor in place.

Upon motion by Councilman Fleming, seconded by Councilman Simmons, and carried unanimously, the Council approved the contract between CoMPAS and Ad Systems,
Inc. for ad insertion services and authorized the Mayor or the City Manager to execute and issue the agreement on behalf of the City together with the additional authority to make such alterations, technical amendments and changes as may be necessary to the agreement.

XIV. Reports – Reports were distributed to Council.

XV. Adjournment – The Mayor adjourned the meeting at 7:12 p.m.

Preparation of Minutes. These minutes were prepared by Mikela D. Russell, Assistant City Clerk. Copies of all resolutions, ordinances and orders referenced in these minutes are intended to be incorporated into these minutes as if fully set forth herein. Prior to including them into the official minute book, the minutes have been read and approved by the City Manager and the City Attorney, then distributed to each member of the City Council for further review and final approval, at a subsequent Council Meeting.

_________________________________________  ______________________________
Mayor                                           Assistant City Clerk