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

II. Public Comment – The Mayor stated the guidelines for public comment and said speakers were to be called in order of sign-up.

• Jack Carroll resides at 222 Sequoyah Circle. Carroll stated he was here to revisit the idea of a veteran’s memorial on the Old Courthouse Square. Carroll referenced a letter from the Mayor in March, stating comments made in the correspondence irritated some of the veterans. Carroll stated there were 149 sons of Burke County from WWI to the present who died in battle; he and his fellow veterans wish to see them remembered. Carroll stated that veterans stand up for veterans. Carroll stated they were not asking for money now, but might be asking later.

• Gene Calloway resides at 105 Randolph Street. Calloway stated he was proud to be a veteran. He stated that veterans are defenders of the Constitution and the freedoms it allows. He stated he felt it is not too much to ask for a memorial for those fallen soldiers.

No other speakers were signed up, so the Mayor recessed the meeting at 6:12 p.m.

III. Business of the Council – The Mayor reconvened the meeting at 6:15 p.m.

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

V. Invocation – The invocation was given by the Rev. Jeffrey Kendall.

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

VII. Service Pins - The Personnel Committee and City staff have decided to recognize long-term employees for years of service at a Council meeting. Mayor Pro-Tem Fleming presented a 20 year service pin to Karen Duncan, Director of Finance.

Duncan stated it has been her privilege to serve the community for the past 20 years. She stated she is grateful for the opportunity and for the professional growth she has been able to experience during that time.

The Mayor announced that Carolyn Richardson, Paralegal in the Legal Department, would receive a 20 year service pin. Carolyn was unable to attend the meeting and would be presented her pin at a later time.

VIII. Public Advocacy Issues and Strategies

a. Morganton Works – David Jones, Plant Manager at Continental gave a presentation on what is happening at Continental and the status of their expansion. Jones stated appreciation to the City for their help in working with Continental, stating the City is a good neighbor and partner. He stated there are two Continental facilities in
Morganton. Morganton plant, Site #1, makes electronic braking systems and electronic air suspension and has received many awards for quality performance. Jones stated they are most excited about their new braking system called MK C1 which is a simpler more condensed unit. Jones shared a series of slides showing the construction progress on their expansion.

b. **Proclamation:** Mayor Thompson read a Mayoral Proclamation Recognizing the 150th Anniversary of the Ratification of the 14th Amendment to the United States Constitution.

c. The Mayor announced the upcoming events: He stated that TGIF continues with June 8, Tuatha Dea (Celtic); June 15, Throwdown Jones (Rock); June 22, The Alligators (Blues); June 29, TGIF Showdown (Talent Competition); July 13, Kids in America (80’s Tribute) plus Cruise-in; July 20, Red Dirt Revelators (Blues/rock); and July 27, Colby Dietz Band (Americana). He announced the upcoming State of Origin Craft Brew Festival to be held on June 9, 5:00-9:00 p.m. on the Old Courthouse Square.

The Mayor reminded everyone there would be no City Council Meeting in July.

Other events in July include the 4th of July Celebration which kicks off the Red White and Bluegrass Festival. The 4th of July Celebration is free at Catawba Meadows. Concession stand opens and games/contests begin at 5:00. Music/Entertainment begins at 7:00 p.m. Fireworks begin at approximately 9:30 p.m.

He also reminded everyone about the Red, White & Bluegrass Festival which will be held Thursday, July 5 through Saturday, July 7 at Catawba Meadows. Tickets are available through the CoMMA ticket office or tickets may be purchased at the gate. He stated that Diamond Rio headlines the Festival stage on Friday.

The Mayor also reminded everyone of the continuing Farmers Markets on Saturdays and Wednesdays.

IX. **North Carolina Municipal Power Agency Number 1 Update** – The City Manager stated there was nothing to report.

X. **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 Councilman Fleming, seconded by Councilwoman Cato, 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 and a Closed Session, both held on May 7, 2018.

B. Adopted Resolution #18-15 to approve the 2017 Local Water Supply Plan with any updates.

C. Approved a Project (Special Revenue) Ordinance / Entitlement Fund (Ord. #18-36) in the amount of $3,400.

D. Approved the contract with WPCOG to administer the VEKA East Building Reuse Grant for $25,000 and a project budget ordinance (Ord. #18-37) establishing the budget for the grant and a budget amendment (Ord. #18-35) to receive half the administration costs from Burke County.

E. Approved Resolution #18-16 to adopt a Uniform Guidance Policy on Conflicts of Interest and on Procurement Procedures with Federal Funds.

F. Adopted Resolution #18-14 authorizing the City of Morganton to engage in Electronic Payments as defined by G.S. 159-28.
XI. **Items Removed from Consent Agenda** – There were no items removed from the Consent Agenda.

XII. **Presentation of Proposed Budget for FY 2018-2019**

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

In accordance with the North Carolina Local Government Fiscal Control Act, the recommended budget for fiscal year 2018-2019 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 improvements, park improvements, and funding for the downtown greenway connector. The budget summary by fund is included below.

### Statistical Summary

<table>
<thead>
<tr>
<th>Fund Description</th>
<th>Revised Budget FY 17-18</th>
<th>Requested Budget FY 18-19</th>
<th>Increase (Decrease) Dollars</th>
<th>Increase (Decrease) Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund/General Capital Projects Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Operations</td>
<td>20,257,059</td>
<td>19,787,829</td>
<td>(469,230)</td>
<td>(2.37%)</td>
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<tr>
<td>- C.I.P.</td>
<td>3,548,670</td>
<td>2,778,860</td>
<td>(769,810)</td>
<td>(27.70%)</td>
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<tr>
<td>- Powell Bill</td>
<td>482,401</td>
<td>337,457</td>
<td>(144,944)</td>
<td>(42.95%)</td>
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<tr>
<td>- Capital Projects Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Reuse</td>
<td>1,686,500</td>
<td></td>
<td>(1,686,500)</td>
<td>(100.00%)</td>
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<tr>
<td>Exit 105 Road Connector</td>
<td>1,375,000</td>
<td></td>
<td>(1,375,000)</td>
<td>(100.00%)</td>
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<tr>
<td>Greenway Connector</td>
<td>1,668,750</td>
<td></td>
<td>(1,668,750)</td>
<td>(100.00%)</td>
</tr>
<tr>
<td>Soccer Complex</td>
<td>1,409,210</td>
<td></td>
<td>1,409,210</td>
<td>100.00%</td>
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<tr>
<td>Total General Fund</td>
<td>29,018,380</td>
<td>24,313,356</td>
<td>(4,705,024)</td>
<td>(19.28%)</td>
</tr>
<tr>
<td>Water Fund</td>
<td>5,870,391</td>
<td>5,995,284</td>
<td>124,893</td>
<td>2.08%</td>
</tr>
<tr>
<td>Electric Fund</td>
<td>33,558,497</td>
<td>31,755,752</td>
<td>(1,802,745)</td>
<td>(5.68%)</td>
</tr>
<tr>
<td>Wastewater Fund</td>
<td>6,209,590</td>
<td>6,357,837</td>
<td>148,247</td>
<td>2.33%</td>
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<tr>
<td>CoMPAS CATV Fund</td>
<td>4,921,504</td>
<td>5,084,334</td>
<td>162,830</td>
<td>3.20%</td>
</tr>
<tr>
<td>Cemetery Trust Fund</td>
<td>9,800</td>
<td>9,800</td>
<td></td>
<td>0.00%</td>
</tr>
<tr>
<td>Subtotal:</td>
<td>79,588,162</td>
<td>73,516,363</td>
<td>(6,071,799)</td>
<td>(8.26%)</td>
</tr>
<tr>
<td>Less Interfund Transfers</td>
<td>(704,552)</td>
<td>(733,535)</td>
<td>(28,983)</td>
<td>3.95%</td>
</tr>
<tr>
<td>Total Budget:</td>
<td>78,883,610</td>
<td>72,782,828</td>
<td>(6,100,782)</td>
<td>(8.38%)</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 present these expenditures twice.

The 2018-2019 General Fund budget includes funding for operations and the capital improvement program (CIP). Different from years past, the budget includes separate Capital Project funds for large, multi-year projects. Equipment replacements, park improvements, vehicle purchases, infrastructure improvements, and funds to begin masterplan implementations are included. The City staff continues to pursue grant and public/private partnership opportunities to finance capital projects. General Fund CIP totals $2,778,860.
The utilities 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 funds is $3,627,028 with grant sources funding $230,640 of that total. As our infrastructure ages, staff continues to plan for systematic improvements. Masterplanning, rate studies and business model evaluations are taking place in all utility funds.

The 2018-2019 total budget is $72,782,828 and is $6,100,782 or 8.38% less than the revised budget for fiscal year 2017-2018. 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.

The City of Morganton continues to partner with other governmental partners in the areas of economic development, airport service, and public library services. In the 2018-2019 budget proposal these entities are funded as follows:

<table>
<thead>
<tr>
<th>Entity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burke Development, Inc. (BDI)</td>
<td>$223,231</td>
</tr>
<tr>
<td>Burke County Library</td>
<td>231,250</td>
</tr>
<tr>
<td>Foothills Regional Airport Authority</td>
<td>47,137</td>
</tr>
<tr>
<td>Total</td>
<td>$501,618</td>
</tr>
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</table>

The BDI contributions fund operations, local incentives to industry and debt service on the business park. Local incentives to industry are included at $36,917, a decrease of $77,653 due to several economic incentives to local industry being completed. Recent industrial expansions and new industry announcements will take effect next fiscal year which will cause this funding to grow. 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 due to capital improvements at the main library being less. Burke County is being asked to participate in these improvements. Finally, the City continues to budget $5,000 a year to maintain the library grounds which is in addition to the requested amount in this schedule.

**General Fund**

The General Fund is the home of traditional government services – public safety, sanitation, street maintenance, inspections and zoning, recreation, and administration. 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 2018-2019 proposed General Fund budget is $22,904,146. This is $4,705,024 less than the revised budget for 2017-2018. The main reason for difference is in fiscal year 2017-2018 the City received several Federal and State grants to support large projects totaling $4,730,250 which represents an incredibly successful grant year. There are no proposed changes to services currently provided in the new budget. The goal of providing quality service at the most affordable price possible, while continuing to invest in quality of life activities, facilities and initiatives that will attract new development and new people to our City, is always at the forefront of our efforts.

After five years of no change in the ad valorem tax rate, the proposed budget includes a recommended increase of 4 cents. One cent on the tax rate generates approximately $155,000. For the second year in a row, the total assessed tax valuation has shown a slight decrease. The valuation has been flat for four years. Next year should show a change in that trend with our recent economic development announcements. The proposed tax rate of $0.57/$100 value will generate approximately $8,724,258 which represents 38% of the General Fund revenues.
The 2018-2019 budget includes $259,500 from the motor vehicles tax of $20.00 per vehicle. This revenue equates to 1.67 cents on the tax rate.

The downtown special tax is budgeted to remain at $0.14/$100 value and will generate approximately $116,389. One cent on the downtown tax generates approximately $8,397. The tax rate of 14 cents was set in 1995 and will fund 13.2% of the Main Street expenditures in 2018-2019.

The recently updated Downtown Masterplan provides a road map for continued investment in the heart of our community. We enjoy very few vacancies in downtown and new ribbon cuttings are happening almost weekly. Property owners, tenants, and the City continue to partner to create a vibrant downtown. The proposed budget includes funding of $120,000 to be used on a first-come; first-serve basis for a low-interest loan pool to stimulate the addition of housing units in downtown. Remember, our masterplan indicated an ability to support additional downtown housing and indicated that we could use 1,800 more units. Also included is $85,000 to seek a landscape architect to do preliminary design/engineering on a redesign of the Courthouse Square as proposed in the Masterplan. This greenspace is not only the heart of downtown, but is also key to our event programming. The plans to revitalize this space must respect and maintain its history while creating new life and excitement on the square.

A bright spot in General Fund revenues continues to be sales tax revenue. Sales tax is budgeted at $4,241,604 which is a 4% increase over current year projections. Since 2014, the addition of retail opportunities in our community and a vibrant downtown have contributed to a 28.5% growth. This growth is being achieved as local refunds remain high due to large construction projects by the public/non-profit sector. Sales tax revenues represent 19% of the General Fund budget.

Sales tax is crucial to our ability to continue to invest in our vision and all that makes Morganton special. I must also remind everyone that sales tax generated in Morganton is a significant revenue to Burke County and our other municipality partners in Burke County. The General Fund budget proposes using $96,000 in accumulated fund balance. This keeps us well within the Council’s 15% fund balance policy. Other State collected revenues, namely utility franchise tax and Powell Bill continue to decline.

In Morganton, even our basic services are a cut-above. Public Works and Public Safety exemplify that “cut-above service level”. Backyard pick-up, weekly rough trash service, leaf collection and a partnership with Simply Green Recycling represent the types of services not available in many other communities. The fee of $12.00/month for residential solid waste service will remain the same for next year. Commercial sanitation fees will also remain the same. Solid waste fees will generate $1,324,000. The Street Department and the Cemetery and Grounds crew continue to make our community drivable, walkable, bikeable, and above all beautiful.

Morganton Department of Public Safety (MDPS) continues to seek grants to fund equipment. The Department has transitioned to more positions that are only firefighting. The training of all personnel continues to be a time-consuming endeavor. The second Citizen’s Police Academy just graduated a new class. For a year now, Public Safety leadership has engaged community members and leaders in conversation and relationship building in the Partnership for Change meetings with an emphasis on open community dialogue.

The CIP request for MDPS next year totals $1,841,057. Eight patrol cars and one CID vehicle will be purchased with installment financing. Our self-contained breathing apparatus (SCBA) will be replaced for $529,907. We are seeking grant funds for this. However, if grant funds are not obtained, we will purchase anyway due to end of life of our SCBAs. Consideration is being given to refurbishing Ladder 1 in order to extend the life of the 20-year-old truck by 10 years with cost estimates of $550,000 for the refurbishment.
CoMMA, Recreation and the newly renovated Community House continue to entertain, recreate, and feed local residents and visitors. All three of these departments are experiencing record use. CoMMA will be getting a new roof for $115,000. CoMMA is open for business and setting new records for attendance. Recreation continues to bring large crowds to our community to use our fantastic facilities. There is plenty for our citizens to do in our parks, along our greenway, or at our aquatics centers. A PARTF grant is being pursued to expand the Catawba River Soccer Complex. That entire project budget is $1,409,210. The revenue sources include grant funds of $449,210, private donations of $225,000, and a Morganton Recreation Foundation contribution of $350,000. The Community House is booking multiple events many days and has more reservations for weddings than ever before. Additionally, more groups are using the Morganton Community House for corporate events.

Finally, the Development and Design department (D&D) continues to support, design, inspect, and manage most of the projects referenced in this message. The development and regulation arms of D&D touch almost everything that happens in the City. Several large multiyear projects are currently being managed by D&D - the service road at Exit 105 and the Downtown Greenway Connector are underway and should be completed during 2018-2019. The City's in-house capabilities for design, engineering, and construction set us apart from other communities.

Water Fund

The proposed 2018-2019 budget is $5,995,284 which is $124,893 or 2% less than the current year. No appropriation of retained earnings is required to balance the budget.

The proposed water fund budget calls for a 5% increase in rates for next year. This increase was projected in the 10-year rate study that was completed last year. The rate increase will be effective July 1, 2018 and will be applied in a 2:1 ratio to volume (variable) and fixed charges. A household inside the City using 5,000 gallons of water a month will see their bill increase from $14.40 to $15.25 a month. Outside customers pay double the inside rates.

Morganton continues to have water rates lower than our neighbors and lower than similar utilities across the state even with this increase. The Water Department employees continue to be recognized and awarded consistently for providing water of the highest quality to our citizens and industry.

The recently completed 20-year masterplan and rate study map out future investments and match resources and expenses to allow for periodic and planned rate increases. The 2018-2019 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. Funds are anticipated to be set aside for the next four years for this purpose.

The proposed budget includes a modest capital budget of $1,133,775 that appropriates funding for water tank maintenance of $309,000 and includes $400,000 for routine replacement of aging lines. Water usage continues to grow at 1% each year. On average, system-wide usage is about 50% of total capacity.

In addition to including funds for routine maintenance and repair, the proposed budget includes $209,775 for upgrading and revitalizing service in the Green Street Catalyst Project. The project includes $79,888 in Appalachian Regional Commission (ARC) grant funding and begins infrastructure investments to ready this area for the development proposed in the Downtown Masterplan update.

Electric Fund

The total proposed Electric budget for 2018-2019 is $31,755,752 which is $1,802,745 less than the 2017-2018 revised budget. For the last few years the Power Agency has passed on slight agency wide decreases. Effective July 1, 2018, the City will receive another wholesale rate decrease. Considering our system load growth remains flat to a slight decrease, we expect a reduction of approximately 6.0%. Recent new and
expanding existing industry announcements are just getting underway and it is anticipated that noticeable electric sales growth will not be recognized until calendar year 2019.

In establishing retail electric rates, it is very important that the rate structure mirror that of the wholesale bill to ensure that the City isn’t paying more for the electricity than it is collecting from customers. This structure only affects larger commercial and industrial customers. Periodically, the City staff works with ElectriCities staff to “true-up” our rate structures. The 2018-2019 year is a good year to do this since the wholesale rate decrease allows us the most flexibility and ensures that required increases for classes of larger customers can be minimized.

The results of matching the wholesale rate to the retail rate coupled with the expected wholesale rate decrease yield a range of proposed rate changes that include an average of 4% rate reduction for residential customers and small commercial customers to a slight increase of an average 1.8% for larger industrial and commercial customers.

A typical residential electric customer should experience an average decrease of $4.80 per month. The rate change will be effective July 1, 2018 which means it will be reflected in August bills. The fixed facilities charge of $200 per month for large industrial customers will be reduced to $100 per month.

The City will be phasing out non-LED area lights. The LED lights are the new industry standard; they come at a higher upfront cost and are expected to last longer until replacement. Staff is recommending a 5% increase in rates for all area lights – which translates into a monthly increase of between $0.50 and $2.99 depending on light size.

The 2018-2019 Electric budget continues a commitment to setting aside rate stabilization funds to offset future rate increases. The contribution budgeted for next year is $750,000. Upgrades to the distribution system and equipment purchases are included in the $577,953 proposed CIP. Like in the other utility funds, the Electric budget includes $144,203 in infrastructure upgrades in the Green Street Catalyst Project with $77,902 being funded with grant funds.

Wastewater Fund

The total proposed Wastewater budget for fiscal year 2018-2019 is $6,357,837 which is 2% more than the current year. An appropriation of retained earnings of $68,382 is included in the proposed budget. The proposed budget includes debt service payments of $1,924,189 which is 30% of the proposed budget. Significant investments at the Wastewater plant over the last few years have been made and debt payments on these projects make up the lion share of total debt service.

Just like in Water, the recently updated Masterplan and rate study set a course necessary for future improvements and investments so adequate resources can be planned. The plans adopted by Council recognize a need for periodic rate increases to fund future investment in our system.

The 2018-2019 budget proposal includes a 6.5% sewer rate increase effective July 1, 2018. The increase which is less than last year serves multiple purposes. The increase funds necessary costs associated with sewer service, but more importantly, the increase makes the City eligible to compete for State funding for future needs. Until now, Morganton’s rates have remained too low to meet the threshold for this funding source. The increase is applied to volume and fixed charges in a 2:1 ratio.

An inside residential customer using 5,000 gallons of water will see a monthly sewer bill increase from $31.10 to $33.23 or an increase of $2.13. Outside residential customers continue to be billed at double the inside rate.

The process conversion project at the plant continues on schedule and on budget. Recent heavy rains have confirmed the wisdom in upgrading equalization capacity and
the conversion to standard treatment processes. The Wastewater plant staff continues
to operate the plant in a responsible manner.

The CIP for Wastewater for 2018-2019 totals $1,472,300 and includes a much needed
rehabilitation of a secondary clarifier for $400,000. The project costing $9,716,370 to
convert the plant from a pure oxygen facility to a traditional treatment facility continues.
The sewer capital project fund is being used to account for this improvement. Routine
replacements and manhole rehabilitation are funded at $350,000. Noteworthy is the
infrastructure improvements planned for the Green Street area at $192,300 with
$78,650 funded with an ARC grant. A new vacuum-pumper truck budgeted at $400,000
is proposed to be purchased with installment financing.

CoMPAS Fund

The proposed budget for CoMPAS for fiscal year 2018-2019 is $5,084,334 which is
$162,830 or 3% 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.

During this past year CoMPAS offered a promotional campaign for residential internet
customers. The campaign yielded 158 new customers. The proposed budget is based
on that growth continuing and assumes an additional 30 residential customers per
month. We are consistently experiencing this level of growth. Under the direction of a
new General Manager in CoMPAS, wait times for installation remain at 2 days or less.
Interference and “noise” in the system continue to be reduced and a new commitment of
customer service greets our customers in the office and in the field.

Because of the success of the residential internet campaign and due to staff continuing
to hear from commercial customers how satisfied they are with CoMPAS service, we
plan to have a promotional campaign for commercial customers this coming year. The
budget anticipates adding 25 business internet customers during next fiscal year.

After two years of working with our consultant and a restructuring of the CoMPAS
business model, our financial position is much brighter. Fiscal year 2018-2019 will bring
the final phase-out of the bundled discount with the elimination of the $5.00/month credit
effective August 1, 2018. This will generate $29,000 in revenue.

As predicted, the video (TV) portion of CoMPAS service continues to decline just as it
does all over this country. Our decline is progressing slightly slower than anticipated
and next year we anticipate losing 160 video subscribers. Programming costs at
$2,328,200 represent 56% of the CoMPAS budget. To pay for the increase in costs a
rate increase is proposed for January 1, 2019. Broadcast basic will go from
$30.40/month to $32.40. Basic cable services will go from $82.63/month to $87.63. This
represents a 6.2% increase and is slightly less than last year’s 7% due to successful
negotiations on the off-air channel rates by the General Manager.

The total requested CIP for 2018-2019 is $312,000 and includes $250,000 to begin a
conversion of the video system to a total digital delivery system. This conversion is
necessary to free up bandwidth to ensure our high-speed broadband service has
adequate capacity to continue to grow.

Current projections predict that at June 30, 2018 for the second year in a row, CoMPAS
will be cash flow positive.

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
2018-2019 is $9,800. Lot and niche sales and marker sales are budgeted at $8,600
annually.
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 2018-2019 is $2,158,665 which is $188,268 lower than last year. These departments provide services to the other funds.

The IRMS budget is relatively flat at $1,073,665. Much like the utilities budgets, IRMS has projects that span multi-budget years. Contracted services which include support costs for hardware and software are $369,418 or 34% 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 $93,000 and includes routine server upgrades.

The Warehouse and Equipment Services budgets are $410,000 and $675,000, respectively. The Warehouse budget includes $410,000 for inventory purchases while the garage budget includes $400,000 for fuel purchases. Staff has planned to spend $100,000 more for fuel next year due to higher gas prices.

CIP purchases for next year include $23,000 at the garage for a pressure wash system and a welder replacement. Equipment Services maintain the City fleet. The warehouse budget includes $15,000 for window replacement at the City warehouse.

**Personnel Issues**

The proposed budget includes funding for 289.5 positions. There are several new positions and additional funding in the way of professional services dollars to allow contract labor to fill service gaps included in this proposal. Building Inspections, CoMMA, and Recreation have additional funding for personnel. Public Safety, Main Street, Development and Design, and Electric have increases in professional services or position reclassifications to make us better able to continue to provide excellent service to the community.

Last year the Council funded a pay study which largely showed a workforce extremely compressed at the lower level of pay ranges. While implementing the study alleviated some compression issues, hiring public servants with acceptable skill sets for the services we provide, remains challenging. As committed to by the Council after completing the pay study, 2018-2019 is the first year of reviewing 1/3 of the City’s pay ranges for comparability to market rates. Due to extreme challenges in the marketplace to retain and attract sworn public safety officers and electric linemen, those positions were reviewed this year. The proposed budget includes about $160,000 to adjust salaries in these two areas to match average market conditions and to remain competitive in hiring and allow us to retain employees. This review process will continue over the next two fiscal years until all positions and pay classes have been evaluated in relation to market conditions.

The budget proposal includes a 1% COLA for all employees that will be effective July 2018. Additionally, to continue Council’s commitment to a merit system that rewards high performing employees, a 2.25% merit award to be effective in March 2019 is included. The COLA costs $154,819 city-wide while the merit increase costs $117,450 city-wide. Increases in part-time pay across departments of $11,500 are included in the budget.

The City of Morganton remains committed to being an employer of choice. Our commitment to high quality service requires that we consistently attract and retain a qualified and motivated workforce. Our employees are critical to the ability to achieve our vision and to ensure Morganton is a community of choice for residents, visitors, employers and a skilled workforce.
The total cost budgeted for insurance benefits next year is $1,972,501 for active employees and $947,950 for retirees. Law enforcement separation allowance has increased by $56,852 and is funded at $214,855 next year.

Summary

The 2018-2019 proposed budget is $72,782,828. This budget not only appropriates funding to continue to provide basic services at existing levels, it also includes funding to begin implementation of updated masterplans and more. The vision for Morganton to be a strong, vibrant community to her citizens, visitors, and employers remains strong.

Morganton’s commitment to not only plan and study, but to implement initiatives and projects with the help of partners who support our vision and economic prosperity has led us to this place in our history. Recently, Morganton and all of Burke County have been selected as one of the Governor’s Hometown Strong communities.

The Hometown Strong initiative addresses needs of rural communities by coordinating the public and private sector in a partnership with State government to “leverage State and local resources, identify ongoing projects and community needs, and implement plans to boost the economy, improve infrastructure and strengthen North Carolina’s hometowns.” This description taken from the Hometown Strong website is a perfect fit for Morganton.

For years we have recognized that our greatest accomplishments and community successes involve partnerships. Public/private partnerships are seen throughout our great City and have served as the catalyst for generating investments in the economic successes of Morganton. Our partnership with the State of North Carolina is long and could not be better represented than with the opportunities to be realized as the redevelopment of the Broughton/State property district which include the NCSSM – Morganton campus is completed. The ability to fully utilize the 800 acres located on I-40 with public and private investment is a once-in-a-lifetime opportunity. The natural beauty and magnificent vistas afford development choices that will respect and enhance Nature’s Playground and generate economic rewards.

The proposed budget does include a four-cent ad valorem tax rate increase in order to fund investments in the future. We know from experience that status quo is unacceptable in Morganton. Our vision has always led us to achieve more and that is true today. Investing in the quality of the experience of living in, working in, playing in or visiting in Morganton is a core value that has sustained us through difficult times and allowed us to prosper in good times.

Once again, I wish to thank the City Council, the City staff, and the City employees for having the courage to be a part of a team that is dedicated to leading Morganton forward. The thought, energy, and careful consideration that goes into creating this budget is evident. This budget is next year’s work plan for the community. It represents a responsible commitment to provide excellent services and invest in the future. Karen Duncan, Finance Director, and Michael Chapman, Deputy Finance Officer, continue to do amazing work in the tedious task of accumulating the detail and presenting accurate information to inform the decision making process.

It remains my privilege to serve in Morganton, a community which already exemplifies a Hometown Strong in western North Carolina. Morganton’s vision and more importantly, our willingness to prioritize and commit to investing in our vision will ensure that with the help of our partners, we will continue to be Hometown Strong. Taking an active role in charting a successful future is what we do best.

I am excited about Morganton’s future. The opportunity to be a part of the next steps in achieving the best Morganton possible exists everywhere – get involved, ask questions, volunteer, use a park, serve on a committee, redevelop a building, join the Citizen’s Police Academy, shop downtown; the possibilities are endless. Take pride in your community. Embrace the future. I believe we can use this budget to launch the accomplishment of a vision that will amaze us all.
Respectfully submitted,

Sally W. Sandy, CPA
City Manager

Upon motion by Mayor Thompson, seconded by Councilman Fleming, and carried unanimously, the Council called for a public hearing and vote on the proposed budget on Monday, June 18, 2018, 6:00 p.m. to be held in the Council Chamber at City Hall.

XIII. New Business

1. Consideration of Authorization to Proceed With Taking of Several Tracts of Real Property on Jefferson Street by Power of Eminent Domain, If Purchase Cannot Be Negotiated

The City Attorney stated that the City has previously announced plans to develop and construct a greenway “connector” extending from Sanford Drive opposite Catawba Meadows Park into the downtown area along North Green Street. The selected route for this greenway includes a segment between Second Street and Jefferson Street, parallel to North Green Street, which is across properties that are privately owned. The City has been negotiating with the owners of the properties at 214 and 216 Jefferson Street for purchase of those tracts, and with the owner of the property at 212 Jefferson Street for an easement across a corner of that tract. The tract at 216 Jefferson Street is owned by Sherry Surratt, while the tract at 214 Jefferson Street is owned by Trang Minh Tran and Hang Van Tran. Each of those lots has an unoccupied dwelling house in very poor condition. The tract at 212 Jefferson Street has an occupied dwelling, and is owned by Coyte and Regina Lockee.

While the City staff hopes and expects that they will be able to negotiate purchase prices within the sums previously budgeted for these acquisitions, it is certainly possible that no such agreements for sale will be reached. In that event, it would be necessary to acquire these properties through condemnation proceedings, under the City’s power of eminent domain as provided in General Statutes § 40A-1, et seq.

Before action can be taken to exercise the right of eminent domain, specific authority from City Council is necessary.

Councilman Fleming asked how the negotiation process was going and does the attorney feel we can negotiate and not have to use the right of eminent domain. The City Attorney stated that negotiations are not certain, however, if negotiations fail we are required to give a 30-day notice for eminent domain.

The Mayor asked if the Greenway would connect the new Mountain View School. The City Attorney stated that it would connect the Mountain View Recreation Center, the new Mountain View School, as well as cross Sanford Drive to connect with the current Greenway.

Councilman Fleming then asked if the owners of the subject properties were talking with the City. The City Attorney stated yes there has been conversation with the City and the property owners.

Upon motion by Councilwoman Cato, seconded by Councilman Hawkins, and carried unanimously, the Council approved that, if the City staff is unable to negotiate purchase of each of these properties, then the City Attorney, without further authority from Council, is authorized to institute proceedings under the power of eminent domain for the taking of that parcel located at 214 Jefferson Street owned by Trang Minh Tran and Hang Van Tran, that parcel located at 216 Jefferson Street owned by Sherry Surratt, and an easement across that parcel located at 212 Jefferson Street owned by Coyte Lockee and Regina Lockee.
2. Consideration of Adoption of Supplemental Agreement between NCDOT and City of Morganton Concerning the Downtown Greenway Connector Project

The City Attorney stated that at its March 5, 2018 meeting, City Council adopted and approved the Agreement between NCDOT and the City for the administration of City and federal funds to construct the downtown greenway connector. Now, DOT is requiring that a supplemental agreement be entered to address a specific concern. The original agreement provided for use of the grant funds only for construction of the greenway connector. However, the City has inquired with DOT about use of the funds for acquisition of rights-of-way. Before such can be done, DOT requires a supplemental agreement to be approved by City Council and by the DOT Board.

As City staff has previously stated, some rights-of-way will need to be acquired off Jefferson Street for that portion of the greenway connector.

Upon motion by Councilman Hawkins, seconded by Councilman Fleming, and carried unanimously, the Council approved the supplemental agreement between NCDOT and the City of Morganton for administration of City, state and federal funds concerning the downtown greenway connector project, and specifically authorizing use of some such funds for acquisition of rights-of-way, and to allow the Mayor and/or Manager to make technical changes, and sign documents, as necessary.

3. 30-Day Notice of Vacancy on Boards and Commissions

a. ABC Board – The Mayor announced an upcoming term expiration on the ABC Board.

4. Appointments to Boards and Commissions

a. Board of Adjustment

There are two terms expiring: the terms of Hugh Lowe and Thomas Eure both expire on June 1, 2018.

These two have been consistent members of the Board of Adjustment and are willing to continue serving on this Board. It is recommended by staff that they be reappointed with terms to expire on June 1, 2021.

This leaves two vacancies on the Board. One is a County appointment and one is a County alternate position.

This is a Council appointment, so upon motion by Councilman Fleming, seconded by Councilwoman Cato, and carried unanimously, the Council reappointed Hugh Lowe and Thomas Eure to the Board of Adjustment for terms to expire on June 3, 2021.

b. Cable Commission

There are two terms expiring: the terms of Dorian Palmer (at-large) and Jim Coleman (WPCC) both expire on June 1, 2018.

These two have been consistent members of the Cable Television 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, 2021.

This leaves one vacancy on the Commission which is an “at-large” position.

This is a Council appointment, so upon motion by Councilman Hawkins, seconded by Councilwoman Cato, and carried unanimously, the Council reappointed Dorian Palmer and Jim Coleman to the Cable Commission for terms to expire on June 1, 2021.
June 4, 2018 continued

c. **Community Appearance**

There are three terms expiring: Judy Lane, Barbara Norvell, and Laura Ervin Smith.

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, 2021.

This is a Mayoral appointment. The Mayor reappointed to the Community Appearance Advisory Commission Judy Lane, Barbara Norvell, and Laura Ervin Smith for terms to expire on June 1, 2021.

d. **Human Relations Commission**

There are four terms expiring: the terms of Cecelia Surratt, Lt. Josiah Brown, Ken Clark, and Sandra Bristol all expire on June 1, 2018.

Cecelia Surratt was appointed to the State HRC and did not seek reappointment. Both Ken Clark and Sandra Bristol did not wish to be reappointed at this time.

Public Safety recommended Captain Jason Whisnant to be appointed in place of Lt. Brown. The Rev. Wayne A. Johnson, Sr., pastor of Shiloh AME Church is interested in serving on this commission. The Commission will continue to seek other applications for vacant positions.

This is a Mayoral appointment. The Mayor appointed Captain Jason Whisnant and the Rev. Wayne A. Johnson, Sr., for terms to expire on May 3, 2021.

e. **Main Street**

Jennifer Whittington, Clark Erwin, Jerry Haynie, Chris Jernigan, Julia Mode, and Tamra Starnes all have expiring terms.

Jerry Haynie will be moving out-of-state thus will be unable to continue serving. All others have been consistent members of the Mainstreet Advisory Commission and are willing to continue serving on this Commission. It is recommended by the Advisory Commission that they be reappointed with terms to expire on June 30, 2021.

Staff will pursue applicants for the vacant position.

This is a Mayoral appointment. The Mayor reappointed Jennifer Whittington, Clark Erwin, Chris Jernigan, Julia Mode, and Tamra Starnes to the Mainstreet Advisory Commission with terms to expire on June 30, 2021.

f. **Planning & Zoning**

The following three individuals have terms expiring: Claude Huffman, Waits Gordon, and Bill Lennon.

Claude Huffman, who has served on this commission since 1997, has requested he not be reappointed at this time. The others have been consistent members of the Planning and Zoning Commission and are willing to continue serving.

Edward Gildea and Eric Engstrom have expressed interest in being considered for the Planning and Zoning Commission. We continue to work with the County to identify an appointee from the County.

Upon motion by Councilman Fleming, seconded by Councilman Hawkins, and carried unanimously, the Council reappointed Waits Gordon and Bill Lennon to the Planning and Zoning Commission for terms to expire on June 3, 2021.
Upon motion by Councilman Fleming, seconded by Councilwoman Cato, and carried unanimously, the Council appointed Eric Engstrom to the Planning and Zoning Commission for a term to expire on June 3, 2021.

g. Recreation Advisory

The following three individuals have terms expiring: Ruth Roseboro, Rick Roper, and George Logan.

George Logan has requested not to be reappointed at this time. The others have been consistent members of the Recreation Advisory Commission and are willing to continue serving. Staff will pursue applicants for the vacant position.

Upon motion by Councilwoman Cato, seconded by Councilman Hawkins, and carried unanimously, the Council reappointed Ruth Roseboro and Rick Roper to the Recreation Advisory Commission for terms to expire on June 30, 2021.

XIV. Other Items from City Manager and City Council Not on Agenda – The Mayor introduced Chrissy Murphy from the News Herald as the new city reporter.

The Mayor asked Brad Boris, Water Resources Director, to give a water/rain update. Boris stated there were unprecedented flows in the river past the water plant, but his department was able to maintain compliance.

The City Manager mentioned the Electric Department donated some long poles to McDowell County for storm repair.

XV. Reports – Reports were distributed to Council.

XVI. Adjournment – The Mayor adjourned the meeting at 7:36 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