

ADJOURNED MEETING CITY COUNCIL
February 11, 2020

The City Council of the City of Albemarle met in an adjourned session focusing on strategic budget planning on Tuesday, February 11, 2020 at 4:00 p.m. in the Ray Allen Community Room of City Hall. Mayor Ronnie Michael and the following Councilmembers were present, to-wit: Mayor Pro Tem Martha Sue Hall, Chris Bramlett, Martha E. Hughes, Shirley E. Lowder, Dexter Townsend, and Christopher Whitley. Absent: Councilmember Bill Aldridge.

Also present were the following City of Albemarle staff:

- Michael J. Ferris – City Manager
- Nyki Hardy – Assistant City Manager
- Britt A. Burch – City Attorney
- Cindy Stone – Clerk/Assistant to the City Manager
- Mark Donham – Economic Development Director
- Chief T. Pierre Brewton – Fire Department
- Colleen Conroy – Finance Department Director
- Jacob Weavil – Assistant Director Finance Department
- Dana Chaney – Human Resources Department Director
- Owen Squires – Information Systems Department Director
- Lisa Kiser – Parks and Recreation Department Director
- Kevin Robinson – Planning and Development Services Director
- Chief David Dulin – Police Department
- Judy Redwine – Public Utilities Department Director
- Ross Holshouser – Public Works Department Director

Facilitating the session were:

- Geraldine Gardner – Centralina Council of Governments
- Emily Parker – Centralina Council of Governments
- David Cheatwood – First Tryon
- Rajat Moondhra - First Tryon

Introduction and Meeting Overview

City Manager Michael J. Ferris opened the session by welcoming everyone and briefly summarizing the intent of the meeting and its connection to the November 2019 budget strategic planning retreat. He then introduced the consultants from Centralina Council of Governments and First Tryon. They would continue their role in facilitating the Council budget planning process in tonight's session to focus Council's budget priorities to help inform City staff's direction in building the FY2020-21 budget.

Emily Parker from Centralina Council of Governments (CCOG) began with an overview of the agenda, ground rules review and a summary of how the meeting would proceed. She noted that this budget session would build on the November 2019 Council budget sessions.

A review of key terms included:

- Priority Area – Thematic; sets budget foundation
- Investment Opportunities – Goals guiding budget development
- Budget Line Items – Specific budget requests

The session objectives are:

- Review financial information;
- Discuss new investment opportunity priorities coming from the November 2019 retreat; and
- Determine Council budget priorities for the FY2020-21 budget to give guidance to Staff to build the budget.

The vision for the session invoked the metaphor of flying a plane: Council's task was to fly the plane (investment opportunity prioritization) and the Staff's role is to land it (draft budget from Council prioritizations).

Financial Position Overview

Emily noted that Council had received the cash investment and current liabilities, property values, sales tax revenue analysis, and debt service schedule sheets in a packet emailed the prior week. This information corresponded to Tab 2 in the Council's budget binders.

Council reviewed the information and had the following questions, which Staff answered:

Q1: When does the City get the final tax property value number?

A1: We have to wait for the Stanly County numbers. However, the City uses the tax assessor figure to provide a buffer between the estimated and real amount budgeted.

Q2: When would the next county property tax revaluation impact the City's budget?

A2: The property tax revaluation funds would be available for the City's FY 2021-22 budget year.

Q3: What is the current "snapshot" of the electric fund balance?

A3: It is listed at the \$3.8-\$3.9 million range.

Q4: What is the definition of "reserve" from Staff's perspective?

A4: It is the amount that we (the City) anticipate paying for future projects.

Q5: What is the reserve in the City's electric fund?

A5: That reserve currently sits at \$3.8 million. Councilmember Bramlett requested that in the future this reserve amount be set as a line item.

General Fund and Capital Improvement Project Assessment

David Cheatwood from First Tryon presented two (2) scenarios of general fund/capital improvement projects to Council. This information was provided via email the week prior to allow Council to review the information before this session. In the two scenarios, some general fund items were either “turned on” (computed in the funding scenario) or “turned off” (not computed in the funding scenario) to give Council an idea of how big expenditure items might impact the City’s debt ratio, whether tax increases would have to be considered in order to maintain the general fund balance at 20%, and the impact on the unassigned fund balance.

In Scenario 1, First Tryon “turned on” or allocated two “big ticket” line items, namely replacing Ladder 11 truck and Fire Station 2. Graphs were presented to show that if Council approved this funding scenario for the next fiscal year, either the unassigned fund balance would decrease in order to pay the debt on these items, and a tax increase would be needed in order to service the debt and not draw down on the general fund nearer to the minimum 8% reserve that the State of North Carolina requires.

In Scenario 2, First Tryon substituted the ladder truck purchase with a purchase of an engine truck, as well as renovating Fire Station 2 instead of replacing it. With this scenario, no tax increase would need to be considered, and the unassigned fund balance could be used to pay down the debt on those two (2) items.

After this presentation, Council members were asked if they had any questions. The following questions/comments and corresponding answers were discussed:

Comment/Question: Since the Fall 2019 budget sessions a new Fire Department Chief has been hired, which could create a different perspective on “big ticket” expenditures Council would have to consider. How could this impact budget planning now?

A: Considering budget line items before issuing debt is wise, since once the debt is issued, the City is locked into the debt repayment schedule. Another way to look at this potential scenario is to plan for the expenditure to be allocated at a different time in the fiscal year, which would delay any debt repayment until later in the fiscal year.

Q: When can Council talk about the Pfeiffer Health Sciences Center development project and whether or not to allocate funds to supporting the project?

A: That will be covered in the investment opportunities and gap priority setting after break.

The session was adjourned for dinner break.

Investment Opportunities Assessment and Priority Area Setting

Emily from CCOG brought the group back into session with a summary of the next segment of the session. Council reviewed priority areas during the November 2019 budget sessions. From that work, eighteen (18) investment opportunities were identified to build the framework to assess budget priorities. For the investment opportunities there were four (4) feasibility areas by which each was assessed:

1. Is there a need for additional planning or scoping to define the specific projects or activities needed?
2. Could an investment opportunity be implemented using existing resources (staff)?
3. Is City funding needed to implement?
4. Is there an opportunity to partner with external parties to implement?

Based on this assessment, CCOG analyzed the investment opportunities and noted that there are seven (7) investment opportunities raised by Council in the fall 2019 sessions that require further discussion with Council about their feasibility. There are ten (10) investment opportunity areas which came out of the fall 2019 sessions which are clear and require Council's prioritization in this session. There was one (1) opportunity area which the City Manager will address as an operational issue.

The next exercise would have Council review these seven (7) new investment opportunities areas with input from the City Manager on current resources vested in each, as well as City staff ideas on how each investment opportunity could be addressed. For each new investment opportunity area, Council tonight would decide whether to place on the overall priority areas list or not for FY2020-21.

Investment Opportunity Area 1: Economic Development: Attracting Industry, Business Park

Per the materials provided by Staff, current City activities being implemented for this priority include examples such as: acquisition of business park land; completing design plans for infrastructure; and active participation in a variety of economic development associations; among others. Some examples of Staff-suggested opportunities include: partnership with/representation on the County's Economic Development Council (EDC); marketing/advertising; and funding among others.

Council was asked a few prompt questions by the facilitator, which elicited discussion as follows:

Q: Is Council satisfied with current City efforts in this area?

Council responses:

- If we want to do more in terms of marketing and advertising what the City has to offer to potential employers, there needs to be a cohesive idea on what the business park is.
- We need additional resources for business park development.
- We need more potential opportunities to put on the line.
- It is hard to market until something is built, for example, infrastructure.
- We could consider a possibly different use for the business park.
- We have three (3) parks to develop currently – why don't we work with the three (3) we have already acquired?

- What types of businesses or industries are we to bring or build?

Q: Does Council want to move this investment opportunity area onto the priority list, or keep it as it's being funded now?

A: Council agreed to move ***Economic Development: Attracting Industry, Business Park*** to the priority list.

Investment Opportunity Area 2: Economic Development: Downtown Focus

Current City activities being implemented for this priority include examples such as: the commercial maintenance code; infrastructure to enhance and support the Pfeiffer project (sidewalks, street trees, EDA grant for drainage improvements, parking enhancements, focus groups, CCOG proposal for residential development); Streetscape Implementation (Alleyway Project – Wayfinding Plan); and work with property owners on needs and plans for their properties; among others. Some examples of Staff-suggested opportunities include: business owner's association and coordination; funding for the commercial maintenance code and wayfinding/streetscaping; need for a signature event; and supporting existing businesses through revolving loans; among others.

Council was asked a few prompt questions by the facilitator, which elicited discussion as follows:

Q: Is Council satisfied with current City efforts in this area?

Council responses:

- We could buy property and resell it at fair market value. For example the City “swapped” parcels with Stanly County and offered that parcel to Pfeiffer to build the new Health and Sciences Building. If the City wanted to do this as a development strategy, then there would have to be an analysis of public benefit conducted on potential parcels.
- The City should consider developing 2nd floor apartments above businesses. City staff could facilitate making that happen if Council decided there was a need for it.
- What about small business start-up grants for entrepreneurs? An example of this kind of incentive program is in Hendersonville where they have \$15,000 grants for businesses to relocate to downtown.

Q: Does Council want to move this investment opportunity area onto the priority list, or keep it as it's being funded now?

A: Council agreed to move ***Economic Development: Downtown Focus*** to the priority list.

Investment Opportunity Area 3: Business Support and Start-Ups

Current City activities being implemented for this priority include examples such as: seek and coordinate state and local grants to assist with investment and job creation (i.e., Enforge and Quality Enclosures); respond to business inquiries and needs and provide assistance; develop co-working

space downtown; among others. Some examples of Staff-suggested opportunities include: revolving loan program for new businesses; partnerships with the County for small business development; and stronger Chamber of Commerce involvement.

Council was asked a few prompt questions by the facilitator, which elicited discussion as follows:

Q: Is Council satisfied with current City efforts in this area?

Council responses:

- Reinvest funds.
- Need specific departmental input from Staff in order to help Council make better decisions.

Staff responded as follows:

- Available properties are our biggest challenge right now, but the commercial maintenance code should help with this.

Q: Does Council want to move this investment opportunity area onto the priority list, or keep it as it's being funded now?

A: Council agreed to move ***Business Support and Start-Ups*** to the priority list.

Investment Opportunity Area 4: Digital and Tech (online and digital presence)

Current City activities being implemented for this priority include examples such as: social media messaging via Facebook, LinkedIn, Twitter and Instagram; and an interactive website with citizen engagement functionality. Some examples of Staff-suggested opportunities include dedicated staff to manage and promote the City's online and digital presence.

Council was asked a few prompt questions by the facilitator, which elicited discussion as follows:

Q: Is Council satisfied with current City efforts in this area?

Council responses:

- More City presence is needed at COA events (i.e., Motown revue).
- The City needs to show that it is aware of the critical issues in the community, as well as what is going on in the community.
- We need to work on fillable forms, as well as the capability to register for services and pay online. A Public Information Officer position could fulfill all of these needs.

Staff responded as follows:

- We have the basics re: digital and online presence. We also have interactivity with the Granicus municipal online system, but we could do better with a dedicated staff person.
- Granicus is available for a re-work and upgrade. Staff meetings with Granicus consultants has shown that the upgrade would provide more features such as what Council is seeking and would

cost around \$20,000. However there would be about a 10-month period needed to develop the new system and test it. The absolute earliest the City could have the newer version of Granicus would be April 2021 if Council agreed by the end of this fiscal year to fund the upgrade.

- Some of the gaps in providing more online and digital presence have occurred as staff has turned over. Information System staff is limited in time to provide ongoing training to new hires to operate Granicus and other system features.

Q: Does Council want to move this investment opportunity area onto the priority list, or keep it as it's being funded now?

A: Council agreed to move **Digital and Tech** to the priority list.

Investment Opportunity Area 5: Community Health and Opioids

Current City activities being implemented for this priority include examples such as: Staff attendance at Project Lazarus meetings (but plan to support promotion and awareness of recovery resources); the DARE program; Police Department visits to overdose patients to provide them with information on recovery programs; child safety seat inspections; athletic programming and other activities at Parks and Recreation; among others. Some examples of Staff-suggested opportunities include improved coordination and information sharing among agencies in Stanly County that work on opioid and other substance abuse disorders.

Council was asked a few prompt questions by the facilitator, which elicited discussion as follows:

Q: Is Council satisfied with current City efforts in this area?

Council responses:

- COA should support Stanly County and Monarch, which have significant resources and grants.
- We need communal awareness of the drug takeback program initiated by the Police Department.
- Should the City lobby to have a mental health or detox facility constructed in the County?
- We do need improved coordination with other agencies.

Q: Does Council want to move this investment opportunity area onto the priority list, or keep it as it's being funded now?

A: Council agreed to keep this investment opportunity area at its current funding levels.

Investment Opportunity Area 6: City Facilities: Parks, Culture/Arts, Amenities

Current City activities being implemented for this priority include examples such as: full-service Parks and Recreation programming; a large park system which houses features like walking trails, disc golf, passive recreation, a dog park, pools, tennis courts, etc.; Albemarle Neighborhood Theater; Carolina Treetop Adventure; among others. Some examples of Staff-suggested opportunities include:

more funding; more staffing; an active Arts Council; County funding for Parks and Recreation activities and programming; among others.

Council was asked a few prompt questions by the facilitator, which elicited discussion as follows:

Q: Is Council satisfied with current City efforts in this area?

Council responses:

- Give funds to cultural and other entities.
- Enhance our City parks such as City Lake Park with amenities like paddleboats and picnic shelters.
- Coordination with the County for marketing and advertising, such as the use of a county-wide events calendar.

Staff responded as follows:

- We do need more staffing for more coverage.
- We do need an active Arts Council, to which a Council member replied that there is an active arts council but it is nonprofit.

Q: Does Council want to move this investment opportunity area onto the priority list, or keep it as it's being funded now?

A: Council agreed to keep this investment opportunity area at its current funding levels.

Investment Opportunity Area 7: Citizen Engagement

Current City activities being implemented for this priority include examples such as: surveys (special events, electric system customer service); social media presence; Main Street Program committees; the Community Coordinator position in the Police Department; Employee Service Day; and the Nehemiah Project (City partnering with faith-based nonprofit to interact with at-risk youth); among others. Some examples of Staff-suggested opportunities include dedicated staff for marketing, promoting and sharing information about the City, and increasing citizen engagement.

Council was asked a few prompt questions by the facilitator, which elicited discussion as follows:

Q: Is Council satisfied with current City efforts in this area?

Council responses:

- Invite retired employees to the City Christmas event and City picnic.

Q: Does Council want to move this investment opportunity area onto the priority list, or keep it as it's being funded now?

A: Council agreed to keep this investment opportunity area at its current funding levels.

This concluded Council's prioritization of the seven (7) investment opportunity areas from the November 2019 session. Emily summarized that from this exercise, Council decided to add four (4) more priority areas to the ten (10) already-existing ones, bringing the new total of budget priority areas to fourteen (14).

The facilitators called a short break.

Review of Budget Priority Areas and Council Prioritization Exercise

Emily brought the group back into session by reviewing the priority areas list with Council. The priority areas combined from the November 2019 session and tonight's session are:

- **Priority Area 1: Enhance Talent & Compensation Management to Build & Retain a Diverse Workforce – Opportunity #3: Pay Study and Salary Adjustments:** This priority would fund a pay study and recommendations coming from that study. A Councilmember asked for clarification about the pay study – wasn't it done recently? Staff responded that the City's last pay study was conducted in 2014, which in today's job market is too dated. Pay studies should be completed every 2 years.
- **Priority Area 2: Build Organizational Capacity and Efficiency to Support Effective City Government – Opportunity #1: New Talent:** This priority would fund: a Public Information Officer; Code Enforcement Officer; Planning and Development intern; and fleet maintenance technician.
- **Priority Area 3: Advance Resources Designed to Protect our Residents & Safeguard the City – Opportunity #1: Life Safety:** This priority would fund a fire engine truck or ladder truck; Fire Department hydraulic tools and equipment; and Fire Department confined space rescue equipment.
- **Priority Area 3: Advance Resources Designed to Protect our Residents & Safeguard the City – Opportunity #2: Cyber security:** This priority would fund secure network access controls and on-premise data backup storage system.
- **Priority Area 4: Invest in Infrastructure to Ensure quality Service Delivery – Opportunity #1: Electric System Improvements:** This priority would fund: Increase 3-phase lines **reclosers** reclosures replacement project; increase pole inspection & replacement project; and increase tree trimming program.
- **Priority Area 4: Invest in Infrastructure to Ensure quality Service Delivery – Opportunity #2: Infrastructure & Road Improvements & Maintenance:** This priority would fund an increase in pavement maintenance and continued implementation of the Downtown Parking Plan.
- **Priority Area 5: Develop Community and City Assets to Grow the Economy and Improve Community Appearance - Opportunity #1: Community Beautification and Appearance:** This priority would fund continued implementation of the Commercial Maintenance Code and a Code Enforcement Officer.
- **Priority Area 5: Develop Community and City Assets to Grow the Economy and Improve Community Appearance - Opportunity #2: Commercial Code Enforcement:** This priority would fund a Code Enforcement Officer.

- **Priority Area 6: Enhance Community Amenities to Engage Multiple Generations - Opportunity #1: Park Facility & Grounds Improvements:** This priority would fund: the modernization of the weight room at the EE Waddell Community Center; repave the entrance and road in Chuck Morehead Park; modernize playground equipment; modernize Rock Creek Park dugout benches; and develop multipurpose fields at Chuck Morehead Park.
- Plus the other 4 from this session: **Investment Opportunity Area 1: Economic Development: Attracting Industry, Business Park; Investment Opportunity Area 2: Economic Development: Downtown Focus; Investment Opportunity Area 3: Economic Development: Business Support and Start-Ups; and Investment Opportunity Area 4: Digital and Tech (online and digital presence).**

Emily tasked Council with prioritizing the above mentioned investment opportunities using 4 levels: critical; high; medium; and low. She suggested the Council take into account the feasibility of the investment opportunities when making their choices.

From the prioritization exercise, the facilitators noted that the top 3 choices of Council were: **Investment Opportunity Area 1: Economic Development: Attracting Industry, Business Park; Investment Opportunity Area 2: Economic Development: Downtown Focus; Investment Opportunity Area 3: Economic Development: Business Support and Start-Ups.** The Mayor noted that these were all areas representing long-term projects which would take years to realize.

The facilitators suggested that if Council as a group wanted to take those three (3) items out of the selection group and prioritize the remaining investment opportunities to further advise City staff on Council budget priorities, then that could be accommodated. Council agreed to conduct a second prioritization exercise. The results were as follows (with facilitators tabulating the total of Councilmember choices from last round and this one):

- Code Enforcement (total 8 votes)
- Infrastructure and Road Improvements (total 7 votes)
- New administration staff positions (total 6 votes)
- Parks and Recreation Grounds Improvement (total 6 votes)
- Cyber security (total 5 votes)
- Pay study (total 4 votes)

The facilitators concluded the budget session by summarizing next steps. A final analysis report will be drafted and sent to the City Manager and preliminary budget requests will be placed in the system over the next few weeks.

The session ended and City department heads and the facilitators left the meeting.

ElectriCities Rate and Cost of Service Study Proposal

The City Manager asked if Council would remain, along with the Assistant City Manager, the City Attorney, the Clerk/Assistant to the City Manager, and Public Utilities Department Director to

discuss a proposed ElectriCities base rate increase. The rationale for the base rate increase is to provide more operational stability for the electric power system.

A handout consisting of proposed rate change summary documents for residential, commercial and high-usage customers was provided to the group. The City Manager explained that a facilities charge is being proposed, *however* the net effect on the average electric user over time would allow for a decrease in monthly usage rates, which would equate to a slight decrease in a user's monthly bill. For example, in the first sheet of the handout, an average residential user's rate structure was summarized. In this example a decrease of 3.9% per kilowatt hour for the average residential user would be realized.

The second sheet detailed the sample residential rate design. The third sheet showed a sample commercial rate design. Again, much like the average residential customer, although the average commercial customer would see a slight base rate increase, their overall monthly usage would show a decrease. A Councilmember asked about the proposed base rate increase for a "super user." Those customers also would see an overall usage rate decrease, and therefore would not see a difference in cost for their average monthly bill.

A Councilmember requested that Staff provide a sample rate design for a small general service user. The City Manager replied that this rate change will also reclassify residential and commercial user categories. As a result, some user categories will not exist once the rate change takes effect. This reclassification would bring equity to usage categories.

The City Manager concluded his update by noting that the implementation of any changes in the proposal would be a part of his FY 20/21 Budget proposal.

Closed Session

The Mayor requested that Council remain to discuss some economic development and real estate matters and asked Council to call for a motion to enter into closed session pursuant to N.C.G.S. 143-318.11(a)(4) – Economic Development and N.C.G.S. 143-318.11(a)(5) – Real Estate.

Upon a motion by Councilmember Hughes, seconded by Councilmember Lowder, unanimously carried, Council moved into closed session pursuant to N.C.G.S. 143-318.11(a)(4) – Economic Development and N.C.G.S. 143-318.11(a)(5) – Real Estate.

Return to Open Session

Upon a motion by Councilmember Hall, seconded by Councilmember Lowder, unanimously carried, Council returned to open session. Mayor Michael stated that a Closed Session was held pursuant to N.C.G.S. 143-318.11(a)(4) – Economic Development and N.C.G.S. 143-318.11(a)(5) Real Estate. No Council decisions or actions will be taken as a result of the closed session.

Upon a motion by Councilmember Hall, seconded by Councilmember Hughes, unanimously carried, the meeting was adjourned until Monday, February 17, 2020 at 7:00 p.m. in Council Chambers in City Hall.