

## SPECIAL MEETING CITY COUNCIL

November 15, 2022

The City Council of the City of Albemarle met in a special session focusing on strategic planning and budgeting on Tuesday, November 15<sup>th</sup>, 2022 at 4:00 p.m. in the EE Waddell Community Center, located at 621 Wall Street in Albemarle. Mayor Pro Tem Martha Sue Hall presided, and the following Councilmembers were present, to-wit: Martha E. Hughes, Dexter Townsend, Christopher Whitley, and Benton Dry. Absent: Mayor Ronnie Michael and Councilmembers Shirley D. Lowder and Bill Aldridge. Councilmembers-Elect present: Dr. Chris Bramlett.

Also present were the following City of Albemarle staff:

- Michael J. Ferris – City Manager
- Darren Rhodes – Assistant City Manager
- Britt A. Burch – City Attorney
- David Fath – Public Information Officer
- Chief T. Pierre Brewton – Fire Department
- Kimber Hurlocker – Assistant Finance Department Director
- 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 Jason Bollhorst – Police Department
- Jay Voyles – Public Utilities Department Director
- Ross Holshouser – Public Works Department Director
- Cindy Stone - Clerk/Assistant to the City Manager

Facilitators/speakers present:

- Geraldine Gardner – Centralina Regional Council (CRC)
- Emily Parker - Centralina Regional Council (CRC)
- David Cheatwood – First Tryon Financial Advisors
- Charles Habliston - First Tryon Financial Advisors

-----  
Mayor Pro Tem Hall called the meeting to order.  
-----

### **Introduction and Meeting Overview**

Mr. Ferris opened the session by welcoming everyone and briefly summarizing the intent of the meeting.

-----

## **Welcome and Strategic Planning Update and Review**

Ms. Parker greeted the group and went over the objectives for the evening, ground rules, and explanation of the discussion process to be used for tonight's session.

The CRC team presided over an appreciation icebreaker to prompt the group to think about what they appreciated about the strategic planning process and staff and Councilmembers engaged in framing and implementing the process this far.

Councilmember Hughes entered the meeting.

The group was asked to share their thoughts generated by this icebreaker and included the following comments:

- Related to staff: Cindy Stone and Britt Burch are the unsung heroes; David Fath is the "cleaner" of information and promoter for the City; Lisa Kiser keeps the Leadership Team of one accord; Dana Chaney should be recognized for her perseverance; Michael Ferris is the person holding it all down.
- Related to Council/staff partnership: Council and City staff make a great team; thankful for the citizens giving their confidence to Council to do its job.
- Related to staff and Council: Congratulations to Jay Voyles for his new position as Public Utilities Director and for managing and taking on emergent issues and a workload as a new director. Kudos to Council and staff regarding the strategic planning process and making thoughtful decisions for the present and future of Albemarle.
- Related to staff: Thanks to David Fath for telling the City's story; thanks for the training opportunities open to the Leadership Team and staff; thanks to Parks and Recreation staff for all they do; and hoping for a successful 2023 event season.
- Related to staff and Council: Thanks to all the City "boots on the ground" employees who aren't always seen but are doing good work. Thanks to Councils past, present, and future. Thanks for complete transparency.
- Related to staff: Is grateful to be in a workplace where one can ask questions and get guidance from colleagues. Also grateful for the Leadership Team who are juggling many things to keep the City operating. Appreciative of the strategic plan so the City has something to back into. Very appreciative of the Information Systems team remaining close and a tight knit group through the good and the bad.

Ms. Gardner summarized the accomplishments of the City as it developed and is now implementing a new, 3-year strategic plan. Then she refreshed the group on the plan framework, including the 5 goals: Organizational Capacity; Safety and Security; Infrastructure; Community and Economic Growth Opportunities; and Inclusive Community Engagement.

The CRC team requested that Council engage in an exercise for feedback related to the following strategic plan goals: Organizational Capacity; Safety and Security; and Infrastructure.

Comments included:

- Councilmember Townsend – In general there are a lot of things that are in the works for all goals, and citizens are able to view these things being implemented. As a result, there is more community feedback (good and bad). He hopes that the City will set a format for the strategic plan feedback and evaluation process.
- Mayor Pro Tem Hall – She is seeing results of implementation of the strategic plan in downtown Albemarle, and is noticing that more people are watching Council meetings live, with more people providing feedback after the meetings too (the community is stirring). She wanted to make a comment about another goal - Inclusive Community Engagement – the City is now giving the community reasons to get involved, and hopes that more in the community will get involved in the future.
- Councilmember Dry – In 2014 the City seemed stagnant but with the election of Mayor Michael, the Mayor began to do things and make Council more proactive. He gave the example of former Councilmember, now Councilmember-elect Bramlett spearheading efforts for the City/Pfeiffer partnership to bring the Health Sciences campus to Albemarle to stimulate economic growth downtown. Now with the development of the Albemarle Business Center, he can see further progress. There are a lot of folks bringing these goals/strategies to fruition, and he is proud of them.
- Councilmember Whitley – It is nice to see how activities tie back into the larger strategic plan.
- Councilmember Hughes – It's good to see resources available for businesses to reach out and partner with the City, as evidenced by the Albemarle Hotel project and the Old Police Headquarters development solicitation. The City can't do anything without staff, but they need the strategic plan to help them.

When opening the floor for staff comments, the most noted goal aiding City employees is implementation of Organizational Capacity tactics like compensation adjustments and the new performance evaluation system helping supervisors hire and retain employees. Another comment related to Organizational Capacity called out specifically the addition of the position of Risk and Safety Officer, who already in his short time here has been someone who is easy to talk to while keeping an eye on safety and security issues. A third comment related to Organizational Capacity called out Fire Chief Brewton's model of how City personnel can respond to crisis events which Police Chief Bollhorst has picked up and implemented in APD.

Ms. Gardner thanked the group for sharing then pivoted to a presentation on "Living the Plan" to help keep the strategic plan in the forefront and active, rather than forgotten and unused. She went over strategies such as: monitoring; internal and external communication; employee engagement; appreciation, awards and recognition; and budget alignment. She particularly discussed how communication loops related to engaging the community and telling the City's story are vital to keeping the strategic plan alive. Ms. Gardner relayed how "ambassador visioning" (e.g., finding ambassadors representing staff and Council to communicate) could help develop fluency across all levels of the City. She gave the group some ideas to think about related to getting the community engaged and how the

City would orient new staff and Council members to the plan. She reminded the attendees that it is the responsibility of all of them to share, publicize, and support the strategic plan.

The CRC Team then asked the group to engage in a written “Keys to Success” exercise which the team would collect and provide information on back to the City. This concluded the strategic planning portion of the meeting.

-----

### **City of Albemarle Financial Review**

Assistant Finance Director Kimber Hurlocker provided the group with the City’s financial status in order to give Council and the Leadership Team information on which to draw during the development of the Fiscal Year 2023-24 budget. The Finance Department prepared trend analysis of the City’s financial position between Fiscal Year 2017 and Fiscal Year 2022 for fund balances, while also providing 3-year review of the General Fund available fund balance and a quick review of property and sales tax trends.

First Ms. Hurlocker reviewed the overall breakdown of the cash status across all different funds ending the fiscal year as of June 30, 2022: General Fund (\$9.6 million), Water and Sewer Fund (\$5.42 million), Powell Bill Fund (\$429,000), Electric Fund (\$ 7.73 million), Landfill Fund (\$6.63 million), Public Housing Fund (\$995,000), Health Insurance Fund/Reserve (\$1.31 million), and the American Rescue Plan fund (\$2.59 million).

For the trend of cash available in the last year, Finance reported the following:

- For the General Fund, there has been a 4% increase over time due to an increase in taxes received;
- For the Water and Sewer Fund, there has been a recent dip in revenue, but that was expected and projected because reserves were used for development of the ABC which need to be replenished. Water revenues have been stronger than expected with more than \$1.7 million over estimates;
- For the Electric Fund, there has been a dip due to NC Power Agency reserves use, as well as different reporting requirements for that fund;
- For the Landfill Fund, there has been an increase of over \$1 million due to planned funding of savings in reserves, however FY 2022 will be the last year those savings will be realized.
- For Public Housing there really is no cash on hand since funds are drawn down or are restricted funds.

Ms. Hurlocker then reviewed the funds balances available for the General Fund over the last three fiscal years, noting that there has been a stabilizing trend as a result of a state statute regarding the non-spendable fund balance, as well as LGC’s change in the minimum threshold of fund balance required to be carried in the General Fund to 25% as a percentage of expenditures. The last year’s fund balance figure is an estimation since the audit is not complete yet. For the upcoming fiscal year there is a planned drop due to the use of reserves.

Next Ms. Hurlocker walked the group through the breakdown of General Fund revenues, with property tax revenue comprising 41%, all other revenue at 31%, and sales tax at 28%. She noted that the property tax revenue increased 9% for FY 2021-2022. There was a question asked about the estimated percentage of revenue collected by the County, which is thought to be 96%. Mr. Ferris added that collections on the motor vehicle tax have been increasing due to the relatively new tax and tag law, which has been translated to the uptick in revenues received.

Finally, she provided trends in property tax and sales tax revenue, highlighting a double digit increase in the sales tax revenue over the past fiscal year due to growth and development in the City, but cautioning that the increase may not be sustained in the current economy.

She took questions from Council. Will the City experience savings of \$220,000 in Fiscal Year 2022-23? Staff will check on this and report back to Council. The City Manager answered a question by providing an example of unrestricted and designated fund balance.

Mr. Ferris ended this portion of the agenda with some statements about Fiscal Year 2023-24 budget impacts. He thanked Ms. Hurlocker and Finance Director Jake Weavil for putting this presentation together. Retrospectively, there have been a number of projects undertaken in the recent past, including ABC development, purchase and retrofitting for the new Albemarle Police headquarters building, acquisition of the Pee Dee Avenue properties and new fire trucks among others, which has required funds to finance them. However, City revenue has remained stable. Everyone in the City should take credit for that.

Currently, there is a 31% minimum threshold in the General Fund reserves, which is something else of which to be proud. Looking ahead though, everyone in the group should know that the guiding principle for the budget still remains to be practical and realistic about City needs, with compensation (COLA, merit raises, and keeping salaries competitive), the state mandated state/municipal employees retirement contribution increase, and the radios purchase for safety personnel to be included in Fiscal Year 2023-24.

He shared with the group that elected officials have commented in the past regarding the potential need to increase revenues, and so he wanted to alert Council to this idea for them to notify him of their thoughts by the February work session so they can be included in future budget development process.

Overall, the City is in a good position budget wise with the application of budget management and sound budget philosophy to show year over year profits and extended budget growth.

Ms. Hurlocker noted that an example of sound budgeting philosophy is City employees approach to purchasing by trying to contain costs, which has been a whole organizational effort and something to appreciate.

-----

There was a short dinner break.

-----

### **First Tryon Presentation**

Mr. Cheatwood provided a presentation to the group related to financial modeling and forecasting. He began with discussing historical General Fund operating trends from FY 2017 – 2021, followed by financial model assumptions using top ranked City projects over the next 7 years, such as development of the Albemarle Business Center, heavy equipment across a few departments, and renovation of Fire Station 2. He then summarized model assumptions for revenues and expenditures in order to generate projections in the capital planning model. Finally, he went over peer comparisons to other similar municipalities' General Funds debt obligations and revenues to give the group a sense of where the City of Albemarle stood financially.

Mr. Cheatwood also went through a brief presentation of the Water and Sewer Fund, highlighting historical operating trends, model assumptions, proposed capital projects, projected impacts, and peer comparisons.

He took questions from Council.

Per a question asked about the model assumption growth in the Water and Sewer Fund, Mr. Cheatwood replied that his team assumed for customer growth based on the development the City has seen over the past few years, as well as rate growth.

Per the proposed capital projects selected to toggle on for next fiscal year, has a location study been done yet for the new Fire Station #4? The City Manager replied that a study has not yet been done.

Mayor Pro Tem Hall requested that First Tryon take a little time to plug in different capital projects and model assumptions for Council to see how things would change financially if different inputs were taken into account, so that Council would have some estimated comparison among projects with varying financial climates of how the City could move forward with next year's budget. Mr. Cheatwood spent the remaining time with Council working through a few different financial modeling scenarios.

-----

### **ARPA Tranche #2 Discussion**

Mr. Ferris began with an updated presentation of a revised proposed recommendation of projects to fund with tranche #2 based on recent Council discussions. Council then had a discussion about trying to include Alleyway Project funds into tranche #2. Council asked if there were any leftover funds from tranche #1. Mr. Ferris replied that \$150,000 is left over from tranche #1 designated for the Alleyway Project, and that half of the 1<sup>st</sup> tranche has been spent so far with the construction of the Albemarle Business Center. Other tranche #1 projects include: Wi-Fi at Public Housing, feasibility study for a new park, and the Alleyway Project. The Alleyway Project would require \$250,000 more to complete.

Are there any projects which are time sensitive? Mr. Ferris replied that City Hall safety/security improvements and purchase of radios for safety personnel would probably need to be done sooner rather than later.

Council had a discussion about using ARPA funds for routine budget items versus onetime capital projects. Ms. Gardner facilitated the discussion, reminding Council to be consistent in messaging and planning for ARPA funds. Councilmember Whitley opined that Council could do both in terms of investing in routine expenditures and onetime projects, as other municipalities have done around the state so far.

Councilmember Elect Bramlett asked if there was room for acquisition of property for future Pfeiffer downtown campus growth. Council and staff discussed pros and cons of this idea.

Councilmember Hughes asked Public Works Director Ross Holshouser if there was any new quote yet for the Alleyway Project. Mr. Holshouser replied not yet. Councilmember Hughes then requested if there was a quote provided by the time of the November 21<sup>st</sup> Council meeting that it should be added to the agenda for Council discussion.

Mayor Pro Tem Hall noted that since there were multiple members of Council absent, Council should hold off on any decisions about ARPA tranche #2 funding tonight.

Staff then weighed in on some of the Council ideas discussed about tranche #2 funding.

Mr. Holshouser announced that the City has been awarded \$250,000 from the Golden Leaf Foundation to partially fund a study of Little Long Creek. The total cost of the study would be \$675,000, and that the City would need to match funds. He asked Council if they were thinking about stormwater management in their consideration of ARPA funding.

Council and staff discussed the current status of the stormwater program and next steps for Council in order to move the program forward if they are in line with the consultant's reduced plan detailed in the July special Council meeting. Council decided to place discussion of the proposed reduced stormwater management plan and how to proceed on the November 21<sup>st</sup> agenda.

-----

The meeting was adjourned to Monday, November 21, 2022 at 6:30 pm in Council Chambers of City Hall.