MEMORANDUM

To: Mayor and Members of the City Council

From: Eddie Buffaloe, Interim City Manager

Date: November 20, 2020

Subj: Update – Internal Audit

BACKGROUND:

The City Council recently requested an internal audit be conducted in light of our difficult year with the ongoing pandemic, and in anticipation of the coming new management. Although the City does have an annual audit performed yearly, the Council requested a more up-to-the-minute glance into each department's current and proposed spending. Staff was directed to provide an update on their respective departments, particularly highlighting any shortages, overages or otherwise non-budgeted expenses.

ANALYSIS:

ADMINISTRATION:

- The Administration Department consists of the City Manager, Assistant City Manager, City Clerk, and Executive Admin. | Deputy City Clerk. All expenditures for this department are located in the General Fund Account 104200.

- This year, the City budgeted $578,205.00 for Salaries and Departmental Expenses, which included overtime for the Deputy Clerk and P/T wages for the NC Lead Fellow. As of September 30, 2020, Administration has expended 49% of the salary and overtime for the department.

- Travel and Education for City Administration has been cancelled due to COVID-19. However, some training continues to take place virtually and at a reduced fee; therefore, the expenses within the Travel & Education Department are nominal. To date, the total amount expended in this account is 3%.

- One item not listed in the current FY 2020-2021 Budget was the fee for Developmental Associates, the search committee for the City's new City Manager. A budget amendment was made to the Contracted Services

account 10.4100.4500 to reflect this expenditure, and approved during the November 9, 2020 City Council meeting.

- At this time, all accounts within the Administration fund are in line or below with what was budgeted for this fiscal year.

BUILDING MAINTENANCE DIVISION:

- General Fund Account 10-5000 – Funds two and one-half building maintenance and custodial workers who perform multiple janitorial and repair tasks, specifically to the City Hall, A. Parker Midgett, Hugh Cale Community Resource Center, Public Safety Administration Building, Police Substation, Customer Service satellite office, Elizabeth City Downtown, Inc., as well as the surrounding grounds and parking lot. They also facilitate building and systems maintenance at Knobbs Creek and the Senior Center.
- The division is funded through the General Fund with a 2020-2021 Budget of $611,711, including $144.036 for personnel services expenditures; 289,625 for operating expenditures; $15,000 for capital expenditures; and $163,110 for other expenditures.
- There are two instances where expenditures were appropriated to the wrong cost center for authorized purchases and in the correct amount, but charged incorrectly within the division. Both errors were identified by Accounting staff and corrected.
- Fund is on target with the fiscal year timeline, although additional funds have been spent due to the pandemic. There was an unplanned $2.00 per hour pay increase for Building Maintenance Supervisor during the second quarter.
- Two planned capital equipment purchases (HVAC unit #10 and #15) are completed and installed.
- Unexpected and repeated major plumbing line failures in Community Development to contend with.

COMMUNITY DEVELOPMENT DEPARTMENT:

- Community Development (CD) currently does not have any budget short falls and is operating within the approved budget. The three divisions of CD Department, Planning, Code Enforcement and Planning, overall are extremely busy with permitting, code enforcement and planning cases. Currently CD has two (2) Code Enforcement Officers, three (3) Building Inspectors, two (2) Planners and one (1) CD Administrative Assistant, all positions are fulltime. At its current level, the Department is fully staffed. The only future positon that may need to be added is another building inspector, if the department stays at its current level of work load.

- Two major purchases: The Code Enforcement truck was repainted at a cost of $1, 600. The paint had completely peeled and the clear

coat had also peeled off; and the department leased a new high capacity printer. The current printer is nine years old and is breaking down constantly and cannot keep up with the amount of copies required.

- Budget challenges include City properties that are acquired through tax sale, as we never know how many we will end up with. For example, 710 Jefferson Street has a tree that has fallen on the house the grass and weeds have not been maintained. City has a quote and will be having the property abated shortly, which may require a budget amendment.

FINANCE DEPARTMENT:

- The Administration and Accounting Division of the Finance Department includes the Finance Director, Assistant Finance Director, two accounting technicians, an administrative assistant, and Grants Management Specialist. The demands on the accounting staff at specific times in the fiscal year far exceed the ability to produce the information required to distribute to departments, management and the Council in the timeliness and accuracy that they deserve. A part-time position added to this service level to assist with the daily responsibilities of the division would allow staff better opportunity to dedicate their time to more specialized duties such as the annual budget document and the comprehensive annual financial report.

- Upon review of the annual budget that was approved June 22, 2020, it was discovered that various debt service payments for the 2020/2021 fiscal year were not included. On August 10, 2020, the City Council approved financing for vehicles, equipment, and improvements in the General Fund in the amount of $707,500. The vehicles included in financing were the purchase of five patrol vehicles, a truck for the Fire Department, a truck for the fleet maintenance division, a truck for the street division, an asphalt truck for the Powell Bill division, maintenance equipment for the Parks and Recreation Department, playground surface replacement at the River Road Complex, and a shade structure at Enfield Park. Debt payments for the patrol vehicles and the maintenance equipment for Parks and Recreation were budgeted in their respective line items; however, the payments for the remaining vehicles and improvements were not budgeted. The budget impact will be a total increase to include principal and interest payments in the amount of $52,237.61. A budget amendment for this issue will be presented for consideration during the November 23, 2020 City Council meeting.

FIRE DEPARTMENT:

- The Fire Department has several major needs that have not been budgeted, including a fire truck replacement ($825,000); fire station replacement ($5,000,000) and roof replacement of Station 1 ($125,000).

- Unexpected engine repairs to E-2 that totaled more than $14,000. Cracks were found in the suspension of E-2 and L-1 that are estimated to cost $10,000 to complete both repairs. Total repairs to these two trucks alone have totaled $43,000 this year so far.
- Most office supplies, equipment rentals, advertising amounts are nominal and expected to come in at budgeted amounts.
- Concern about uniforms for new personnel and rising costs of outfitting them. Firefighting gear has a 10-year life cycle, and the costs are rising drastically due to COVID-19.
- Currently, understaffed by two firefighters for suppression needs.

HUMAN RESOURCES DEPARTMENT:

- Human Resources is comprised of the HR Director, Senior Human Resources Analyst, Liability Coordinator/Safety Analyst, and a part-time Human Resources Assistant. The findings of the internal audit determined that additional staff is needed; one full-time Human Resources Generalist and another part-time employee.

- The Human Resources Department was budgeted for $353,834.00 for fiscal year FY20/21. Human Resources has used and encumbered 60% of the current budget. Through the Cares Act/Coronavirus Relief fund, Human Resources has encumbered funds for an Onboarding and Training module using the existing NeoGov software platform; sneeze guards for the (HR) front desk area, conference room table, Human Resources staff work spaces and Novatime Carepoint Moduel: Thermal Reading and Voice Activation time clocks.

PARKS AND RECREATION DEPARTMENT:

- Our current organizational structure consists of 18 ½ full-time staff members; 15 assigned to 6200 and 3 ½ assigned to 6300. The part-time workforce fluctuates between 15 to 30 part-time staff based on our seasonal needs that typically increase during the spring and summer.
- Account 6200 Parks and Recreation's operating budget is $2,334,654.00, as of September 2020, 30% of the budget has been used.
- Account 6300 Senior Center's operating budget is $612,252, with 24% spent as of date.
- Account 6400 Cemeteries budget is $50,000 which is set aside for maintenance and repair of eight city cemeteries.
- The Parks and Recreation budget should be able to sustain through the remainder of the current fiscal year with established funding. As we Approach the midpoint mark of the fiscal year Parks and Recreation has encountered a few budgeting constrains listed below.
- **16-6200-1510**- unexpected mold repairs at KCRC; estimated cost $35,000
- **10-6300-4500-** line item should have been $30,000 - set at $1,500.
- **10-6300-1510**- Maintenance & Repairs Buildings - $5,000, needed to be set around 35-40k Pending issues with electric, plumbing, and HVAC;

Crosswalk was not budgeted correctly, budgeted for $15,000 (were relying on grants. Grants were denied) cost is $109k (before change orders) (responsible for half)

- **10-6300-1101-** Postage is currently negative $57.45 due to mailing of COVID reopening announcements.
- **Communication** - Issued four additional smart phones to employees in August 2020 to meet communication needs.
- **10-6200-1100 –** Currently at 38%, increased phone distribution may cause a budget overage.

POLICE DEPARTMENT:

- ECPD made of three divisions: administration, field operations, and support services. The agency has a total of 66 full-time sworn law enforcement officers, 10 full-time civilian support staff members, and one part-time PAL coordinator. Additionally, there are also four seasonal part-time school crossing guards and one part-time PAL mentor position (funded through grant funding). At the current time, we have five openings for sworn police officers, which we hope to have filled by January 2021.
- Total budget of $7,573,954, which is broken down as $5,005,160 in personnel services expenditures, $1,664,314 in operating expenditures, $464,245 in capital expenditures, and $440,235 in other expenditures. Currently at 40% of total expenditures for the budgetary cycle.
- There were no budget inconsistencies found as related to the ECPD's budget.

And additionally, I thought to might be beneficial to update you all on where we stand with our current grants:

GRANTS:

Summary, Status of Major Grant Awards

Raw Water Transmission Main Replacement Project

This project consists of two Community Development Block Grant-Infrastructure awards covering Phases IIA and IIB of replacing almost 8,000 linear feet of the City's raw water transmission line, which is the only line that transports raw (untreated) water from the City's wells to its Water Treatment Plant. These grants total $1,070,436.55; the City has drawn down more than half this amount.

Current Status: Construction is substantially complete for both of these grants. The City anticipates moving to closeout in the coming months. Please also note that, as CDBG-funded work, this project carries numerous supporting requirements, including in labor standards and Fair Housing. The Grants Administrator has ensured full compliance with these standards, verified by multiple external technical monitorings of the project.

Providence Road (Oxford Heights) Bridge Replacement/Relocation Project

Through Hurricane Matthew-related disaster recovery funding, Golden LEAF in late 2018 awarded the City $250,000 to replace or relocate the two-lane bridge that provides the only entry and exit for the Oxford Heights neighborhood. (This does not consider a back gate used only for emergencies and not suitable for regular traffic.) The City had originally hoped to construct a new bridge in a better, less flood-prone location. Unfortunately, railroad companies would not grant a required crossing. The City is therefore planning to build a new bridge in roughly the same location as the current one. The City has also secured $1.14 million from the NC Department of Transportation to reduce the local share of funding. Total project costs are tentatively estimated at $1.425 million.

Current Status: This project has encountered delays due to the setback with the railroad crossing; NCDOT also has not approved moving up the construction window for this project, which officially is set for 2026. This is far beyond the project lifespan desired by Golden LEAF, which has already granted project extensions. City staff continue working with NCDOT to expedite this vital project; Golden LEAF would like to see meaningful progress in the coming months.

Raw Water Reservoir Rehabilitation Project

This project consists of a loan of $1,073,303 from the Drinking Water State Revolving Fund; approximately $805,000 of this amount is a "principal forgiveness" loan, which is functionally a grant. The total project cost is estimated at over $1.5 million. This project is necessary to respond to environmental notices against the City's water system several years ago; the project will pay to repair and cover the 3-million-gallon reservoir to prevent animal waste and other contaminants from entering pre-treated water. Please note these issues never compromised the safety of treated water.

Current Status: The primary Raw Water Reservoir remains out of service pending this work. The Public Utilities Department and the project engineering firm, AECOM, submitted design documents to the state several months ago. State approval was expected by Nov. 2, but approval is still pending and Public Utilities is following up on the delay. The project is supposed to be advertised for bids by March 1, 2021.

Sanitary Sewer Pump Station Replacement Project

Through disaster recovery funds, Golden LEAF has awarded the City $996,300 to make repairs and enhance the resiliency of nine sanitary sewer pump stations throughout the City. These pump stations are located in especially low-lying areas and the project includes numerous improvements that will allow them to withstand more flooding before being rendered inoperable. The project will reduce damage to the pump stations and surrounding infrastructure, as well as reduce sanitary sewer overflows.

Current status: The project engineering firm, JMT, is on schedule to complete design documents by January 1, 2021, meeting Golden LEAF's timeline. Bidding and procurement must be complete by June 1, 2021. Bids will include work beyond the scope of the Golden LEAF award, which did not cover all work Public Utilities found is needed for these stations. Some local funds may be included, but are not required, for the contract award. The City will determine the final, feasible project scope based on bids received.

Grant Application Summary, Calendar Year 2020

The grants administrator also works to help fulfill the City Council's formal Goals and Objectives, chiefly Goal 1 (Ensure Sound Fiscal Responsibility), Objective 1 (Write and submit a minimum of 20 grants each year). The grants administrator also works to track grant applications across all City departments. Below is a summary of grant applications submitted to date. As stated previously, the grants administrator is not directly involved in public safety-related grants.

For convenience, this summary is broken down by departments, with subtotals and a cumulative total at the end. For reference, this report is consistent with and builds on the second quarterly "Goals and Objectives" report submitted to the City Council in June 2020.

It is unfortunate but expected that multiple grants were denied. Grant dollars are extremely limited and competitive every year, but City staff remain diligent and persistent in seeking funding for the community's needs. Some major projects may take several grant cycles to win funding.

Public Utilities

Grant Purpose	Grantor	Status	Amount Requested	Amount Awarded
Sanitary Sewer Pump Stations	Golden LEAF	Awarded	$2,250,000	$996,300
Ray Street Water and Sewer Replacement Project (CDBG)	NCDEQ	Pending	$929,563.45	TBD
		Totals, Calendar Year	$3,179,563.45	$996,300
		Total Local Match	$436.55	$0
		Net External Funding	$3,179,126.90	$996,300

Public Safety (ECPD and ECFD)

Grant Title/Purpose	Grantor	Status	Amount Requested	Amount Awarded
Body-worn Cameras	Governor's Crime Commission	Pending	$24,500	TBD
In-car cameras	Governor's Highway Safety Program	Denied	$30,000	$0
Traffic Safety Materials	Watch For Me Program (NCDOT)	Awarded	$13,000	$13,000
Hire Police Officers	COPS Program (USDOJ)	Awarded	$187,500	$183,513
Cameras, Equipment, Training	Project Safe Neighborhoods	Pending	$126,406	TBD
Thermal Imaging Cameras	Firehouse Subs	Awarded	$21,630.41	$21,630.41
Firefighting Breathing Apparatus (ECFD)	Assistance for Firefighters (FEMA)	Denied	$117,325	$0
Law Enforcement Recruitment, Retention	Micro-Grant (USDOJ)	Denied	$10,000	$0
Popcorn Machine, Table (Support	Walmart	Pending (Note: Resubmission, prior apps	$5,000	TBD

Community Policing)		denied)		
Body-worn Cameras	Bureau of Justice Assistance (USDOJ)	Awarded	$14,500.50	$13,826.00
COVID-19 Supplies	BJA (USDOJ)	Awarded	$33,111.93	$33,148
COVID-19 Supplies (ECFD)	FEMA	Denied	$4,400	$0
Tech. for Investigations	BJA (USDOJ)	Awarded	$10,115	$10,134
Police drone donation	Skydio	Pending	$2,600	TBD
Grain Bin Rescue Equipment	NCDPS (Emergency Management)	Awarded	$34,856	$34,856
		Totals, Calendar Year	$634,944.84	$310,107.41
		Total Local Match	$116,707.80	$80,312.80
		Net External Funding	$518,237.04	$229,794.61

Parks and Recreation

Grant Purpose	Grantor	Status	Amount Requested	Amount Awarded
Senior Center Support/Equipment	Cannon Foundation	Awarded	$19,700	$19,700
Senior Center Door Controls	Homeserve Cares Foundation	Denied	$16,078	$0
Senior Center Support	Albemarle Community Trust	Denied (Program Priorities Changed)	$5,000	$0
Senior Center Support	State Farm Foundation	Awarded	$500	$500
Senior Center Crosswalk/Lights	AARP Community Challenge	Denied	$10,000	$0
Coast Guard Park Phase II	Division of Coastal Management	Denied	$226,800	$0
Youth "Pop-Up" PE Activities	Albemarle Community Trust	Awarded	$3,000	$3,000
Mobile Art Program	ALDI Smart	Denied	$4,000	$0

Supplies	Kids Program			
New Facilities for Enfield Park	Parks & Rec. Trust Fund	Denied	$147,525	$0
Senior "Pop-Up" Activities	Elizabeth City Foundation	Denied	$6,000	$0
Senior Walking Club	America Walks Community Change Program	Pending	$1,500	TBD
		Totals, Calendar Year	$440,103	$23,200
		Total Local Match	$172,725	$0
		Net External Funding	$267,378	$23,200

Various Depts.

Grant Purpose	Grantor	Status	Amount Requested	Amount Awarded
Dorian Recovery (Admin./Finance Depts.)	FEMA	Pending	$376,768	$289,373.82
Financial Wellness Grant (Human Resources)	Nat. Assoc. of State Treasurers	Awarded	$22,000	$22,000
Coronavirus Care Collaborative (Admin./Finance Departments)	NC Dept. of Commerce	Pending	$765,000	TBD
		Totals, Calendar Year	$1,163,768	$311,373.82
		Total Local Match	$0	$0
		Net External Funding	$1,163,768	$311,373.82

Grand Totals (All Depts.)

Total Net External Funding Requested: $5,128,509.94
Total Pending: $1,854,569.45
Total Awarded: $1,640,974
Total Local Match: $80,312.80
Total Net External Funding Awarded: $1,560,168.43

(**NOTES:** (1)"Amounts Requested" includes the amounts of actual outside funding sought, not total project budgets, which may include local matching dollars. (2) Grants that have yet to be awarded may have local match

commitments, which is why the "Total Local Match" is lower in the "Amount Awarded" column. (3) Local match numbers only count match requirement, not total local funding that may be necessary to complete a project.)

ADDITIONAL INFORMATION:

While this gives a brief snapshot of where our various departments currently sit with their finances and staffing, please remember that a monthly report is also available in the City Manager's office, which gives detail on all expenses, purchases, checks, etc. Any member of the Council may review this monthly report anytime during regular business hours if they wish. Additionally, I'd encourage review of our Comprehensive Annual Comprehensive Annual Financial Report (CAFR). The CAFR a set of U.S. government financial statements comprising the financial report of a state, municipal or other governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board (GASB). While the City must perform an annual audit, the City does not have to do the CAFR; however, in the interest of being transparent and holding ourselves to the highest possible standards, it has long been our practice to do so. Again, all of these documents are available for review in the City Manager's office.

STAFF RECOMMENDATION:

For information only.