

MINUTES



TOWN OF KURE BEACH TOWN COUNCIL

117 Settlers Lane ▪ Kure Beach, NC 28449

Mac Montgomery, Mayor
Jim Dugan, Mayor Pro Tem
Dean Lambeth, Commissioner
Barry Nelder, Commissioner
Jim Vatr, Commissioner
Michelle James, Town Administrator ▪ Kaysie Pralle, Town Clerk

SPECIAL MEETING
MAY 18, 2009 3:00 P.M.

COUNCIL MEMBERS PRESENT:

Mayor	Mac Montgomery
Mayor Pro Tem	Jim Dugan
Commissioner	Dean Lambeth
Commissioner	Barry Nelder
Commissioner	Jim Vatr

COUNCIL MEMBERS ABSENT:

None

STAFF PRESENT:

Town Administrator	Michelle James
Building Inspector	John Batson
Police Chief	Dennis Cooper
Public Works	Sonny Beeker
Jr. Finance Officer	Jennifer Watson
Town Clerk	Kaysie Pralle

Town Attorney A. A. Canoutas was in attendance. There was a quorum of the Town Council present.

PURPOSE

The purpose of the meeting is to have Council to review preliminary budget with input from Department Heads and Town Administrator.

CALL TO ORDER AND WELCOME

Mayor Montgomery called the meeting to order at 3:13 pm.

EXECUTIVE SESSION

ACTION - Commissioner Vatr MADE THE MOTION to go into Closed Session at 3:20 pm to discuss personnel issues. Mayor Pro Tem Dugan seconded the motion. THE VOTE OF APPROVAL WAS UNANIMOUS.

Council returned to open session at 3:45 pm.

Council discussed in Closed Session the authority of Department Heads under current policy to grant salary adjustments based on qualifications of individual. They also discussed the current policy discussing employees who have completed probation and employees who were hired at entry level and have moved beyond that point. The effect of having certain personnel designated as exempt vs. non exempt was also addressed. The

Town Administrator is to return to Council with recommendations from NC League of Municipalities. No personnel decisions were made in Closed Session.

Commissioner Vatrtr gave a quick overview of the budget. The total operating budget for the Town of Kure Beach is \$4, 485,053.40. Forty four percent of this budget supports employee's salary, benefits, & insurance. The other fifty six percent supports the operating services of the Town.

After much work, we are close to a balanced budget. There is a gap of \$26,583 in revenues vs. expenditures.

The Town could use the General Fund to close this gap. Our current reserve in the Reserve Fund exceeds \$1.6 million dollars.

The Town could cut Department Head budgets by \$25,000 to cover the gap. That is not a recommendation of the Finance Department.

The Town could increase taxes to cover the gap. That is not the recommendation of the Finance Department.

The Town could increase the cost of services or cut services to cover the gap. This is not the recommendation of the Finance Department.

Mayor Montgomery does not support any increase in millage rate and opposes taking money from reserve in order to balance the budget. He feels we should increase revenues or reduce expenditures. His preference is an Ad valorem tax increase. 14:00

Mayor Pro Tem Dugan stated we currently have a budget that is "no frills." We need to discuss raises at some point to see if there are any changes. This budget has no vehicle or large purchases. He questioned "What will happen next year when we have big items that need to be purchased?" This is a "bare bones budget."

Commissioner Vatrtr said the Town has a limited revenue source. Council agreed to an Economic Development Study to look at the Town's new revenue sources to reduce the Town's indebtedness. This budget does not include a merit increase or COLA increase for employees. We are looking to our employee's for this sacrifice this year, but certainly cannot expect this next year. This will be an added expense to next year's budget as well as expenses for the new Ocean Front Park.

Mayor Montgomery pointed out that Kure Beach is the only Town in New Hanover County that subsidizes trash pickup. The Town covers the Police and Fire Departments through the general fund. At some point we need to look at where the funds are coming from. If we don't want to raise taxes, we need to find a way to cover the services that the Town provides.

Commissioner Nelder stated doing parking meters as an option for revenue.

24:00 Administrator James stated "The budget is a work in progress." Every year the Town has been depleting the reserve fund to cover other expenses, such as the General Fund. In the years past we have been subsidizing water fund, general fund and storm water fund by using reserve funds. We have been cautioned by the Local Government Commission about subsidizing with our reserve funds. The hay day of user fees and impact fees is over.

Preliminary budget for the 2009-2010 FY is \$5,695,485.40. The General Fund is balanced using \$26,508.03 appropriated from the reserves. We get this number from taking \$22,100.00 from Beach Renourishment. This leaves a balance of \$10,900 in the line item for Beach Renourishment to cover the Turtle contract and beach fertilization. The total Operating Budget for General Fund and Water Fund combined is \$4,485,053.40. In order to arrive at this total, we backed out the funding from the American Recovery and Reinvestment Act (ARRA) and Clean Water Management Trust Fund (CWMTF) totaling \$1,210,432.00, which is the funding amount of the Sewer Rehab project.

The General Fund, Water Fund, Water/SERF, Powell Fund and Storm Water Fund are all balanced with the exception of the Stormwater Fund which is currently making money because we did raise the rates. The Powell Fund had a reduction is of 11% due to a rate change.

Administrator James went through the highlights of the General Fund.

- ⊗ Each employee's deductible will increase from \$300 to \$600.
- ⊗ The 5% increase figure in property and liability insurance comes from the League.
- ⊗ There was an increase in the Planning & Zoning budget to account for a pay increase for Aimee Zimmerman.
- ⊗ The recycling program rates for the Town are much lower than Carolina Beach and other surrounding Towns. The rate charged to residents equals the total expenses.
- ⊗ The investment proceeds and reserves has a balance of almost \$1.5 million, yielding approximately \$1,000.00 a month.
- ⊗ A total of

This handout is incorporated by reference and made a part of these minutes.

38:00 Commissioner Vatrtr pointed out that Department Heads have room to move up to \$10,000 from one line item to salaries to cover salary adjustments.

Mayor Pro Tem Dugan stated this is an "austere budget." We need to look at mandated items we have to pay, community items to pay, and then all other items. He wants everyone to know that between a combination of the Fire Department and the Public Works Department there was a decrease in insurance rates due to the Fire Rate evaluation. This is not the first budget cycle where the Police Department has foregone a new employee or vehicle.

Commissioner Vatrtr the Town had the ability to cover budgets in the past was through growth. He questions how the Town can improve revenue streams to cover employee benefits.

Mayor Montgomery referenced the prepayment of the Park loan payment. He feels we would be hiding a \$208,518 expense that will eventually come up. He disagrees paying the payment through the grant. He stated that Council agreed that 75% of Park would be covered by grants. 25% would be covered by the Town. He agrees with Commissioner Vatrtr that this is an austere budget. He agrees with raising recycling fees to cover expenses that it incurs. There are other areas that are not covering their expenses. Sanitation is one of them. He would like a personnel contingency that would give department directors the

ability to grant salary increases. If revenues are higher than normal, we can have the ability to increase salaries as needed.

Police Chief Cooper stated all promotions in the Police Department have come from a lump sum for merit. He planned to do two promotions and had excess money to do so. What he proposed today, is what he projects starting July 1 until June 30, 2010.

Mayor Montgomery proposed imposing a trash pickup fee for each household. He gave a figure of \$1.00 for each can.

Administrator James stated if this is the direction of Council to look for additional revenue, she will work with dept heads to look into this further.

Mayor Montgomery feels that residents would be willing to pay an extra dollar a month.

1:26 Commissioner Vatrtr would like the Council to direct the Town Administrator working with the Public Works Director to return to Council with a study outlining an equitable solution for increasing trash and/or recycling rates.

Commissioner Lambeth expressed this would also encourage residents to recycle.

Mayor Pro Tem Dugan mentioned eliminating Council salaries. Commissioners Lambeth and Nelder agree.

CONSENSUS - Town Administrator to get with Staff to explore possible revenue sources.

Town Administrator requested Council approve the preliminary budget with the following guidance: Fair and equitable rate increase for trash pickup, look for a contingency for salary adjustments, and eliminating Council's pay.

Commissioner Lambeth would like to see the bottom line cost for free trash pickup.

Commissioner Vatrtr feels that this is being abused by residents of the island. He also wants to specify that the contingency is for pay adjustments and not merit increases.

1:34 Commissioner Vatrtr would like Administrator James to return to Council with two options for paying the Ocean Front Park payment.

1. Using part of the grant to pay the loan.
2. Not using the grant, but return to the Council with a plan of how to pay the loan payment.

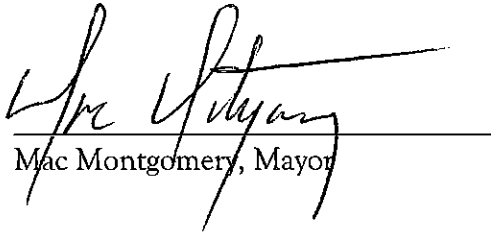
ACTION - Commissioner Nelder MADE THE MOTION to accept the preliminary budget draft budget with the items added by Council. Commissioner Vatrtr seconded the motion. THE VOTE OF APPROVAL WAS UNANIMOUS.

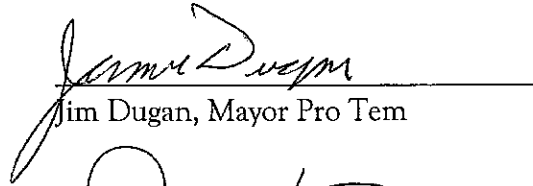
The budget will be on the website with the changes discussed today.

ADJOURNMENT


ADJOURNMENT

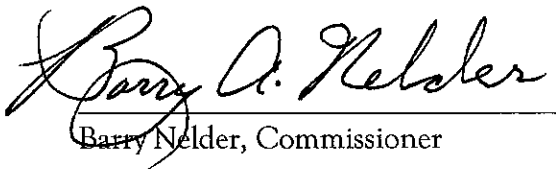
ACTION - Commissioner Nelder MADE THE MOTION to adjourn the meeting at 5:08 pm. Mayor Pro Tem Dugan seconded the motion. THE VOTE OF APPROVAL WAS UNANIMOUS.

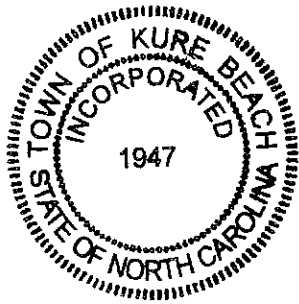

Mac Montgomery, Mayor


Jim Dugan, Mayor Pro Tem

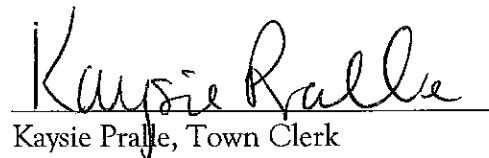
Dean Lambeth, Commissioner


Jim Varrt, Commissioner


Barry Nelder, Commissioner



ATTEST:


Kaysie Pralle, Town Clerk

NOTE: These are action minutes reflecting items considered and actions taken by Council. These minutes are not a transcript of the meeting. Persons wishing to hear the recording of this meeting may request to do so by contacting the Town Clerk.

ITEMS
INCORPORATED BY REFERENCE
AND MADE A PART OF THESE
MINUTES

OR

SIGNED AND SEALED
ORDINANCE
RESOLUTION
PROCLAMATION
CONTRACT

Preliminary FY 2009-10 Budget Highlights

Fund Totals

Management is pleased to present a preliminary balanced budget for FY 2009-10 of \$5,637,919.80. The General Fund is balanced using \$48,608.03 appropriated from reserves. A total of \$58,337.00 was appropriated to balance the budget last year.

The Total Operating Budget for General Fund and Water Fund combined is \$4,485,053.40. This total does not include grant/project funds. The Sewer Rehab Project is expected to be funded by the American Recovery and Reinvestment Act (ARRA) and the Clean Water Management Trust Fund (CWMTF). The amount budgeted for this grant-funded project is \$1,210,432.

Totals:	FY2009-10	FY2008-09
General Fund	\$2,870,910.67	\$2,801,211.00
Water Fund	\$2,482,199.04	\$1,649,317.00
Water/SERF	\$114,196.21	\$61,400.00
Powell Fund	\$55,800	\$75,653.00
Storm Water Fund	\$172,379.48	\$251,220.00

Highlights General Fund

Benefits and Salaries

- An 8.9 percent increase in the State Health Care Plan is included as a result in higher Town premium's passed on by the State. (This is a total of \$12,000 to the overall budget.)
- A 5 percent increase in property and liability insurance has been budgeted to cover any additional increases in the Town's insurance costs due to the possible insurance rate adjustment by the State.
- A 0 percent merit and a 0 percent cost of living (COLA) has been budgeted for all employees as directed by a consensus of Council.
- A small percent of active payroll (4.1%) has been budgeted for the State Health Care Plan to assume the Town's retirement liability as required by GASB accounting standards. This action decreases total liability to the Town and enrolls our retirees on the State Health Care Plan in perpetuity.
- There are several salaries in the finance and administration departments which are divided between Water/Sewer and the General Fund because staff work 30 percent or 50 percent of their time completing duties in General Fund and the Water Fund.
- The Town Clerk's salary is budgeted 100 percent in the General Fund.

- There are salary adjustments in each specific department for employees who are expected to gain additional duties or who are expected to be promoted within their respective department. An example is the Jr. Finance Officer. Based on a performance evaluation in June, this staff member will become eligible for the position, classification and salary proposed for the Finance Officer's position.
- Funding for a new K-9 Officer has been budgeted in the Police Department; however, there are no requests for adding any new employees in any other departments in the General Fund.
- A health fair, holiday luncheon, and the longevity program are included in the preliminary budget.

Debt Service

- The Ocean Front Park loan payment which is due in December, 2010 is proposed to be prepaid in June, 2009 using the grant proceeds from the Natural Heritage Trust Fund, CAMA, and the federal government. Total grant proceeds are expected in June at \$1,195,000. Prepaying this loan payment of \$208,518 reduces the overall debt service of the Town. The rest of the grant proceeds (\$986,482) can be used to pay down the principle of the Ocean Front Park loan.

Committees & External Contributions

- Committees are budgeted in one area of the budget, except for the Community Center which is budgeted as a separate department. A portion of the Parks & Recreation Budget is addressed in the contributions line item added to the Governing Body. Beach fertilization is budgeted in the Code Enforcement Officer's budget instead of the Beach Protection Committee's budget.
- There is a newly added contributions line item to the Governing Body budget. Parks and Recreation has been allocated \$500 for their Spring, Summer and Fall program expenses. It is budgeted here as a result of the last worker's compensation audit. The Town will need to contribute funding to Parks and Recreation unless there is a consensus to provide 1099's to all speakers and presenters who are involved in the programs. A luncheon or gift at \$15 per person has been budgeted for volunteers this year. It is also budgeted in this line item.

Planning and Zoning Commission

- Planning and Zoning/BOA has been budgeted in the Code Enforcement Officer's departmental budget now that his assistant is the secretary for BOA and P&Z.
- A decrease in legal fees for P&Z has been made as it may not be necessary for their attorney to attend all of their meetings.

Election Commission

- According to NHC, the Election expense for the Town's election is projected at \$8,520.00.

Lifeguard Program

- Lifeguards are again budgeted against the Tourism Development Authority (TDA) funds. The lifeguard budget is projected at \$169,386. TDA is projected at

over \$200,000. Therefore, contributions under the Governing Body line item can be funded by TDA this year as well as the Street Festival and other TDA eligible expenses associated with the Ocean Front Park. The Street Festival Budget will be determined on May 20. A projection has been made in this preliminary budget.

Recycling Program

- A recycling rate increase is recommended at \$4.52. The current rate is \$2.52. A 4.1 percent increase is expected in the CPI on July 1 which will be passed on to the Town by Waste Management. You will recall that the Town absorbed the last CPI increase last November. The Town's recycling rates are lower than other coastal communities. See enclosed chart.

Investment Proceeds/Reserves

- A reduction in investment proceeds has been budgeted given the market and current economy. The Town's reserves are earning interest with Capital Cash Management and with Bank of America. Total Reserves on Hand:

Beach Renourishment

- A total of \$33,000 has been budgeted for Beach Renourishment expenses. There are no revenues associated with these expenses.

Economic Development

- A total of \$20,000 has been budgeted for Economic Development to continue with plans associated with the Economic Development Committee and the NCSU School of Design.

Highlights Storm Water

- An increase of \$.12 is recommended to the storm water fees to both commercial and residential customers due to storm water expenses far exceeding revenues over the past years. Appropriations from the reserves have been taken in the past to balance and subsidize this fund. The Town's storm water fees are overall lower than other coastal communities. See Tax Spreadsheet.

Highlights Water/Sewer

- New revenue from Fort Fisher is projected at \$28,000. With User Fees to be projected at \$184,062.50 if Council agrees to charge them under the current ordinance. Only \$112,196.21 has been budgeted in Water/SERF Fund of the proposed \$184,062.50.
- A rate increase to commercial and residential users may be recommended. (Water & Sewer Rate Study to be completed by mid-May.) However, the preliminary budget does not include a rate increase.
- The Water Rehab Grant and Loan has been budgeted at \$1,210,432.00. Part of this grant, \$309,000, is an interest-free loan. Therefore, a \$15,000 payment to repay the loan over 20 years has been added to the Water Department's debt service.
- There are no additions to staff in the departmental budget.

- A reduction in investment proceeds has been budgeted given the market and current economy.
- A five percent increase has been budgeted for property and liability insurance.
- An 8.9 percent increase has been budgeted due to the mandatory increases with the State Health Care Plan.
- Equipment necessary to maintain this department at a very minimum has been budgeted to include a new service truck.
- There is no appropriation from reserves in this budget as directed by the LGC.



Highlights Powell Fund

- There is an 11 percent decrease in the Powell Fund as determined by the State.

MEMORANDUM

Date: May 15, 2009

To: Kure Beach Town Council

From: Michelle James, Town Administrator 
Jennifer Watson, Jr. Finance Officer 

Re: Budget Packet & Workshop on Monday, May 18 at 3:00 p.m.

The department directors, the Junior Finance Officer and I are pleased present the preliminary balanced FY2009-10 Budget to you. The department directors have proposed budget expenses at a basic minimum to operate the Town next year. The Jr. Finance Officer has worked diligently to verify actual salaries, debt service and investments to give you as accurate projected figures as possible.

Upon the direction of the finance commissioner, this preliminary budget is balanced using reserve funds. However, there are other ways to balance the budget including a ½ penny increase to property taxes.

I look forward to your overall guidance regarding the budget on Monday, May 18 at 3:00 p.m. Given your direction, I will work with staff to accomplish your agreed upon directives regarding the budget.

At the workshop, the first item of business will be to amend the agenda to discuss personnel items as associated with the budget. This closed session will take place approximately 30 minutes. As departmental liaisons, you will also be requested to briefly review the highlights of your specific department's budget in open session.

Over the weekend, do not hesitate to contact me if you have any questions about the preliminary budget. It is still a work in progress as you review the overall expenses, revenues, and contributions.