

MINUTES



FY12-13 BUDGET WORKSHOP

April 12, 2012 @ 10:00 am

The Kure Beach Town Council held a Budget Workshop for Fiscal Year (FY) 12-13 on Thursday, April 12, 2012, at 10:00 am for the purpose of reviewing initial departmental budgets, committee requests and funding requests from outside agencies. Town Attorney Canoutas was in attendance and there was a quorum of Council present.

COUNCIL MEMBERS PRESENT:

Mayor	Dean Lambeth
Mayor Pro Tem	Chuck Keener
Commissioner	Emilie Swearingen
Commissioner	Steve Pagley
Commissioner	David Heglar

STAFF PRESENT

Building Inspector -John Batson
Finance Officer – Arlen Copenhaver
Public Works Direction – Sonny Beeker
Police Chief – Dennis Cooper
Fire Chief – Harold Heglar
Ocean Rescue – Ed Kennedy
Town Clerk – Nancy Avery
Deputy Town Clerk – Nancy Hewitt

CALL TO ORDER

Mayor Dean Lambeth called the meeting to order at 10:00 am

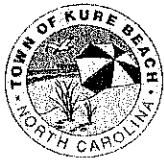
PRESENTATION OF FIRST DRAFT OF FY12-13 BUDGET

Finance Officer Copenhaver summarized the overall objectives of the meeting and reviewed the agenda. He said that the general assumptions were that the Town would continue to provide all current services, the Town would use the revenue neutral tax rate as a minimum, there is a 4.6% salary increase starting point which includes merit and COLA, and there are no changes to employee benefits. He included the pay and cell phone allowance for Council. Each department's budget would be reviewed except the employee salary portion which could wait until after all of the department budgets are reviewed.

BUDGET SUMMARY BY FUND

Finance Officer Copenhaver reviewed the FY13 Budget Summary by Fund spreadsheet he gave everyone. He stated that the Town is in good shape compared to where it was a year ago.

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BUDGET SUMMARY BY DEPARTMENT

Finance Officer Copenhaver handed out a FY13 General Fund Budget Summary by Department spreadsheet which compared the departments' amended 2012 budget to the requested FY13 budget. He handed out a graph that compared the percentage of total expenses by department for FY 08-11 and FY13. He also provided a FY13 Water/Sewer Fund budget summary by department; and a FY13 Storm Water Budget Summary by department.

BUDGET REVIEW BY DEPARTMENT

1. Public Works Department

Public Works Director Beeker went through each line item on his proposed budget noting that most of his requests for FY13 hadn't changed from the current year's budget.

The biggest differences under Water and Sewer Operations are:

- Auto supplies, gas, oil and tires increased due to higher gas prices.
- Maintenance of Systems increased due to an increase in the maintenance of lift stations.
- Contract services for testing increased because there are a lot of tests coming due.
- Insurance is being included in the Administration and Finance budget, so it was zeroed out of the Public Works budget.
- Miscellaneous Expense and Capital Outlay for Equipment was also zeroed out.
- Capital Outlay for Improvements was increased significantly as potential water/sewer infrastructure projects approach.
- We didn't budget for Depreciation Reserve because it's not a cash expense.
- No big projects will be done in FY13. However, some big expenses are probably coming up in the next 3 to 4 years.

The biggest differences under Streets & Sanitation are:

- Maintenance & Equipment will increase because Public Works has to pack and haul its organic waste now.
- Auto supplies, gas, oil and tires increased due to higher gas prices.
- Recycling is zeroed out because it is being handled under Administration as a direct contract with Waste Management.
- Minor Equipment expenditures are expected to decrease.
- Money was budgeted to pay for the labor of the Town's computer technician to fix and maintain the computers at Public Works.

Commissioner Swearingen asked if anything was budgeted for the Ocean Front Park.

Director Beeker said he hadn't budgeted for it.

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Finance Officer Copenhaver said it would need to be considered if the park is completed by November.

The biggest differences under Storm Water are:

- No Minor Equipment expenditures are anticipated.
- Capital Outlay for improvements was increased a little for Storm Water infrastructure projects.

Commissioner Swearingen wanted to know if there was anything being done about the Storm Water problems in the area of Trout Lane and Myrtle Avenue. She said that no one there knows what to do and they were thinking about hiring an engineer to direct them in how to fix their storm water problems.

Commissioner Heglar said there was also the same problem on F Avenue.

Director Beeker said he didn't know if he would suggest getting an engineer, but he had already told some of the residents who had emailed him about the problems to call him and he could suggest how to fix the problems. He recommended the commissioners have the residents contact him for his suggestions.

2. Police Department

Chief Cooper said there was no significant change to his proposed budget. He commented that the increase in Capital Outlay for Vehicles has increased significantly because his department needs to replace a vehicle this year. In the past, he has only had to budget the payment amount, but now the entire amount needs to be shown on the budget.

Finance Officer Copenhaver said the entire amount needs to be shown for accounting purposes for audits.

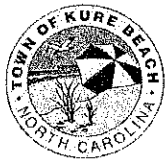
Commissioner Heglar said citizens looking at that line item would think the whole amount was being expended in the upcoming fiscal year. In real dollars, it's not that amount. He suggested the Town be ready to explain this to citizens who have questions.

3. Fire Department & Ocean Rescue

Chief Heglar said most of his budget stayed the same. The biggest differences are:

- Decrease in exams/vaccines for his volunteers because they are going to their doctors to get their own physicals. That saves the Town \$3,000.
- Equipment Rental increased because leases on tanks and oxygen bottles for the Fire Department and Ocean Rescue have gone up.

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- Computer support went up for the Town's computer technician to fix the Fire Department's computers.

Chief Heglar said that the Fire Department submitted a grant request which would cover the purchase of two air packs which cost about \$5,000 each. If we don't get the grant, we'll have to pay the \$10,000 out of the Town's budget. So far, he hasn't heard that the Town isn't getting the grant, so he's hopeful it will be awarded.

Regarding Ocean Rescue, Captain Ed Kennedy said not much has changed from last year except for an increase in the cost of gas for the 4-wheelers.

Mayor Pro Tem Keener noted that the budget for Ocean Rescue uniforms was more than the Fire Department's budget for uniforms.

Captain Kennedy said that all of the lifeguards get new, high quality bikinis and board shorts every year. They get a break on the price, but the uniforms still cost a lot. But, a high quality suit will last the entire season as opposed to cheaper uniforms.

4. Building Inspections/Code Enforcement

Inspector Batson said not much has changed in his budget except as follows:

- Increase in gas allowance due to higher gas prices.
- Beach nourishment increased by almost \$2,000 which includes turtle monitoring, the NCBIWA seminar, NC Water Resources Congress membership and other miscellaneous expenses.
- Departmental supplies and computers should be considered together. The software used for his department requires periodic maintenance.

Commissioner Swearingen asked Inspector Batson if he takes a laptop with him when he goes on calls. She also asked him how many fire inspections he had completed this year.

Inspector Batson said he has a laptop that he takes with him on calls. He said he didn't have a lot of fire inspections this year but some will be coming due soon. He estimated \$2,200 in revenue for the upcoming fiscal year for fire inspections. He said his revenues were over what they were the year before, as were building permits.

5. Administration & Finance

Town Clerk Avery explained that there was a 50/50 split between the General Fund and the Water/Sewer Fund expenses.

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The biggest differences under General Fund are:

- Retiring Medical includes all of the Town's retired employees. We're below what we budgeted for this current year.
- We have no idea what our unemployment charges will be since we sometimes get hit with things that are unexpected. We won't know until we get the bill.
- Phone increased a little bit because we're looking at getting Ipads for Council members to use for emails and agenda packets. This would go through Verizon like a cell phone. A lot of towns have been starting to use these for their Council members.
- The bigger portion of Postage was shifted to Water and Sewer for mailing utility bills. Newsletters are no longer being mailed every quarter.
- Travel increased for certification training for the Town Clerk and for human resource and payroll training. This includes transfer of CPA for the Finance Officer.
- Equipment Rental increased for copier lease, shredding services and postage meter rental.
- Advertising increased a little. All advertisements in the newspaper, including Police and Public Works are done through this budget, except for CAMA permit notices.
- Recycling used to be budgeted in Streets and Sanitation but it is now handled under this budget.
- We increased employee recognition to what it has been in past year. Last year it was decreased significantly which hardly left enough money to pay for an employee's meal.
- Capital outlay increased to purchase OCR software which will help us be able to search through PDF documents when we have records requests.
- Part of the increase in Computer Equipment Purchase and Training is the website redesign. All of the computers at Town Hall which were purchased in 2007 are breaking and need to be replaced. The expense also includes the cost to have our computer technician set them up.
- Town Clerk Avery explained that she also included a part-time person for Parks & Recreation. Once the intern that will be working for Parks & Recreation is gone, she doesn't want the duty to fall on someone at Town Hall. She suggested Council might want to hire the person seasonally.

Town Clerk Avery said the only change that was notable on the Water/Sewer Fund was the postage for the utility bills.

Commissioner Heglar asked about the cost of getting the Town online for utility billing and payments.

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Finance Officer Copenhaver said he and Town Clerk Avery have been researching online utility payments but it could be expensive for the Town. They may have found an alternative system that would only cost the town \$26 per month, but a lot of details still need to be worked out.

6. Governing Body

Finance Officer Copenhaver stated he put the Council's pay and cell phone allowances back in the FY12-13 budget. He also put all of the outside agency contribution requests in the budget and will leave it to Council whether or not to fund all of them.

Governmental & Volunteer Related Fund includes \$15,000 for the Carolina Beach inlet dredging. We were asked to hold onto the amount and not expend it for anything else. We could hold in this fund or put it in the contingency fund; it's up to Council.

Commissioner Heglar said he agreed with Commissioner Swearingen's summation at a past Council meeting that Kure Beach is paying a lot more, ratio-wise, for the inlet dredging compared to the other surrounding municipalities. He suggested that Jim Dugan, the Town's representative on Ports & Waterway, be made aware of this so he could be better prepared to represent the Town on the matter of the amount of funds Kure Beach was holding.

7. Emergency Management, Tax Collection & Legal

Finance Officer Copenhaver explained that these budgets generally stayed the same. We're not sure where we're going to end up with Professional Legal Services. We've budgeted \$37,000 for the Ocean Front Park. Town Attorney Canoutas said that should be enough. There is also money in that line item for the Board of Adjustment.

8. Kure Beach Community Center

Finance Officer Copenhaver said the committee didn't submit a budget to him. But, he knows they want to do some maintenance work on the center. There also might be expenses next year for the Spirit Award, if they have the banquet.

9. Kure Beach Parks & Recreation

- Instructor fees offset the expense for income. Anyone who uses the Kure Beach Community Center has to pay 10% back to the Town. Tennis is done differently; whatever comes in goes out. No 10% is paid to the Town from the tennis instructor.
- The Ocean Front Park received a grant from Progress Energy for \$10,000 to be used for educational programs at the park.

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- The Street Festival spends more than it brings in, especially in regards to employee time from Public Works, the Fire and Police Departments and Administration.

10. Committees

Finance Officer Copenhaver said that all he did was put in the funding requests that the committees gave him, and it will be up to Council what they agree to fund.

- Shoreline Access and Parking requested \$5,000 for signage, parking bumpers and miscellaneous items, and \$5,000 for two ADA beach wheelchairs.
- Beach Protection asked for \$1,600 for brochures and sea oats.
- Beautification asked for \$3,400 for Dow Road and South Fort Fisher entrance signs.

Commissioner Swearingen asked about the process for reserving beach wheelchairs. The following information was provided:

- Wheelchairs are stored at the Fire Department.
- People find out about the wheelchairs via word of mouth and information from the Town's website.
- People reserving the wheelchairs must come by the Fire Department to sign them out.
- People generally keep them from 3-7 days while they're in town.
- The wheelchairs are usually transported to where they're needed by the Fire Department or Ocean Rescue.

11. Debt Service

Finance Officer Copenhaver said this was for loan payments on existing debt: the Ocean Front Park acquisition and development, the Town Hall expansion, three police vehicles and a garbage truck.

12. Contingency

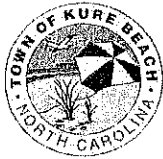
Finance Officer Copenhaver said \$75,000 is a good cushion to keep in the fund. Council can use this for unexpected expenditures. We can't make expenditures directly from this fund. There has to be a Council resolution to move funds from here to the general fund.

REVENUE

1. Property Taxes

Finance Office Copenhaver provided handouts that compared the tax base of FY12 to the FY13 New Hanover County estimates. He noted the large difference between the two. Real Estate dropped 33%, and the overall tax base is down a little less than 33%. He provided a handout, formatted by the Local Government Commission, showing how the

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Town calculates its Revenue Neutral Tax Rate. It shows the change in the Kure Beach tax base from the last revaluation. The Town's average growth is (negative) -.15%. The bottom line shows that the Town's tax rate, adjusted for the negative growth, needs to be .2415. He said that is the rate he used to do the revenue budget.

Finance Officer Copenhaver provided another handout titled Property Tax Rate Increase Scenarios. These are scenarios showing additional revenue generated by tax increases for FY12-13, starting at .1 cent and increasing by half-cent increments.

Finance Officer Copenhaver reviewed other handouts summarizing the differences in the proposed General Revenue Budget, the Water/Sewer Fund Revenue Budget and the Storm Water Fund Revenue Budget as of today's revenue versus the proposed FY13 revenue budget.

Finance Officer Copenhaver handed out a Revenue Worksheet Report that show the revenue from the current budget and what is projected for FY12-13. These are for the General Fund, the Powell Fund, the Water Fund, the W/Serf Expansion Reserve and the Storm Water Fund.

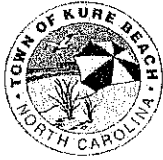
Under the Water Fund, the Ft. Fisher Sewer Treatment charges, in the past, were billed outside of the Town's accounting system. It was put on a separate bill that was manually typed up and sent out. We have changed the way we bill it now to run through our utility billing software. There was no need to keep it separate any longer. It is now combined with Water/Sewer.

Finance Officer Copenhaver suggested that one way to increase revenue is to increase the incremental water/sewer rates over 3,000 gallons. He said if Council raised it by 50%, it could generate an additional \$150,000 for Water/Sewer.

Commissioner Heglar gave a brief history of the rationale Council used to set up the water/sewer rates when the Town first began providing public water to its citizens. They decided to set up Kure Beach's water/sewer rates with a higher basic rate and a lower per-gallon rate. Their thought was that this would help full-time residents, but it has ended up being better for part-time residents and people who use the water for irrigation purposes.

Director Beeker said that subsidizing people who irrigate their lawns with public water was a bad idea to begin with. But, if Council tries to increase rates for the per-gallon usage, they are going to have a packed Council Chamber, filled with people complaining about the increase.

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Commissioner Swearingen said that the residents who would complain about the higher per-gallon rate might have to start conserving water if they want to save money.

Finance Officer Copenhaver said that the Town is currently just covering its operating expenses with the current rates now. He said it is something we need to look at changing; charging more for the per gallon rate so that we can build our reserves back up.

Director Beeker said it would also help save money if the Town would slow down on the Capital Projects it has been doing for the past 20 years. He credited previous Councils for saving the money for those projects.

Commissioner Heglar commented that the Town is in a lot better shape than other towns because of the Capital Projects, but he agreed with Director Beeker about slowing down.

Finance Officer Copenhaver handed out spreadsheets with a Fee Schedule Analysis from FY07-12 to demonstrate how the fees have changed over the last five years.

Finance Officer Copenhaver asked Council what they want to happen between today and the next budget meeting to be held in two weeks. He asked them to let him know what needs to be adjusted, moved or added. He reminded everyone that discussion on salary increases was passed over and needs to be discussed at the next meeting.

Commissioner Heglar asked where the 4.6% salary increase request came from.

Finance Officer Copenhaver said that Social Security had a 3.6% cost of living adjustment. He also talked to Department Heads who said that an important component of salary increases is merit to reward good employees.

Commissioner Heglar said that today's meeting gave everyone a baseline, but Council needs to have a strategy session during the next budget planning meeting. He said there are big costs and we need to discuss how to handle them, including Beach Renourishment.

Finance Officer Copenhaver reminded Council that, at their January retreat, Beach Renourishment and the purchase of a new fire truck were two Council goals.

Commissioner Heglar suggested that everyone let the finance officer know what big issues they see coming in the next five years. The Ocean Front Park operating expense also needs to be figured out. He asked to see what New Hanover County (NHC) is doing by sticking to their revenue neutral tax, to look at what Kure Beach citizen paid NHC,

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and then to look at what they pay to Kure Beach. He would like to see Kure Beach get the benefit of the tax revaluation.

Mayor Lambeth asked how much would need to be added to the tax rate to balance the budget.

Finance Officer Copenhaver said about 1 cent would be needed.

Commissioner Heglar said that if the County goes revenue neutral and Kure Beach goes revenue neutral, there will be a savings on the County's side. Then, Kure Beach will go back to what it traditionally was; about 1/3 of the tax bill instead of 1/4. When Kure Beach property values went up and NHC revaluated in 2007, it significantly shifted the percentage that went to the County versus Kure Beach. Now, he expects it will move a little back the other way.

Finance Officer Copenhaver said if Council looks at the Town's fee schedule, there aren't a lot of fees that can be increased.

Commissioner Heglar said that Council should discuss what isn't in the budget at the next budget planning session.

Finance Officer Copenhaver said he would add the things that are missing from the budget and suggested there be a discussion on how Council wants to close the gap of expenses versus revenue at the next meeting.

Commissioner Swearingen asked the finance officer to give Council the updated information before the next meeting.

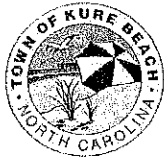
Finance Officer Copenhaver asked if they wanted him to factor in an additional \$60,000 for beach renourishment.

Commissioner Heglar said he wants to be shown what the finance officer thinks the total cost is and the cost per year. He said Council will have to decide with the information they're given.

Council agreed to move the meeting up to 7:00 am on Thursday, April 26. Council will let the Department Heads know if they need them at that time, otherwise they can come at 9:00 am to join the meeting.

Commissioner Swearingen asked if there was still information left over from last year's retreat on what the Five-year Plan was.

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Finance Officer Copenhaver said he updated it and will email everyone the Five-year Plan before the meeting.

Chief Cooper reminded Council that the Five-year Plan is a living thing that changes. He said that even in six month's time a lot can change, using the example of the Ocean Front Park delay.

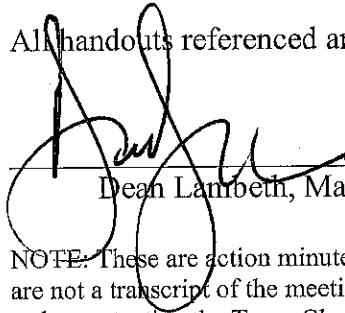
Commissioner Swearingen said that the main thing is that we know there are two more phases to go for Storm Water and we are looking at financing a new fire truck.

Town Clerk Avery said Council should look at the goals they set at their retreat. Council should ask if this budget is meeting their goals and, if not, how much they are willing to raise the tax rate.

ADJOURNMENT

After no further comments were made, the meeting adjourned at 12:13 pm.

All handouts referenced are herein incorporated as part of these minutes.



Dean Lambeth, Mayor





Nancy Hewitt, Deputy 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