



TOWN COUNCIL MINUTES

FY15-16 BUDGET WORK SESSION #2

April 21, 2015

The Kure Beach Town Council held a Budget Work Session on Thursday, April 21, 2015. The Town Attorney was present and there was a quorum of Council present.

COUNCIL MEMBERS PRESENT

Mayor Dean Lambeth
Commissioner Emilie Swearingen
Commissioner David Heglar
Commissioner Steve Pagley

COUNCIL MEMBERS ABSENT

Mayor Pro Tem (MPT) Craig Bloszinsky

STAFF PRESENT

Finance Officer (FO) – Arlen Copenhaver
Town Clerk – Nancy Avery
Building Inspector – John Batson
Police Chief – Dennis Cooper
Police Officer – Mike Bowden
Assistant Fire Chief – Ed Kennedy
Deputy Town Clerk – Nancy Hewitt

CALL TO ORDER AND WELCOME

Mayor Lambeth called the meeting to order at 8:05 a.m.

VOTE TO EXCUSE MPT BLOSZINSKY FROM THE MEETING

MOTION – Commissioner Heglar made the motion to excuse MPT Bloszinsky from the meeting.

SECOND – Commissioner Swearingen

VOTE – Unanimous

VOTE TO CANCEL MEETING SCHEDULED FOR APRIL 23, 2015

MOTION – Commissioner Heglar made the motion to cancel the budget work session scheduled for April 23, 2015.

SECOND – Commissioner Swearingen

VOTE – Unanimous

PRESENTATION

Jody Springer, Pleasure Island Sea Turtle Project representative for Kure Beach, said the organization has been receiving funding from Kure Beach since the late 1980's, and in 2003 they became a non-profit group. She said there are 200 volunteers who work under the organization from May through September and the organization patrols the entire Kure Beach strand in a rented beach vehicle. She said they also handle stranded turtles, hold and attend required meetings and conduct community outreach programs. She said that they try to teach people who live along the oceanfront about their lights, they've only



TOWN COUNCIL MINUTES

FY15-16 BUDGET WORK SESSION #2

April 21, 2015

obtained limited cooperation. She said they have their own informational brochures as well as those issued to them by the state. She said that they usually get calls from the public reporting turtle nests and strandings, with an occasional call from the police.

Commissioner Swearingen asked the Deputy Town Clerk to put the organization's information on the Town's website through the summer months.

Commissioner Pagley asked if the organization receives any funding from the state, to which Ms. Springer replied that they don't.

Ms. Springer reviewed their budget, explaining that they request \$900 per month from the Town for May through September. She said that insurance costs them \$1,350 per year; their biggest expenses being the beach vehicle rental, fuel, insurance to cover the vehicle and their volunteers and necessary supplies. She said that Carolina Beach pays them \$1,000 more than Kure Beach, but she didn't realize the Town was paying these funds out of their General Fund, thinking they came from the Beach Nourishment fund. She said it was her understanding that, in order to get nourishment funding, you had to have a turtle management program in place.

Commissioner Swearingen said that the Town has to be able to monitor the turtles but isn't required to pay for it. She said several beaches have monitoring done by all volunteers at no cost. She added that the Sea Turtle Project has the highest funding request amount compared to the other non-profit groups the Town supports.

Discussion ensued between Ms. Springer and Commissioner Swearingen about a contact in Hatteras who may be able to hook her organization up with an educational program that could make them eligible to apply for and receive grant funding.

PRESENTATION OF REVISED DRAFT OF FY15-16 BUDGET

FO Copenhaver reviewed revisions made to the draft budget, based on Council's input given during Budget Work Session #1.

GENERAL FUND

The Finance Officer presented Council with four scenarios for revising the proposed budget, and showed Council the adjusted budget numbers.

Scenario #1 – Keep the operating expenses flat, but include all of the Capital Outlay that was proposed for the new budget.

FO Copenhaver said he had to keep some 2016 increases that were unavoidable like the new Finance employee, money for local elections this year and debt service for new



TOWN COUNCIL MINUTES

FY15-16 BUDGET WORK SESSION #2

April 21, 2015

loans. He said that the Contingency and Transfer funds were adjusted to balance the numbers. He said he's not even sure if this scenario is doable, but he tried to accommodate the Mayor's request.

Commissioner Heglar asked the Mayor why he asked for this to be done to the proposed budget, to which the Mayor replied it was to try and save money and that he wanted the Department Heads to try and decrease their budgets to avoid a five percent growth in the budget next year.

Commissioner Heglar said that, if Council is going to do something like this, then the service level provided to residents will have to change. He asked the Mayor if he really expected the budget to be able to remain flat, to which the Mayor replied he didn't.

Scenario #2 – Reduce the proposed FY15-16 operating expenses for each department by five percent across the board, but include all of the Capital Outlay that was proposed for the new budget.

FO Copenhaver showed Council what the budget would look like with this scenario.

Commissioner Pagley said that Travel and Training should be cut from the Governing Body budget altogether, and Council members should pay for any travel and training they want to attend, themselves.

Scenario #3 – Take out half the Salary Study adjustment in all departments, reduce Outside Agency Funding Requests to the current year's level, reduce the Committee Budget to the current year's level, bring Administration and the Community Center maintenance to the current year level and remove the Space Study.

Scenario #4 – The Finance Officer said he added this scenario to show Council another option. He said his version is more selective in who gets a Salary Study adjustment, which reduced the amount in certain departments. He said that all Department Heads, except Public Works Director Beeker, weighed in on what they would recommend for their employees. He said that, because of this, he left all of the recommended salary adjustments in for Public Works. He said that no Department Heads were included in the adjustment numbers because Council should decide those. He said he put the leftover money in the Contingency, and whatever Council decides on for the Department Head adjustments will come out of that. He added that he removed the \$15,000 proposal for a volleyball court from Capital Outlay at the request of the Parks and Recreation Advisory Board.



TOWN COUNCIL MINUTES

FY15-16 BUDGET WORK SESSION #2

April 21, 2015

Discussion ensued about the Salary Study adjustments with the Town Clerk stating the maximum increase from the Salary Study for the Department Heads is \$30,182, to which the Finance Officer added that it would be about another 20 percent for benefits and taxes.

Town Clerk Avery recommended that Council go into a Closed Session to discuss the Salary Study adjustments for Department Heads before the end of the work session.

Commissioner Swearingen said that the Finance Officer presented benchmarks to Council at their request, and she suggested that two Commissioners sit down with the Department Heads to see what they want to do regarding their employees' salaries, so as not to micromanage them.

FO Copenhaver said that all Departments Heads, except Director Beeker, have already given their input on salaries for their employees.

Commissioner Heglar said that Director Beeker has said he doesn't have a problem with retaining employees, and he had over 200 applicants for his latest job posting which shows that he doesn't have a recruiting problem at the current salary. He said he still wants Director Beeker to "weigh in" on what he wants to do with his employees.

Town Clerk Avery asked Commissioner Heglar to discuss this with Director Beeker, to which he replied that he would take care of it. She reviewed the Salary Study Analysis that she gave to Council during their January retreat, and then reviewed recommendations to revise the study's salary adjustments, as follows:

1. Adjust ten employees' salaries in Paygrade 9 which are below benchmark
2. Adjust three of the six salaries in Paygrades 13, 14 and 19
3. Determine in closed session whether the four Department Head positions that are below benchmark should receive an adjustment
4. Adjust four of the seven salaries in Paygrades 10, 11, 12, 20 and 21

In summary, the Town Clerk said that \$42,195 is the total recommended salary adjustment amount, which doesn't include an increase in four Department Head positions that are below benchmark, doesn't include adjustments for Department Head positions below benchmark and doesn't include taxes and benefits. She said this approach corrects the inequities that exist in salaries within paygrades. To minimize the impact to the proposed budget more, she recommended Council consider making adjustments effective mid-fiscal year, in January 2016, which reduces the impact to \$21,247.50. She said making a straight 50 percent reduction in adjustments only reduces the impact to the budget but doesn't correct inequities in salaries, which means that the salaries below benchmark will continue to remain below benchmark.



TOWN COUNCIL MINUTES

FY15-16 BUDGET WORK SESSION #2

April 21, 2015

FO Copenhaver asked for a consensus from Council on what direction they want to take with the proposed budget.

The Mayor replied he wanted to remove painting the Community Center and Town Hall, at which point he was told those had already been removed. The Mayor recommended giving salary adjustments to six specific employees, one Department Head and five baseline employees. He said that he chose only those employees because of what Council has asked them to do and what Council promised them in the past.

Commissioner Swearingen said Council is still concerned that the proposed Senate Bill S369 will be approved, and they may not know if it will pass until late fall. She suggested delaying their decision about the salary adjustments and the Space Study until January 2016, and to put the money in Contingency until Council knows the outcome of the bill. She said she has no concerns about the proposed budget on the non-salary side.

FO Copenhaver stated there may have been some confusion at the last budget work session about the \$30,000 Space Study. He said that it wasn't just for Town Hall but for the entire Town; all of the departments. He said that he has already removed that expense at Council's request during the last budget meeting.

Commissioner Pagley said he thinks the three employees in the original proposal who are one to five percent below benchmark will be okay once they receive the COLA and Merit increases, but the eighteen other employees that are six to twenty percent below benchmark should receive an adjustment. He said he has no concerns about the proposed budget on the non-salary side.

The Town Clerk read an email from MPT Bloszinsky where he stated that there are areas in the salaries that need adjustment and the grades are out of whack and need a reset. He stated that his personal focus for salary adjustments are for the leadership employees that the Town doesn't want to lose.

Commissioner Heglar said Council should approve the COLA and Merit increases, then Council should reset the salaries to protect the Town from losing valuable employees. He said he could support the revised salary adjustments, as recommended, but the Department Heads still need to be discussed in closed session. He said he has no concerns about the proposed budget on the non-salary side.

WATER/SEWER (W/S) FUND



TOWN COUNCIL MINUTES

FY15-16 BUDGET WORK SESSION #2

April 21, 2015

FO Copenhaver reviewed how the same four scenarios listed for the General Fund would affect the proposed budget for the W/S Fund. He said that the biggest change to the proposed W/S budget is his proposal to increase the monthly minimums rates by 25 percent. He said the budget was about \$200,000 to \$300,000 short due to a decline in W/S usage and higher sewer rates from Carolina Beach.

Commissioner Heglar said that the last time Council raised the W/S rates was for those who used over 3,000 gallons of water per month, which affected businesses and those with larger homes. He said raising overage rates gave people incentive to choose to either continue and pay the higher price or conserve water to avoid a higher utility bill. He said raising minimum rates would mostly affect people living on fixed incomes, putting a strain on them, and no one would have any choice but to have an increased utility bill. He recommended increasing the overage rate again and leaving the minimum rate as-is.

FO Copenhaver added that the minimum is usually also paid by people who don't live in Town and only visit their properties.

Town Clerk Avery said that there is not enough overage W/S usage to sustain the system and services.

Commissioner Pagley suggested dropping the monthly minimum gallon usage from 3,000 gallons per month to 2,500 gallons per month and increasing the overage rate by 25 percent.

FO Copenhaver said he'd have to get the information from the billing system to see what the gallon usage data shows and calculate if it would make enough of a difference to do that. He told Council that even the School of Government always shows Kure Beach's utility rates ranked as "affordable." He showed Council what a 10 percent and 20 percent increase in W/S rates would do for the budget, versus a 25 percent increase. He said he set some reserve money aside, so the Town would probably be good with a 15 percent increase in minimum W/S rates.

Further discussion ensued regarding dropping the minimum gallon usage with Council asking the Finance Officer to pull the numbers from the utility billing system to see if it would make a difference.

CONSENSUS – Council asked the Finance Officer to figure out what percentage of increase to overage rates would be needed to yield the same amount that his proposal to increase minimum rates would yield, assuming the Town goes to a 2,500 gallon usage minimum.



TOWN COUNCIL MINUTES

FY15-16 BUDGET WORK SESSION #2

April 21, 2015

The Finance Officer asked what to do if that didn't look good; would Council want him to look at what 15 percent increase to the minimum would do?

Commissioner Heglar replied that he thinks Council would support an increase to the rates proposed by the Finance Officer, but they want him to look at a different way of doing it first. He said if it doesn't look like it would work, Council will figure out the right percentage increase, based on the information.

STORM WATER FUND

The Finance Officer reviewed how the same four scenarios listed for the General Fund and W/S Fund would affect the proposed budget for the Storm Water Fund. He didn't recommend any changes to the storm water fees and added that he didn't put anything in the budget for the Sandman property because he hasn't gotten input from Commissioner Heglar about it.

Commissioner Heglar said he was going to add an item on tonight's Council agenda regarding a property in Beachwalk that has a storm water ditch that needs to be cleaned out, using Town equipment and manpower to do it.

Tom Moffitt from the Beachwalk HOA told Council about the two separate problems they have with the retention ponds and storm water: the usual problems and the special problems like the ditch on private property and the Sandman property issue.

Commissioner Heglar said that there is a storm water issue that isn't captured well enough to put in the budget process yet, but, once it's captured, he will present it to Council, at which time, Council may want to review the storm water fee if the NC League of Municipalities allows the Town to use the fees to fix the issues.

FO Copenhaver said that the storm water fee can be changed at any time of the year. He said that the Town's Storm Water Fund has been built up significantly in preparation for these types of projects. In the proposed budget, he recommended using \$275,000 of the Storm Water Fund balance (about 30 percent of the balance) for the Kure Beach Village Phase IIA project and financing the rest. He suggested that Council may want to think about not using the entire \$275,000 for that project if there are other things the money is needed for. He said there is flexibility there.

Commissioner Heglar said that, if Council is comfortable with the Storm Water Fund budget, we should leave it as-is and we may come back in about three months with how we want to proceed with the Sandman property issue.



TOWN COUNCIL MINUTES

FY15-16 BUDGET WORK SESSION #2

April 21, 2015

At this point, the Finance Officer said he received information on the W/S gallon usage from the Utilities Manager. He said that he will work on deciphering the information and calculate what would happen if Council reduces the minimum usage to 2,500 gallons. He said he'll get the numbers to Council for their consensus on what they want to do.

Commissioner Heglar asked the Finance Officer to email Council with his information, and they will give him feedback on how to modify the revenue so he can close the budget. He proceeded to summarize the items that Council still needs to deal with regarding the budget: W/S rates and Department Head/employee salary adjustments.

Finance Officer Copenhaver showed Council the remaining, smaller funds within the budget and received no instructions or comments to revise them.

MOTION – Commissioner Heglar made the motion at 10:16 a.m. to take a ten minute break and then enter into closed session for the purpose of discussing personnel, per G.S. 143-318.11(a)(6).

SECOND – Commissioner Swearingen

VOTE – Unanimous

MOTION – Commissioner Heglar made the motion at 11:15 a.m. to return to open session.

SECOND – Commissioner Swearingen

VOTE – Unanimous

Commissioner Heglar said that Council went into a closed session to discuss the impact of the Salary Study for Department Heads and employees in order to give guidance to the Finance Officer in completing the proposed budget for FY15-16, for assumptions. He gave the following guidance to the Finance Officer:

1. Employees who are below six percent of the benchmark will be included in the budget for address via the recommended Salary Study.
2. The impact will be no more than fifty percent of the recommendation from the Salary Study for the budget process.
3. The final numbers will be based on Department Head input and will not result in any more than fifty percent of the benchmark's recommendation for the employees below six percent of the benchmark, which Council understands impacts 18 employees of the Town.

Commissioner Heglar proceeded to say that Council directed the Personnel Officer to look at policy changes regarding other actions that will be addressed at the May Council meeting in a closed session.



TOWN COUNCIL MINUTES

FY15-16 BUDGET WORK SESSION #2

April 21, 2015

The Finance Officer said that all he needs from Council is their follow up on the information he will provide them regarding the W/S information.

Commissioner Heglar added that, as the Commission liaison for Public Works, he will meet with Director Beeker today to get his input on the Salary Study and forward the information to the Finance Officer.

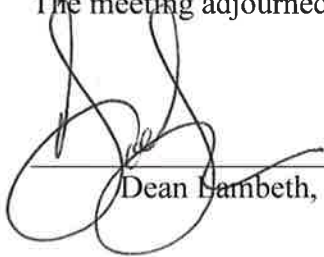
ADJOURNMENT

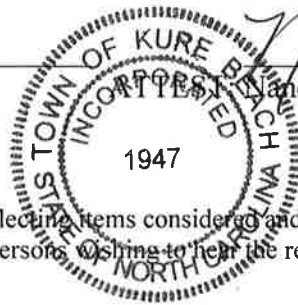
MOTION – Commissioner Heglar made the motion to adjourn.

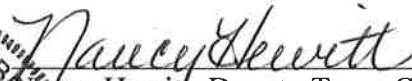
SECOND – Commissioner Swearingen

VOTE – Unanimous

The meeting adjourned at 11:17 a.m.


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.