



TOWN COUNCIL MINUTES

FY13-14 BUDGET WORK SESSION #1

APRIL 11, 2013

The Kure Beach Town Council held a Fiscal Year (FY) 13-14 Budget Work Session on Thursday, April 11, 2013 at 9:00 am. The Town Attorney was present and there was a quorum of Council present.

COUNCIL MEMBERS PRESENT

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

STAFF PRESENT

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

CALL TO ORDER AND WELCOME

Mayor Lambeth called the meeting to order at 9:00 am.

OVERVIEW

1. STATUS OF FY12-13 COUNCIL GOALS

Finance Officer Copenhaver reviewed the goals set by Council for FY12-13, including the budgetary status of each, as follows:

- Complete the Ocean Front Park: currently, the project's estimated cost is \$1,327,131 which is approximately \$3,800 under the approved budget. Approximately \$27,800 of General Fund revenue is required for project funding.
- Address various storm water issues throughout the Town: FY13 budget includes \$98,800 for storm water projects, and the 5-year Capital Plan includes projects totaling \$790,000.
- Strengthen the water and sewer fund reserves for replacement of water lines in the Town's historical district: the July 1, 2012 increase in water and sewer usage over 3,000 gallons/month will have an estimated revenue increase of \$240,000, and the 5-year Capital Plan includes water line replacement in FY16 estimated at \$750,000.
- Provide for financial stability, including funds for beach nourishment and replacement of a fire truck: compared to FY2011, the General Fund balance increased by



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\$376,455, the Unrestricted Governmental Funds balance increased by \$590,328 and the Unassigned Governmental Funds balance increased by \$441,852.

2. FY13-14 COUNCIL GOALS

Finance Officer Copenhaver reviewed the goals Council set for itself for FY13-14. He stated that he based the first cut of the draft budget on them.

3. BUDGET SUMMARY BY FUND

Finance Officer Copenhaver said that all the funds are balanced except the General Fund which is coming in short by \$18,141. He stated the General Fund included a contingency of \$167,000 and fund balance appropriations of \$80,000. He said that he included capital outlay of \$156,374 for potential water/sewer projects in the Water/Sewer Fund and included capital outlay of \$60,444 for potential storm water projects in the Storm Water Fund.

4. BUDGET SUMMARY BY DEPARTMENT

Finance Officer Copenhaver handed out a spreadsheet summarizing the budget by department which included information on the current budget, the Department Heads' requested budget for FY13-14, the amount of change compared to FY12-13, and reasons for any significant changes.

5. ASSUMPTIONS

Finance Officer Copenhaver said the general assumptions he made while working on the draft budget were linked to the new Council goals of continuing the level of current services and maintaining the tax rate at 26.15 cents per \$100 of value. He also included a merit increase pool of 5% with no change in current employee benefits, although he factored in a 12% increase for healthcare costs.

BUDGET REVIEW

1. PUBLIC WORKS DEPARTMENT

STREETS & SANITATION

Director Beeker said he took an employee out from under Streets and Sanitation and put him under Storm Water to open up more money in the General Fund.

Increased – telephone, materials and supplies, minor equipment purchases, capital outlay for improvements at \$300,000 for burying utility lines and removing the Dow Chemical intake.

Decreased – uniforms and beach access repairs/SLAP projects.



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Director Beeker said he left Contract Services for the Landfill the same because he's not sure what the County is going to do about the landfill.

Finance Officer Copenhagen said the \$300,000 for Capital Outlay for Improvements includes \$200,000 for underground utilities for which he said there's a loan program he accounted for on the revenue side, and \$100,000 for Dow Chemical intake removal for which the Town has a \$50,000 grant that expires April 2014, but the Town would have to come up with the other \$50,000.

Town Clerk Avery said she applied for a grant from NOAA for \$50,000 and should know by May or June if it will be awarded to the Town.

WATER/SEWER OPERATIONS

Increased – telephone, postage, minor equipment purchases, computer equipment and capital outlay for a new service truck.

Decreased – maintenance of building, equipment rental, auto supplies and safety program.

STORM WATER

Increased – supplies.

Decreased – telephone and rain barrel purchases.

Commissioner Swearingen said a representative from Soil & Water Conservation attended the Stormwater & Environmental Committee meeting and talked about grants for which the Town might qualify. The representative said she'd be happy to help the Town fill out the application since it doesn't have an engineer to do it.

Director Beeker said if they are willing to pay for any Town needs, it would help. He said Public Works could do the work if Soil & Water could buy the materials.

2. POLICE DEPARTMENT

Police Chief Cooper pointed out the following expenses he changed in the next FY budget.

Increased – contracts.

Decreased – cell phone use reimbursement, maintenance of equipment, auto supplies and minor equipment purchases.

He said that his department is going to have to come into compliance with the new Criminal Justice Information System (CJIS) rules so his department is talking with New



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Hanover County about hosting all of his department's DCI and CJIS products that run off of their laptops. He said, if that happens, it will cost the Town about \$5,600 for the first year, then half that each year afterwards.

Commissioner Heglar asked Finance Officer Copenhaver if he was taking the Federal Asset Forfeitures from the General Fund to which he responded that he plans to set up a whole separate fund by the end of the year.

3. FIRE DEPARTMENT & LIFEGUARDS

Chief Heglar said that he is asking Council to approve three additional full time firefighters for his department, increasing his budget to \$118,000. He said that they can't use volunteers to fill in paid positions any longer due to a NC State mandate and hiring three new employees would help the Town maintain its Fire Rating of five. He proceeded to point out the following expenses he changed in the next FY budget.

Increased – travel and training for the anticipated new employees and maintenance of the fire truck since he's not buying a new one.

Decreased – drill fees, utilities and maintenance of building.

Captain Ed Kennedy said that half of one of the requested full-time employees that the Fire Department wants is going into the Lifeguard budget. He said aside from adding holiday pay for lifeguards and budgeting travel and training expenses for five EMTs, there are no big changes.

Commissioner Pagley asked how many of the calls received by the Fire Department last year were taken after hours by nighttime volunteer staff.

Captain Kennedy said the majority of them were after hours, and Fire Chief Heglar said that 62% of the calls were in the middle of the night. He proceeded to say that the Fire Department's Sleepover Program has been staffed by volunteers but because of the NC State mandate, they can't be volunteers.

4. BUILDING INSPECTIONS/CODE ENFORCEMENT

Building Inspector Batson pointed out that his only increase from last year's budget was for beach renourishment and for homeowners recovery, which is a \$10 mandated fee he has to charge every new unit, \$9 of which goes to the state's Homeowners Recovery Fund.



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5. ADMINISTRATION & FINANCE (A&F) – GENERAL & WATER/SEWER
Town Clerk Avery said she is requesting an additional full time employee to meet Council's goal of successfully implementing the Ocean Front Park and Recreation Administration. She stated that the full-time position is in addition to the part-time Recreation Coordinator position; but, if Council doesn't approve the additional full-time employee, she still needs the two part-time employees.

She reminded Council that Administration and Finance is split 50/50 with the General Fund and the Water/Sewer Fund and proceeded to point out the following expenses she changed in the next FY budget.

A&F – General

Increased – unemployment charges were increased because of legislative changes requiring 1% of employee base salaries to be put into a reserve account, building maintenance, supplies, advertising, and recycling for the additional recycle carts at the public beach accesses and park.

Decreased – travel, boardwalk commemorative fish, minor equipment purchases, computer equipment/training and codification.

A&F – Water/Sewer

Increased – auditor fee increased because an OPEB actuarial analysis is required, unemployment charges, postage, building maintenance, supplies and advertising.

Decreased – travel, minor equipment purchases and codification.

6. GOVERNING BODY – General & Water/Sewer

Increased – telephone expense to purchase IPADS and pay for internet service for Council, travel & training, contributions for requests from Outside Agencies, and Governmental & Volunteer Relations to account for a volunteer appreciation dinner requested by Mayor Pro Tem Keener.

Commissioner Heglar asked why the Governmental & Volunteer Relations went from \$16,000 to \$3,000.

Finance Officer Copenhaver stated that \$15,000 in the current budget was the contribution laid aside for the Carolina Beach inlet dredging. He didn't put any funds in the draft budget for inlet dredging because he isn't sure if there will be a need for it.

Mayor Lambeth said he heard that Congressman McIntyre is coming through with some money to dredge the inlet, so the Town probably won't need it.



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Town Clerk Avery stated that the Water/Sewer Fund under Governing Body will increase for telephone and travel & training.

Finance Officer Copenhaver reviewed the Outside Agency Funding requests with Council and explained that the TDA reimburses the Town for the Christmas Show and the Pleasure Island Chamber's Concert Series that Kure Beach usually sponsors.

7. EMERGENCY MANAGEMENT & LEGAL – General & Water/Sewer

Town Clerk Avery said she increased Professional Legal Services under the General Fund for the Ocean Front Park litigation and increased the Attorney Retainer under the General and the Water/Sewer Fund.

Commissioner Swearingen stated that, before she started working with Planning & Zoning (P&Z), someone told them to cut down on their legal expenditures and not to use the attorney unless they needed him. The attorney forgot to come to a recent meeting with them to present information they had requested, so she wants to talk to Council about an alternative.

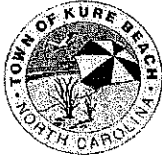
Mayor Lambeth said he remembered Council advising P&Z to cut down on having the attorney come to the meetings.

Town Clerk Avery said that it is her contention that P&Z should have legal advice, particularly when they are writing ordinances.

Town Attorney Canoutas explained to Council why he was requesting an increase in his fees. He said that, over the years, he has been at the disposal of the Town for whatever representation they needed. He said he has hasn't charged the Town for the last two years for the Ocean Front Park litigation because he knew it was going to be expensive and he didn't want to put an added burden on the Town. He said he is not demanding the increase but, rather, he is requesting the increase.

Commissioner Heglur proposed that Council talk further with the Town Attorney about his request in a Closed Session at the April Council meeting because he considers it a personnel matter.

CONSENSUS – Council consented to hold a Closed Session at the April Council meeting to discuss the Town Attorney's request as a personnel matter.



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8. PARKS & RECREATION

Town Clerk Avery stated that she increased the Ocean Front Park Programs to \$30,000; offsetting the expense with the \$10,000 donation from Progress Energy and \$20,000 from the Bluefish Fundraiser. She explained she also increased Parks & Recreation Supplies because their board wants to purchase athletic equipment to loan out to people using the Joe Eakes Park athletic facilities.

At this point, Commissioner Heglar announced that he had to leave the meeting in order to go to work, so Finance Officer Copenhaver stressed to him and the other Commissioners how important it was that they consider how much money they wanted to put aside for beach renourishment. He said there needs to be \$360,000 per year and he has already built \$167,000 into the Contingency Fund in the draft budget.

Commissioner Heglar said he and Carolina Beach (CB) Commissioner Steve Shuttleworth are going to get together and try to get the advertising portion of the TDA funds to be reallocated to beach renourishment, although he thinks Marketing and the hotel industry won't let the Town get all of it. He expects to know more about it at the May Council meeting.

Commissioner Swearingen said that at least one-third of the beach renourishment for which the Town is paying is not for renourishment in Kure Beach and she has difficulty thinking about increasing the tax rate to pay for renourishment in Carolina Beach.

Commissioner Heglar said that he could talk to the Corps of Engineers about it as well as to CB Commissioner Shuttleworth when they meet. He said the worst case is that the Town will have to come up with its share.

Finance Officer Copenhaver said that once funds are designated for beach renourishment, they are committed forever for that purpose.

Commissioner Heglar said that maybe Council couldn't take any money out of the fund to use for something else, but Council could stop putting money into the fund. Town Clerk Avery suggested giving the fund a broad designation such as "beach improvements" rather than "beach renourishment."

Commissioner Swearingen said maybe Council could increase the tax rate for beachfront properties, citing the example of Nags Head's special assessment of a 16-cent tax increase for beachfront properties.



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Before Commissioner Heglar left the meeting, Town Clerk Avery asked if Council wanted to meet at an earlier time for the next budget work session.

CONSENSUS – Council agreed to change the start time of its April 25th Budget Work Session from 9:00 am to 7:30 am.

Council recessed for a 10 minute break at 10:35 am.
Council resumed the meeting at 10:45 am.

9. COMMUNITY CENTER

Finance Officer Copenhaver said that there was an increase in Community Center building maintenance and minor equipment purchases, and a decrease in Community Center operations.

10. TAX COLLECTION

Finance Officer Copenhaver said it is coming down fairly significantly because New Hanover County will not be doing the vehicle tax collections any longer as it will be done through the DOT. Tax collection is also for property other than vehicles, like real estate. The rate is being lowered from 1.75% to .75%.

11. COMMITTEES

Finance Officer Copenhaver said he received budget requests from the Shoreline Access & Parking Committee and the Beach Protection Committee totaling \$14,550.

CONSENSUS – Council consented to cut the budget for Town Committees from the requested \$14,550 to \$7,500.

12. DEBT SERVICE

Finance Officer Copenhaver explained that it is required by state law to budget for Debt Service and the expenses are for loan payments for the Ocean Front Park acquisition and development, the Town Hall expansion, police vehicles and a garbage truck.

13. ELECTIONS

Finance Officer Copenhaver explained that New Hanover County requires their towns to budget for elections.

14. GENERAL FUND CONTINGENCY

Finance Officer Copenhaver reiterated that he factored in \$167,000 and, the way the budget is now, the contingency could go as high as \$188,000, which is about 5% of the



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budget expenses. After that, the Town would have to set up a separate fund to put money into.

Mayor Lambeth asked Police Chief Cooper if he knew if he would be getting any special money for the Police Department to which Chief Cooper responded he most likely would.

Finance Officer Copenhaver explained that the money that Mayor Lambeth was asking about is a restricted fund that the Town isn't allowed to use to supplement its budget.

Chief Cooper said that his department has been using that money to do a lot of good things for the community without impacting the Town's budget, and they have specific guidelines for its use.

Mayor Lambeth asked if the Police Chief plans on spending any of it for the Ocean Front Park to which Chief Cooper stated he plans to spend some of it on video surveillance for the park.

OUTSIDE AGENCY FUNDING REQUESTS

Town Clerk Avery recommended that Council approve funding for the Pleasure Island Chamber's Summer Concert Series at the Fort Fisher this year.

Commissioner Swearingen asked for more information on how the Island of Lights planned to use Town funds to which Finance Officer Copenhaver responded that they use it for the events they hold from after Thanksgiving to New Years Eve.

Director Beeker stated that Public Works definitely meets the \$900 in-kind request from Island of Lights, and a few years ago the Island of Lights donated the fish lights to the Town that are used on K Avenue during the holidays.

CONSENSUS – Council consented to approve \$2,000 for the Katie B. Hines Senior Center, \$1,000 for the Federal Point Historic Society, \$1,000 for the Federal Point Help Center and \$1,000 + \$900 in-kind support for the Island of Lights. Council consented to approve the Pleasure Island Chamber's Concert Series and the Kure Beach Christmas Show expenses which are reimbursed with TDA funds.

IPADS & INTERNET SERVICE FOR COUNCIL

Discussion ensued about whether or not to purchase IPADS for Council and reimburse them for internet service.



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CONSENSUS – Council agreed to remove the request to purchase IPADS for Council, and agreed to allow reimbursement for internet service if a Council member requests it.

TRAVEL AND TRAINING

Finance Officer Copenhaver explained that there wasn't enough budgeted in the current year for all the travel, so he had to do budget amendments to transfer funds to compensate. He warned Council to not cut the expense by too much, unless it planned on cutting down on attending meetings next year.

No action was taken about travel and training expenses.

EMPLOYEE MERIT INCREASE REQUEST OF 5%

Finance Officer Copenhaver said that, including benefits, the General fund would increase by \$64,000, Water & Sewer would increase by \$21,200 and Storm Water would increase by \$3,600 with a 5% merit increase.

Council discussed a 2% and 3% increase scenario as well as giving employees a bonus instead of a salary increase.

Points made by Department Heads were as follows: a percentage increase was a lot different for low income earners versus higher income earners; they would like to have a big enough percentage pool to draw from to give deserving employees a higher raise, but 2% can't be manipulated for that; and compared to other beach towns, Kure Beach employees are paid significantly lower.

Finance Officer Copenhaver reminded Council that bonuses were considered supplemental income which is assessed a 25% Federal income tax, not to mention the state tax.

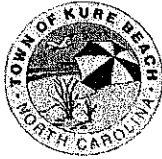
Commissioner Pagley said if the employees got a bonus, the Town would pay for the income tax so the employee would get the entire bonus.

No decision was made regarding the merit increase.

FIRE DEPARTMENT EMPLOYEE REQUEST

Discussion ensued about the three full-time employees requested by the Fire Department, which would bring the total staffing to six full-time employees.

Commissioner Swearingen asked how many full-time employees Carolina Beach had, to which she received a response that they had six: a fire chief, a lifeguard captain, and two



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shift leaders for each 12 hour shift; and they have a Fire Rating of three. She pointed out that Carolina Beach has about three times more permanent residents than Kure Beach.

Building Inspector Batson explained that Kure Beach is a small town that doesn't have a lot of job opportunities, so people who live in Kure Beach usually work out of town and can't be volunteers to run fire calls during the day. He said there are a lot of older people in Kure Beach who aren't willing to become volunteer firefighters.

CONSENSUS – Council agreed to table the decision on the additional full-time employees until the next budget work session at which time they want Fire Chief Heglar to be there to answer their questions.

REVENUE

1. PROPERTY TAXES

Finance Officer Copenhaver handed out a FY14 Budget Summary by Fund showing revenue and expenses. He reiterated that the budget has been balanced except for a shortage of \$18,141 in the General Fund.

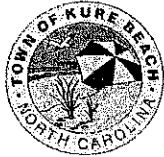
Finance Officer Copenhaver presented Council with information on Senate Bill 394, titled "Lower Tax Rates for a Stronger NC Economy." He said that Kure Beach might potentially lose out on \$190,000 in Excise Tax if the bill goes through. He said an increase in taxes for services is supposedly going to offset the loss, but he's not sure by what amount. He said, if the bill goes through, it's going to be a last minute thing that will definitely have an impact on the Town's budget.

Mayor Lambeth said he would ask John Elliott from Progress Energy to attend the April Council meeting and talk about the Excise Tax.

2. OTHER REVENUE

Finance Officer Copenhaver asked Council to come prepared to decide on the budget requests at the next budget work session in order to have a preliminary draft budget ready by the May Council meeting. He presented Council with information on Property Tax Rate increase scenarios. He said raising taxes by 2-1/2 cents would meet the Town's need for beach renourishment funds. He stated that underground utilities and the Dow Chemical intake removal present a scenario where, if the expense is decreased, the revenue will also be decreased. He stated that there is also a minimal amount of money budgeted for the Ocean Front Park maintenance.

Town Clerk Avery stated that Council needs to say whether they want \$360,000 built in for Beach Renourishment or if they want to leave it in the Contingency Fund.



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CONSENSUS – Council consented for Finance Officer Copenhaver to revise the draft budget increasing the \$167,000 in the Contingency Fund to \$225,000 for beach renourishment for further discussion at the next budget work session.

RECYCLING FEES

Discussion ensued about the increased recycling costs for 26 public recycle carts at the beach and park and whether or not to pass along an increase in the Recycling Fee to homeowners.

CONSENSUS – Council agreed to leave the Recycling Fee as-is.

OCEAN FRONT PARK

Discussion ensued about the responsibility for cleaning the restrooms at the Ocean Front Park; whether to have Public Works do it or someone else.

Commissioner Swearingen stated that she heard that the Mayor told a local church they could use the park's pavilion at no charge for the Easter Sunrise Service.

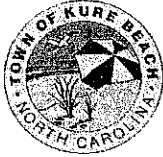
Town Clerk Avery stated that she has instructed the Recreation Coordinators to only charge what Council has approved in the Fee Schedule, which means non-profit groups have to pay for use of the pavilion.

Building Inspector Batson said that the person who did the landscaping for the park has also stated he would maintain the landscaping at a cost of about \$4,000-\$5,000 for the upcoming year.

Public Works Director Beeker stated Public Works would only need to spend about 20 minutes per week to do the same thing.

The Town Clerk stated that someone has requested to use the Ocean Front Park to have an open air market on Tuesday mornings from 8am-1pm during the summer months. She said she consulted the Police Chief and the Town Attorney and was told that the Town would have to sponsor it as a Town event in order not to violate its "no peddling" ordinance. She stated the Town would probably net about \$4,000 in revenue for the whole summer.

CONSENSUS – Council consented to let an open-air market conduct business in the Ocean Front Park on Tuesdays from 8am – 1pm for one month, as a trial, before deciding on further use of the park.



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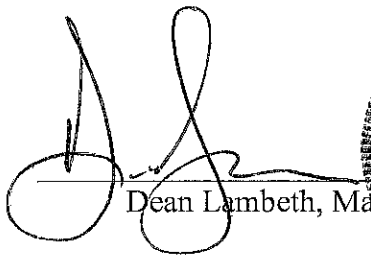
ADJOURNMENT

MOTION – Mayor Lambeth made the motion to adjourn.

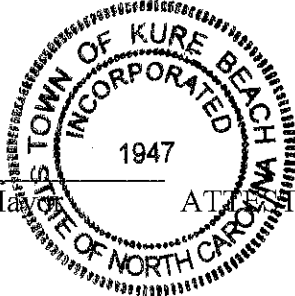
SECOND – Commissioner Pagley


VOTE – Unanimous

The meeting adjourned at 12:45 pm.



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.