



# TOWN COUNCIL MINUTES

**FY15-16 BUDGET WORK SESSION #1**

**April 9, 2015**

The Kure Beach Town Council held a Budget Work Session on Thursday, April 9, 2015. The Town Attorney was present and there was a quorum of Council present.

**COUNCIL MEMBERS PRESENT**

Mayor Dean Lambeth  
Mayor Pro Tem (MPT) Craig Bloszinsky  
Commissioner Emilie Swearingen

**COUNCIL MEMBERS ABSENT**

Commissioner David Heglar  
Commissioner Steve Pagley

**STAFF PRESENT**

Finance Officer (FO) – Arlen Copenhaver  
Town Clerk – Nancy Avery  
Building Inspector – John Batson  
Police Officer – Mike Bowden  
Fire Chief – Harold Heglar  
Public Works Director – Sonny Beeker  
Assistant Fire Chief – Ed Kennedy  
Deputy Town Clerk – Nancy Hewitt

**CALL TO ORDER AND WELCOME**

Mayor Lambeth called the meeting to order at 8:10 a.m.

**VOTE TO EXCUSE COMMISSIONER HEGLAR AND COMMISSIONER PAGLEY FROM THE MEETING**

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

SECOND – Commissioner Swearingen

VOTE – Unanimous

**PRESENTATION OF FIRST DRAFT OF FY15-16 BUDGET**

**1. Financial Projections by Fund**

FO Copenhaver presented projections for Revenue versus Expenses for the General Fund, Water/Sewer Fund and Storm Water Fund from FY2015 to 2020.

**2. Five Year Capital Plan**

FO Copenhaver reviewed the Five-year Capital Plan for the three main funds from FY2016 to 2020. He pointed out that the biggest expenses for the upcoming budget will be three police vehicles under the General Fund, the water/sewer line replacement under the Water/Sewer Fund, and Phase IIA of the Storm Water project under the Storm Water Fund.



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### 3. FY15-16 Council goals

FO Copenhaver reviewed the seven goals that Council set at their January 2015 retreat and said he reflected those goals in his budget proposal. He said that he included \$30,000 for a Space Study to meet Council's goal to develop a space plan for Town departments, and he included salary adjustments from the Salary Study that was requested by Council.

### 4. Budget Assumptions

FO Copenhaver listed his budget assumptions, as follows: no change in services provided or level of services provided; no increase in .2615 cent tax rate; an increase in the water/sewer monthly minimum rates by 25 percent; General Fund Contingency; include a transfer from the General Fund to the Beach Protection Fund; employee compensation of 1.7 percent COLA, which is the same as Social Security, and a Merit Pool increase of 3.3 percent for each department; salary adjustments to bring all Town salaries to the "Benchmark" outlined in the Salary Study.

### 5. Budget Summary by Fund

FO Copenhaver reviewed a summary of the budget with the following highlights:

- General Fund – includes \$20,500 transfer to the Beach Protection Fund and \$30,000 contingency fund
- Water/Sewer Fund – includes a 25 percent increase in the monthly minimum rates because of declining usage and a \$50,000 transfer to the Water Line Replacement Capital Project and \$117,524 for potential improvement projects
- Storm Water Fund – includes a Fund Balance appropriation of \$238,447 and a transfer to the Storm Water Capital Project Fund of \$275,000

### 6. Budget Summary by Department

FO Copenhaver presented Council with a balanced budget for each fund for a total proposed FY15-16 budget of \$6,565,131. He asked each department representative to review their proposed budget with Council.

## BUDGET EXPENDITURE REVIEW

### 1. Police Department

Officer Bowden, said the biggest increases to note in the proposed budget for the Police Department are as follows:

- "Fit For Duty" program – officers receive a physical exam, including a stress test, and receive mental health counseling in the event of a stress-inducing incident
- Building maintenance
- Capital Outlay for three police vehicles
- Salary Study adjustment



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FO Copenhaver stated that Personnel Costs noted under each department include Merit and COLA, social security taxes and benefits. He said that the Salary Study adjustment noted under each department is to bring all employee salaries to the “benchmark” listed in the study.

## 2. Fire Department & Lifeguards

Assistant Chief Kennedy said the biggest increases to note in the proposed budget for the Fire Department and Lifeguards are as follows:

- There is a reallocation of Drill Fees to cover vacation and sick leave for part-time employees
- Increased Drill Fees due to increase in calls
- Full year of Live-in Program expenses
- Capital outlay for new 5” fire hoses for the two trucks and for the purchase of a used squad truck
- Salary Study adjustment

The Mayor suggested that the Fire Department mail a bill to any Kure Beach household that has a false alarm, in order to cover the cost of sending an emergency vehicle out, to which Chief Heglar said that if Council would approve it, they would do it.

Chief Heglar said they are building new lifeguard towers out of aluminum this year. He said they will look better, last about ten years and won’t be as heavy as the wooden ones.

## 3. Building Inspections

Inspector Batson said the biggest increases to note in the proposed budget for his department are as follows:

- Travel and training for required educational and certification courses
- Building maintenance to increase space for the public
- Salary Study adjustment

Inspector Batson said that he has been talking to Assistant Chief Kennedy about the Fire Department handling the responsibility of conducting fire inspections, which he hopes can happen this year.

## 4. Public Works Department

Director Beeker said the biggest increases to note in the proposed budget, besides the Salary Study adjustment for each sub-department, are as follows:

Streets and Sanitation

- A new gator
- Increase in truck maintenance
- Increase in computer costs



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- Increase in utility costs

## Water/Sewer

- Water testing and permit fees
- Debt service increase
- Increase in Carolina Beach's treatment facility costs
- Capital Outlay for replacement of a lift station generator and a utility truck

## Storm Water

- Increase in personnel-related costs
- Increase for minor equipment
- Increase for debt service

MPT Bloszinsky asked if Public Works was responsible for putting up sand fencing along the beach, to which Director Beeker said that they used to be responsible for it, but not anymore. He said the last time it was put up was during a beach renourishment about six years ago to help protect and establish the dunes.

MPT Bloszinsky asked for the status of the warning signs at the Dow Chemical jetty, to which Town Clerk Avery said Inspector Batson has the signs but hasn't had a chance to ask Public Works to install them.

Director Beeker asked what the possibility was of, during the next beach nourishment in the fall, getting the Corps of Engineers to help remedy the jetty's outcroppings, to which the Mayor said they could talk to the Corps but they didn't make any move to help with it during the last nourishment. Director Beeker said he tried to get them to take the jetty out the last time they nourished the beach, but it was going to cost about \$300,000 more.

## 5. Administration

Town Clerk Avery reminded Council that Finance was split away from the Administration Department, so the proposed budget has been separated out. She said that the biggest increases to note in the proposed budget for her department are as follows:

### 50/50 Split between General Fund and Water/Sewer

- Increased retiree medical insurance
- Increased telephone costs to replace almost obsolete phone system, Town-wide
- Increase in recycle service costs
- Increase in travel and training
- Building maintenance costs to have the outside of Town Hall washed and painted
- Space Planning costs requested by Council in their 2015 goals
- Salary Study adjustment

## 6. Parks & Recreation

Town Clerk Avery said that Parks and Recreation is only budgeted under the General



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Fund and the biggest increases to note in the proposed budget are as follows:

- Sponsorship maintenance of disc golf course and boardwalk bluefish program
- Increased travel and training
- Increased budget for advertising
- Capital Outlay for volleyball court at Joe Eakes Park, requested by the Parks and Recreation Advisory Board
- Salary Study adjustment

Director Beeker said a volleyball court has been installed twice over the years he has worked at Kure Beach and they were hardly ever used. He added that Sunny Point will need to approve it.

The Town Clerk said there are also space concerns at the park, and the Town may have to take away some of the dog park area to put up the volleyball court.

Commissioner Swearingen asked if anyone was taking care of the dog park, to which Director Beeker replied that Public Works has fixed its gates in the past, several times a year they cut the grass and trim the plants, and they rebuilt and painted the sign last year. He said that the original agreement between the organization that formed the park and the Town was that the organization was going to maintain it. He said the park's organizers have done a great job over the eight or so years the park has been there, and they haven't handed responsibility of the park over to the Town, yet; but he feels it is coming.

Commissioner Swearingen said the Island Women is taking over the dog park in Carolina Beach and several Kure Beach members told them that, whenever they do Carolina Beach, they should also do Kure Beach.

Town Clerk Avery said that the Island Women have already approached Nikki Keely, Event Coordinator, about that. She said that one of the original organizers of the dog park has told the Island Women that they are not interested in maintaining the park anymore. She said that both groups have been asked to come to Council to let them know whether or not they will maintain the park.

Discussion ensued about having porta-johns at the beach accesses, to which Director Beeker said that it was brought up before and one of the reasons Council decided against putting porta-johns there was that people who own houses along the ocean don't want to look out from their patios to see, and possibly smell, a porta-john.

## 7. Governing Body

The Town Clerk said the biggest increases to note in the proposed budget are as follows:



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- Increased food costs for a Beach Town breakfast, a Council retreat and budget meetings – moved from Admin budget
- Increase in travel and training
- Telephone costs for any new Council member that may want reimbursement
- Inlet dredging

- Outside Agency Funding Requests

FO Copenhaver reviewed the organizations that requested funding this year. He asked Council which funding requests they wanted to approve.

Discussion ensued about whether or not funding for the Sea Turtle Project, which is funded from the Building Inspector's budget, was an actual requirement. FO Copenhaver said he has heard it is a requirement but hasn't seen anything that proves it.

The Mayor interjected that it is a requirement.

Commissioner Swearingen asked if there was paperwork on it that they could actually see, to which the Mayor stated that he could get her paperwork if she needed it. At this point, Commissioner Swearingen left the room.

Due to lack of quorum, the Mayor called for a break at 9:43 a.m.  
The meeting resumed at 9:50 a.m.

FO Copenhaver again asked Council which of the requests they wanted to approve, suggesting they could even just approve what they approved last year. When asked if the money for sponsoring the Chamber's Summer Concert Series would come out of the TDA funds, FO Copenhaver stated that as long as there are TDA funds available it could be covered. He pointed out that the lifeguards, the concert series and the Christmas show are maxing out what the Town has to spend from the TDA funds; altogether costing over \$200,000. He said this limits the Town to what it has available in the activity fund.

The Mayor asked Inspector Batson to give the background on the Sea Turtle Project and asked if he had paperwork to show it is a state requirement, to which Inspector Batson said that Commissioner Swearingen asked him a couple of weeks ago whether it was a requirement and he hasn't been able to find the paperwork. He said he had always been told it was either a state law or Federal guideline.

The Mayor said that the Army Corps of Engineers has it listed in their budget that Kure Beach pays for it.

Town Clerk Avery said that, even if it wasn't a requirement now, with the new Critical Habitat regulations that are coming, the Town will have to have this reporting and



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monitoring anyway. She said that the Town is ahead of the curve by having an arrangement with the Sea Turtle Project.

Commissioner Swearingen said she has no problem helping them, but the Town pays close to what Carolina Beach pays, and Carolina Beach has almost twice as much beach as Kure Beach. Further discussion ensued about what area of the beach is covered by the Sea Turtle Project. Commissioner Swearingen said that it is her understanding that they only go as far down the beach as Ocean Dunes, and don't even drive past that area because of the lack of beach to drive on. She said the funds are supposed to be paying for the dune buggy and insurance. She said that she has seen their budget and that those two items don't come up to the support money the Town gives them. She said she wonders what all the money is going towards, supposing that they use it for more than just monitoring the beach in the morning.

Inspector Batson said that the amount has gone up over the past years, but the Town has always paid them as long as he can remember. He said that, when he started working for the Town, they were asking \$2,400 for the season.

FO Copenhaver said that they have had years where they've asked for more funding from the Town because they had to monitor for an additional month; the cost per month being \$900.

Commissioner Swearingen asked the Finance Officer to have a representative from the Sea Turtle Project attend the next budget work session, to which everyone concurred that it would be a good idea.

FO Copenhaver reminded Council that, even though he put the Sea Turtle Project on the list of agency funding requests, it is actually paid out of the Building Inspector's budget. He asked Council what they wanted to do with the requests that are paid from the Governing Body budget.

**CONSENSUS** – Council agreed to have the Finance Officer adjust the funding requests from the Governing Body budget down to what Council approved last year.

## 8. Emergency Management, Legal, Elections

Town Clerk Avery said she reduced the Emergency Management budget because it's not usually used, she increased the Legal budget to build in an increase for the Town Attorney and to add some specialized legal services requested by the Police Department, and she added funds in the Elections budget due to this being a local election year.



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## 9. Community Center

Town Clerk Avery said that most of the increase to the budget was for a phone upgrade and to paint the inside and outside of the center to make it more appealing to potential renters. She said that wainscoting and blinds were also budgeted to give the center a more updated look. She said that, if rentals continue, the expense will be paid off within two years.

## 10. Finance

FO Copenhaver said the Finance budget was split from the Administration budget when Finance was made a separate department. He said the biggest increases to note in the proposed budget are as follows:

50/50 Split between General Fund and Water/Sewer

- Audit fees
- Actuarial Study for Post-Employment benefits
- Actuarial Study of Separation Allowance for law enforcement officers
- Postage for mailing out the utility bills
- Travel and training
- Cost of an additional employee
- Increased Payroll Fees for the new payroll firm which provides more services
- Downtown parking lot, if Council approves it
- All of the Utilities Manager salary is paid under the Water/Sewer Fund
- Salary Study adjustment

## 11. Committees

FO Copenhaver said that the Shoreline Access, Beach Protection and Parking Committee requested the installation of a handicap beach access ramp at H Avenue at the cost of \$20,000.

The Town Clerk said that a CAMA Grant cycle just opened up, and she gave the information to committee chairperson, Tony Gonsalves, but she isn't sure if the committee is going to apply for it.

Public Works Director Beeker said that, even if the committee gets a grant, there is usually an in-kind and cash amount that the grant people require from the Town.

MPT Bloszinsky said if they can get a grant to construct it, then maybe it can happen, but the Town still may not be able to afford it if the Town is required to put in some money.

Commissioner Swearingen asked to have Tony Gonsalves attend the next budget meeting to see if they plan on applying for the grant.





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## 12. Debt Service

FO Copenhaver explained that outstanding loans increased due to the purchase of three lots near Public Works, which increased the debt service.

## 13. Tax Collection

FO Copenhaver said there were no increases to last year's amount.

## 14. Contingency Fund

FO Copenhaver said the maximum allowable amount that the Town could have in the fund is five percent of the appropriations for the year, which he estimates at about \$198,000. He said that there is \$168,000 in the fund, currently. A \$30,000 contingency is included in the proposed budget.

## 15. Transfers

He put in \$20,500 to transfer to the Beach Protection Fund. He said that currently there's about \$186,000 in the fund.

FO Copenhaver said that there's a transfer of \$50,000 from the Water/Sewer Fund to the Water/Sewer Capital Project Fund for the water line replacement listed under Capital Projects; this is to get the project started. He said that the remaining amount of the project should be financed.

After being asked by MPT Bloszinsky to estimate what percent the budget increases from year-to-year, FO Copenhaver responded that the budget averages a five percent increase each year. When asked by the MPT how much of that was driven by the Salary Study adjustment, he responded that the adjustment was as high as three percent for the General Fund, where the bulk of the total salary adjustment is located.

## BUDGET REVENUE

FO Copenhaver reviewed the largest projected changes in the General Fund (GF) Revenue, as follows:

### Largest Increases in GF Revenue

- Sales tax is estimated to be greater than estimated in 2015, for a 10 percent increase; but he warned that if the currently introduced bill to take sales tax away from bigger communities to help smaller communities is approved, it could have a significant impact on the Town's revenues in the neighborhood of about \$450,000+, which would require at least a six cent increase in property taxes
- Franchise and Utility tax is projected to increase by almost 42 percent due to the 7 percent sales tax on electric bills.
- Building Permits, CAMA, Impact Fees and Fire Inspections are up by 28 percent due to an upward trend in building-related fees.



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- Beer and Wine Tax is projected to increase by about 12 percent, based on state-wide forecasts.

## Largest Decreases in GF Revenue

- Loan proceeds are projected to decrease by 77 percent, with \$111,000 budgeted for FY 2016.

The Building Inspector explained to Council that permit costs to tear down an older building to rebuild a new house are only around \$2,000, but permit costs to build on a vacant lot are about \$10,000-13,000. He said that, once the Town is “built out,” less money will be coming in for permit fees.

Director Beeker suggested Council may need to start looking at increasing the impact and user fees based on the number of bedrooms and bathrooms. He said a two bedroom house may get torn down and replaced with an eight bedroom house which will create a lot more wear and tear on the Town’s systems.

Inspector Batson recommended looking at increasing the permit fees in FY16-17. He said that the Town is significantly lower than Carolina Beach is on what is charged for a new building permit.

FO Copenhaver reviewed the largest projected changes in Water/Sewer (W/S) Revenue, as follows:

## Largest Increases in W/S Revenue

- Includes a proposal to increase the W/S rates by 25 percent which would increase the average monthly residential utility bill by \$9.26 cents; the commercial utility bill by \$11.01; and the Out of Town utility bill by \$15.88. He said it would increase the Town’s W/S revenue by \$239,037 and, without this, the fund is about \$200,000 short.
- This includes loan proceeds for the truck and gator that Public Works needs.

## Largest Decreases in W/S Revenue

- Cutoff and Reconnect Fees is projected to decrease by 44 percent due to the diligence of the Utility Manager working with the residents to pay their bills.
- Other Revenue and Fees is projected to decrease by 10 percent due to people paying their bills on time to avoid the late fee.

The Mayor asked Director Beeker if he ever thought about leasing his large equipment, using a backhoe as an example, rather than buying it.

Director Beeker said he usually keeps his equipment for a long time, making it cost-prohibitive to rent it.



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FO Copenhaver said that Storm Water Revenue was fairly flat compared to the current year's budget. He said that the biggest change is to Appropriate Fund Balance to allow for a transfer of \$275,000 to the Storm Water Capital Projects Fund for the Kure Beach Village project.

FO Copenhaver said there would need to be two budget ordinances for Capital Project budgets:

- A budget ordinance for the water line replacement which will cost \$500,000. The Finance Officer said that the revenue for this would come from a transfer of money from the Water/Sewer Fund, just to get the project started, with the remainder being financed. He explained that there is unrestricted money in the W/S Fund, but it shouldn't all be used for this project. He said if the Town was to have a major catastrophe, there wouldn't be enough money for the Town. He said that, with the current low interest rates, it is wiser to finance the rest of the project than take all of the money out of the fund.

- A budget ordinance for Phase IIA of the Storm Water project which will cost \$750,000.

The Finance Officer explained that the Town would use \$275,000 from the Storm Water fund balance, which is about 30 percent of the fund balance, and then finance the rest.

After being asked by the Mayor how far out of balance the proposed budget is, FO Copenhaver responded that it isn't out of balance at all. He proceeded to ask Council if they wanted to accept the proposed budget as presented, or if they wanted to make any changes.

MPT Bloszinsky thanked the Finance Officer and Town Clerk for putting the Salary Study information together. He said he agreed with the median number in the study but, after considering years of service and key personnel who are important to the Town, he thought it would be better to be selective in which salaries to increase and which to not increase. He suggested making the following adjustments to the proposed budget: keep the Capital Projects requests, cut building maintenance in half and remove the Space Study expense until Council gets more information on what's happening with proposed Sales Tax bill and the Memo of Agreement with the County for beach renourishment.

Mayor Lambeth stated he would like five percent of the proposed budget cut across the board. He said if the proposed Sales Tax bill goes through, it could seriously damage the Town's finances.

MPT Bloszinsky said that he thinks the Mayor means to keep the budget flat, since the average increase to the budget every year is about five percent, to which the Mayor concurred.



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FO Copenhaver said cutting the proposed budget by five percent across the board doesn't explain how to do it. He asked what specific items the Mayor wanted to cut so that the Department Heads can figure out what they can afford to cut, if anything.

The Mayor stated that Council had cut the budget in the past by as much as ten percent across the board, and it had worked out fine.

FO Copenhaver said that, when he first started working at Kure Beach in 2010, he had to do 50 budget amendments because Council had cut the budget by so much that it wasn't even doable; it was too short. He said that, when a budget is cut across the board, it doesn't work because of the different needs of each department. He said Council has to say what they want to cut.

Commissioner Swearingen said that, in cutting a department's budget across the board, you may have to cut services. She said even though the proposed tax bill wouldn't become effective until 2018, if it passes, Council has to prepare for it now. She said she wouldn't approve the Community Center maintenance or any outside maintenance at Town Hall. She said she'd like to see a regular merit and cost of living increase approved but said to hold off on the Salary Study adjustment.

After further discussion, MPT Bloszinsky summarized two scenarios Council would like to have presented at the next budget work session, as follows:

- The MPT summarized that the Mayor wants to keep the budget flat and add the Capital Project budget as presented, referring to this plan as the "low end version."
- The MPT, referring to this plan as the "high end version," said he and Commissioner Swearingen would like to keep the proposed budget with the following changes: cut the Salary Study benchmark by half, keep the proposed COLA and merit, cut out the Space Study, cut the Community Center and Administration maintenance by half, and reduce the proposed Committee budget from \$23,600 down to the current year's amount of \$7,500.

FO Copenhaver said he would work on the numbers for both versions, including Council's request to reduce the proposed budget's Outside Agency Funding from \$19,900 down to the current year's amount of \$19,200.

When asked by the Town Clerk what they wanted to achieve by cutting the budget, the Mayor Pro Tem said their overall goal was to increase the beach nourishment fund and contingency fund. He said that the Salary Study is impressive, but he doesn't think the whole study should be approved.



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Commissioner Swearingen said that it's not yet certain if the County will contribute to beach nourishment or inlet dredging, so Council could put aside the space planning money in the Contingency Fund. Then, if the County gets on board with funding, the money put in the Contingency Fund can be used for space planning.

FO Copenhaver reiterated to Council that, if the proposed tax bill passes, there would be no choice but to raise taxes by about six cents.

At this point, the Mayor said he had to be at another appointment and needed to leave by 11:30 a.m. Further discussion ensued, with ideas brought forward by Council on how to handle funds and reduce the expenses.

FO Copenhaver reminded Council that their direction at the retreat was to bring all of the employees to the benchmark amount in the Salary Study, which is what the proposed budget accomplishes. He said that, if he has to cut the study in half, he will cut it in half across the board for each department, rather than pick and choose which positions should and which positions shouldn't be brought to the benchmark.

## ADJOURNMENT

MOTION – Commissioner Swearingen made the motion to adjourn.

SECOND – Mayor Pro Tem Bloszinsky

VOTE – Unanimous

The meeting adjourned at 11:25 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.