



TOWN COUNCIL MINUTES

FY16-17 BUDGET WORK SESSION #1

April 13, 2016

The Kure Beach Town Council held a budget work session for Fiscal Year (FY)16-17 at the Kure Beach Community Center on Wednesday, April 13, 2016 at 9:00 a.m. The town attorney was present and there was a quorum of council members.

COUNCIL MEMBERS PRESENT

Mayor Emilie Swearingen
Mayor Pro Tem (MPT) Craig Bloszinsky
Commissioner David Heglar
Commissioner Joseph Whitley
Commissioner Jim Dugan

STAFF PRESENT

Finance & Budget Officer (FO) – Arlen Copenhaver
Town Clerk – Nancy Avery
Building Inspector – John Batson
Police Chief – Dennis Cooper
Police Lieutenant – Mike Bowden
Public Works Director – Sonny Beeker
Utility Supervisor – Jimmy Mesimer
Recreation Manager – Nikki Keely
Personnel and Facilities Coordinator – Mandy Burton
Deputy Town Clerk – Nancy Hewitt

CALL TO ORDER

Mayor Swearingen called the meeting to order at 9:05 a.m. She thanked staff and council members for helping at the Community Visioning Day event on Sunday.

PRESENTATION OF FIRST DRAFT OF FY16-17 BUDGET

1. FY16-17 Council goals

FO Copenhaver reviewed the eight goals council set at their annual retreat, as follows:

- Resolve outstanding issues relating to the Sandman property.
- Over the next two years, resolve the storm water issues identified during the February 2016 Town Council Retreat.
- Before the end of Fiscal Year 2018, develop plans, obtain financing and construct a new fire station and perform improvements to other Town facilities.
- Maintain the current tax rate, if possible.
- Work with New Hanover County, Carolina Beach and Wrightsville Beach to develop a long-term coastal storm damage reduction funding plan.
- Monitor potential revenue shortfalls that may occur in future years.
- Complete the Town of Kure Beach Comprehensive Plan by February 2017.



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- Address public safety staffing during the Fiscal Year 2017 budget process.

Mayor Swearingen questioned if the first two goals should actually be Public Works goals and not council goals.

Commissioner Heglar said that, although Director Beeker is the lead in how those goals are to be met, there are legal issues involved for which council should be responsible and, therefore, they should remain council goals.

Mayor Swearingen asked Director Beeker if the two year time limit council assigned to the second goal is reasonable, to which Director Beeker said his department will proceed at a fast pace to get the storm water issues taken care of and he expects two years will work if all goes well.

2. Budget Assumptions

FO Copenhaver reviewed the overriding budget assumptions he used as a starting point to prepare the first draft of the proposed budget, as follows:

- No changes in services provided or level of services provided
- Council approves the departmental budget requests, including the increased staffing proposed by the Fire and Police Departments
- No increase in the tax rate (currently \$0.2615)
- No General Fund Contingency
- No transfer from the General Fund to the Beach Protection Fund
- Employee Compensation: COLA two percent & Merit two percent

3. Budget Summary by Fund

FO Copenhaver reviewed a summary of the draft budget by fund for expenses and revenue, noting the following:

- The General Fund is short by \$129,000 because it includes the addition of four full-time firefighters and one police officer.
- The Water/Sewer Fund revenue includes a fund balance appropriation of \$100,385 for lagoon cleaning and a transfer from the Sewer Expansion Reserve Fund (SERF) of \$205,000 for the bypass and manhole/sewer rehab projects.
- The Storm Water Fund includes a fund balance appropriation of \$374,773 and a \$400,000 transfer to the Storm Water Capital Project Fund.
- The SERF includes a fund balance appropriation of \$182,275 and a transfer of \$205,000 to the Water/Sewer Fund for projects.
- The total revenue is calculated to be \$7,505,455 with total expenses calculated at \$7,634,448, leaving the draft budget short by \$128,993.



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INDIVIDUAL DEPARTMENT BUDGET EXPENDITURE REVIEW

1. Public Works Department

Director Beeker reviewed the draft budgets for the three areas he oversees, noting the following:

- **STREETS AND SANITATION**

Increase in building maintenance, minor equipment, equipment maintenance and capital outlay. Decrease in computer costs.

- **WATER/SEWER OPERATIONS**

Increase in water testing, permit fees, debt service, Carolina Beach treatment facility charges, equipment/building maintenance, system maintenance, capital outlay for improvements to the H Avenue lift station project and minor equipment. Decrease in auto supplies, computer costs and capital outlay for equipment/vehicles.

- **STORM WATER**

Increase in minor equipment, equipment rental, supplies, capital outlay of equipment and transfers to the Storm Water Capital Project Fund.

Commissioner Heglar said that rental properties are usually equipped with outdoor showers for renters to use when coming off the beach and wished more properties would have them. He said council should encourage residents to do their laundry during the week in the summer instead of on the weekends when renters are doing their laundry to keep from going over the system's water capacity. He asked that the subject be put on the May council meeting agenda to discuss how to communicate this to the residents. He said anything the residents can do to help the system is best, and last year's water/sewer costs were about \$30,000 over the previous year's costs.

2. Police Department

Lieutenant Bowden said that, when Chief Cooper retires, they'd like to put him back on the department's work roster part-time.

Chief Cooper said, if council approves it, he will only be dealing with the departments I.T. issues, the media and public relations, working for about 19 hours per week.

Lieutenant Bowden said they are asking for one new officer who will be used primarily as a drug investigator. He said that, at certain times, they only have one officer on the street, so this will help with staffing. He reviewed the police department draft budget, noting the following:

- Increase in full-time personnel-related costs due to the new position, increase in part-time pay and taxes, increase in telephone costs and increase in LEO Separation Allowance and taxes which includes Chief Cooper and another police



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officer's retirement pay. Decrease in building maintenance, auto gas and oil, minor equipment and capital outlay for vehicles.

3. Fire Department and Ocean Rescue

Commissioner Dugan said that the draft budget was prepared by Assistant Chief Kennedy who is unable to be at the meeting because he is training at the National Fire Academy. He reviewed the department's draft budget, noting the following:

- Increase in full-time personnel-related costs for four new employees, and increase in part-time pay and taxes, drill fees and taxes, physical exams, uniforms and capital outlay. Decrease of \$17,000 by eliminating the Live-In Program.

Commissioner Dugan said they are having problems staffing the fire station on a 24-hour basis. He said that their current, five full time employees and one part time employee are only able to provide staffing for 12 hours per day. He listed the reasons they are having problems getting volunteers.

Mayor Swearingen asked if the public works employees should be trained in firefighting to subsidize the fire department's staffing needs.

Commissioner Heglar presented reasons why that isn't a good idea. He added that, for the town's ISO rating to remain the same so that insurance rates don't increase for homeowners, the town needs to have four volunteers for every one full time firefighter on staff.

Discussion ensued about volunteers versus part time employees with the finance officer stating there are different labor department and IRS requirements for the number of work hours and pay for each.

Commissioner Dugan listed six options to hire staff that council should consider, stating the department thinks Options 3 and 4 are the most reasonable requests:

- Option 3 – Hire four full time personnel at a total extra cost of \$176,400 to get close to full compliance, having full compliance by supplementing with volunteers.
- Option 4 – Hire two additional full time and three additional part time personnel, plus offer volunteer incentives at a total extra cost of \$172,220 to get close to full compliance, having full compliance by supplementing with volunteers.

Mayor Swearingen asked if the Kure and Carolina Beach fire departments had ever considered combining into one fire department for the whole island.



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CONSENSUS – Council agreed to not pursue combining, or even look at combining, the Kure Beach and Carolina Beach fire departments.

Mayor Swearingen asked how many of the additional, four full time firefighters would be on duty at any one time and what the firefighters would do while on duty when there are no emergency calls.

Commissioner Dugan responded that there would be three full time firefighters on duty at all times doing any number of things like maintenance, inspections, checking fire hydrants, doing drills, etc., adding that there is always something for them to do.

Town Clerk Avery said it's not a matter of emergency staff being busy all the time, it's a matter of the assurance that the town has trained firefighters, EMTs, and police officers available at all times for the safety of its residents and visitors.

The mayor called for a break at 11:20 a.m.
The meeting resumed at 11:40 a.m.

FO Copenhaver reviewed the draft budget for Ocean Rescue stating there are no significant changes in personnel-related expenses, and there is an increase in minor equipment and a decrease in travel, training and telephone expenses.

Commissioner Heglar asked if Assistant Chief Kennedy included in his draft budget the staff needed to remove equipment left on the beach after hours to enforce the town ordinance.

FO Copenhaver said he would check but, if it wasn't included, the draft budget may go up by about \$2,000.

4. Building Inspections

Inspector Batson reviewed his draft budget, noting an increase in supplies and a decrease in building maintenance and contracts for lawn maintenance. He said people are being better about keeping their grass cut than they used to be.

5. Administration & Recreation, Governing Body, Emergency Management, Legal, and Elections

Town Clerk Avery said that she now has three FTE in her department after one finance employee transferred to her department to handle facilities, IT, personnel and benefits. She reviewed the draft budgets she oversees under the GENERAL FUND, noting the following:



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- **ADMINISTRATION**

Increase in retiree medical insurance with the pending retirement of Chief Cooper and the addition of an Employee Assistance Program.

- **GOVERNING BODY**

Decrease in Governmental Relations and telephone/internet costs.

- **EMERGENCY MANAGEMENT, LEGAL & ELECTIONS**

No significant changes.

Commissioner Heglar asked the town clerk to get an estimate from Waste Industries for recycling, just for comparison; but he added he is not advocating changing companies.

MPT Bloszinsky said town hall looks great and Mayor Swearingen said town hall looks wonderful. She asked how much was spent this year on furniture and new appliances.

Town Clerk Avery said she wasn't sure of the total of everything and only a new refrigerator was purchased and the new stove was donated to the town. She estimated the total cost of everything was around \$8,000.

FO Copenhaver said he'd have to go back and look; he didn't want to throw a guess at it.

Commissioner Heglar asked the finance officer provide council with the total cost of the new furniture and appliances in town hall.

FO Copenhaver presented council with a list of funding requests from outside agencies.

COUNCIL CONSENSUS: Council will fund Pleasure Island Chamber of Commerce (\$8,800), Katie B. Hines Senior Center (\$2,000), Federal Point Historic Society (\$1,500), Island of Lights (\$1,200 plus a \$900 in-kind contribution), Friends of Fort Fisher (\$1,500), Pleasure Island Sea Turtle Project (\$5,400-part of the Building Inspections budget), the KB Christmas Show (\$3,500 listed under the Recreation budget and usually paid with TDA funds) and the Federal Point Help Center \$1,500.

The town clerk asked council what they want to do with their pay.

Commissioner Heglar said he would like it to stay the same but be considered for an increase when the next council takes office.

Mayor Swearingen said that she doesn't expect it while she is mayor, but the mayor should get a pay increase. She asked the finance officer to research what mayors are being paid in similar towns. She added that council will need to take a serious look at



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hiring a town manager in about three years, since some of the town's long-time department heads will be retiring around that time.

Town Attorney Canoutas said converting to a Manager/Council form of government will require approval from the legislators in Raleigh to change the town's charter.

Town Clerk Avery reviewed the draft budgets she oversees under the WATER/SEWER FUND, noting the following:

- ADMINISTRATION

Decrease in retiree medical insurance.

- GOVERNING BODY

Decrease in Governmental Relations and telephone/internet costs.

6. Parks & Recreation, Community Center

Recreation Manager, Nikki Keely, reviewed the draft budgets for the departments she manages, noting the following:

- PARKS & RECREATION

Increase in part-time personnel costs, the cost of boardwalk fish, and the annual Christmas Show what was previously listed in the council budget. Decrease in telephone, travel/training and the street festival.

- COMMUNITY CENTER

Increase for utilities and maintenance costs.

Manager Keely said there is a Boogie in the Park concert scheduled for Sunday, July 3rd this year and one scheduled for the Sunday before Labor Day.

Commissioner Heglar said that he would rather not have concerts booked on the July 4th weekend and was also concerned about the Labor Day concert.

Town Clerk Avery said that the advertisements have already gone out for this year's concerts, but they will bring the recreation calendar to council next year for approval before it is set.

Discussion ensued about the maintenance and durability of the bluefish on the boardwalk.

Manager Keely said that discussions have begun about holding a 70th Anniversary celebration in 2017 and asked for council's input.

Council comments were, as follows:

- Skip the 70th and have a 75th anniversary. (Dugan)



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- There was a 50th and 60th anniversary celebration, so there should be a 70th anniversary celebration, but there should also be a 75th anniversary. (Heglar)
- The celebration should only be a one-day event and there should be a parade. (Swearingen)
- Island Women and other island organizations should be solicited to sponsor the event. (Bloszinsky)

CONSENSUS – Council agreed to hold a 70th anniversary celebration in place of the 2017 street festival, limited to one day with the possibility of a parade included. The budget should be \$10,000, with \$6,000 of that coming from the street festival budget. Sponsorship should also be solicited to help pay for the event.

Manager Keely said some of the increased budget for Community Center maintenance was to remove and possibly replace the flagpole and the center's marquee/letter sign.

Mayor Swearingen said she asked Director Beeker about removing the letter sign and he told her that there was nothing wrong with it and it wasn't broken.

Manager Keely explained that, when she changes the lettering on the sign, she has to hold the glass hatch open with her head, and the frame that holds the letters in place is beginning to come apart.

Town Clerk Avery said the sign is an accident waiting to happen and she is not going to have one of her employees be put at risk changing the lettering.

Mayor Swearingen asked the Utility Supervisor, Jimmy Mesimer, to let Director Beeker know that council would like him to take the center's marquee/letter sign down.

Manager Keely said she thinks the improvements to the interior of the center will help bring in more rentals.

Mayor Swearingen said the Community Center Committee is going to hold an open house at the center, during the street festival, which will include a raffle and demonstrations from some of the classes offered there.

MPT Bloszinsky said that the committee and Nikki Keely are doing a good job, and he also thanked Mandy Burton for doing a good job updating the center.

The mayor called for a lunch break at 1:00 p.m.

The meeting resumed at 1:35 p.m.



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7. Finance, Committee, Debt Service, Contingency, Tax Collection

FO Copenhaver reviewed the major changes in his GENERAL FUND budget, nothing the following:

- FINANCE

There is an increase in travel/training and sales tax expense.

- COMMITTEES

The Shoreline Access, Beach Protection and Parking Committee requested \$4,300 in their budget for sea oats, brochures, parking blocks, Beach Sweep supplies, signs and internet for the Adopt-A-Beach website.

- DEBT SERVICE

There were two new loans added in FY 2015 for vacant lots and police vehicles.

- TRANSFERS

The draft budget doesn't include transfers to the Beach Protection or Contingency Funds because the General Fund is already short by about \$129,000.

- CONTINGENCY

Five percent of appropriations is the maximum allowable amount in the Contingency Fund.

MPT Bloszinsky said that he confirmed with the new owner of the land the town rents for downtown parking that it is still available for rent this year.

Council said to pursue the lease, and Town Clerk Avery said she will use the lease from last year's rental to create a new lease and get the signatures needed.

FO Copenhaver reviewed the draft budgets he oversees under the WATER/SEWER FUND, noting the following:

- FINANCE

Increase in travel/training and decrease in computer costs.

- TRANSFERS

There is a large transfer of funds for the H Avenue Lift Station Capital Project Fund.

BUDGET REVENUE

FO Copenhaver reviewed the GENERAL FUND revenue estimated for FY 2017, compared to FY 2016, noting that he expects about 5.6 percent in overall increased revenue. Significant changes are as follows:

- FRANCHISE & UTILITY TAXES expected to increase because of the electric sales tax that replaced the electric franchise fee in FY2015.
- ABC REVENUE expected to increase.
- COMMUNICATION TOWER RENT expected to decrease because Nextel terminated its lease.



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- MOTOR VEHICLE DECALS expected to increase because of a slight upward trend in sales.
- ALL OTHER REVUE expected to decrease by 36.6 percent.
- OTHER FINANCIAL SOURCES expected to increase the town's revenue from loans for the garbage truck, service truck and two police vehicles.

Discussion ensued about a new state statute that allows municipalities to raise their decal tax up to \$30 to be split as follows: \$5 can be used for town-owned mass transit, \$5 can be used for anything and the rest has to be used for non-state street improvements. Municipalities can collect the payment through the vehicle registration/tax bill which should yield a 100 percent collection rate for every motorized vehicle in town.

Further discussion ensued about how residents would receive their decals if the tax was collected through the registration tax/bill.

PARKS AND RECREATION & COMMUNITY CENTER REVENUE

Manager Keely said she expects an increase in revenue to the Parks and Recreation budget due mostly to the boardwalk bluefish fundraiser. She also showed council a sample of the "freakers" (knitted beverage insulators for drink cans and bottles with the town logo) made famous on the show "Shark Tank" that will be sold for \$10 each at the street festival. She said she expects an increase in revenue to the Community Center budget from an anticipated increase in facility rentals.

FO Copenhaver reviewed the WATER/SEWER FUND revenue estimated for FY 2017, compared to FY 2016, noting that he expects about 16.6 percent in increased revenue. Significant changes are as follows:

- INTEREST INCOME expected to increase due to changes in investment allocation.
- OTHER REVENUE/FEES expected to increase primarily from past due charges of \$5,500.
- CUTOFF & RECONNECT FEES expected to increase.
- OTHER FINANCING SOURCES expected to decrease from loans for a generator and half of a backhoe.

FO Copenhaver reviewed the STORM WATER FUND revenue estimated for FY 2017, compared to FY 2016, noting that he expects about 31.9 percent increased revenue. Significant changes are as follows:

- INTEREST INCOME expected to increase due to changes in investment allocation.



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- APPROPRIATE FUND BALANCE expected to increase to allow for a transfer of \$400,000 to the Storm Water Capital Projects Fund.
- OTHER FINANCING expected to increase from the loan for half of a backhoe.
- STORM WATER BUILDING FEES expected to decrease.

FO Copenhaver said, if council proceeds with the H Avenue lift station project, he recommends transferring \$50,000 from the Water/Sewer Fund and financing the remaining \$450,000; all to be set up in a separate fund. He said that, for the Kure Beach Village Phase IIA storm water project, he recommends transferring \$400,000 from the Storm Water Fund and financing the remaining \$250,000. He said the town could pay the whole amount out of the fund balance which increases by about \$100,000 per year, but he's not sure if that's wise.

Further discussion ensued about how to pay for the projects with council deciding to follow the recommendation of the finance officer.

FO Copenhaver reviewed a list of eight potential options from which council could choose to balance the draft budget. Options included appropriating fund balance, cutting budget expenses and various property tax increase scenarios. He reminded council that he didn't budget for anything to go into the Beach Protection and Contingency Funds.

Commissioner Heglar said he would like to know the average amount of money council spends each year out of the Contingency Fund.

The finance officer said it has probably been in the \$60,000 range, but he would find out and bring the information back to the next work session.

Commissioner Heglar said he would rather not touch the fund balance but thinks the draft budget should include funds going into the Beach Protection and Contingency Funds.

Discussion ensued about the proposed town hall expansion and new fire station. The finance officer said that he didn't reflect that in this draft budget since the expense to build may not hit this year's and even next year's budget, even if it was started today. He suggested handling the project in a separate budget the same way as the lift station and storm water project budgets. He estimated if the town borrows about \$2 million for the building project, the loan payment would probably be around \$195,000 per year.

Commissioner Heglar asked where the two percent COLA and two percent merit came from and wondered if that should be scrutinized.



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The town clerk said that the NCLM's survey shows that is pretty even with the towns that are considering giving COLA and merit. She said Carolina Beach is starting with two percent COLA and three percent merit.

FO Copenhaver said that, for every one percent increase in COLA or merit, it costs the town about \$16,000 total, which includes taxes, so the total increase of four percent would be \$64,000 total to the town.

Discussion ensued about increasing fees versus raising taxes. Commissioner Heglar asked the finance officer to look into ways to increase revenue from water/sewer fees, but he pointed out that the good thing about increasing property taxes instead is they are tax deductible.

MPT Bloszinsky said council's priority should be safety through police and fire personnel and infrastructure. He said if the building project has to be set aside, that's the way it has to be.

Commissioner Heglar said council shouldn't be afraid to raise taxes if it can be accounted for in the services the town provides. He asked the department heads to comb through their budgets and try to cut some things before council considers a tax increase.

Town Clerk Avery said that two of the departments are asking for additional staffing, so what in their budget are they going to cut that they haven't already cut. She also asked what services council wanted the department heads to cut.

Commissioner Heglar said council could go line item by line item with the department heads at the next budget work session, but he would rather the department heads choose what to cut from their own budgets.

CONSENSUS – Council asked that the department heads look closer at their budgets to make cuts and for the finance officer to revise the draft budget with their information including scenarios of putting \$25,000 and \$50,000 into the Beach Protection and Contingency Funds.

SALARY BANDS

Town Clerk Avery presented council with a proposal for new salary bands to replace the existing salary grade and classification schedule that was adopted 15 years ago. She asked for council's input.

Discussion ensued on the four bands and their descriptions and pay structures.



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The town clerk stated the band structure would only increase as COLA is granted. She added that the Fair Labor Standards Act's required pay for exempt employees has gone from \$23,660 to \$50,440.

Commissioner Heglar asked the town clerk to plot out all of the job titles on the spreadsheet for all four salary bands so he can understand which jobs go in each band.

Town Clerk Avery said she would like to include a pay philosophy with the salary band recommendation and will bring everything back to council at next week's budget work session for further consideration.

POSSIBLE AMENDMENTS TO PERSONNEL POLICY

Town Clerk Avery presented council with a review of the existing personnel policy and related ordinances, stating the disciplinary requirements in ordinances are different than those in the personnel policy, and she would like them to match each other.

Discussion ensued whether council wants department heads to have sole discretion to hire, discipline and fire within their departments, or if others should be involved.

Mayor Swearingen said that personnel policies should be removed from the town ordinances.

Commissioner Heglar said he doesn't want town council politics involved in the disciplinary decisions.

CONSENSUS – Council asked the town clerk to bring them wording to replace Article IX, Sections 1, 3 and 4 of the personnel policy and then, once approved, they will repeal Section 2-18 of the town ordinance.

Town Clerk Avery presented council with a proposed new benefit: an Employee Assistance Program. She listed its benefits and said the annual cost to cover all employees is only \$2,450, which she included in her draft budget. She said the benefit will become effective July 1, 2016, if council approves it.

Commissioner Heglar and Dugan both stated this is an excellent program which enables employees dealing with special problems.

Personnel and Facilities Coordinator, Mandy Burton, said that just about every municipality offers this benefit to its employees.



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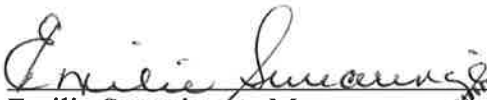
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COUNCIL CONSENSUS – Council directed the town clerk to put the Employee Assistance Program proposal on the April council meeting agenda for approval.

ADJOURNMENT

The mayor adjourned the meeting at 4:01 p.m.


Emilie Swearingen, 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.