



TOWN COUNCIL MINUTES

FY16-17 BUDGET WORK SESSION #2

April 22, 2016

The Kure Beach Town Council held a budget work session for Fiscal Year (FY) 16-17 at the Kure Beach Community Center on Friday, April 22, 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
Fire Chief – Harold Heglar
Public Works Director – Sonny Beeker
Recreation Manager – Nikki Keely
Deputy Town Clerk – Nancy Hewitt

CALL TO ORDER

Mayor Swearingen called the meeting to order at 9:00 a.m.

PRESENTATION OF REVISED DRAFT OF FY16-17 BUDGET

FO Copenhaver presented council with a list of revisions he made to the General Fund, at council's request, as follows:

- Increased: \$1,500 for the Federal Point Help Center contribution, \$1,938 for pay and taxes of a lifeguard to clear the beach of equipment left after hours and \$4,000 for the Street Festival to help finance next year's 70th Anniversary.
- Decreased: Federal Point Historic Society and Friends of Fort Fisher contributions; parking lot expenses by \$70; building maintenance, telephone and minor equipment from the Administration budget; maintenance from the Community Center budget; part time pay and taxes, and starting pay for an additional police officer with a delayed hire from the Police budget; Boogie in the Park and children/family programs from the Parks and Recreation budget; and beach nourishment from the Building Inspection budget.



TOWN COUNCIL MINUTES

FY16-17 BUDGET WORK SESSION #2

April 22, 2016

FO Copenhaver said that the changes made to the original draft budget after the last work session, resulted in it going from a deficit of \$128,993 to a deficit of \$191,558. He said council was trying to decide at the last work session if they wanted to put \$25,000 or \$50,000 into the Beach Protection and Contingency Funds, so they directed him to find out the average annual amount transferred from the Contingency Fund. He said that the average transfer over the last few years has been about \$53,000, so he advised council they may want to budget \$50,000 in that fund as well as in the Beach Protection Fund.

FINALIZATION OF THE PROPOSED BUDGET

FO Copenhaver reviewed a revised list of eight potential options from which council could choose to balance the draft budget, along with the effect each option would have on the budget. Options included appropriating fund balance, reducing budgeted expenses or increasing property taxes by either 2.35, 3, 4 or 5 cents.

MPT Bloszinsky asked the finance officer what the current shortfall for garbage fees is, to which he responded the shortfall is a little over \$400,000 with the town collecting about \$200,000. Discussion ensued about whether or not to increase garbage fees.

Commissioner Heglar said, if council doubles the garbage collection cost, it would cover the budget deficit, but it might be better to raise taxes since they're deductible.

MPT Bloszinsky said the tax increase probably wouldn't help people taking the standard deduction.

It was discussed that the Kure Beach tax rate was raised in FY10-11 by almost three cents and, in FY11-12, taxes increased again through the county's property revaluation. It was calculated that the average cost of a house in Kure Beach is about \$336,721, with a median household income of \$55,000.

Commissioner Heglar calculated it would cost an additional \$80 per year for the average citizen, if council increased taxes by 2.35 cents.

FO Copenhaver said the total existing operating expenses in everyone's budget this year were up by 3.5 percent. He said, if the town proceeds with the town hall/fire station (facilities) expansion project, the debt service could be about \$200,000 per year, which equals out to about 2.5 cents more on property tax. He said the debt service estimate is based on a \$2 million dollar project with a 15 year loan.



TOWN COUNCIL MINUTES

FY16-17 BUDGET WORK SESSION #2

April 22, 2016

MPT Bloszinsky said he was listening to a report on WRAL that said New Hanover County is not likely to raise taxes this year, although he's not sure what caused them to make that statement; but there will definitely be a revaluation next year.

Commissioner Heglar said he expects the revaluation will be bad for Kure Beach property owners, looking at the values this year.

Town Clerk Avery said, if taxes aren't raised by four or five cents this year, the debt service won't be addressed for the facilities expansion project for the next year.

Commissioner Heglar said that he wouldn't advocate raising taxes for a project that council hasn't agreed to yet and wouldn't start in the next budget year anyway. He said there's plenty of money in the General Fund balance, if starter money is needed.

Town Clerk Avery asked how far out each tax increase option would carry the town before taxes would need to be increased again.

Commissioner Heglar said the increase just gets us to the next year, but something will have to be done again next year anyway with the revaluation coming.

Discussion ensued further about how to finance the facilities expansion project with the following information, based on current interest rates:

- Banks will only do a 15 year loan with an average interest rate of three percent.
- The USDA can do a 15-40 year loan with an average interest rate of four percent.

After Fire Chief Heglar said the town hall and fire station were about 25 years old, Commissioner Heglar suggested that a USDA loan could be taken out for 25 years for the facilities expansion project.

Commissioner Dugan said that it boils down to department head recommendations on actions to take in order to maintain or improve the level of services to the town, and council needs to determine if it's worth it; and he feels it's worth it.

Commissioner Whitley said council should do what they can for the town.

CONSENSUS – Council agreed that a 2.35 cent increase is necessary and asked the finance officer to compose a message for council's approval, to be sent to the Island Gazette, that explains the following:



TOWN COUNCIL MINUTES

FY16-17 BUDGET WORK SESSION #2

April 22, 2016

- There are new regulations for the fire department that create the need for four, additional full time firefighters, which will also help the town maintain its ISO rating to keep homeowner insurance costs low.
- There is a need for an additional police officer to maintain the high standards of the department.
- Council will increase taxes by 2.35 cents to balance the budget, which includes putting \$50,000 in the Beach Protection Fund and \$50,000 in the Contingency Fund.

Fire Chief Heglar said the reduction in his home insurance rate equaled his Kure Beach taxes when the ISO rating improved several years ago. He said that the town could lose its current ISO rating if something isn't done to provide 24/7 coverage in the fire department, since volunteers can only do so much due to IRS and Risk Management restrictions. He added that the sleepover program for volunteer firefighters will be discontinued.

FO Copenhaver said that the assistant fire chief put the sleepover program in his draft budget, to which Chief Heglar said he only did that because he didn't think council would approve the four, additional full time firefighters; but it will be removed if that is done.

FO Copenhaver asked council if they liked the idea he presented at the last budget work session of collecting the town's vehicle tax through the county's registration/tax system. He said residents can bring their proof of payment to town hall to get their decals, and the town can still sell decals to non-residents who want one. He said the budget should increase by about \$4,000-\$4,500 with 100 percent collection from each registered vehicle in Kure Beach, and the money coming from non-residents for decals.

CONSENSUS – Council instructed the finance officer to arrange with the county to collect the town's \$5 vehicle tax via the county registration/tax collection process.

FO Copenhaver said he will make it part of the budget ordinance and will create a resolution for council to sign.

FO Copenhaver proceeded to review a spreadsheet showing the monthly amount of residential water usage from 4/1/15 to 3/31/16. He provided the following information:

- There are significant increases in water consumption through the summer months.
- The town mails out about 1,900 utility bills to residential customers, per month, with an average total annual water usage of about 94 million gallons.
- About 24 percent of the annual utility bills are for use of over 5,000 gallons, which is 68 percent of the water used.



TOWN COUNCIL MINUTES

FY16-17 BUDGET WORK SESSION #2

April 22, 2016

- About 15 percent of the annual utility bills are for use over 7,000 gallons, which is 56 percent of the water.
- Accounts using over 10,000 gallons of water in July and August, alone, are using 63 percent of the water.

FO Copenhaver reviewed the current minimum charges for water/sewer and charges for water/sewer usage over 2,500 gallons per month. He proposed that council consider instituting another tier for water usage over 5,000, 7,000 or 10,000 gallons per month. He proposed charging 67.5 cents per 100 gallons for water and 87 cents per 100 gallons for sewer, if council chooses another tier.

Commissioner Heglar said council found out that rental homes cannot be required by the town to pay the commercial rate. He said he liked knowing that a higher tier increase wouldn't affect the residents who are on fixed incomes since they usually don't use as much water.

Regarding properties that use irrigation, Director Beeker said if the rates are raised too high, there may be increased requests for additional irrigation meters. He said that the cost of a meter is so expensive that people don't want to pay for them, but it may get to a point where residents would rather pay \$4,000 to install an irrigation meter than have to pay sewer fees if it gets too expensive. He said that could result in great decreases in the amount of money the town receives from them. He asked council to keep that in mind for the future, but it probably won't be a problem right now.

FO Copenhaver recommended instituting a 7,000 gallon tier since, during the winter months, it will only impact about five percent of the users, and it's a good "middle of the road" approach.

Commissioner Heglar restated his desire from the last work session that short-term rental owners be encouraged to install outdoor showers and full time residents be encouraged to do their laundry in the summer during the weekdays to help with peak usage hours.

CONSENSUS – Council agreed to apply the 7,000 gallon usage tier to the draft budget.

At council's request, FO Copenhaver presented the total cost of expenditures for new furniture and appliances for town hall, including the council chambers. He said the furniture cost \$11,550 and the refrigerator cost \$250.

Town Clerk Avery said the new items are projected to last about 20 years. She said she wanted to bring town hall up to date so that, when she leaves, it will be in shape for many



TOWN COUNCIL MINUTES

FY16-17 BUDGET WORK SESSION #2

April 22, 2016

years to come. She pointed out to council that she removed her maintenance amount from the draft budget when council requested that the department heads cut their budgets.

CONSENSUS – Council directed the finance officer to prepare his budget message and the amended draft budget, as requested by council, and present it to them at the May council meeting.

The mayor called for a break at 10:15 a.m.
The mayor resumed the meeting at 10:25 a.m.

COMMUNITY VISIONING DAY RESULTS

Mayor Swearingen said about 50 people showed up for Community Visioning Day and everyone seemed to have fun and get something out of it. She listed the seven focus groups that will make recommendations for the Comprehensive Plan, as follows:

- public infrastructure
- public safety
- transportation
- parking
- social well-being/biking
- environment
- business

Mayor Swearingen said the groups will identify the major issues with their group and address all concerns such as:

- pros and cons
- sustainability
- cost effectiveness
- staffing requirements
- repercussions
- changes or additions in legislation or ordinances
- how the issue would be enforced
- required collaboration
- target date to implement

Regarding public infrastructure, Commissioner Dugan said there may be something each department head does that only one department, like administration, could handle for all employees.

MPT Bloszinsky said personnel could be one of them.

Mayor Swearingen said parking and bike paths were listed as the main concerns at each table during the meeting. She said there will be a survey for residents and absentee property owners that the town clerk and a volunteer will work on, using whatever tool is best to conduct the survey. She said people have volunteered to provide administrative assistance in developing the Comprehensive Plan.



TOWN COUNCIL MINUTES

FY16-17 BUDGET WORK SESSION #2

April 22, 2016

MPT Bloszinsky said that council should be aware of any impacts the Comprehensive Plan may have on the Land Use Plan; he doesn't want it to overreach its goal by containing regulations that limit certain freedoms.

Mayor Swearingen said a new Land Use Plan should be done every five years, and the last one was done ten years ago.

Commissioner Heglar said council needs to approve the survey before it is published to make sure none of the questions give residents unrealistic expectations of what council may consider. He used the example of "Are you against taxes?" as a question and said he wouldn't want it to raise people's expectations that council would consider never raising them.

Commissioner Dugan asked the mayor if "cost to businesses for banning plastic bags" under "repercussions" on her list was an idea from the meeting, to which she responded that she added that herself.

MPT Bloszinsky suggested that "facilities" be added as a focus group to discuss things like the baseball field and other facilities the town already supports, to which the mayor agreed and asked council to recommend to her who should be in that group.

SALARY BANDS

Town Clerk Avery said she took the suggestions made by council at the last meeting and added Sub-band D to Band 1, to separate fire and police duties. She said she also added typical job titles for each band, as requested by council. She asked council if they wanted her to proceed with the salary band structure or just upgrade the current pay grade scale.

Director Beeker said he doesn't care either way as long as council takes into consideration what the department heads have to say about starting salaries for their employees.

Commissioner Heglar said department heads would be expected to use the market rate for the starting salary.

Director Beeker said that the starting salary for public works is a bit different since the market rate depends on what new hires are expected to do and can and can't do, whereas all of his employees do everything, not just some things like CB Public Works.

Mayor Swearingen said she thinks public works employees should be under Sub-band B, rather than Sub-band A.



TOWN COUNCIL MINUTES

FY16-17 BUDGET WORK SESSION #2

April 22, 2016

Director Beeker said that the numbers are fair under Sub-band A, as long as he can make adjustments.

Commissioner Heglar said, if you're going to hire public works employees, they should be hired more toward the minimum if they're new, hired at mid-point if they have experience, and only the really experienced should be hired near the maximum. He said council looks to the department heads to advise them and get their approval.

Commissioner Dugan said it's perfectly reasonable that some personnel be able to move around in the bands rather than stay fixed within a band.

MPT Bloszinsky said council members come and go, so the new salary band shouldn't interfere with what the department heads are already doing.

Town Clerk Avery said she was concerned about Sub-band C for the fire department where she has listed the minimum salary as \$34,276, but the draft budget from the assistant fire chief shows \$30,000 as the starting salary.

Fire Chief Heglar said that \$30,000 is a good starting salary because the new employees won't have had much, if any, training.

Commissioner Heglar suggested the town clerk add the new firefighters under Sub-band A until they get certified, then they can move up to Sub-band C. The mayor and MPT agreed this was a good idea.

Town Clerk Avery said she may put in a training Sub-band for the fire department since the personnel policy states that, if you come in as a trainee, the department head can recommend a six percent raise after six months of probation if he/she feels it's warranted.

Commissioner Heglar said that, for firefighters, the budget may work out better if you wait a year to give a raise, instead of six month since training would be more complete within a year.

Town Clerk Avery reviewed Band 1, Sub-band A, stating that most of the public works maintenance workers are under it.

Director Beeker said that one point he really wants town council to understand is that the salaries in Sub-band A are based on a 40-hour week, whereas some of the other Sub-bands have employees that work 35-hour weeks.



TOWN COUNCIL MINUTES

FY16-17 BUDGET WORK SESSION #2

April 22, 2016

Commissioner Heglar excused himself from the meeting at 11:20 a.m.

REQUESTS FOR ARCHITECTURAL SERVICES

Town Clerk Avery presented council with a list of five architectural firms that submitted proposals for design services for the facilities expansion project. She reviewed the recent projects each firm had completed, their qualifications and their proposed costs.

Commissioner Whitley commented that one of the architectural firm's price was much lower than the others at \$11,000 and council shared possible reasons for this.

Inspector Batson said that he is looking for different ideas and renderings showing what could be possible with the expansion, along with a cost estimate for each idea. He said that the firms were told that the fire house should be a metal building.

Mayor Swearingen said that one of the proposals seemed to have a much higher cost per square foot than the others.

Inspector Batson said the difference in cost per square foot may have more to do with finishes and what equipment the firm plans to use.

Director Beeker suggested starting with the firm that presented the lowest quote and calling the people for whom they worked to see if they would recommend them.

Mayor Swearingen recommended council meet together to check the firms' references and narrow the field down to two or three firms to interview.

CONSENSUS – Council decided to hold a special meeting at Town Hall on Tuesday, May 10th at 6:00 p.m., or soon thereafter, for the purpose of discussing the merits and qualifications of each architectural firm that submitted a proposal and will choose two or three to interview.

ADJOURNMENT

The mayor adjourned the meeting at 11:25 a.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.

