



Town of Southern Shores

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Town of Southern Shores
FY2008-09 Budget Workshop
May 13, 2008
8:00 a.m.-Pitts Center

Minutes

The Southern Shores Town Council met on May 13, 2008 at the Pitts Center.

The following Council Members were present: Mayor Don Smith, Brian McDonald, Jodi Hess, Kevin Stroud and Jim Pfizenmayer.

Also present were: Charles Read, town manager, Carrie Gordin, town clerk and Ike McRee, town attorney.

Mayor Smith called the meeting to order.

The town manager read the FY2008-09 Budget Message and then asked council to discuss the proposed budget presented with a nine cent tax rate.

[Clerk's Note: A copy of the FY 2008-09 Budget Message is attached as Exhibit A].

Council Member McDonald noted an error in the message where it states *Occupancy and local option sales tax are expected to decrease by about 21/2% and land transfer tax is showing a decline and is expected to be reduced by 10%*. He stated it should read as an increase. The finance officer agreed it should be changed.

Bonnie Swain, Finance Officer explained the revenues and expenditures and reviewed the proposed budget by each department.

The finance officer addressed several issues during her review. She noted that the town received \$45,000 from the \$800,000 canal grant funds to pay legal and engineering fees related to the canal dredging project. She stated, however the budget revenue match for the grant money would not be a part of this budget. Also an extension on the Land Use Plan grant has been approved and additional funds have been requested by the planner.

The finance officer stated the fire department received \$100,000 from the Capital Reserve Fund as previously approved by council.

The Public Works Department received grant money to be used for safety compliance and the Police Department received grant money for body armor vests.

Police Chief Kole stated grant money received for the vests were \$317 each but a vest cost \$800 and last for five years.

Mayor Smith asked if the process of collecting town taxes and payroll is being considered to be brought back in-house.

The finance officer stated the payroll service works well and trying to segregate duties as required by the Local Government Commission (LGC) is not feasible since we have a small staff and there would be an additional cost for an accounting module.

She stated Dare County uses MUNIS accounting system and the town would also need to purchase the same program in order to collect taxes in-house. She stated the county has a 99.86 collection rate.

Council Member Hess suggested asking the county if they would consider reducing the 1½ % collection fee.

The finance officer stated she is exploring other insurance options instead of using Blue Cross/Blue Shield (BCBS). She stated BCBS will not accept our group that includes the towns of Nags Head and Kitty Hawk as a large group and this keeps our costs high. She will provide information to council soon.

She stated merit increases are given in December and Cost of Living increase are given in July.

Council Member McDonald stated he does not feel comfortable in asking department heads to cut their budgets and then add council compensation to the budget.

Mayor Smith stated he has continued to support council receiving compensation. He stated all the other town councils receive compensation.

Council Member Hess stated she agrees with Council Member McDonald she does not support council compensation for this council. She would agree for the next council to receive compensation.

Council Member Stroud stated he agrees with the Mayor and supports council compensation. He stated he thinks it would encourage citizens to run for council.

Council Member Pfizenmayer stated he supports council receiving compensation and whenever approved every two years there is an election and it will include someone who is currently sitting on council. He stated it does take a lot of time and if you work it takes time from your working hours.

Following discussion council agreed to include, as a line item, in the budget \$1,000 for a volunteer appreciation event.

Council discussed ways to better communicate with the citizens through an on-line survey. Staff will continue to investigate options.

Council Member McDonald stated it was reported the electric company is proposing an 18% increase and he suggested the budget may want to reflect an increase.

Council had no comments for the Code Enforcement Department.

Police Chief Kole stated as recommended in this MAPS Study as well as previous MAPS Studies, to institute for the police department a College Education Incentives Program at a cost not to exceed \$15,000 annually as well as a Career Development Program for police officers. He stated this may encourage officers to continue their education or to complete it. He stated implementing this program would discourage employee turn-over

The town manager stated he fully supports this program.

Chief Kole provided Council with information regarding the leasing of vehicles and how it would impact the budget. He stated he would like to set up a vehicle replacement schedule by replacing two vehicles every year and add as a separate line item for equipment. He stated equipment cost for a vehicle is \$12,000 but the equipment can be swapped out to another vehicle. Discussion was held when the vehicles should be rotated such as by its year (every three years or more) or by mileage (70,000-100,000 miles) or by accountable hours.

Mayor Smith stated he is concerned that the current mileage being used for rotation is too low and feels it should be a factor. He stated as before these are tough economic times and he does not support allowing the police cars to be driven home.

Chief Kole stated if the proposed vehicle replacement schedule is not put into place then the department may need to purchase 4-5 cars in the 2009-10 budget year.

The town manager stated he appreciates the research provided by Chief Kole on the lease/purchase program and it would be considered for the 2009-10 budget year. He stated, over the years, several vehicles have become surplus and then used by the fire department and the Public Works Department.

Chief Kole reminded Council that the VIPER 800 MHz radio system should be a consideration for the budget stating that at some time this will become a mandated cost.

The town manager stated the Public Works Department has been doing a great job and they have taken on many projects. He stated as an incentive and to retain our employees it has been established, at the beginning of the fiscal year, that a town-owned vehicle will be provided for two employees to car pool.

Council Member McDonald stated Council had hoped to see a Capital Improvement Plan (CIP) by March of this year so items could be discussed and budgeted.

The town manager stated he was tasked to have the CIP completed for Council review by February 2009 but he hopes to have it available by November. He stated the plan would have projects, costs for a 3, 5, and a 10-year plan and proposals on how to fund them. Some of those projects would be road repairs, storm water, and canal dredging.

Council Member McDonald stated it has been brought to his attention that the cul-de-sac at E. Holly Trail needs to be improved. He stated this project was on the books before but did not get completed due to the property owners not agreeing on needed easements. He stated some of the property owners want to see this project completed. He requested staff look into this again.

Council Member Stroud asked if it had been determined that legal fees as applicable to the canal dredging project can be paid from the grant money. The finance officer stated yes and that the town has received in writing that the \$800,000 is in the state budget for the canal dredging project.

Council Member Stroud requested to find out if past expenses on the canal dredging project can be paid from the grant money and the town would then be reimbursed.

Council Member Hess asked why the fire department budget was reduced by \$50,000 from last year's budget. She stated the fire department provided a list of their budget items showing increases and what does this say to our volunteers by cutting their budget.

The town manager stated his decision to reduce the requested amount was based on financial consideration, with the spirit of volunteerism and recent input from council that the town budget be reduced.

Mayor Smith stated the fire department's budget last year included \$35,000 for a one time purchase on a piece of equipment and this year's budget should reflect a \$35,000 decrease.

The finance officer stated that \$50,000 was put into the fire department budget over a two year period to equal \$100,000 and that was given to the fire department but no additional amounts were included in the current budget.

Council Member Stroud stated there are rumors regarding the fire chief being paid a salary of \$70,000. He asked are we keeping the fire department as a volunteer fire department or the beginning of becoming a paid fire department.

Fire Chief Harvey stated the terms of contract services and detailed line items are not town business. He stated the fire department has not agreed to the town's proposed budget amount since he just heard about it today at this meeting. He stated other contracted services were reduced and their services were cut. He asked where you want the fire department to cut services. He stated he met with the town manager three times and he also met with the mayor to discuss fire department board issues.

Council Member Hess asked if the fire department decides to pay a fire chief what impact is that on becoming a paid fire department. She stated she is concerned that having a paid department will cause construction impacts as related to laws requiring better housing facilities for a paid fire department.

Chief Harvey stated the board decided to start paying a chief because the job has now become a full time position. He stated he did not ask to be paid. He stated he takes pride in being a volunteer and he has agreed to waive the benefits which could be as much as \$35,000 associated with the position. He stated this was a board decision. He stated if Council does not agree to the \$391,600 contract amount then we have until June 30, 2008 before the current contract expires to make other arrangements. He asked how would Council propose to cut the budget: by reducing fire service for a month, not replacing equipment or losing current fire rating? He stated the fire department reduced capital expenses over the past two years but equipment is needed over the next two years. He stated the proposed contract term is for seven years to match the County contract.

David Sanders, resident and member of the fire department as well as a past fire chief stated speaking as a citizen the fire department membership voted five against twenty-one in favor of paying the fire chief. He stated he was one of the five that voted against for the very reason that he knew the town would cause dissention with the proposal. He stated the town questions what the department is presenting and then questions their ability to manage its own affairs. He stated it appears the town doesn't trust the fire department. He suggested contacting the insurance companies and see what the rate will be if the fire rating is reduced. He stated he has spent twenty-four years with the fire department and is still willing to volunteer his services. He thinks about quitting but he won't.

Mayor Smith stated several council members have engagements for this afternoon and this meeting will need to be recessed. Council Member Hess moved at 11:35 a.m. to recess this meeting to May 27, 2008 at 10:00 a.m. to follow the regular scheduled council meeting on that day. Council Member McDonald seconded. The motion passed with Mayor Smith and Council Members McDonald, Hess, Stroud, and Pfizenmayer voting aye; no council member voting no and no council member absent.

Attest:


Don Smith, Mayor



Respectfully submitted:

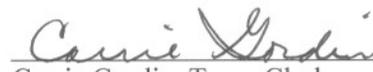

Carrie Gordin, Town Clerk

Exhibit A

TO: Members of Southern Shores Town Council

FROM: Charles B. Read, Jr.
Town Manager

DATE: May 12, 2008

RE: FY2008-09 Budget Message

I respectfully submit the Town Manager's recommended budget for the fiscal year July 1, 2008 - June 30, 2009 for the Town of Southern Shores. This budget has been prepared in accordance with the Local Government Budget and Fiscal Control Act. In preparing this budget, I have consulted with senior staff, the Town Attorney, and the Town Auditor. This recommended budget is conservative and reflects the increasingly challenging financial times which we face.

SUMMARY

In preparing this budget, a number of factors were considered including emergency preparedness, providing excellence in service, controlling spending, developing a Capital Improvement Plan, and addressing the worsening financial times facing our nation, region, and town. This proposed budget is conservative but fully addresses the maintenance activities and vital services of the town. Although this budget does not address long-term capital obligations at length, it does provide for the necessary engineering studies to begin the construction of a Capital Improvement Plan.

During fiscal year 2008-2009, the town needs to fully develop a long-term Capital Improvement Plan that will allow service levels to improve and identify a significant funding source for future capital improvements and major expenditures. The Town Manager will solicit the input of, and work closely with, Council, Staff, the Town Attorney, the Town Auditor, Consultants, and the Town Engineer in addition to the members of our volunteer committees in preparing the CIP. Southern Shores is "A Community of Volunteers" and I want to take this opportunity to express our profound appreciation for their valuable service.

I thank the council for the opportunity to be of service. Additionally, I wish to express my sincere gratitude to our outstanding staff and town employees. It is an honor and privilege to serve the citizens and visitors of Southern Shores.

I am pleased to present this budget to the Mayor and Council for their deliberation:

GENERAL FUND

REVENUES

The General Fund is balanced with a property tax rate of 9 cents per \$100 valuation. The recommended tax rate is a reduction from the current fiscal year tax rate of 9.75 cents per \$100 valuation.

The total General Fund revenues are recommended at \$3,542,630.00 versus the adopted 2007-2008 budget of \$4,731,164.00. This reflects an overall decrease \$1,188,534.00.

The property tax base is estimated by Dare County Tax Office to be \$1,695,498,000.00 for the 2008-2009 fiscal years versus \$1,680,879,000.00 in the previous year.

A penny on the property tax rate is expected to generate \$169,550.00 in revenue. The property tax rate generates approximately 43% of all General Fund Revenues.

Occupancy and local option sales tax are expected to increase by about 21/2% and land transfer tax is showing a decline and is expected to be reduced by 10%.

Powell Bill funds are 71/2% less than last year. The revenues from this source are being recommended to fund street repairs as necessary with plans of applying Powell Bill funds to future alternative funding sources for the CIP when identified. In the case of a possible Gas Tax Moratorium, Powell Bill funds will decrease even further.

This recommended budget includes two grants totaling \$6,575.00 one for specialized police equipment the other for a Public Works safety program.

Building Permit revenues reflect a \$63,000 decrease due to the downward trend of new construction and consideration of the one-time \$60,000 permit received last year for the Cove Project.

The General Fund expenditures consists of \$1,218,993.00 in salaries, which includes \$25,000 for the merit program and \$15,000 to implement the Career Development Program in the Police Department, \$357,373.00 in benefits, \$ 620,593.00 in operating expenditures, \$1,229,900.00 in contracted services and a transfer of \$115,771.00 to the Capital Reserve Fund. All budgets reflect higher vehicle operation costs associated with increases in the price of fuel.

CAPITAL RESERVE FUND

Consistent with the TOSS Resolution to maintain seventy-five percent (75%) in the Fund Balance to address emergent and contingent financial needs and in keeping with my recommendation that TOSS maintain it's high-level of emergency preparedness, it is recommended that the anticipated growth of approximately \$800K be transferred from the General Fund to the Capital Reserve Fund.

The contribution to the Capital Reserve Fund for fiscal year 2008-2009 is \$115,771.00.

This fund reflects a beginning balance of \$424,897.00.

EXPENDITURES

COST OF LIVING ADJUSTMENT: A COLA of 3.5% for our employees has been calculated totaling \$32,468.00. This adjustment includes the increase in related benefits and reflects the MAPS study recommendations approved by Council as amended.

ADMINISTRATION: The administrative budget increases by \$35,400.00 to \$715,100.00 with the largest increase in salaries, related benefits and Council Compensation. Administrative services reflect funding of the merit plan of \$25,000 which will be dispensed to the recipient departments at the beginning of the fiscal year. Property Liability and Workers Compensation insurance are projected to remain consistent. Legal services are budgeted at \$35,000.00 and will be paid from the administrative department. A transfer of \$115,771.00 was made from the General Fund to the Capital Reserve Fund to support future capital projects.

POLICE: The police budget includes slight increases representing both required and beneficial training and personnel development opportunities, including a College Education Incentive as recommended by the MAPS study. There are no major purchases recommended. However it is likely that the 2009-2010 budget will address the purchase of two (2) new police patrol vehicles

thus allowing the Police Chief to continue with the development of a viable vehicle rotation plan. Obtaining one (1) special purpose vehicle is advantageous and the means for financing it will be identified before obtaining such a vehicle. The Town Manager and Police Chief will explore alternative financing for the future of the police car fleet. The Police Department has stabilized and turn-over of personnel has declined.

It is worth noting that Police Officer turn-over within our region is a phenomenon which concerns all Town Managers and Police Executives within Dare County.

CODE ENFORCEMENT & PLANNING: This department has been re-structured and streamlined to reflect the decline in building within the township and is operating at full-efficiency. This budget represents a decrease of \$176,298.00 from last year.

PUBLIC WORKS: PW continues to assume more and larger in-house projects thereby reducing costs and delays, and lessens the need to contract with expensive outside vendors. Increases in the PW budget are conservative and reflect the steady increases in operating expenses and also address the need to re-paint Town Hall, which will be done in-house, and to prepare for future repairs and maintenance to the Air Conditioning system at Town Hall. Engineering fees of \$15,000.00 are budgeted to facilitate the Town Engineer's participation in the development of the CIP. Currently, TOSS is charged a 10% Diesel Fuel Surcharge, billed bi-weekly, for the Chipping Program. The Chipping Program contract was reduced by approximately 25% in a mutually agreeable contract re-negotiation with the service provider.

SANITATION: Sanitation costs are for the most part fixed and are only slightly offset by container sales.

LIFEGUARD: The Ocean Rescue contract has been reduced by \$19,000.00 without degradation of services. The Town enjoys an excellent working relationship with the service provider.

CIP ENGINEERING: The Town Engineer will provide engineering support services for the development of the CIP

FIRE DEPARTMENT: Our fire department has been a model of the volunteer tradition and spirit of the Town of Southern Shores. The selflessness exhibited by the members of the volunteer fire department and their numerous hours of service has contributed to the Town's ability to provide a high-level of service to the Town's citizens for much less cost than would be required for a full-time paid fire service. This recommended budget for the SSVFD is consistent with the Town's policy and intent to maintain a volunteer based fire service. The SSVFD has submitted its fiscal year contract at \$341,600.00.

The Southern Shores Fire Department has provided the following courtesy synopsis of their budget:

Increases:

<p>People Costs</p> <ul style="list-style-type: none">✓ Chief Salary (No benefits)✓ Slight increase in Part Time Secretary Salary (Annual)✓ Medical Exam Costs (Required)✓ Workers Compensation (Required)✓ Awards & Commendations for Members (Volunteer Retention)✓ Benefits for Members (Volunteer Retention)✓ State Pension Cost Increase (Required)

Professional Services

- ✓ Accounting (Required by Town & County Contracts)

Repair & Maintenance

- ✓ Radios- More radios in use (Safety Issue)

Insurance Costs

- ✓ (29.6% increase) Due to reassessed property values, new apparatus & industry increases.

Fuel Costs

- ✓ (14.3% increase) Probably now underestimated

Debt Service

- ✓ Rehab Vehicle (Reduced \$17k/year by \$100k Town capital payment)

Decreases**Capital**

- ✓ Regular Capital decreased 50%
- ✓ \$94,200 Grant completed
- ✓ Completed upgrades of equipment to new standards
- ✓ Shifting to Debt Service

Debt Service Decrease

- ✓ Retired Truck 12 and Building Debt on South Station

Sign Program

- ✓ Program mature, market saturation reached

Town of Southern Shores pays for approximately 83% of Fire Department Budget.

Martins Point pays approximately 17% of Fire Department Budget.

Volunteer Labor subsidizes for approximately 80% of Total Cost of Department.

After considering the Fire Department's request and taking into consideration the Town's financial position, the status of the national, regional, and local economies, and prior fiscal year appropriations for fire service, I recommend an appropriation of \$291,400.00 for the Fire Contract.