



Town of Southern Shores

5375 N. Virginia Dare Trail, Southern Shores, NC 27949

Phone 252-261-2394 / Fax 252-255-0876

www.southernshores-nc.gov

Corrected

Council Meeting
May 15, 2012
9:00 a.m. - Pitts Center

The following Council Members were present: Mayor Hal Denny, Mayor pro tem Jodi Hess, Council Members George Kowalski, David Sanders and Larry Lawhon. Also present: Town Manager Peter Rascoe, Finance Officer Bonnie Swain and Town Clerk Carrie Gordin.

Mayor Denny called the meeting to order and led the Pledge of Allegiance and held a moment of silence.

APPROVAL OF AGENDA

Mayor pro tem Hess moved to approve the agenda as presented. Council Member Sanders seconded. The motion passed with Mayor Denny and Council Members Hess, Kowalski, Sanders and Lawhon voting aye.

APPROVAL OF MINUTES-May 1, 2012

Mayor pro tem Hess moved to approve the May 1, 2012 minutes as presented. Council Member Sanders seconded. The motion passed with Mayor Denny and Council Members Hess, Kowalski, Sanders and Lawhon voting aye.

GENERAL PUBLIC COMMENT

Tom Bennett, Commodore of the Southern Shores Boat Club, stated the Town Manager spoke at their recent Boat Club breakfast and several in attendance were complimentary of the Town Manager's information. He also stated that the Town Manager represents the Town very well.

OLD BUSINESS

Budget Officer Filing Proposed FY 2012-2013 Budget with Budget Message

The Budget Officer/Town Manager presented and reviewed the proposed FY 2012-2013 Budget of \$4.9 million, and presented his Budget Message. He stated there is no recommendation for a tax increase in this proposed budget and no reduction in services. He reminded Council the Town has a reduction in projected revenues from the county tax distribution and that the proposed budget indicates a transfer from undesignated fund balance to cover a projected shortfall. He also reminded Council that Dare County is conducting a revaluation of real property to be effective next year.

[Clerk's Note: A copy of Budget Message is hereby attached as Exhibit A].

Following the proposed budget presentation Council had discussion on several other financial matters.

The Town Manager reminded Council that the expense for the Juniper/Trinitie Trail Bridge replacement is not included in this budget as Council had originally indicated a desire to engage in annual installment payments as agreed by the NCDOT. He stated that when DOT submits the construction invoice, Council may decide then to either continue with the annual installment plan – or pay the entire invoice amount via a budget amendment.

Council Member Sanders stated he has been asked, by citizens, whether the Juniper/Trinitie Trail Bridge has been accepted and is it built as engineered. The Town Manager stated the structure is completed and DOT opened it for travel. He explained the project is a DOT designed and constructed project, and that DOT's design plans approved by Council are available for review. He stated according to the approved design, the pipe is to be oblong where the original was round.

Mayor Denny stated the bridge is being deformed on both ends due to DOT not installing tie backs as was done with the original bridge.

Councilman Kowalski stated he looks at the bridge from its side every day and he has seen no change in it, it looks the same.

The Mayor stated the bridge is deforming and he considers it to be a very ugly bridge.

The Town Manager stated this is the first he has heard the bridge is deforming and that he will report the Mayor's observation to DOT.

The Town Manager recommended the FY 2012-2013 proposed budget public hearing be held at the June 5 Council meeting. Mayor Denny so ordered.

Mayor Denny stated further discussion on the budget can be held at the mid-June work session meeting or call a special meeting if needed before approval of the budget.

Council Member Kowalski stated the cost of Phase II of the canal dredging project along with the revenue sharing short fall and other pending capital projects would seem to require increasing revenue through a property tax rate increase. He stated by his calculations a 3.25 cent property tax rate increase is viable if Council wants to initiate some of the capital projects.

Council Member Sanders stated after a seven-year canal dredging loan is paid off, the canals will need to have maintenance again.

Mayor Denny stated previous discussion was held on using a combination of a tax rate increase affecting all Town property owners and assessments of Town canal front property owners to finance the canal dredging.

Council Member Lawhon stated if the Town decides to assess canal front owners for the continued dredging project, the Southern Shores Civic Association (SSCA) membership would be greatly impacted since the SSCA would have to increase its membership dues to pay for any assessments as a canal-front property owner.

Council Member Kowalski stated he sees no difference in all the Town citizens paying for road maintenance and all Town citizens paying for canal maintenance; both are town infrastructure and everyone should share in the cost.

Council Member Sanders stated the whole Town benefits from improving infrastructure.

The Town Manager reminded Council there is no existing land-side public access to the Town-owned canals. He stated therefore in the case of raising the property tax rate affecting all Town property owners to fund canal dredging, those Town property owners who choose not to be members of the SSCA will not have any legal land-side access to use the Town's public canals.

Mayor Denny stated in his opinion if a property owner is not a member of the civic association then he doesn't deserve to use the canals.

The Town Manager also suggested to Council that if the assessment method of raising revenue for the canal dredging project were used, in lieu of actual assessment payments the SSCA could consider a like-kind conveyance of unused canal-front property to the Town.

Mayor Denny stated consideration should be made in the Capital Improvement Plan (CIP) for the engineering of a multiuse path on S. Dogwood and investigate what grant money is available. He would like to see an overlay of the Town's multiuse paths with a vision of new paths for consideration for a multiuse path system.

Council Member Kowalski stated when S. Dogwood Trail needs to be replaced that would also be the time for a multi-use path to be installed.

The Town Manager reminded Council, if the capital projects listed in the proposed budget are adopted, this will be the second year that the equivalent of .05 of tax rate revenues will be spent on street capital projects.

Mayor Denny stated next year the streets projects should be limited to revenues generated by .03 of tax rate.

Council Member Kowalski stated he would like to see what property tax rate increase might be needed as related to the costs of particular projects now being discussed.

Council Member Sanders stated he would like to see some hard numbers.

Mayor Denny stated Council did have hard numbers to consider.

Mayor pro tem Hess stated she would like to see the effect of what a two-cent property tax rate increase would do for the budget.

The Finance Officer stated that the costs of some of the projects being discussed are already shown in the budget.

The Town Manager also reminded Council that numbers for any capital projects had been provided for the Council's consideration throughout the budget planning process, including a detailed analysis of the canal dredging costs. He also stated that he and the Finance Officer were prepared today to again provide any project cost numbers requested by Council for consideration, and that any resulting property tax rate was a factor of simply dividing the project cost by the revenue equivalent of 1 penny of property rate - which is \$172,200.

After further discussion by Council, the Town Manager stated he would continue to be ready at any future Council meeting to provide any costs of possible capital projects being discussed by Council - as well as the effective tax rate which would have to be added to the Town's current tax rate in order to fund the possible capital projects.

NEW BUSINESS

Budget Amendment #18

The Town Manager stated to be consistent he recommends that Council enact budget amendment #18 to reverse Budget Amendment #15 from the February 7 meeting and fund the \$70,000 engineering costs for future street improvements directly from the savings remaining in the Chicahawk Trail project line.

Mayor pro tem Hess moved to approve Budget Amendment #18. Council Member Sanders seconded. The motion passed with Mayor Denny and Council Members Hess, Kowalski, Sanders and Lawhon voting aye.

[Clerk's Note: A copy of a memo and Budget Amendment #18 is hereby attached as Exhibit B].

Budget Amendment #19

Mayor Denny moved to approve Budget Amendment #19. Council Member Lawhon seconded. The motion passed with Mayor Denny and Council Members Hess, Kowalski, Sanders and Lawhon voting aye.

[Clerk's Note: A copy of Budget Amendment #19 is hereby attached as Exhibit C].

OTHER ITEMS

Town Manager

He reported the Town will join Nags Head and Duck in seeking secondary emergency debris clearing services. Once a contractor is selected the contract will be presented to Council for consideration. He stated our primary contractor is provided by the County through an interlocal agreement.

He reported he and the Town Planner are working with seasonal owner Code complaints.

Mayor

Mayor Denny stated Council has addressed the formal complaints with staff and staff has handled the complaints with professionalism.

Council

Mayor pro tem thanked staff for dating the budget versions.

Council Member Lawhon inquired about the cause of the recent ground fire at Town Hall. The Town Manager stated it was due to a careless act of a citizen dropping a cigarette into landscaping mulch.

Council Member Kowalski stated that upon reading the Town's Council-adopted cemetery rules he feels some changes need to be made. He would like to volunteer to be the Council-appointed cemetery keeper as is addressed in the Town Code so he could participate in recommending rule changes to Council.

Mayor Denny moved to nominate Council Member Kowalski as cemetery keeper. Council Member Lawhon seconded. The motion passed with Mayor Denny and Council Members Hess, Kowalski, Sanders and Lawhon voting aye.

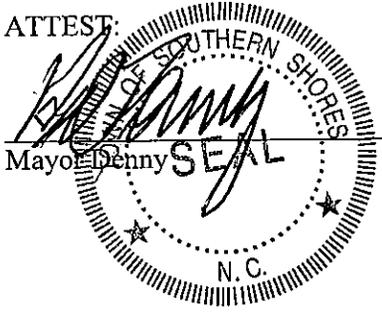
The Town Manager clarified that it is his understanding that as Town Manager he remains administrator and manager of the Town-owned cemetery with the Town Clerk as the records keeper. He also suggested that he, Council Member Kowalski, the Town Planner, Public Works Supervisor, and the Town Clerk work on updating the rules to be recommended to Council.

Mayor Denny confirmed that the Town Manager is to remain as the administrator.

Council Member Sanders asked about the status of the Town's new website. Sheila Kane, Administrative Specialist, stated staff has recently reviewed the draft and it will be made available for Council review soon.

Council Member Sanders asked about the status of videotaping the Council meetings. The Town Clerk stated that the audio-visual upgrade of the Pitts Center is on-going and that the upgrade of the audio system will begin next week. Future funding applications to include videotaping of Council meetings will need Council approval.

Hearing no other business Mayor Denny moved to adjourn the meeting at 11:35 a.m. Council Member Lawhon seconded. The motion passed with Mayor Denny and Council Members Hess, Kowalski, Sanders and Lawhon voting aye.

ATTEST:

Mayor Denny

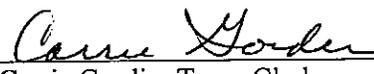
Respectfully submitted:

Carrie Gordin, Town Clerk

Exhibit A

May 15, 2012
Budget Message
Fiscal Year 2012-2013
[NCGS §159-1]

To the Honorable Mayor and Members of the Town Council:

In accordance with the North Carolina Local Government Budget and Fiscal Control Act, submitted today for filing with the Town Clerk is the proposed Town of Southern Shores operating budget for upcoming fiscal year 2012-2013.

During the current fiscal year 2011-2012, the residential and commercial development and construction industry in the Town of Southern Shores has experienced some activity however it continues to remain slow, which translates into limited growth and little increase in taxable property values. As a result, the Town's projected revenue from ad valorem (property) taxes remains flat for the next fiscal year. Ad valorem taxes comprise 52 % of the Town's major sources of revenues.¹

The other major sources of revenue for the Town of Southern Shores, being occupancy tax, sales tax, and land transfer tax, are distributed to all municipalities in Dare County based on a formula established by State law. Each of these tax revenues are distributed to the municipalities in proportion to the amount of ad valorem taxes levied by each town for the preceding fiscal year. Southern Shores did not increase its ad valorem tax levy by raising its tax rate for this current fiscal year. And whereas some of the other municipalities did increase their ad valorem tax levies (one municipality did so significantly), the Town of Southern Shore's projected revenues from distributed taxes are significantly reduced for the upcoming year.

Regardless of the current construction economy and the Town's receipt of reduced distributed taxes, the overall fiscal goal of Town administration continues to be the best possible delivery of Town services in an economically feasible manner. By successfully accomplishing this goal each year, end-of-year budget savings and any realized unbudgeted or unanticipated revenues are transferred into the Town's fund balance for future budgeting as appropriate.

During the months of January and February of this calendar year and in accordance with the Local Government Budget and Fiscal Control Act, the Town's Budget Officer gathered from Department Heads the estimated costs of continuing to provide the Town's basic services for the next fiscal year. Some of those projected costs have increased, and some have been adjusted to indicate decreases. Some necessary adjustments were made in operations during the current year which have resulted in proposed departmental costs being lowered for next year. There are other expenses for services which cannot be adjusted due to contractual obligations (i.e. fire protection, lifeguard services, solid waste collection, etc.). Two service enhancements proposed for the coming fiscal year are the Limb/Branch Chipping Program (proposed for increased

year-round service beginning July 1), and the Recycling Program (new contract with savings effective October 1.)

Capital Improvement Highlights: This year's proposed budget contains costs for capital street improvements in accordance with the five-year CIP plan adopted in 2008. Expenses proposed for this upcoming year's capital street improvements comprise 18.33% of the total operating budget. This amount is also equivalent to 5.3 cents of the Town's total ad valorem tax rate (14.0 cents) per \$100 of assessed property value.

For this upcoming fiscal year, an open-meeting Budget Workshop was conducted on April 1, 2012 by the Town Council, the Budget Officer, and the Finance Officer. Interested citizens and local press attended. Each line of the projected operating expenses for next fiscal year was reviewed at the workshop. As related to the Town Council at the Budget Workshop, this proposed budget is balanced without a property tax increase. Yet it does propose a transfer of funds from the Town's undesignated fund balance in order to balance revenues with projected expenses. After making any corrective changes or any other changes as directed at the Budget Workshop, the Budget Officer was requested to file and present the proposed budget at the Council's May 15, 2012 regular Workshop Meeting.

The draft proposed budget will now be accessible on the Town's website in anticipation of the Council's public hearing.

The proposed budget has now been filed and remains available for public inspection. The Town Council may deliberate on its proposed components at its discretion, will hear public comment, and may take any number of actions, such as either adopt as proposed, or amend the proposed budget and adopt as amended, prior to July 1, 2012.

Peter Rascoe
Budget Officer
Town Manager
Town of Southern Shores, NC

The statutory-required revaluation of all property in Dare County is currently underway this calendar year with the new values effective January 1, 2013. These new values will be used to generate the Town's ad valorem tax levy for fiscal year 2013-2014. Prior to adoption of the budget for that fiscal year (2013-2014), the Town will publish as required by North Carolina General Statute §159-11(e) a "revenue-neutral property tax rate" which is "the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred." **It is important to recognize that, despite a possible decrease in total property values townwide, certain individual property values which have increased as opposed to remaining flat or decreased may generate a higher amount of resulting tax due to the adoption of a revenue-neutral tax rate.**

Explanations of this legal concept, published by the North Carolina School of Government, are available online at: <http://sogpubs.unc.edu/electronicversions/pdfs/1fb39.pdf> and <http://sogpubs.unc.edu/electronicversions/pdfs/1fb32.pdf> and may also be viewed on the Town's website at: <http://www.southernshores-nc.gov/Download%20Docs/Revenue%20Neutral.pdf> and <http://www.southernshoresnc.gov/Download%20Docs/Revenue%20Neutral%20Rate%202004.pdf>.

Exhibit B

May 10, 2012

To: Council

From Peter Rascoe

Re: Budget Amendment Clarifying Action

At your February 7, 2012 regular meeting, I recommended a budget amendment to you which would fund the \$70,000 in engineering costs for upcoming street projects. The amendment proposed using undesignated Fund Balance since it was anticipated that final savings from the Chicahawk Trail Street Improvement Project would revert to the Town's fund balance on June 30, 2012. Council enacted the recommended Budget Amendment #15.

At your May 1, 2012 regular meeting and in order to fund projected costs of the Widgeon Court Street Improvement Project, I recommended you take those funds directly from the savings remaining in the Chicahawk Trail project line - instead of performing the previous method (BA # 15 - anticipating a reversion of those savings to undesignated fund balance on June 30.). You accordingly enacted Budget Amendment # 17 for the Widgeon Court funding.

Although each method of transfer has the exact same result at end of the fiscal year, to be consistent I am now recommending that Council enact a budget amendment #18 to reverse Budget Amendment #15 - and fund the \$70,000 engineering costs for future street improvements directly from the savings remaining in the Chicahawk Trail project line.

**Town of Southern Shores
Budget Amendment Number # 18**

Increases			Public Works Decreases		
<u>Account Number</u>	<u>Description</u>	<u>Amount</u>	<u>Account Number</u>	<u>Description</u>	<u>Amount</u>
	-		40-39909	<u>Revenues</u> Undesignated Fund Balance	\$70,000
	-		57-50932	<u>Expenditures</u> Chicahauk Trail	\$70,000

Explanation: To fund Widgeon Ct. strret improvement from the Chicahauk Trail savings instead of Undesignated Fund Blance

Recommended By:

J. Peter Rascoe, III

Approved By:

Hal Denny, Mayor

Date

**Town of Southern Shores
Budget Amendment Number # 19**

**Administration
Increases**

**Administration
Decreases**

<u>Account Number</u>	<u>Description</u>	<u>Amount</u>	<u>Account Number</u>	<u>Description</u>	<u>Amount</u>
40- 39926	<u>Revenues</u> Government Channel Grant	\$20,000.00			
42- 50144	<u>Expenditures</u> Technology Upgrade Grant through Governement Channel	\$20,000.00			

Explanation: To upgrade technology at the Pitts Center

Recommended By:

Approved By:

J. Peter Rascoe, III

Hal Denny, Mayor

Date