

**MINUTES OF THE SPECIAL MEETING  
OF THE TOWN COUNCIL  
TOWN OF CAROLINA BEACH**

*April 28, 2010*

The Town Council of the Town of Carolina Beach met in special budget session on April 28, 2010 at 9:00 a.m. in the training room at the Municipal Administration Building, 1121 N. Lake Park Blvd., Carolina Beach, North Carolina. The following were present: Mayor Joel Macon; Mayor Pro Tem (MPT) Pat Efirid; Councilman Dan Wilcox; Councilman Lonnie Lashley and Councilman Bob Lewis. Also present was the appointed staff: Town Manager Tim Owens; Town Clerk Lynn Prusa; and Finance Director Dawn Johnson. Various department heads were also in attendance.

The town manager said he is seeking direction on how to proceed on some things so he can go forward with preparing the budget. He presented a budget summary by fund for the last 3 years and what is being proposed fiscal year 2010/2011. He said the expenditures have grown tremendously.

Mr. Owens said there is a budget shortfall \$736,723. That is equal to a 3 cents tax increase and we still need to reduce expenditures by \$50,000. In the Tourism Fund there is a shortfall in the amount of \$151,000 and he is recommending that we use the reserve fund to balance that portion of the budget. There is a \$125,000 short in the Water and Sewer Fund and he recommends we use the reserve fund to balance that budget.

He said that he doesn't take a tax increase lightly but he would like Council to consider a three cents tax increase. He presented why he feels a tax increase is needed in order to balance the budget. He said if there isn't a tax increase this year then next year is going to be that more difficult. If we don't then we will lose revenue from the sales tax. He said we thought it was going to be a little higher. He explained that if we don't go up and the other cities and counties go up then we lose revenue from sales tax.

We have loaded two large projects in the budget and one is the pier project. Mr. Owens said he has called the bank to ask if they can extend the terms of the loan so the debt will be less and he hasn't received a response back yet. Hopefully we will get grants to pay it off. He is still waiting for a response from the bank.

The Wilmington Beach project is the other large project and at some point we will have to pick up that debt service. We contacted USDA and they will likely allow a 30 year loan and that will help extend the payments out and hopefully we will pay it off in 10-15 years. Another option is a bridge loan.

Councilman Wilcox asked for an explanation of how our return on sales tax is affected by the ad valorem. Ms. Johnson said if your ad valorem rate doesn't go up and other municipalities do then they get a bigger portion of the sales tax than we are because it is based on total ad valorem rates for the county. So if theirs goes up they get a bigger piece of the pie and ours drops. Your percentage is based on the total.

The manager said the other way is per capita and we would lose big then. Ms. Johnson said it is the county's choice. The burden is less if we go up as well. The state says you can do it two ways but the county selected the way that is most beneficial to us. Mr. Owens said they haven't proposed a change.

Mr. Owens went over a few of the various departments' lines items and explained why they went up.

There was discussion about the use of the reserve funds. Ms. Johnson said when you get in trouble is when you want to borrow money the Local Government Commission is going to look at your reserve balances and when they are low they are going to ask why. They recommend 8% but that is nothing. Most towns of our size are looking at 45-50% and that is what they compare you to when you borrow money. Ms. Johnson said we at 37% right now but we are coming into the summer months so you are not going to see the tax dollars now so that will drop. Mr. Owens explained that the reserve fund is for a "rainy day" or hurricane, etc., but you also pay your personnel and expenses until you get your property tax revenue in. MPT Efird said years ago we got in bad trouble because it was too low. Mr. Owens said it is very important that we stay sound with our General Fund fund balance. He feels we are okay with the Tourism Fund and Water and Sewer Fund.

There was discussion about potential budget measures. He recommends the tax increase but he also provided some other options. There is an \$80,000 in the Tourism Fund for the north-end lot that we don't have to pay but eventually we will have to pay it off but it can be done a different way and the monies could be applied to the CBP3. What we would be doing is prolonging it. The other option would be to create a fee for the Pot of Gold/Sweepstakes for a source of revenue but we don't really know where that is going to go. Monies from Water and Sewer Fund could help raise the General Fund. There are other projects that could be prolonged or taken out such as roof repairs, fire department remodel project, park enhancements, Christmas lights, eliminate proposal for downtown trash cans, eliminate monies in certain contracted services, workers comp that was a little high compared to last year, etc. These are some things to consider that will help eliminate the shortfall.

There are other cost cutting measures such as personnel. Mr. Owens is very concerned about morale due to some things that have been published. This is the second or third year we have talked about cutting benefits. Our employees understand it is tough economic times. There are some things we could do such as a 1% salary reduction. An 80 hour furlough, but that is very difficult to administer especially in emergency services. Another is a 10% health benefit where employees pay a portion. There was discussion about elimination of longevity pay and incentive pay. There has been a reduction of workforce. There is a cost savings

Councilman Lashley said he feels our employees are a key asset. He thinks it is very important that we take care of our employees. He said we haven't given a COLA or merit to our employees and so he would like to see what it would cost the town to give a \$500 bonus to employees under 15 years, \$750 for employees who have been here 15-19 years, and \$1,000 for those over 20 years to be given before Christmas. He would like to see what that amount comes out to.

Councilman Wilcox said he is struggling with some of the compensation. He feels we have great employees but things are tough out there and a lot of people are out of work and we are asking people who are out of work to pay for our employees to continue longevity pay and we should

take a strong look at it. Right now the benefit is having a job. When you look at all of the people out of work in the private sector and they have been impacted by the economy. He doesn't feel we can sustain that right now.

Councilman Lashley said he understands his comments, but by increasing our Freeman Park fees isn't a direct hit and that is having our tourists pay for an increase for our employees.

Councilman Wilcox said but that is money that could go somewhere else to off set costs.

Councilman Lashley said he understands but he feels we need to take care of our employees.

Mr. Owens said he didn't propose it this year because he knows things are tough and I believe our employees know that too. I would love to give a one time COLA but I know how that looks. I hope we can all maintain our jobs because I believe we all add value to the organization.

Mayor Macon said he is not particularly fond of the way some information has been put out to the public and employees. I don't think anyone has a problem with the job that is being done. You have stepped up to the plate with less people and done a great job. The town is clean and services are still being provided. If anything services have gotten better. I don't think anyone should take it personal that anything is being looked at because when you are doing your own budget I've had to cut back and do a lot of things that I didn't really want to do. When the economy is like this you have to look at it. I don't like the way things have come across or been done. We have cut 15 positions in the town in the last 3 years and put 2-3 others to part time position and those are significant cut backs and done to prepare for hard times. I think we should direct the manager that if someone retires or can retire or if someone leaves that Tim take a hard look at that position. I understand that your assistant finance officer is retiring and to me that isn't a position that can be done away with but now you will start with an employee at the bottom of the pay scale so now that position will cost you less.

The manager said he understands and we have been doing that. Mayor Macon said we have looked into things like going to part time employees during the summer in the police department. As a resort town we need to look at the season. It is tougher on staff because you have to constantly train.

Councilman Wilcox said my main concern is not losing employees because personally he feels we are under staff, but at the same time recognize what is going on in the private sector because times are tough and some people aren't in touch with that. Mr. Owens said our employees have spouses that have been affected and may have lost jobs.

MPT Efird said a long time ago we didn't have these benefits and it is such an incentive and she feels it would be a terrible thing to lose that.

Mr. Owens gave Council a synopsis of where we are in comparison to other beach towns. We are not the highest paid and we are not the lowest. In comparison to some towns we are doing a lot with a lot less.

Mayor Macon said we have some employees that work in Town Hall that have been with the town for a long time but the value is in their experience and knowledge and he feels that is huge. MPT Efird said at one time the turnover was great. The manager said usually what he has seen is you are going to hire somebody back at about the same rate. The finance director said as a long term employee, I'm beginning to feel like it isn't beneficial to council members for people to be here this long and we are being knocked for where we are. The Mayor responded by saying, pounded on? Ms. Johnson said yes and you don't factor in the cost for bringing in a new

employee and training that new employee. The Mayor said and the time that you lose because it takes twice as long. The manager said in a department head position it could take you a solid year or more and in fact we continue to learn everyday.

The manager then went over other potential revenue enhancements such as the Pot of Gold/Sweepstakes, increasing our recreational fees, ad valorem increasing to 3 cents, refuse collection may need to be raised slightly, raising the stormwater fee, go to a 65 gallon roll out container for recycling. The Mayor said he does like the new containers and it would make it easier for people to recycle and he does see the cans blow out. The Mayor summed up by saying that he likes the bigger carts, increasing the fee immediately at Freeman Park, obviously if the trash cost doesn't cover itself it needs to and the stormwater fee needs to go up to take care of the lake dredging. Councilman Wilcox talked about getting grant money for some of the projects and if it doesn't work out then we have property that we can do something with if needed. Mr. Owens said he doesn't feel that the Wilmington Beach project can be prolonged and at some point we will have to pick up the cost. Councilman Lashley said he is confused about raising these things but when is the effective date such as Freeman Park. After discussion among Council, **a motion was made by Councilman Lashley to make Freeman Park fee from January 1 to March 31 \$60 fee and April 1 to Dec 31 to \$100. The fee from June 1 to end of September \$100, to be effective no later than June 1<sup>st</sup>. After discussion of the motion, Councilman Lashley revised his motion that from Jan 1 to March 31 we charge \$60 annual fee and after that date, March 31<sup>st</sup>, we charge \$100 and this year that will start May 15<sup>th</sup> or soon thereafter. MOTION CARRIED UNANIMOUSLY.** MPT Efird said we need to advertise the change as soon as possible.

Mr. Owens recapped by saying Council likes the carts. MPT Efird is not agreement with the carts. MPT Efird said we need to go up on stormwater but not the water bill. Mayor Macon said we need to do whatever is needed in order to dredge the lake. Mr. Owens said we will generate a pool of money that can be used for stormwater projects whether it be for outfalls or dredging. The stormwater division may be breaking even but they don't have any money to do projects and we have got to start addressing outfalls that are going into the sound. Councilman Wilcox is okay with eliminating some of the smaller projects such as Christmas lights. The manager said he can put in the recycling carts and we can vote on it with the budget. Stormwater \$2, Freeman Park \$100, trash he will look at it, actual water/sewer rate is not going up, transfer water/sewer funding from \$500,00 to General Fund, still look at CBP3 loan and he can eliminate some of the expenditure stuff. The manager said he will probably propose one penny for Ad Valorem. Mayor Macon said he doesn't think the outdoor basketball court is a bad idea. We are catching a lot of flack for that money sitting out there. The problem is with the county's budget that \$200,000 they promised us they could say they need it. Keep one volleyball court. Mayor Macon said the park hasn't been maintained and there is no reason for this. We had a ballfield and it should look like a ballfield and we should encourage people to play on it. He also asked about the timmer on the tennis courts. Ted explained there is a box with a timmer inside and people were taking the cover off and resetting the time. Billy Eason is putting a stainless steel cover on it this week with a timmer and light switch that you cannot get into. We will give it a try.

Councilman Lashely said he asked Sheila to look into early retirement and ask the employees if they would like early retirement. Sheila went over the criteria for retirement. She will host a retirement workshop this year. Councilman Lashley said he just thought we should put something out there for the employees if they want to take early retirement but with no pressure – just to make them aware.

Councilman Wilcox asked Ted to bring 3 options to Council at the next meeting for fees for non residents for use of the skateboard park.

The manager announced the next budget meeting to be held on May 5, 2010 at 5:00 p.m. and May 14, 2010 at 9:00 a.m.

**There being no further business, Mayor Macon motioned to adjourn. MOTION CARRIED UNANIMOUSLY.** The meeting adjourned at approximately 10:40 a.m.

Respectfully submitted,

Lynn N. Prusa  
Town Clerk

Approved: \_\_\_\_\_