

***MINUTES OF THE SPECIAL MEETING
OF THE BUDGET COMMITTEE AND TOWN COUNCIL
TOWN OF CAROLINA BEACH***

January 12, 2009

The Town Council of the Town of Carolina Beach met in regular session on January 12, 2009 at 6:30 p.m. in the Conference 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) Dan Wilcox; Councilwoman Pat Efird; and Councilman Alan Gilbert, and Councilman Jerry Johnson. Also present were Town Manager Tim Owens; Town Clerk Lynn Prusa and Budget Committee members Shawn Underwood, Lank Lancaster and Susan Baum.

Mayor Macon called the meeting to order.

Shawn Underwood said the materials sent to Council include the original objectives under which the committee was formed, a report they submitted and various items written by committee members expounding on various points in the report. The bottom line is to decide where they stand on all this, what they are to do going forward and how they can assist Council and staff in creating a better budget process.

Mayor Macon said he felt what they were trying to do early on were some things he happened to see in the budget that he asked questions about and found there were some things they could do themselves or do without which led him to think there were other items in the budget they could save money on. He thought the Budget Committee would have the time to take a look at items in the budget and raise these questions. Items such as the rug company that we paid \$6,000 a year to clean the rugs and he felt the town could do this and not subcontract it out. There was also some well testing where we saved \$22,000 a year. Tim Owens said there were some pros and cons to that issue. Mayor Macon felt that not only could a Budget Committee look at things but also the department heads could look at changing the way we do things, how things might be done cheaper or done without because they are a luxury items or we don't really need them. The Budget Committee could be the eyes and ears and look through things and see things that staff doesn't always have time to do on a routine basis. Somebody should be interested in looking at the checks and invoices that come through every month. That is where he was at with the Budget Committee.

Mr. Underwood said they approached it from a couple of different perspectives. They did some line item review and they also looked at the process as a whole and thought maybe there was a better way to come up with a budget vs. building upon the prior year and adding to it, how to better structure the beginning process so that when the next budget comes up the town can become more efficient about how the town does business. They have a couple of questions as far as where things are with the budget. Council has made a recommendation of cutting the current year budget. They would like to know where the recommendations are that they made and what their role is going forward. They have not heard much feedback on those recommendations. Their most important

questions are: 1) Define their role - are they doing what Council expects of them or do they need to do something differently? 2) What is the status of the recommendations they made? Is that something Council thinks is realistic? 3) Moving into next year's budget and how to implement those things if they are on the right track.

Lank Lancaster said most of his comments about a process revolve around the idea that you have some goals that you want to get to every year in the budget - some things you have to do and some you want to do, and then there will have to be a financial cap. He did not see much feedback from Council about what the process is structured to do.

MPT Wilcox agreed that the committee came in at an awkward time where the budget process was already well underway and mostly done. Council expected whatever process input the committee had would be easier to adjust to this year. He is really interested in the process, not so much for items that may be recommended that have or have not been done, but because Council had a lot of discussions during budget meetings about changing the process. He is all for that if there is a better process. He was not for cutting an arbitrary 15% out of the budget which he felt was an unrealistic goal.

Mr. Lancaster said that recommendation did not come from the committee.

Mayor Macon said he looks at this meeting as an opportunity for staff to understand what he is thinking. He pointed out the mowing contract as being something the town looks at as what they have always done or this is how they do it vs. a more efficient way. It doesn't mean it is the best way. Board members come and go and they count on the department heads. He was hoping staff looked at efficiency in their departments, i.e., the Recreation Department - do we need more or less permanent employees or is it more efficient to hire part-time people to work the front desk; is there more cost savings to have 4 part-time people instead of 2 full-time people, etc. Just because this is the way we have always done it doesn't mean there isn't a better way to do it. You have to look at the type of vehicles we buy. Could we buy more efficient police cars instead of buying Crown Victoria's, smaller trucks, etc.

Mr. Lancaster said when they asked who did what or where it got done, there wasn't a clear division of responsibilities for tasks that you could look at and how many people it takes to do that. Until everyone has a clear idea of who is responsible for which task, you are never going to be able to put all that together. That is what needs to be provided for budget guidance every year when you start the process.

Mr. Underwood said what they are looking at is the recommendations they made on employees' tasks, goals and objectives in the process are more management structured so that the department heads have a better idea of what each of their employees is doing. The manager would then know if each of those departments is managing their people effectively and if those tasks are being accomplished and if they have the right resources to perform those tasks, whether it is personnel or equipment because the number one cost in this town is personnel. If you start with the employees, each one of them has a job description and clearly defined duties then that is over-layered by the tasks that those

employees perform and the goals and objectives of each department and how they are going to perform those tasks. It becomes a structured process that is easy to define by anyone. It's not so much about the line items in that document as much as it is about how the town determines what they are going to do on a daily basis and that is how that document is derived at. Instead of starting with revenue and working backwards, you are starting with tasks and working forwards.

Mr. Underwood said that Council understands where they are coming from but what do they expect of the committee going forward and what is the purpose of their meetings?

Mr. Owens reviewed the budget process. He said they do look back 2 years back typically to see why they are going up and how they are going up. Council gets some of that information as well. They do get down to a pretty finite level, which is in the book (referring to the manager's pre-budget materials and justifications from department heads) and the board sees a lot of that. Then meeting dates are set. He said they probably need to have that goal setting meeting at some point. This week he plans to give out justification sheets to folks and because the Budget Committee wanted to see more detail, he provided a standardized format to do that and this can be part of that budget. He didn't know if all that detail was necessary for the general public. Basically it is a standardized process where you look at this year's budget, you look at next year's proposed budget and you meet and discuss the details. There is a process by which they do that. They go back to their people and start talking about budget and what they need to accomplish this year, what their goals and objectives are. Regarding task specific, he would like to see a lot of that. He explained that the job description is pretty generic so it gives you a guide. Things change everyday. As department heads they can talk about this and how they can get really task oriented. For instance, operations could sit down together as a group, might be a good team building thing, and write those things that they do on a daily basis and create a list.

Dawn Johnson said that initially that is what was done when they did the job descriptions. They had to provide to the person who was doing the study what they did in a day. They tracked it for weeks, writing down what they were doing and that is how their job descriptions came into play. That was done about 5 years ago and is done around every 5 years.

Mr. Owens said he called a couple of places, a couple of contractors have come in and they do organization management studies and they do compensation classification studies and he has kind of come up with, and would love people's input, what he sees as the deliverables to those types of studies. They can go down that path. They did some independent work audits on their own. He had department heads in some departments do work on this, particular operations in water and sewer and stormwater and had them write down what they are doing this hour and that hour. If I am doing a work audit, I'm going to be busy that day. He can't promise everybody is not busy every minute so there is not a really good solution for that. He relies on department heads to make sure that folks are doing what they need to do and when they need to do it. So, we go through this process and Council really gets into the details, mainly the capital, mainly the number of

personnel - they're the numbers, we don't really get into the task specific stuff but they can do that. If Brian comes and doesn't mention that he thinks appearance is an objective or something we need to do, he would like for anyone on Council to say staff is letting us down on our appearance or trash collection. The budget each year does go up. In his experience, it will go up 5% to 10% every year because you have personnel there. Generally you get 3% COLA and then you add in merit and then you talk about your insurances and workman's comp, particularly your health insurance will go up every year 10%. Then, in 3 years, it will go up 30%, just like clockwork and you come back to basically what the status quo was for that year. So, those go up. At this point we are at 100 employees. We have had as high as 114 or 116. He knows the number of employees is a concern. This type of study will hopefully tell you that your staff is where you need to be. He could provide data looking at other municipalities and what they do and it seems that we're not the highest and not the lowest as far as staffing goes but it is hard to compare apples to apples. One thing they have neglected to do, and he and Dawn are going to do and he has hashed out a template, is look at some forecasting. That forecasting won't be perfect. The Police Department's main expense is personnel so you can guarantee that personnel is going to go up, when you have health insurance, workman's comp, etc., in a linear fashion. Throw in a couple of capital things and it goes up further. So they are going to try to do a 5 year. The goal for this year is to keep the budget the same or reduce it.

Ms. Johnson said the projects are about the same as this year. We are right on target with our budget now. We are at 6 months and we are at 50%.

Mr. Owens said he is concerned about taxes going down and costs going up. They have been paying attention to it and taking a look at where we are budget-wise but we seem to be about where we should be. Another concern he has heard from Council is where are our values going? He has asked the County Manager to look at the new valuations for a few years and see what they think will happen to Carolina Beach and that will go into the long term thing. If we see at 11/12 we are going to lose 25% or 10%, obviously. The only thing he can rely on is the Tax Department since they are looking at those numbers. There are numbers that they have that are ratios and can give us a pretty good estimate as to where your appraisal has fallen in line. From a department level, he thinks we probably do need to do a little exercise that shows what people's job tasks are that are similar to other departments.

Mr. Lancaster suggested trying to do the study internally before hiring a contractor and then if you decide to hire someone later on, there is something to work with and would probably save some money.

Mr. Owens said he does not want to see them cut until they bleed. There has to be some process about the way they do it. There is also discussion about incentive programs. He has two incentive programs. Pitt County does one and there is another county that does one and they encourage not to start looking at staffing because that could become charged. They are encouraged not to look at staffing because that could become charges but they are encouraged to look at other things which are well documented and they seem

to work because they are incentive based. The employee gets a percentage of the savings that they come up with. There is a board that oversees the implementation of the process.

MPT Wilcox suggested that the finance officer and the town manager be in charge of the budget. You might have some ideas of how best the committee could serve you. Council might have ideas how the committee could best serve them. Shouldn't they take some time to better define what the committee's role is or point them in a direction that would be most helpful to us?

Mr. Owens said if they decided to do an incentive based program, the committee would be a great committee to implement that and be the overseer of what things are coming across. He can come up with some suggestions.

Mr. Underwood said he has been through a lot of budgets and has never seen a whole lot of that background of where those numbers are coming from. They see just the request. Since the employees are the biggest cost, when you get down to these definitions, then you find out if they are overstaffed. If not, then you have to find other ways to save. Their question is, do you need 100 employees to do the job and are all the jobs getting done that should be done with those 100 employees? Like the mowing, you didn't lose employees, they were just shifted from somewhere else. From a money saving process, you didn't save money because you kept where your cost was, which was your people, and you contracted to do the work with somebody else so you essentially doubled your cost instead of saving money. It is things like that which make them wonder how you justify that. Maybe it is there and they don't see it. Working with the department heads to see how they come up with their individual budgets might help them understand and be able to make suggestions for implementing other things.

Mr. Lancaster said that part of the huge amount of money that is going toward personnel is for incentives and one of the things that popped up early on is that a great majority of the town's employees got an incentive increase during the year which says that they are doing exemplary work and maybe some of them shouldn't be getting those raises.

Ms. Johnson said staff had been trained on this program and it is up to the person to implement it correctly.

MPT Wilcox said there are other ways incentives can be handled, such as giving incentives to a percentage of the top employees.

Mr. Owens said there is not a great process overall for giving merit and they can look at that program again. He does feel it comes down to personalities. He thinks they do the best they can with the system they have.

Ms. Prusa said we are required to keep progress notes now and this is considered as part of the evaluation.

Mr. Owens said he can try to answer these a little bit better and come up with some suggestions, as far as the Budget Committee is concerned.

Mayor Macon said that in the past it has not been looked at in a favorable light, having this committee and he doesn't think that is fair or really right. Staff doesn't have time to look at all the checks that go out or review the phone bill and if we have volunteers who are willing to look at that and ask questions about it, those are items that can save money. If you want them to meet with each department head, that's fine. What they were trying to do, he feels, is to have as minimum impact on staff as possible but yet still possibly come out with some good ideas and creative things. Regarding appearance, the appearance this summer was great, you did a great job of keeping on top of that. There were a lot of compliments.

Mr. Owens said he and the finance officer went to one meeting and he felt like he was kind of intruding a little bit. He has had no real discussions with the Budget Committee. A lot of things probably could have been cleared up. He and Susan Baum discussed some of the issues, which were legitimate such as gas, Verizon and some other things and hopefully cleared most of those up. He has not had a chance to let them know how we do the budget, what they do and what they look at. It's not perfect, they try to do the best they can with what they have. His goal is not to propose a tax increase any year but sometimes it happens depending on what the priorities are and, also, water and sewer. Unfortunately the water and sewer was way down here so they are playing catch up. He gave everyone a copy of a draft deliverables if they decide to go forward with the management organizational study and would like for them to look at it and a write-up of where they are going with this year's budget process. It is particularly important to Council as they will have to start setting up workshops shortly.

Mr. Owens said the Budget Committee can meet with the department heads individually or come to the departmental meetings with Council.

Mr. Underwood said they would like to meet with each department head, separately, to see how they lay out their tasks, how they track them, how they set up their particular end of the budget before they meet with Council and have the workshops.

Mr. Owens said he would do whatever Council wants to do.

Councilman Gilbert said he would like to see a quality control initiative. If there are 10,000 invoices being paid then periodically you pick a random number and go through them. The Budget Committee states that the budget process is broken. What he heard today is that no one has sat down with the budget officer and the finance director and the town clerk to look at the standard operating procedures or go through the process.

MPT Wilcox said he did not see anyone from the Budget Committee at the budget review meetings which were held over 2 days and are public meetings. That is where the process unfolded. That is where the department heads got up and justified why they needed what they needed, talked about equipment, things that weren't going to last another 2 years, things they needed 5 years from now. That is where the process unfolded and where it all got backed into the numbers he and Alan were talking about when they talked to the town manager about what they would be able to do. They may not have agreed on the end product but that was the process. If you had been there, he thinks there would be fewer questions on that part of the process. There was a lot of information presented verbally that you can't get by reading.

Mr. Owens said what he can do with this budget process is give the committee documentation to let them know what kind of process they are going through and what comes out of that process. He can also make sure they know when the meetings are.

MPT Wilcox said he would encourage them to attend the next budget meetings.

Mr. Lancaster said he would like to give to the town manager a list of things he would like to have a look at. Mr. Owens agreed.

Mr. Owens said he will try to come up with some kind of role for the Budget Committee and would like to see what they want their role to be or certain things they would like to understand or see and he would gladly be involved.

Mr. Underwood said, from the Council's perspective, they should tell the committee what they want from them. From the town manager's and finance director's perspective, they should tell the committee how they can assist them and he feels that is how they should look at them.

Mr. Owens said he thinks the things the committee is looking at are good. It has helped him to rethink the process and making the department heads rethink about what they are doing on a daily basis is a good thing.

MPT Wilcox said the committee did submit a number of things they had questions about and asked that we respond to each of those items.

Mr. Owens said he would like to have another meeting shortly. He will be happy to answer any questions they have. He will provide a copy of what the committee gave him to the department heads. If there are objective efficiency issues that come out of this and if we have to downsize, then that is what we will do. He doesn't mind doing that but he hasn't seen that objective look at things since he has been there.

**Councilwoman Efirm made a motion to adjourn. MOTION CARRIED
UNANIMOUSLY.**

Respectfully submitted,

Lynn N. Prusa
Town Clerk

Approved: _____