

**MINUTES OF THE RECESSED MEETING  
OF JUNE 16, 2008 OF THE TOWN COUNCIL  
TOWN OF CAROLINA BEACH**

**July 7, 2008**

The Town Council of the Town of Carolina Beach reconvened on July 7, 2008 at 3:00 p.m. in the Council Chambers at the Municipal Administration Building, 1121 N. Lake Park Blvd., Carolina Beach, North Carolina. The following were present: Mayor Joel Macon; Councilwoman Pat Efird; Councilman Jerry Johnson; and Councilman Alan Gilbert. Councilman Dan Wilcox was absent. Also present were Town Manager Tim Owens and Town Clerk Lynn Prusa.

**Councilman Gilbert made a motion to cut the budget 15% which equals about \$2.2 million and put it on the directors and supervisors to get it done.** His initiative would not be to cut the projects, but it could come from staff, spending or however you want to do it. He said the goals and the projects have already been selected.

Mayor Macon pointed out things that could be cut; suggested looking at mowing, right of ways are not being cut; look at parking, what our revenues are vs. the cost of company to run it and the number of employees they have. The number of employees they had last month vs. the number of employees they had the year before and the year before that. He said they need to take a look at that and consider taking it over. That includes doing away with the meters and going to 2 hour parking and just using the parking lots.

Councilman Gilbert said each of the department heads need to look at what they need to do and be effective and efficient and look at staffing and spending. The revenues are not coming in. The big projects are not bringing any revenues in. He has been looking at the numbers on parking for 3 years and it is a breakeven situation. If there is a more efficient and effective way to do it, so be it.

Councilwoman Efird is for cutting the budget but she is not sure about 15%. She feels that the Master Plan, they will run into a lot of unforeseen things that have to be done. This would be foremost in her mind to get started on plus the Wilmington Beach drainage problem. She doesn't feel the residents there have been treated right at all with all the delays. She thinks the Town Manager should come to Council and say, "Okay, I've done this, but I can do this better." He knows more about the everyday operation.

Tim Owens said the intent is to shoot for 15% and he will give it to each department head and they will look at the different budgets.

Councilman Johnson said he had asked for a couple of things and someone may be working on them because he has seen nothing come forward yet, but, for example, on the vactor truck he would like to see someone do a cost analysis of the truck, personnel it takes to run it and all the benefits vs. subbing that out. How many calls were relating to that truck in the last 2 years for each fiscal year vs. the cost of contracting that out. Which is better? Mr. Owens said they did look at it and thought they had talked about it.

He does have the numbers, the work was contracted out a couple of times and was very expensive. Councilman Johnson said that for the last 2 years they have asked for all the people they are giving money to, to present their budgets and a breakdown including costs and everything and we have yet to get that. Dawn Johnson said they provide a yearly audit. Councilman Johnson said they have never gotten one from the Chamber. He asked for clarification on the motion, whether the 15% is a goal they would like to reach but not necessarily 15% or else. Councilman Gilbert said yes, it is a goal but it is also a mandate to go out there and cut.

Mayor Macon asked if it is a blanket 15% and it is up to the town manager however he has to make it happen? Councilman Gilbert said if he goes to a manager or director and says do this and the person says they can't without some kind of analysis or time study, do you start analyzing this stuff again? Do they use work orders, do we know where the staff is going? They have had 3 years to do time studies since he has been on this board and nobody has ever done it. Where is the redundancy? If they want to spend tax payer money to go study something because we don't have the staffing or skills to do it, then that is what they present back to us. He says cut it 15%. If they can't do it then you have a committee that maybe can help them do it.

Mayor Macon said he doesn't feel we need to hire a firm to look at anything. Department heads/supervisors need to know what their staff is doing, what they are spending their money on, and what they are doing with the money. Staff needs to be looking at what they can do to make this work happen, whether it's cleaning our own rugs and doing our own inspections. Staff should have a clipboard and a list of things they see that need to be taken care of, whether it is their department or not, and turn it in to their supervisor.

Tim Owens said he doesn't think there is this exponential growth that everybody thinks they have had since 1999/2000. At that point the budget was \$7.4 million. We are at \$14.8 million. There were 92 employees back before getting this building, and as of today, there are 101 employees. He has done a lot of comparisons with other municipalities of very similar size and looked at the different functions of those local governments to see if they each do the same things. They have also added a lot of things to the town since then, additions to the workload - Freeman Park, annexation of Wilmington Beach, 3 new wells, 1 lift station, Alabama water tank and plant, new lake, bike trails, fire station, etc. He will get those figures for Council.

Councilman Johnson said his main concern is that he wants to be able to show the taxpayers that they have done everything they can possibly do to cut what we can, have justified employees per department, looked at all our equipment, gas situation, maintenance, and utilities. We need to make sure that the lights, fans, etc. are turned off when not in use.

**MOTION CARRIED 3-1 WITH COUNCILWOMAN EFIRD VOTING NO.**

Mayor Macon opened the floor to anyone who has suggestions about what they can do, and what they can look at. He said the Budget Committee has talked about several different things. A couple of issues they have talked about is the merit system and it has been pointed out to him that everyone has gotten a merit unless they were in trouble about something else. A 2.5% raise has been the average issued to every employee. It has become a situation that it is a given. Merit is for people doing extraordinary work and that is not the situation. They have talked about a different type of system for the merit program, a program where the money you save in your department then you would get a percentage of that for merit. So your merit would be based on how efficient you run your department.

Susan Baum said in January she was asked to look through all the checks and information that was put forth and there were some things she questioned. One of them was the Verizon bill because there were several phones and data ports that weren't being used and if you are paying \$50 a month for each line and you add them up, it's going to cost you a lot of money. Plus they said that all the minutes would be rolled over and everything was in a package but then you are being charged for usage. So you know there is money to be saved there. People are not being held accountable for what line they have because it is not in their name. People have to be held accountable and stay in parameters. If it was done correctly, they could have a smaller package. Fleet fueling - we have an enormous amount of vehicles and anything that you gas is noted on there. Some we don't even have anymore but they are still listed. She asked for that to be updated and find out a little more about where each of this is going. They said the lake pump was credited with 180 gallons on December 21, 2007 and she would like to know why. There was 800 gallons to an unassigned vehicle. If you have to bring your card in for your vehicle to be filled, that was another question. She asked for an energy audit from Progress Energy on lighting. Tennis court lights should be on a timer, it would save money and be efficient. We could get some of that knowledge and information from a Progress Energy audit. We had some questions about credit card usage and purchase agreements and with that you shouldn't be using credit cards when you would be able to use a purchase order. In a 6 week period credit cards were used at Wal-Mart 19 times. Who is using a credit card and who is giving them authority to do so? You can't continue to go with the budget unless you find out where you are spending the money. Instead of adding a percentage of inflation on top, find out where you can save.

Mayor Macon asked Brian if the lake pump could use that much gas. He said it was most likely a rain situation and if the pump ran all weekend, it could very well use that much. Mayor Macon said we should look at anomalies, can we use a smaller truck instead of a larger one.

Councilman Johnson asked how many vehicles the lifeguards have (not ATV's). He was told of one which is parked at the town and only used occasionally.

Tim Owens said he met with Verizon and they came in and looked at all their lines and if there was no use they were pulled. Progress Energy is going to come in and look at our accounts and other opportunities of savings. He has asked all department heads to turn in

all fuel cards and they have accounted for those fuel cards. If there is anything on that list that is not accounted for they were going to cross it off and get rid of them.

Councilman Gilbert said there should be a policy on spending audits, and time audits.

Ms. Baum suggested using merit raises for incentives for people who save. If you save you get X amount of money back.

Councilman Gilbert said to let the department heads decide if merits need to be an incentive.

Shawn Underwood said he feels governments become stewards of a budget and each year, instead of looking at how you spent the money last year, you look at how you are going to spend it this year. He thinks a mission and vision statement is a good start but should be followed up with job descriptions for employees. We don't want to imply that there aren't people who deserve merit raises but when someone isn't doing their job they shouldn't be getting the same 2.5% increase. If people had an incentive to do more and get more for it, then they are going to do more. The average person is going to be content to sit on their butt for 2.5%. When you look at the general fund, it wasn't that long ago it was \$9.5 and we have managed to whip through that money every year. He said we need to look at the process and how we come at that number and say this is how much money I have and how am I going to do the things I want to do within the confines of that money. Obviously there may be projects that need to be done, and Wilmington Beach is one of them. There has to be a way to keep the town from growing beyond itself. The budget is growing beyond the services the town is providing. Could we have done it better and if so can we provide more services for that same amount of money? That is the challenge.

Nick Nolan said he wanted to talk about Council spending. The ink was barely dry on the new budget and Council has voted a major expenditure of funds which is going to require a debt service this year, which is not in the budget so it is no longer balanced. Council has also recently hired a consultant for a relatively minor amount of money but again, it's an item not in the budget. From the agenda tonight you are likely to spend some more money that is not in the budget. These are 3 items outside of the budget and I probably missed some others. Council is not helping the issue if you keep pushing the budget out of balance. The town needs to shift the emphasis around and in January start planning and looking at the existing budget, what is happening in 6 months within revenue/expenditure projections and then start looking at things to cut. Perhaps the policy should be if it's not in this budget, you can't spend it or reduce something in the budget to pay for it.

Councilman Gilbert suggested looking at the budget earlier, such as November or December.

Lank Lancaster said there doesn't seem to be a process through which we build the budget. It is difficult to track costs through the budget we have because everybody goes out to work but it is not always clear that they are doing the most important job that has

to be done in the department that they are in because it is apparent to him and he doesn't think for the rest of the Budget Committee that there are priorities established by the Council and that the budget is built based on those priorities. He suggested that maybe they could break the job that they have to do down into tasks and we could do some baseline planning to see what those tasks were and then they could group those tasks so they are managed most efficiently, and go in and describe all of the tasks that we have to do for each one of those areas every year and we prioritize them. At the end of the process period we put all of that together and we would have a list of things to do, prioritized for the budget year. That would be perfect, but there is one shortfall. At the end of the year we don't have any idea how we are going to transition from this budget year that we just built to next year. If we really have something that we needed to do that we couldn't do this year and they were going to push it off to next year, does that mean the priority for that particular task or function is going to be number one next year and that other things that we have to do every year has to back down? There doesn't seem to be a process through which we define the job that we have to do, the tasks that we have to do in the out years and rebuild a budget that allows us to continue from year to year with an established set of priorities. Every year we start from scratch. Every year we have targets of opportunity that come up that we don't generate any budget space for such as the couple of real estate that we decided to buy this year are an example. Was it a high priority for spending \$1 million, he's not sure about that given everything else we have to do. We could plan to have money available in the budget for high priority issues of the moment to take advantage of but what do you give up to do that? If you spend all of your reserves this year and don't have any for next year, you'll really have a problem. We need to know what it is we're supposed to be doing and that needs to be covered at the macro level by an operations manual. He thinks that's the place where Council needs to set the standards by which each one of the individual division managers or section managers or whatever you choose to call them does business. Inside those organizations they can write procedures for how they do things. At audit level, the policy manual should set up the frequency with which to have audits. The policy manual should set up how they are conducted with goals and objectives of the audit, when the reports are going to be public and how the review will be conducted. He received the presentation for mostly capital expenditures items in all of the different budget areas. It is not apparent which one needs to be done or whether it had to be done today and he thinks that is critically important. Process is the most important thing he found you don't seem to have at a couple of different levels.

Tim Owens said all of the departments have specific tasks that they do on a daily basis. He doesn't necessarily think that it is a broken process. The general statutes set how that process goes pretty much. The department heads submit information to the town manager or finance officer and then you go through a process. Every year we look back over the prior year and see where our shortfalls are and how much insurance was, etc. We are making it way too complicated he thinks, talking about the things we are talking about. He doesn't disagree that we need to look at our mission and goals, our objections and tasks. We have had numerous discussions with all department heads of what our main tasks are. We need to look at that. We need to refocus. He needs maybe to bring in the COG right now, all the tasks we do or need to do with the town.

Mayor Macon said he doesn't think anybody can write down the tasks better than the department heads and supervisors as to what their department needs. Most people need to be told what to do, they need a list and they will get it done. Without a list they will not get it done. Regarding the property purchase, they did not purchase the property, they entered into an offer to purchase subject to a grant. The property will not be purchased unless the grant comes through. It would be at no cost to the taxpayer.

Jack Fetner, also on the Budget Committee, said the reason for his concern is that he was looking at 10, 11, 12, 13% increases each year, year after year, and you get to a point where it is not sustainable anymore. The 1998 budget was about \$8.5 million and the budget now is \$14.8 million. That's about a 75% increase in 10 years. This year is about a 3 ½ percent increase over last year which is not bad to him but he also worries about the structural part of it. He realizes that a lot of the services the town provides are provided by people but of that \$14.5 million about 50% of it goes to the staff. He worries that we may be spending too much money in one place and not enough somewhere else. There is a lot of infrastructure issues that we have that are not being addressed and he's not sure anyone knows how they are going to be paid for in the future. He has spoken to the finance officer about employee retirement costs. Gas is going to be a big problem. He said it looked like a 401K plan has been inserted on top of the retirement plan. Most companies are moving to a 401K plan. He doesn't have a problem if that is the purpose. Mr. Owens said it is not in the budget except for law officer and the town manager. Law officers have to get 5% by general statute. Mr. Fetner said he does not totally understand some of the compensation plan. Cost of electricity for last year seems like a lot. He thinks that all areas could probably be looked at. Stormwater needs to be looked at. He does not feel the stormwater fee is fairly distributed among the taxpayers.

Mayor Macon said that is something that has been discussed and some of the reasons that they changed some stuff around. He agrees something is not right there and it will be looked at in the budget for next year. Mr. Fetner said probably the fairest way would be to put it in the general fund that way you get taxed on whatever the value of your house is. You don't get anything from a stormwater fee. A more equitable distribution would be for it to be in the general fund. He feels it is moving in the right direction and just needs tuning rather than slashing.

Jon Rorie, Fire Department Chief, said he is concerned about the budget in terms of expenditures. During the first budget workshop he tried to explain a few issues that surround how you develop the budget in terms of the fire department. Where we're at, where is it long range and what are some of those impacts. It is of huge concern to him when he looks at our staffing scenarios in the fire department, when he looks at his capital in the fire department. To speak to the issue of the station, he does think that the plans that are on the deck are probably extravagant. They need to be scaled back. He looks at the capital expenditures for equipment and he cannot see any evidence whatsoever of a capital improvement program. He spoke with the finance officer this morning and it is conceivable that within the next 4 years every piece of equipment they have could be financed. No one has looked at it long term. With that said, this will come out wrong no matter how he does it but he wants to be clear about it and it is not to insult

but sometimes we have to be careful of what we ask for because we might just get it. That is not to imply anything negative. For example, we have programmed in this year's budget roughly \$100,000 for the replacement of an aerial. Research so far indicates that if we wait until past January of 2009, that is a \$75,000 decision. That's assuming that it's new, etc. If we scale back, he has already made some decisions to scale back on some of our call pay for our volunteer call pay to about \$20,000 a year. That is not going to make people happy. There is room for him to do that in other areas as well. What does that mean? If we reduce in one area to the tune of \$1.00 is that reduction costing us in the long run or are we losing the value of that \$1.00 if we have to replace it. Everybody sitting in here knows that if they replace one of their volunteers with a full-time position, that's about \$46,000 a year. That is stupid. We don't need to do that as long as we have an adequate response of those people and we should do everything we can to support them. However, we can't just throw everything away in terms of some of the expenditures we face. For example, as of 2007 we did 104 standbys. This is a decision that was made before he got here. That means that if Myrtle Grove and Federal Point has a fire call then they tone out our tones and our guys go to the station and standby in case there is another call. That is a rough estimate \$15,000 price tag. What that means is that he has seen no one, in terms of New Hanover County, put money into the city budget for our folks to come in and standby in case there is a call to Federal Point or Myrtle Grove. So he has scaled that back. That doesn't impact our automatic aid or mutual aid. He has also requested automatic aid from Federal Point and Kure Beach. That needs to be reciprocal; we need to be in balance. He had a short period of time to look at what this year's budget is and has continued to analyze it. 51% of it is staffing, 22% is capital, 27% is operations. If you ask him to reduce an \$809,000 budget by 15%, that represents \$121,440. He can come up with some but he doesn't think the Fire Department is funded or in a position to make some of those cuts to make a 15% reduction. He thinks he has a duty to look at what's going on in the town, the protection and services they provide. You can argue that things haven't been done and he would agree wholeheartedly. There are things the Fire Department was supposed to do and it has not been done. They are addressing those issues one by one as a matter of priority and it is going to be a long process and there will be some unpopular decisions made and it will make some people angry. 15% for the Fire Department will be very tough but he will give it his very best.

Mayor Macon commended him for what he had already done especially in regard to standby calls. Also, his request for additional employees was for part-time employees with a huge savings to the taxpayers. The Mayor spoke to the planning director's request for a full-time employee if he can get the work done with a part-time person.

Chief Rorie, speaking to Councilman Gilbert's issue about ISO rating, said they are not connected. It's a different thing 9,001 vs. what he is talking about. However, he would conclude by virtue of the bottom line budget that the fire department, just by the position it is in with it's ISO rating, is fully self funded. Reductions in that could cost you on the other end. You are either going to see it in insurance premiums with our current Class V or you are going to see an increase in those premiums or a reduction based on how they put those pieces together and how they provide this service. The bottom line is if he asks for a \$1.00, he wants to make sure that the citizen/customer breaks even with that dollar.

If not, ask him for a \$1.00 but turn around and give him 50% of it back or \$1.50 back and that is how that schedule plays out. He wants to make sure that they provide the services as expected.

Police Chief Younginer spoke about the merit situation. He has been here for 4 years and they get treated very well here and he has passed that on. They call him cheap when he talks about buying things but they have gotten some good equipment since he got here too but he feels that it was needed and will last a good while. With the merit, everybody doesn't get a top merit but almost 100% did get a good merit. Some of the people didn't get a merit at all and you will notice their names are not on the roster anymore. If they are doing a good job, we need to keep those people here. If they are not doing a good job, we're getting rid of them. We can't do part-time. You can't get a certified policeman to go part-time. Calls for service, he tried to go back to 1999 but he can't because they just got on the computer system in 2004. Since 2004 the calls for service have risen by 4,000 calls. Then you are talking about other services they are trying to provide too, bicycle patrolling, walking, that kind of thing. He feels it is reflected in the quality of the people they have. The department works well together. They are trying to pinch pennies also. The lifeguard department didn't have much equipment at all so they did spend some money in the last 2 years. They are not spending any money on that this year. Next year we will probably have to replace something. If you put it off too far it will cost you too much to catch up and that is what it has cost them this past year in just a couple of those programs.

***ADJOURNMENT***

There being no further discussion, Mayor Macon made a motion to adjourn.  
**Councilwoman Efird made a motion to adjourn. MOTION CARRIED UNANIMOUSLY.**

Respectfully submitted,

Lynn N. Prusa  
Town Clerk

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