

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

May 14, 2010

The Town Council of the Town of Carolina Beach met in special budget session on May 14, 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 Efird; 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.

Mayor Macon called the meeting to order.

Councilman Lewis was absent due to sickness in his family.

The meeting opened with the town manager presenting a budget summary of expenditures by fund from 2007/2008 to the proposed 2010/2011, as follows:

| | FY 07/08 Adopted | FY 08/09 Adopted | FY 09/10 Adopted | FY 10/11 Adopted |
|--------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Fund | \$8,096,077 | \$8,264,468 | \$8,203,250 | \$9,284,900 |
| Tourism Fund | \$1,521,362 | \$1,694,300 | \$1,586,050 | \$1,931,700 |
| Water/Sewer | \$4,759,040 | \$4,929,300 | \$4,627,400 | \$4,693,681 |

Mr. Owens presented the General Fund budget at \$9,053,023 with a \$0 shortfall, but this is using a \$.02 ad valorem increase to offset the expenditures.

Revenue items that were used to help balance the budget were:

1. Calculated the tax rate at \$.195/\$100 and added an additional \$440,000 of budget revenue. This equates to \$.02/\$100 tax rate increase.
2. Kept the proposed sales tax as it was presented to Council at the May 5th meeting.
3. Reduced the Utility Franchise Tax Projection by approximately \$30,000
4. Continued to use \$200,000 in fund balance to the balance the budget
5. Continued to use a \$341,400 transfer from the Tourism Fund to balance the budget
6. Continued to use a \$300,000 transfer from the Water Fund to balance the budget

He took the following action to balance the General Fund or some are actions that impacted the General Fund:

1. Added back in the WB Street debt service \$231,877
 - There may be no debt associated with the WB project next year. These funds would be set aside in a capital account to help retire the debt.
 - BB&T can fund the project at a 20 year amortized loan which would be due after 12 years for around 5% interest. The total debt payment would be around \$360,000.
 - The manager said he is still working with USDA on a 30 year loan an around 4.5%. The current issue at this point appears to be security for the loan. The debt service on this loan would be around \$270,000 per year.
 - In short, the manager said he believes that given the amount of funding committed that we may be able to pay this loan off in 7 to 10 years.
2. Kept the CBP3 debt service in the budget \$428,000
3. The manager and finance director met with BB&T and they will allow the town to restructure our loan in the following ways:
 - Interest only for 3 years at \$215,000. He proposes that we continue to keep the \$428,000 in the budget to set aside funds for grant matches, demolition of the structures, or a capital fund for the development costs associated with the project. This would allow time to get grants and hopefully pay down a large portion of the acquisition costs. The down side is that you would not be paying any principal on the project. The manager said he needs direction from Council on this and the CBP3 would have to act on it as well.
 - The town could restructure the loan so that it is a typical loan and not level interest and principal payments at 20 years. This would reduce the cost of the debt service to \$342,000 per year. The positives are that some principal is being paid and that the loan amount has been lowered. This would allow you to still maintain the original loan amount and keep \$100,000 for future development, grant match or demolition costs.

Other proposed fee changes that resulted in no changes to revenue estimates:

1. Increase recreation fee from \$30 to \$40 for residents and \$60 to \$80 for non-residents. Comparable increase in family rate.
2. Increase trash collection fee by about 10% resulting in an extra \$2 per month charge to homeowners. Larger commercial containers would pay more than \$2 and closer to 10%.
3. Review proposed Fee Schedule to other fee changes.

The manager said some concerns with actions taken to balance the General Fund Budget are:

1. Increased privilege licensed fee by \$22,000 for sweepstakes and pot-o-gold machines. This is an unstable revenue source particularly if the State decides to eliminate this activity in the future.
2. Transfer from W/S was raised by \$100,000 from the typical \$200,000 transfer (total - \$300,000). This is equal to \$.013 on the tax rate.
3. Transfer from the TF was raised by \$241,400 over the typical transfer of around \$100,000. This is equal to \$.0145 on the tax rate.
4. Fund Balance Appropriation remains at \$200,000 for the General Fund. This is equal to \$.086 on the tax rate.
5. Eliminating items 4, 5, and 6 above would equate to \$.0461 Ad Valorem Tax increase.
6. There was no merit or COLA proposed for employees for the second year. Based on a survey by the NCLM with 241 respondents, roughly 70% of local governments will not request COLA or merit this year. In order to stay competitive with other governmental agencies, the town will need to reconsider the practice of not budgeting any COLA or merit in future years.

In summary, the above actions will result in diminishing our reserves in all funds and will prolong budget issues into the FY 11/12 budget year.

This does not take into account changes to the recreation fee or any other changes.

After discussion, Council summarized the final thoughts:

Councilman Wilcox said he is not for proposing cutting any employees or changing anything that is being proposed right now. He asked the manager to look at everything including the parking and if you can get to a \$.01 tax increase and get to middle ground without cutting it to the quick then that would be good. Mr. Owens said I can do that and take out a little of Wilmington Beach and the extra CBP3 money out and change it to \$.01 and balance it. Councilman Wilcox said if we raise taxes \$.01 we are by far doing a better job, then what he is seeing in the other communities, in that respect.

MPT Efird said each time that we do this and get barely there then it is worse next year. She said, I can't afford it but we haven't done anything and we are going to have other problems that we don't expect. We need to do something about these streets and sidewalks. There are a lot of things that need to be done and it takes money.

Councilman Lashley said we are not saying that we are not going to do anything to the streets and sidewalks. MPT Efird said I know, but there are other things that happen. Mr. Owens explained that right now we are just trading water because all you get is \$180,000 in Powell Bill money and that doesn't go very far. We are talking about a

project on Georgia Avenue and it is going to cost \$100,000, maybe \$80,000 or \$60,000, and that is only ¼ of the street. He said we are not proposing not do the streets but we are chipping away at it slower than I want.

There was discussion about collection of privilege license fees for sweepstakes. Mayor Macon said he doesn't know that we are going to make that money before July 1st. Ms. Johnson said generally the privilege license revenues come in the first 2-3 months of the year that they are due. Mr. Owens said generally the short session decisions are made before July 1.

Mr. Owens said the Tourism Fund is balanced at a total budget \$1,931,700.

He took the following actions to balance the Tourism Fund Budget and/or identified actions taken that impacted the Tourism Fund Budget:

1. Increased the Freeman Park revenue line item by \$105,000. This was a conservative estimate and the additional revenue could be closer to \$150,000 to \$200,000.
2. Increased the Transfer from the TF to the GF by \$80,000 and eliminated the payment for the NE CBAN lot. This results in a net transfer to the General Fund of \$341,400 (\$80,000 NE lot, \$125,000 form retired NE parking area loan, \$136,400 transfer to GF for expenses related to the TF).
3. Tourism Fund – Fund Balance Appropriations of \$165,700.

Other proposed fee changes that resulted in no changes to revenue estimates:

1. Increase marina slip fees by 3% beginning in January of 2011. This will be the first increase for marina slips in approximately 5 years. The estimated revenue generated for next year is around \$5,000.
2. Increase in Freeman Park Fee from \$60 to \$100 after March 31st of every year.

Mr. Owens said the Enterprise Fund is balanced with a total budget \$4,693,681.

He identified some revenue items to help balance the budget:

1. Increased the water/sewer flat rate by \$1 and the water/sewer variable rate by \$1. Larger meters went up slightly higher than a standard residential. This added approximately \$170,000 of revenue to the W/S Fund.
2. Lowered the fund balance appropriation from \$500,000 to \$311,811.
3. Increased the SW fee from \$7 to \$9 to create a capital amount.

Other proposed fee changes that resulted in no changes to revenue estimates:

- Proposed increase in the stormwater fee from \$7 per month to \$9 per month. The additional revenue of approximately \$100,000 to \$140,000 to be set aside for lake dredging and improvements to outfalls. This increase would cost the residential customer an additional \$24 per year.

Mr. Owens said one concerns with actions taken to balance the Enterprise Fund Budget was that the additional appropriation to the General Fund, while acceptable given the cost to the General Fund, did impact the bottom line of the Enterprise Fund.

Mr. Owens also provided Council with a summary of tax proposals on the average residential homeowner for all funds:

- | | |
|---|-------|
| • Ad Valorem Tax on a \$500,000 home | \$100 |
| • Increase in trash collection fee | \$ 24 |
| • Increase in SW fee | \$ 24 |
| • Potential Increase in W/S Rates (5,000 gallons) | \$ 36 |

TOTAL \$184/year or \$3.53/week

Mr. Owens said he has to propose a budget and he asked Council to tell him what they want – a \$.01, \$.02 or none tax increase. MPT Efir said she likes the \$.02. Councilman Lashley said he likes zero cents and Councilman Wilcox asked him to take everything into consideration that has been said today and recommend the budget that you want to propose. MPT Efir said he has done a good job getting it to this and she knows he has worked every weekend. She doesn't want to raise taxes either but she doesn't want to be unreal. Councilman Wilcox said bring what you think based on what you heard.

Mr. Owens asked, as far as insurance, are we proposing any changes? Mayor Macon said I don't think there are three votes to change it, but I think the employees should be aware that the spouse/child portion he doesn't know that he can support that. Mr. Owens said that's an extra benefit of \$2,500 for those employees. Councilman Lashley said you have 4 people that don't want to mess with the health insurance. Ms. Mallard said and the employees thank you. Councilman Wilcox said what they have to realize is you try to maintain the insurance but sometimes the deductibles will go up and other things - that is just the insurance world.

There being no further business, **MPT Efir made a motion to adjourn. MOTION CARRIED UNANIMOUSLY.**

Respectfully submitted,


Lynn N. Prusa
Town Clerk

Approved: 10-12-10