

MINUTES
BOARD OF ALDERMEN
BUDGET MEETING
MAY 13, 2020

Mayor Mills called the Budget Meeting to order at 8:35 a.m. in the Town Hall Conference Room. (*Special precautions were taken due to the COVID-19 Pandemic.*)

Attendance: Mayor F. Darryl Mills, Mayor Pro Tem Henry E. Miller III, Alderman Jeff DeGroot, Alderman Ken Dull (remotely by phone), and Alderman Vivian (Zeke) Partin; together with Town Manager Timothy W. Owens, Finance Director Melissa Norton, and Town Clerk Sylvia J. Holleman. Department Heads Present: Fire Chief Glen Rogers, Ocean Rescue Director Dave Baker, and Human Resources Officer Sara Wilson.

Mr. Owens and Mrs. Norton reviewed the current budget and the proposed budget with the following highlights:

Fiscal Year 2019-2020 Year-End Review and Expected Impacts of Actions Taken Related to the COVID-19 Pandemic.

- We put all the new numbers through May 4th. Parking Meter Revenue is currently about a million dollars short. If we had just June, we would be about \$400,000 short.
- We do not think much of the Recreation Revenue is coming back from this because we're not having any programs. But we don't have Recreation Expenses so it should be a wash.
- ABC Revenue: The new store is up and doing well. Revenue is down; we will make up for it eventually but not in this fiscal year. Mayor Mills expressed the need to make decisions today based on what we have because they could not wait for the new numbers.
- Parking Civil Penalties are currently short. They are starting to swing a little bit and we did a strong debt setoff initiative.
- We will bring in more revenues than planned in May and June; Insurance Money and FEMA money will be coming in.
- We also have a COVID-19 revenue line. We track those expenses separately. We will get reimbursed afterwards for some of that money. Mr. Owens noted that we could go through FEMA or the CARE ACT but it has to be direct expenditures related to COVID-19.

FY2020-2021 General Budget Overview and Challenges.

- There will be revenue impacts due to COVID-19. The Fund Balance is there for tough times like this. For the past six budget years, revenues outpaced expenditures. The Town has about \$1.3 million in projects that could be delayed or transferred until we know what the trends are. The Town proposed to use \$360,000 from the Fund Balance to balance the budget.
- We think Parking Revenue will be fine and ABC Revenue may have some lag. Building permits will hopefully remain constant. Other revenue sources: we do not see much impact on those like Utility Taxes and Cable Taxes.
- Page 9 is where all the CIP items are identified; that is where we can cut and delay – just in the General Fund. Water and Sewer is fine. We should hold off until we see where we are.
- Following a lengthy discussion regarding Water and Sewer Projects, Mayor Pro Tem Miller said the Board needed that information before they start cutting CIP items. Mr. Owens said Public Works Director Bill Squires would come back in June with a list and let the Board prioritize the projects.

FY2020-2021 Rev impacts related to COVID-19 Actions Taken.

- Budget Adjustments: **Ad Valorem Taxes:** We are \$3.328 million right now. **Sales Tax:** LGC guidance was that we would take a 20% hit for a quarter. These lag so we are still getting money for last month. We are over where we need to be this year but we will feel the impact soon. I originally proposed no change but based on our guidance, I decreased that line item by 7%. That would decrease assumed revenues by \$100,000. **Room Occupancy Tax:** We generally get about \$650,000. This year we used it for Joshua Tree Company and took from that fund for Salisbury. We know we have withdrawn what we have in there. We took it down to \$475,000. Hopefully it will rebound to \$650,000. Alderman Dull asked what happened to the \$93,000 of Room Occupancy Tax money that we did not spend two years ago. Mr. Owens said it was still sitting in the marketing side as reserves. **Recreation Revenues:** We cut by 10%. **Appropriated Fund Balance:** We have \$361,452 in that fund.

Meeting recessed for a break at 9:15 a.m. and reconvened at 9:20 a.m.

Presentation of Fire Department and Ocean Rescue Budget by Chief Rogers.

- Emergency Preparedness: No significant changes. FY20/21 will be when we redo the whole debris plan. All has to be vetted through FEMA. There is a minor increase on that. We are still updating this year's hurricane plan; it will be on the June agenda.
- Fire and Rescue: Chief Rogers did a presentation a few months ago on a career development plan like the one in the Police Department. We compiled a comparison of the current hiring rate for entry-level firefighters with Carolina Beach, Kure Beach, and New Hanover County. We are roughly \$10,000 behind other area departments with a similar rank structure. We have been struggling within the department; it definitely hits morale and is a constant issue. Their brother and sister police officers in the next building are consistently \$10,000 more each year. That is why we modeled after their career development program.
- Following a brief discussion regarding holiday pay, Mr. Owens said "People were taking and banking and we would have to bring someone in to fill in. It used to be absorbed in the budget; this just makes sure it is being accounted for."
- Mayor Mills asked, "How are you determining insurance if we possibly will change providers?" Mr. Owens replied, "We normally plug in 10% to account for the change."
- Mayor Mills asked how much was left on the Public Safety Building loan. Mrs. Norton said there was \$1.8 million remaining and it would be paid in full in FY23/24. Chief Rogers said it was about \$470,000 per year. Mayor Mills said, "If we get close to closure on the property on the mainland, this may be something we would look at paying off that would help our annual figures. Assuming Dan Smith will stay with it; that would be about a million dollars that we could use to pay on the Public Safety Building loan."
- Ocean Rescue: Chief Rogers said, "Dave made a pitch; he compared salaries to other Ocean Rescue Departments. Carolina Beach is at \$12.00 starting salary and we are at \$10.75. These are our first responders that we rely on to provide patient care for all of our emergency medical. Lifeguards cannot wear masks when making water rescues. To have recognition with equal pay would go a long way."

Recommendation for Insurance Coverages for Employees.

- Mrs. Wilson said, "We had a good renewal. They came back at 12% and we countered with 5%. We will keep the same plan from this year with a minor change in PPO as a result of COVID-19. It will be an easy open enrollment." Mr. Owens said, "The bottom line is that it's an increase of about \$26,000 this year."

Review of Fee Schedule.

- Mayor Mills said, “We can change these fees at any time. We have had discussion about the fee schedule and wanting to take a more in-depth look at it. Subject to what the rest of the Board wants to do, if the Planning Board wants to take this on as one of their projects, let them do it and bring it back when they are ready. I am mainly interested in recreational fees. Chairman Smith and a couple of other members have asked for things they can analyze other than things that come through Tony. I would find their analysis helpful. As to parking, we definitely need to look at that. And in conjunction to that, it seems Lanier owes us some money or credits relative to where we ended up with them contract-wise; I would say in the \$12,000 range. It had to do with meter trading, selling and buying, and their fees. We need to make sure that comes into play here. We also want to look at their fees relative to the fact that for the past six weeks, they were not fully ramped up. We need to make sure that we are getting some consideration from a cost point of view.”
- Mayor Pro Tem Miller expressed concern that the No Parking signs had been removed at the drawbridge. Mr. Owens said the NCDOT would have to do that and he would put that on the June agenda. Mayor Mills said he thought when there were four or more people in one vehicle, they were chipping in to pay the fee. Mayor Pro Tem Miller said he thought the Board needed to review the whole thing. When asked if the Planning Board was just going to review recreational fees, Mayor Mills replied, “Yes, and we look at parking. The Planning Board can look at planning fees as well.”
- Alderman Partin referenced the charge to rent the Harbor Way Gardens and said, “I know a lot of our ladies beautify that. Would we be willing to share that with the Harbor Way Gardens? The volunteers go out there and work to make it look good.” Mayor Mills replied, “Let the Planning Board look at that. If they come back with a recommendation, you can decide after you talk with Mr. Edes whether to vote on that or not.” Mayor Pro Tem Miller said if any of the Board members had a fee that needed to be looked at today, they should bring that up now; if not, he felt the Board should look at fees when the Planning Board brings back their study results. Alderman Partin asked if the Board was going to look at Water and Sewer rates. Mayor Mills said they could look at them but we raised them two years ago. Mr. Owens said he was not proposing a change. Following a brief discussion regarding the maintenance fee, Mayor Mills said, “For years, we subsidized users. We were underfunding our system.” Mr. Owens noted that Water and Sewer needed to pay for itself because it is an enterprise fund. Mayor Mills said, “Hopefully, the Planning Board will find a balance between what the Town wants to offer and what people are willing to pay for it.” Mr. Owens clarified that the planning fees, recreation fees and discussion of Harbor Way Gardens would be given to the Planning Board to study.
- Mayor Mills asked if there was any interest in revisiting the parking rates any time soon so Mr. Owens could get the information he needed. Following a lengthy discussion regarding possible areas to increase, such as the preferred lots, Alderman DeGroot said, “I’m okay for conversation but I do not think we should increase the parking rates while we are in this COVID-19 thing.” There was Board consensus to leave the rates as they are for now. Alderman Dull said, “I think we should have a workshop this fall and look at trends and see where people are raising rates and proceed accordingly.” When asked about Lanier’s software capability of letting people know where empty spots are in the lots, Mayor Pro Tem Miller said he thought we should ask Lanier for answers to those types of questions.

Meeting recessed for a break at 10:20 a.m. and reconvened at 10:25 a.m.

General Discussion and Direction.

- Mayor Mills thanked Mr. Owens and Mrs. Norton for their presentation and said, “I appreciate your optimism but we are not elected to take the most optimistic view. I am not happy with pulling \$360,000 from the General Fund so I think we need to make some cuts.”
- Alderman Dull said, “Being an elected official and a leader, I would be willing to cut my stipend in half until further notice and reflect that in the budget.” When it was pointed out that it would only be a drop in the bucket with what was needed, he said, “I’m not throwing that in as a dollar amount; it is more of a symbol that we are not asking others to make a sacrifice that we are not willing to make. We do not know what this will look like at the end of this year. I think it would be smart for us to be cautious but optimistic.”
- Mayor Pro Tem Miller said, “I do not think we are to the point of looking at people but I think we need to look at the budget and what we’re spending. I’m fine with looking at our stipend. Some of this is out of our control. I think some people will not want to sleep in someone else’s house or hotel room. But it is seasonal.”
- Alderman Partin said, “I think the two large hotels will do everything they can to get their business going but it will take a month or two to ramp up.”
- Alderman DeGroot said, “I’m more optimistic than I was two months ago but I agree that we could find additional cuts. I see some places where increases are needed but there’s some stuff that we could push off.”
- A brief discussion developed regarding the need to make cuts to reduce the amount needed from the General Fund to balance the budget. Mr. Owens said, “That \$360,000 is our balancing mechanism but we don’t typically use that amount. If you want me to identify cuts, I can do that. We can recess this meeting to another day to look at that.” Following a brief discussion regarding possible dates, there was Board consensus to continue the meeting to Tuesday, May 19th at 8:30 a.m. in the Conference Room of Town Hall.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, THE BUDGET MEETING WAS CONTINUED AT 10:35 A.M. TO TUESDAY, MAY 19, 2020 AT 8:30 A.M. IN THE CONFERENCE ROOM OF TOWN HALL.

Respectfully submitted,

Sylvia J. Holleman
Town Clerk