



# Town of Southern Shores

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Town of Southern Shores  
FY 2007-08 Budget Workshop  
May 10, 2007  
9:00 a.m.-Pitts Center

## Minutes

The Southern Shores Town Council met on May 10, 2007 at the Pitts Center to discuss the FY2007-08 budget.

The following Council Members were present: Mayor Don Smith, Mayor pro tem Dan Shields, Jodi Hess, David Sanders, and Brian McDonald.

Also present were: Webb Fuller, Town Manager, Merrie Smith, Administrative Assistant, Bonnie Swain, Finance Officer, Mike Hejduk, Code Enforcement Administrator, Police Chief Kole and Public Works Supervisor, Glenn Alexander.

Mayor Smith called the meeting to order at 9:00 a.m.

Mayor Smith read a few items from a list of his concerns regarding the budget and would like to address them at this time. He stated the Town is facing a decline in land transfer taxes, building permit fees and other revenues. The consumer is being hit with higher cost in insurance and gasoline prices which affects the average citizen's budget. He stated the Town has seen a tax increase of twenty-five percent over the past three years, which has surpassed the inflation rate. He stated he feels these increases were from unnecessary spending by previous Councils. He stated local government cannot continue to take an increasing percentage out of one's personal income. He addressed several issues for consideration to decrease the Town's budget and he supports a reduction in the tax rate. Some of his suggestions are to discontinue the chipping program (\$125,000); bringing payroll in-house (\$8,000); reduce the police vehicle fleet by allowing more than one officer to use a vehicle and not allow police vehicles to be driven home while off duty; eliminate the part-time position in the code enforcement department and reduce that departments budget by ten percent; eliminate ocean rescue service and hire our own life guards at two locations only; question the increase in the fire departments budget (\$35,000); and identify the need for the administrative position in the police department and adjust salary if needed.

He stated the manager's proposed budget increases the tax rate from .085 to .0975 which is a fifteen percent increase. He stated this proposed increase takes an additional \$209,244 from the taxpayers. He stated the projected revenues from last year's revenues are estimated to be a \$46,000 decrease. He stated that each penny on the tax rate is equal to \$168,088 on the budget. He stated a fifteen percent increase is outrageous and this waste needs to end now. He asked the Town Manager and Council how much of a taxpayer's income should the government be allowed to take. He urged all citizens to attend the budget hearing and to contact Council to voice their concerns.

The Town Manager agrees with the Mayor that this budget is business as usual. He stated he feels the budget is artificially low and that Council has given him direction. This budget does not take money from the fund balance unlike past budgets. He presented Council with a broad budget and he is asking Council to raise questions on specific items at the workshops.

Mayor pro tem Shields asked what is the difference between requested and recommended columns in the proposed budget. The Town Manager stated the requested column is what staff asked for and recommended column is what the Town Manager is recommending.

Council Member Sanders stated the Town Manager did what he said he would do for the budget. He stated this year the figures were correct and the budget was presented early. It is a service oriented budget. He stated that we need to address the kind of service we want to provide and at what cost.

Council Member McDonald stated as the proposed budget stands we need to cut the budget by \$209,000 to keep tax rate the same. The Town Manager stated this budget shows less shared revenues and not spending from the fund balance. He stated the Town will spend less than last year and Council has three choices, cut taxes, raise taxes or use money from the fund balance.

Mayor Smith stated raising taxes doesn't make sense to him. Council needs a list of things that they could cut.

The Town Manager stated he wants to increase the fund balance to meet the Council's goal of 75% for the undesignated fund balance but expenses need to be down to build up the fund balance.

Council Member McDonald stated during drastic times, we shouldn't be building up a fund. He stated Council had an agreement to have a fund balance of 75% of one year's operating expenses.

Council Member Hess asked if any money has been budgeted in past years that have gone into the fund. The Town Manager stated no, except for Powell Bill money and nothing for the capital improvement fund.

The Finance Officer stated as of June 30, 2006, the balance in the Capital Reserve Fund was \$505,294, which includes \$100,000 for a future fire truck.

Council Member Sanders commented in the future the fire department has to pay for their own purchases.

Council Member Hess asked if possibly the \$100,000 can be put into the fund balance. The Town Manager stated no it is for a fire truck or other capital purchased by the fire department.

Chief Harvey stated the Fire Department Board will finance any new trucks.

The Town Manager stated he feels we should finance vehicles and the auditor doesn't agree. He stated he would recommend paying one-third of the price and financing the rest for new police vehicles.

Council Member McDonald commented it is worse than Mayor Smith thought, by his calculations we must cut budget by \$205,000. We must increase taxes or cut expenditures by \$205,000 or take out of fund balance.

Mayor Smith stated past Councils continued to approve expenditures even though there was no money in the budget and they used money from the fund balance. He stated it's time to tell the public we don't have the money. He stated the last three years taxes have gone up 25%.

Council Member Sanders stated we can't do anything about the state or federal government putting their hands in their pockets. He is happy with the Town government and citizens may not be happy with cutting services. He stated we need to look at what we want and what we need.

Council Member Hess stated we need to look at the future and not at the past. She stated she has been getting calls from many citizens requesting not to cut taxes; they like the current services. She stated we need to put money aside for the future for street repairs and the entire infrastructure.

Council proceeded to discuss following budget items:

**Ocean Rescue** – The Town Manager stated at this time the budget is \$140,000 for two fixed stands, two people per stand, one roving, and one vehicle with supervisor. He stated to delete the roving and the supervisor vehicle would bring their budget down to \$102,000. The Town Manager stated if we need to cut the service then he would recommend cutting the whole service instead of providing insufficient service. He stated he has seen too many lawsuits.

Mayor Smith stated he feels we can have designated areas for a life guard service and there is no need for a roving lifeguard.

Council Member Sanders stated we would damage the highest paying tax payers, the ocean front property owners. He stated we have provided this service before and if we take it away he feels we must notify property owners of the change and it would affect rental bookings.

**Chipping program** – The Town Manager stated we could reduce half of the chipping program, do away with individual chipping and keep rights-of way trimming. The Town Manager feels this would cut 45% of the expenses.

Tom Bennett, president of SSCA, stated he doesn't mind paying the taxes in Southern Shores as we can see the value of our taxes. He stated he feels keeping the services the way they are, even if there is a need to pay more taxes, is fine with him because we live in a wonderful community. He stated taking items out of the budget will take away services.

Geri Sullivan, 31 10<sup>th</sup> Ave., stated that she disagrees. She stated we need to take care of basic services and must hold cost. She stated the Town has gone on a spending spree for the last three years.

Kevin Stroud, 231 Wax Myrtle Tr., stated Council needs to keep in mind what the voters want. He stated not everyone is rich. He is struggling along with others because of the high cost for living on the Outer Banks. He stated don't drive the locals out. He stated have the Town run like a business. He stated the voters have spoken; they don't want taxes going up.

Mayor Smith read an email from Rosemary Alexander asking Council not to raise taxes.

The Town Manager explained he tried to present a budget keeping the service at a level that the citizens want. He stated he feels that for years this Town has been under budgeted. He stated the police department has eliminated one staff position and we are thinking about eliminating a position in public works.

**Administration** – Mayor pro tem Shields stated we should cut Council compensation in the proposed budget. Mayor Smith disagrees; he feels Council needs to be compensated.

- **Payroll services** – If brought in house a savings of \$7,500 a year. The Finance Officer explained the auditor feels it is not a good idea for one person to do all these financial duties.
- **Travel** – Travel budget up this year as a one time increase for the Finance Officer to attend classes and to have a new accounting module installed.
- **Equipment** – Equipment has been increased for an encumbrance module for the accounting program. Phone service upgrade can be deleted; the current system is only three years old.
- **Town Code** – Town Code has not been updated in three years. The Town Manager stated it should be done every quarter. He stated that the Town code should be re-codified.
- **Cleaning** – The cleaning of the Town municipal buildings cost \$1,300 per month.
- **Taxes** – Mayor Smith asked if we can bring tax collecting in house. The Town Manager will look into the cost and time and bring back a recommendation.

Al Smith, 279 Sea Oats Tr., asked why don't the reality companies pay for life guard service?

Council Member Sanders stated it is really the SSCA property, maybe they should pay.

Town Manager stated one third of the Town's expenses are paid with our collected property tax revenue and the rest is paid from shared revenues.

#### **Code Enforcement -**

- **Vehicles maintenance** – The Code Enforcement administrator stated vehicle maintenance is decreased as both department vehicles are newer and don't require much maintenance and they have not spent their gas budget this year.
- **Zoning update** – Mayor pro tem Shields asked if there is any work needed in that area, as there is no money budgeted. The Code Enforcement Administrator stated update issues will come from the Planning Board. He stated re-codification should take care of most the issues.
- **Salaries** – Mayor Smith stated he thought the Fire Inspector was an added position to help catch up on fire inspections and now he is doing a survey project.

The Code Enforcement Administrator stated personnel costs could be looked at but it should not be discussed in a public meeting. The Code Enforcement Administrator stated building permit revenues have been coming down. This department has been self-funding for years, but not last year. He stated building permit fees have not been going up. He stated next year the Cove subdivision will bring in more revenues. He stated he will come back with what fees can be increased.

## **Police**

- **Equipment** – Chief Kole explained the increase is for the purchase of a new ATV and 4 new computers for vehicles. He added hopefully they can purchase one computer in this year's budget. He stated he has been cleaning up Police Department offices and one office is empty; need a desk, printer etc.
- **Vehicles** – Mayor Smith asked what vehicles are being replaced. Chief Kole stated that the 2000 Explorer has 70,000 miles and one of the oldest patrol cars. He would like to keep one as a backup vehicle. He would like to switch out equipment from the old vehicles to the new and that would save about \$12,000. He stated, however; every five years, new equipment may be needed due to being obsolete. He would like to space out replacement of vehicles to every two years. He stated rotating cars out, Chief and Lt. will use the best of the old vehicles. He wants to get rid of some of the four-wheel drive vehicles.

The Town Manager stated there may be a finance program started. Chief Kole stated presently the police department has ten vehicles with nine officers as we need one marked backup vehicle.

Mayor Smith stated two police officers are living in Mann's Harbor and drive the Town police vehicles to Nags Head and then take their own cars home. He stated the cars then sit for four days in Nags Head. The Town Manager said the current policy states 15 miles is the distance allowed for an officer to drive the vehicle home.

Chief Kole stated he is impressed with how well the officers take care of their vehicles which results in lower maintenance costs and longer life spans on the vehicles.

Mayor Smith asked why the officers can not share vehicles and why are we replacing a car with only 70,000 miles on it.

Chief Kole responded that the maintenance on the vehicle is getting to be expensive. He stated he is trying to get the cars on a two-year replacement schedule. He said this is a maintenance budget and has no frills.

Mayor Smith asked that when cars are replaced could we look at gas mileage. He stated every department needs to help with lowering expenses.

Chief Kole commented the current ATV may be good for one more year. Mayor Smith asked why the ATV is needed, Chief Kole stated police officers need to be seen on the beach.

- **Resource officer** – Chief Kole is requesting a resource officer for a 16-week period with no benefits at a cost of \$7,900. He stated that person would do parking enforcement, assist with animal control, ATV on beach, boat etc. and use the Ford Explorer. He stated if he writes four tickets a day that will more than pay for the position. He stated this position is in the new budget.

## **Public Works**

- **Salary** – Public Works salary shows a decrease due to a personnel position not filled. The Town Manager stated he is worried about reducing their staff.
- **Equipment lease & maintenance** – The Town Manager stated this budget item is increased due to using older equipment and more maintenance needed.

Mayor Smith stated he heard that we had received a proposal to do some public works duties by a contractor. He asked could this proposal save the Town money. The Town Manager commented we couldn't compare the bid to what we currently have because there would still be additional costs involved. Mayor Smith asked if the manager responded to the proposal. The Town Manager said he let them know we were not ready to make that move. Mayor Smith asked the Town Manager to send a letter to the contractor and let him know.

Council agreed to have the Town Manager add the position back in the public works department and put the cleaning of the Town buildings into the job description and end the contract for the cleaners.

Council Member Shields asked the Town Manager to send a letter thanking the Tourist Bureau for the grant on the next phase of the S. Dogwood Trail multi-use path, however, the Town will be declining the offer.

**Sanitation** – The Town Manager and the Finance Officer will be meeting with Dare County about the increase in solid waste fees.

**Ocean Rescue** – The Town Manager asked what changes Council wants to make on life guard service.

Mayor Smith proposed to do away with the supervisor and the roving patrol.

Council member Sanders stated if the supervisor goes then the fire department would have to provide the service. The fire chief stated he could meet with the Town Manager to discuss this.

Council Member Hess made a motion to keep the \$140,000 in the budget and leave the ocean rescue contract as is. Council Member Sanders seconded. Council Members Sanders, Hess and Shields voted yes. Mayor Smith and Council Member McDonald voted no.

**Fire Department** – Mayor Smith stated last year the fire department received a 20% increase in their budget for a compressor, a one time cost, however; this year that amount is still there. He asked why the increase of 1.6%, including the \$35,000? The Town Manager stated he had asked the fire department to consider the future. He stated he knows the price of staffing a fire department and he has a hard time negotiating a contract.

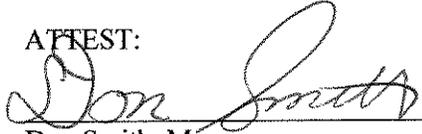
Chief Harvey stated that last year there shouldn't have been discussion on fire department budget items, just the contracted amount. He stated they must run department as a business and not come to the Town for every item. He stated they will take care of themselves. He stated with fix expenses and no employees there is no way for them to cut their budget. He stated he will discuss with Council the level of service not budget line items. He stated this is a contract not really a budget submission. He stated this increase in this budget is for capital improvements.

Chief Harvey added the fire department received a grant for \$100,000 for new exhaust systems in all the building that are required by the NFPA. He stated if no grant had been received there would have been a larger increase in their budget.

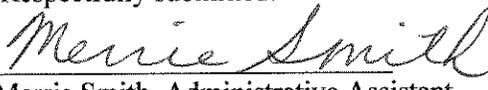
Pat Storey commented people are making complaints about Town taxes being raised and but not complaining about the County tax increase. She stated everyone should count our blessings and thank Council for their hard work.

Hearing no other comments the meeting adjourned at 12:25 p.m.

ATTEST:

  
Don Smith, Mayor

Respectfully submitted:

  
Merrie Smith, Administrative Assistant