

MINUTES
OAK ISLAND TOWN COUNCIL SPECIAL MEETING – BUDGET WORKSHOP
APRIL 15, 2020 – 10 A.M.
COUNCIL CHAMBERS – OAK ISLAND TOWN HALL
(The meeting was available to the public via Zoom)

Present: Mayor Ken Thomas, Council members John W. Back, Sheila M. Bell, Charlie K. Blalock, and Loman Scott, Town Manager David Kelly, Finance Director David Hatten and Town Clerk Lisa P. Stites, MMC. Mayor Pro Tempore Winecoff was present via Zoom webinar.

Mayor Thomas called the meeting to order at 10 a.m.

Town Manager David Kelly said that his was the first budget workshop and that staff would review current conditions and projections for the coming months. Finance Director David Hatten reviewed a copy of the year-to-date financial report provided. He said that ad valorem taxes had mostly been collected, and that in fact, there was more collected than budgeted. He said that the Town was in good shape as far as ad valorem taxes for this year. Mr. Hatten said that revenues would be hit in utilities, in late fees and penalties, possibly as much as \$20,000/month for the rest of the fiscal year. According to the Governor's order, the Town cannot charge late fees or cut customers off for nonpayment. Accommodations tax will also be lower this year. Before the pandemic, collections were good, but he was not sure what the exact effect would be, though he thinks they may still hit the projected revenues. Regarding beach nourishment, Mr. Hatten said this fund would be affected along with ad valorem taxes. Mayor Pro Tempore Winecoff asked about short-term rentals. He asked in the case of someone who rented a property for 90 days but the tenant only stayed for a week, would accommodations taxes still be due on the full 90-day rental; Mr. Hatten said it would. Regarding the upcoming FEMA project, he said the accommodations tax, beach nourishment and beach tax fund have a claim on cash of \$7,765,200, so the cash in the general fund (\$14 million) would have to be used to supplement to get the project going.

Finishing his review, Mr. Hatten said that he thought we were in good shape for this year.

Mr. Kelly reviewed information provided on State revenue projections, a copy of which is attached and is hereby made a part of these Minutes. He said there was an increase in building permits for March, possibly because contractors wanted to make sure work was lined up. Mr. Kelly said that water and sewer usage revenue would depend on when the rental season opens up. Mr. Kelly said the FEMA project Mr. Hatten mentioned would be out for bid. He said that using general fund money toward the project would leave \$11.7 million in the general fund. He also reviewed actions staff had taken, such as reducing the spending limit for all departments and reducing the budget for the remainder of the year. He said those actions were being taken to help put money in reserves for next year. Mr. Kelly said that all departments' current capital reserve transfers had been reduced by approximately 59%, which equaled \$910,000. Regarding next year's budget, Mr. Kelly said there would be no new positions, some people retiring would not be replaced, and that capital purchases in the FY 2020-2021 budget would be delayed until January of 2021. There are some job reclassifications, and some combining of job responsibilities. Regarding the requests for vehicles in the proposed budget, Mr. Kelly said he'd reviewed the requests and that Council would see decreases in the requests. Mr. Kelly also mentioned fire fees, saying that the Town had never asked for an increase, but that the County initiated one across the board for 25% in 2016. Mr. Hatten said if ad valorem taxes were collected at 88% next year (compared to 98% in the current budget), that would mean a reduction in property taxes of \$915,821 (\$125,000 of that being the revenue collected for the sand fund). Mr. Hatten said that the League recommends reducing projected sales tax revenue by 3.2%. He said that recommendation includes two flat quarters followed by two quarters of growth. That 3.2% reduction would be a loss of \$72,400 in revenue for the Town. Mr. Hatten said that he learned that Oak Island's sales tax collection represents 18% of the budgeted revenues, whereas most NC municipalities depend on sales tax revenue for 24-25% of their budgets. Mr. Hatten said that

recommendations are to drop accommodations tax projected revenues by 50-60%, and that would mean a reduction in the accommodations tax revenues of \$600,000. Mr. Hatten said that was the money they put toward sand projects.

Councilor Bach said that they should not look at raising taxes during a recession. Councilor Bach also said they should do what they can to maintain staff and continue services. He said they should look at several models, including worst, middle and optimistic models. He said that we would also have to use reserves for shoring up some of the departments and possibly for beach nourishment projects. He said that if we are on the conservative side, they can always restore funds; he'd rather see that than have to make drastic cuts. Councilor Bach said he was glad the numbers were strong going into the pandemic, but he was concerned this would continue, drag out and damage our season, if we even have a season. Mr. Kelly said that they would build a budget to the 88-90% range right now. He said Council had done a good job of building reserves in the last few years, and that they also need to consider having reserves for hurricanes and also for the FEMA projects. Councilor Bach said that the State's projections seemed optimistic and he was not sure that was warranted; he said he wanted to see an alternate view.

Mr. Kelly next began reviewing the proposed budget, beginning with the police department. Police Chief Speedy Ingram reviewed his proposed budget by line item, highlighting reductions in line items such as office supplies, organization dues, printing costs, maintenance equipment. He said he was still asking for two new vehicles, rather than the five he originally asked for. Councilor Bell asked if he could get by without getting any new vehicles; Chief Ingram said that the department only had three spare cars, and those are used for weekend beach patrol. He said he is still requesting two vehicles. He said the following year, if things are back to normal, they could be on the plan to replace two vehicles every year. Councilor Bell asked how many vehicles the department had; Chief Ingram said 28 or 29, with five of those having more than 100,000 miles. Councilor Bell asked if the patrol officers could be given to patrol and use the older vehicles with more miles for administrative positions, since they wouldn't put as many miles on the vehicles. Chief Ingram said that they use seniority to assign vehicles, and that if you give a rookie a brand new patrol car, you wouldn't know if that officer would be there in a year or not. Knowing they would be eligible to get a new car after a year or two on the job can be an incentive, he said. Councilor Bach asked what was causing the budget to be higher (\$136,000 increase). Mr. Kelly said fringe benefits were higher. He said he'd reviewed the request for vehicles, and that he did not believe they needed to replace the spare vehicles at this time; one vehicle could be taken care of internally, and he may reduce the request to just one. Councilor Bach asked the Chief what else he would cut if needed. Chief Ingram said that when things get bad, his department has more to do. Councilor Blalock asked how long it would be until they could get back on a cycle of regularly replacing vehicles. Chief Ingram said if they got five this year, and then two the next year, they could get on a schedule of replacing two a year. Councilor Bell said that they may get to a point where they have to do some drastic things, and that even half a vehicle would not be an option. Mr. Kelly said that all of the departments used vehicles and had needs, and that what he had to do was consider all of the departments' needs. He said all the departments would have reduced requests, though there are some areas where they fell so far behind in replacing vehicles. He said he was looking at the needs across the board. (10:44 a.m. Mayor Pro Tempore Winecoff was no longer connected.)

Council and staff discussed the merits of leasing vehicles versus purchasing them. There are 10 leased vehicles currently. Mayor Thomas wondered if it wouldn't be better to buy vehicles rather than lease them. Mr. Hatten said that was done with the police department for cash flow purposes. Councilor Bell said that in the past, the department was not allowed to purchase vehicles and they had a lot to consider replacing last year, and that they had leased vehicles to be able to replace so many at once. Mayor Thomas said he thought they should purchase instead. Mr. Hatten also reminded Council that the numbers included in the budget for cost-of-living and merit increases were there for consideration. Mr. Kelly also noted that the merit increases could be delayed until January.

Fire Department: Chief Chris Anselmo reviewed the proposed budget line items, also highlighting planned reductions. He also said that they need to replace some air packs. He said he is trying to make sure that they don't have to replace all of them in one year. The Chief said that a request for a new pickup truck had been removed, as well as new computers. The Department does plan to purchase some new radios. Mayor Thomas asked about putting money aside for a new fire truck. Mr. Kelly said that they do that every year, and he noted that information about reserves for each department had been included in the budget book. Councilor Bach asked the Chief to think about where he would make additional cuts if it comes to that.

Development Services: Department Director Steve Edwards reviewed his proposed budget. There are increased expenses for advertising, as some of those costs have been taken out of Administration and put into Development Services. Mr. Edwards said that he was requesting replacing one vehicle. There are 9 vehicles in his department, but they can go down to 8 overall by getting rid of one and replacing one. The vehicle he is asking to replace is a 2005 Ford Ranger; it has 59k miles, though it needs some work. Overall, this budget is down 3%. One employee is retiring but will not be replaced at this time. He'd like to keep the position active and reinstate when needed. He said that overall, building has seen a decline, though Oak Island is not seeing as much of a decline; there has been an increase in commercial building. Mr. Edwards also spoke about Pine Forest, saying work would be starting on the apartment buildings. There were 108 lots included in Phase I of the development, and 30 of those are ready for construction, with permits issued on six of them.

(11:25 a.m.: Mayor Pro Tempore Winecoff had returned to the meeting via Zoom.) Councilor Bach said that for all the departments, overtime is something they needed to consider as well. Mr. Kelly explained how scheduled overtime works for the fire department. Councilor Bach said that at some point, they need to reduce overtime dependency in the fire department and elsewhere. Mr. Kelly said that in utilities, they have employees on call and that the overtime costs used to be hidden in salaries, but that he removed it from there to show what the costs actually were. Councilor Bach said he was just trying to prepare for the absolute worst case scenario. Mr. Hatten said they would further break down overtime to show scheduled overtime and unplanned. Mr. Kelly said that they still had more info to provide, such as vehicle sheets for all the departments. Friday's meeting would cover utilities and stormwater. He also asked Council to be thinking about a plan to re-open and when to start holding activities, when to start allowing short-term or long-term rentals, etc. Councilor Bach said that he hoped there would be a discussion on this on the 21st. Mr. Kelly said there would be and that it would be on the May 12 meeting as well. Councilor Blalock asked if the beach towns were sharing information; Mr. Kelly said that they were and that they would try not to do anything that would just push people from one town to another. Mayor Thomas said that as far as he knew, Caswell Beach was the only beach that was open, though there were only two public beach access in that town.

Councilor Bell made a motion to adjourn at 11:32 a.m. Councilor Bach seconded the motion and it passed unanimously.

Ken Thomas, Mayor

Attested: _____
Lisa P. Stites, MMC, Town Clerk

Clerk's Statement: Minutes are in compliance with the open meetings laws. The purpose of minutes per the open meetings laws is to provide a record of the actions taken by a Council or a Board and evidence that the actions were taken according to proper procedures. All actions of the Council are recorded in the official minutes. Not all portions of Town of Oak Island meetings are recorded verbatim in the official minutes, with general discussion items, reports, presentations, and public comments being paraphrased or summarized in many instances. Public comments in writing should be submitted to the clerk via hard copy, electronic mail, or other means so as to ensure an exact verbatim account. The Town of Oak Island provides full coverage of meetings on Government Channel 8 so that the Citizens and the Public may view and listen to the meetings in their entirety.