

1 MINUTES OF THE REGULAR SCHEDULED MEETING  
2 OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
3 TUESDAY, MAY 8, 2007 – 6:00 P.M. – TOWN HALL  
4

5 The regular monthly meeting of the Emerald Isle Board of Commissioners was  
6 called to order by Mayor Art Schools at 6:00 PM.  
7

8 Present for the meeting: Mayor Art Schools, Commissioners Nita Hedreen, Tom  
9 Hoover, Floyd Messer, John Wootten, and Maripat Wright.  
10

11 Others present: Town Attorney Richard Stanley, Town Manager Frank Rush,  
12 Asst. Town Manager / Finance Officer Mitsy Overman, Town Clerk Rhonda  
13 Ferebee, Fire Chief Bill Walker, Police Chief Bill Hargett, Planning Director Kevin  
14 Reed, and Parks and Recreation Director Alesia Sanderson.  
15

16 After roll call all who were present recited the Pledge of Allegiance.  
17

18 **4. ADOPTION OF AGENDA**  
19

20 *Motion was made by Commissioner Hedreen to Adopt the Agenda. The*  
21 *Board voted unanimously 5-0 in favor. Motion carried.*  
22

23 **5. PROCLAMATIONS / PUBLIC ANNOUNCEMENTS**  
24

25 The Mayor, Board of Commissioners and Town Manager surprised Fire Chief Bill  
26 Walker with a Service Award Plaque in appreciation for his faithful and dedicated  
27 service to the Town for 20 years, starting as a Fire Fighter in May 1987 and  
28 becoming the Town's first Fire Chief in September 1989. Members of Chief  
29 Walker's staff were also on hand to commemorate this milestone and to show  
30 their support.  
31

32 Mayor Schools noted the following proclamations and public announcements:  
33

- 34 • **Small Business Week in Emerald Isle – April 22-28, 2007 (07-05-08/P1)**
- 35 • **Bicycle Month in Emerald Isle – May 2007 (07-05-08/P2)**
- 36 • **Emergency Medical Services Week – May 20-26, 2007 (07-05-08/P3)**
- 37 • **National Tourism Week – May 12-20, 2007 (07-05-08/P4)**
- 38 • **National Clean Beaches Week – June 29-July 5, 2007 (07-05-08/P5)**
- 39 • **50<sup>th</sup> Birthday Event – May at the Marina – Island Harbor Marina –**  
40 **Saturday, May 12 – 6 pm - ??**
- 41 • **Budget Workshop Meeting – Town Hall – Monday, May 14 – 5 pm**
- 42 • **Beach Jive After Five – Wade McVey – Western Ocean Regional**  
43 **Access – Thurs. May 17 – 5:30 pm**
- 44 • **50<sup>th</sup> Birthday Event – Drive In Movie “ET” – Eastern Ocean Regional**  
45 **Access – Friday, May 18 – Dusk**  
46

- 1
- 2
- 3
- 4 • **50<sup>th</sup> Birthday Event – Drive In Movie – “Grease” – Eastern Ocean**
- 5 **Regional Access – Sat. May 19 – Dusk**
- 6 • **Budget Workshop Meeting – Town Hall – Monday, May 21 – 5 pm**
- 7 • **Planning Board Regular Meeting – Community Center – Monday, May**
- 8 **21 – 6 pm**
- 9 • **Special Budget Meeting – FY 07- 08 Budget Public Hearing –**
- 10 **Community Center – Thursday, May 31 – 7 pm**
- 11 • **50<sup>th</sup> Birthday Event – Fabulous Fifties Drive In Diner – Community**
- 12 **Center – Thursday, June 7 – 5 pm – 8 pm**
- 13 • **Board of Commissioners Regular Meeting – Community Center –**
- 14 **Tuesday, June 12 – 6 pm**
- 15

16 Mayor Schools noted that the Town Meetings would begin meeting in the  
17 Community Center during the renovation / expansion of the Police Department  
18 into the current Administrative area as Administrative staff would be temporarily  
19 located in the Town Hall Meeting Room.

20  
21 Alesia Sanderson, Parks and Recreation Director added that the 50<sup>th</sup> Birthday  
22 commemorative pins were now for sale at the Community Center, and local  
23 businesses. Ms. Sanderson noted that the official print for the Emerald Isle 50<sup>th</sup>  
24 Birthday celebration would be unveiled at the June 21<sup>st</sup> Beach Jive after Five.  
25 Ms. Sanderson, Diane Schools, and the volunteer committee were thanked for  
26 their hard work on all of the 50<sup>th</sup> Birthday events.

27  
28 **Note: A copy of Proclamations 07-05-08/P1, P2, P3, P4 and P5 are incorporated herein by reference**  
29 **and hereby made a part of these minutes.**

30  
31 **6. CONSENT AGENDA**

- 32
- 33 **a. Tax Refunds / Releases**
- 34 **b. Minutes – April 10, 2007 Regular Meeting**
- 35 **c. Resolution Declaring Surplus Items for Public Auction (07-05-08/R1)**
- 36 **d. Resolution Accepting Eagles Nest Drive Beach Access Walkway (07-**
- 37 **05-08/R2)**
- 38 **e. Resolution Amending Personnel Policy Regarding Workers**
- 39 **Compensation (07-05-08/R3)**
- 40 **f. Resolution Rejecting All Bids for WORA and EORA Handicap**
- 41 **Observation Deck and Ramp Construction (07-05-08/R4)**
- 42

43 ***Motion was made by Commissioner Messer to approve the Consent***  
44 ***Agenda. The Board voted unanimously 5-0 in favor. Motion carried.***

**Note: A copy of Resolutions 07-05-08/R1, R2, R3, and R4 and all other Consent Agenda items are incorporated herein by reference and hereby made a part of these minutes.**

**7. PUBLIC COMMENT**

**Brief Summary: The public has the opportunity to address the Board about any items of concern / interest.**

There were no comments from the Public.

**8. PROPOSED REZONING – BUSINESS-2 (B-2) AND BUSINESS-1 (B-1) TO BUSINESS-3 (B-3) – NC 58 BETWEEN HOLLY STREET AND TOWN HALL COMPLEX**

- a. Public Hearing
- b. Consideration of Rezoning

Kevin Reed, Planning Director provided an overhead presentation and addressed the Board concerning this agenda item. The following excerpt from Planning Director Kevin Reed's memo to the Town Manager is provided as background:

Town staff has proposed the rezoning of certain properties along Emerald Drive from Business-1 (B-1) and Business-2 (B-2) to Business-3 (B-3). This rezoning is being proposed by the Town as an element of the implementation process for the 2004 CAMA Land Use Plan and as part of the ongoing effort to update the Town's various development regulations in order to create a unified development ordinance. The rezoning will also assist the Town as it plans for the construction of a new EMS Station which is proposed for one of the parcels that is a part of this rezoning. The attached map shows the current zoning of the area as well as the specific parcels that are proposed to be rezoned.

Currently, there are 14 parcels within the entire Town that are zoned B-1 and B-2 and 13 of them are included in the proposed rezoning. The other remaining parcel is zoned B-2 and is located in the eastern portion of Town and is currently developed and used as a surf shop. The properties proposed for the rezoning are located along Emerald Drive and all of the parcels are developed, except for the one located on the north side of Emerald Drive and the east side of Live Oak Street. This one undeveloped parcel is owned by the Town of Emerald Isle and is the proposed location of the new EMS Station. The net result of this rezoning action is that all commercial properties in the Town will be zoned as B-3, except for the one previously mentioned parcel in the eastern part of Town. The proposed rezoning is consistent with the Land Use Plan since the Future Land Use Map includes all of these properties in the Commercial Corridor designation. As part of the process to update the Town's development regulations it is anticipated that all commercial properties in the Town will be classified in a single commercial district that will have the designation as some type of general commercial or highway commercial district. It is also anticipated that the lot which will be developed for the new EMS Station will be placed in a new government zoning district as part of the same process.

Section 19-107 of the Town Code contains the dimensional requirements (building setbacks, height limitations, buffer areas, etc.) for all the Town's business zoning districts (B-1, B-2 and B-3); therefore, the rezoning will not result in a change with regards to these requirements for the properties currently zoned B-1 and B-2, since they are the same as properties zoned B-3. It should be noted that the natural area requirement for the B-1 and B-2 Districts is 25% and the natural area requirement for the B-3 District is 15%; therefore, the rezoning would result in a change in regards to the

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 4 of 31

1  
2  
3  
4 required natural area for these properties. However, since all of the properties are currently developed, except for the  
5 owned by the Town, the change in the natural area requirement will only affect one undeveloped parcel. If this  
6 rezoning is approved, then the change in the natural area requirement for this one lot will benefit the Town as it  
7 proceeds with the plans for the development of the new EMS Station. It should be noted that the plans for the new  
8 EMS Station are tentatively scheduled to be reviewed by the Planning Board at its May 21, 2007 meeting.  
9

10 The most significant difference between properties zoned B-1, B-2 and B-3 is found in the Table of Permitted and  
11 Special Uses (Section 19-82 of the Town Code). The B-3 District is the least restrictive of the commercial districts;  
12 therefore, if the rezoning is approved then the properties currently zoned B-1 and B-2 could be redeveloped for  
13 business uses that are not currently permitted. Please refer to this Table for a detailed comparison of the permitted  
14 and special uses between B-1, B-2 and B-3 properties.  
15

16 The Planning Board considered this rezoning at its meeting held on April 23, 2007. Following its discussion of the  
17 matter, the Board voted unanimously (4 to 0) to recommend to the Board of Commissioners that the rezoning be  
18 approved.  
19

20 ***Motion was made by Commissioner Messer to open the Public Hearing.***  
21 ***The Board voted unanimously 5-0 in favor. Motion carried.***  
22

23 There were no comments from the Public.  
24

25 ***Motion was made by Commissioner Wootten to close the Public Hearing.***  
26 ***The Board voted unanimously 5-0 in favor. Motion carried.***  
27

28 ***Motion was made by Commissioner Wright to rezone certain properties***  
29 ***along Emerald Drive from Business-1(B-1) and Business-2(B-2) to***  
30 ***Business-3(B-3) as this rezoning is reasonable and in the public interest***  
31 ***because it fits in with the Land Use Plan, the Future Land Use Map, and***  
32 ***allows a larger variety of commercial uses and it also is current with the***  
33 ***community's overall interest in maintaining a small town atmosphere. The***  
34 ***Board voted unanimously 5-0 in favor. Motion carried.***  
35

36 **9. ORDINANCE AMENDING CHAPTER 19 – ZONING – REGARDING THE**  
37 **DEFINITION AND REGULATION OF MOTELS / HOTELS / AND CONDO-TELS**  
38 **(07-05-08/O1)**  
39

- 40 **a. Public Hearing**  
41 **b. Consideration of Ordinance Amendment**  
42

43 Kevin Reed, Planning Director addressed the Board concerning this agenda  
44 item. The following excerpt from Planning Director Kevin Reed's memo to the  
45 Town Manager is provided as background:  
46

47 The Planning Board, at its February 26, 2007 meeting, discussed possible amendments to the Town Code regarding  
48 the definition of motel/hotel and the regulation of condotels. This discussion took place at the request of the Board of  
49 Commissioners. The Commissioners had asked that the

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 5 of 31

1  
2  
3  
4  
5 Planning Board consider removing the current limitation that motel/hotel rooms contain only "a bedroom". As you may  
6 recall, this issue was discussed by the Planning Board in 2006 and, at that time, the Board did not recommend any  
7 possible amendments to the Board of Commissioners. Following the Planning Board's discussion of the matter held in  
8 February of 2007, staff was directed to prepare possible amendments to the Town Code which would accomplish the  
9 following:

- 10  
11 1. Remove the 1-bedroom limitation within the definition of motel/hotel;  
12 2. Clarify that condotels and condominium hotels are regulated in the same manner has a traditional  
13 motels/hotels;  
14 3. Limit the density of all types of motels/hotels based on the number of bedrooms; and,  
15 4. Create proper safeguards to insure that condotels and condominium hotels are operated as transient lodging  
16 hotels.  
17

18 Following staff's refinement of these proposed amendments, they were considered by the Planning Board at its  
19 meeting held on March 26, 2007. The first two amendments would be to Section 19-62, Definitions, in order to amend  
20 the definition of *motel/hotel* and to add the term *condominium hotel or condotel*. Language to be removed in the  
21 current Town Code is shown in a strikethrough text and language to be added is underlined. The proposed change in  
22 the definition accomplishes two things. First, it adds language to clarify that a condominium hotel or condotel is the  
23 same, except for unit ownership, as a motel or hotel. Second, the amendment removes the limitation that a motel,  
24 hotel or condotel unit may contain only "a bedroom". This change should allow someone planning to develop such a  
25 project flexibility in the number of bedrooms within each rental space. The other amendments would be to Section 19-  
26 107, Section 19-108 and Section 19-109 and would include a minimum land area and maximum density for any  
27 motel/hotel or condotel project. The minimum lot size would be one acre. These amendments also indicate that the  
28 density of such developments would be limited to 32 units per acre. The amendment clarifies each bedroom would  
29 constitute a "unit" and each development would be limited to a maximum of 32 units per acre regardless of the size of  
30 each rental space. The density limitation of 32 units per acre is similar to the current density limitation for motels and  
31 hotels in the Residential Motel/Hotel (RMH) zoning district. These amendments also include language relative to the  
32 preparation and requirements for the legal documents associated with condotels. The existing language with Section  
33 19-102, Paragraph 3, would also be amended to include the language relative to the preparation and requirements for  
34 the legal documents associated with condotels.  
35

36 Following its discussion of the matter at its March 26, 2007 meeting, the Planning Board voted (3 to 1) to recommend  
37 to the Board of Commissioners that the amendments be approved. You will find attached a copy of these amendments  
38 in ordinance format.  
39

40 Planning Director Kevin Reed noted that the Board had at their places tonight a  
41 replacement agenda item for this issue that contains several technical  
42 adjustments to the amendments presented by the Planning Board as follows:  
43

- 44 • clarify that multi-bedroom motel / hotel / condo-tel units are limited to a  
45 maximum of 2-bedrooms only,  
46  
47 • include language recommended by the Town Attorney to be consistent  
48 with securities law (regarding pooling or sharing of rents),  
49  
50 • remove the language originally included for Village East zoning district, as  
51 motels / hotels / and condo-tels are not a permitted in Village East.

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 6 of 31

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46

The replacement agenda item also incorporates a suggestion from Commissioner Wootten to require that 75% of motel / hotel / condo-tel units be limited to 1-bedroom only. This provision would enable the remaining 25% of motel / hotel / condo-tel units to be 2-bedroom units if desired. Density would still be limited to 32 bedrooms per acre, regardless of the combination of 1- and 2-bedroom units.

The Board discussed the density requirements and limitations with Planning Director Reed. Commissioner Wootten asked why there is different wording for RMH than for business regarding dimensional requirements. Mr. Reed stated that the current density limitation is what is currently in the code now, he did not propose any changes with regard to how they address motels and hotels within the RMH district, except to include the language about what you need to do for a condo-tel. Mr. Reed clarified that the first part is the minimum lot area needed to develop a hotel, and the 32 is the overall density limitation.

***Motion was made by Commissioner Messer to open the Public Hearing. The Board voted unanimously 5-0 in favor. Motion carried.***

There were no comments from the Public.

***Motion was made by Commissioner Wootten to close the Public Hearing. The Board voted unanimously 5-0 in favor. Motion carried.***

The question was posed by Commissioner Hedreen as to whether for example a proposal for a 4-building complex, with 3 buildings to be 1-bedroom and 1 building to be 2-bedrooms would meet the intent. Mr. Reed said that you could have a mixture of units and a mixture of buildings, keeping in mind the 32 units per acre is first of all going to indicate total number of bedrooms you can have, and with the 75% limitation, at least 75% of that total allowable number of units - designate those for 1-bedroom units. The remaining number of units could be constructed into 2-bedroom units. Mr. Reed added that as part of the commercial review process there would have to be performance standards relative to following through with their exact plans.

***Motion was made by Commissioner Wright to adopt the Ordinance Amending Chapter 19 – Zoning – Regarding the Definition and Regulation of Motels / Hotels / and Condo-Tels as revised tonight. The Board voted unanimously 5-0 in favor. Motion carried.***

Note: A copy of Ordinance 07-05-08/O1 is incorporated herein by reference and hereby made a part of these minutes.

1  
2  
3 **10. POLICE STATION RENOVATION / EXPANSION PROJECT**  
4

- 5 **a. Resolution Authorizing Construction Contract (07-05-08/R5)**  
6 **b. Budget Amendment – General Fund**  
7 **c. Capital Project Ordinance Amendment**  
8

9 Town Manager Frank Rush addressed the Board concerning this agenda item.  
10 The following excerpt from Town Manager Rush's memo to the Board is provided  
11 as background:

12  
13 The Board of Commissioners is scheduled to consider three items associated with the Police Station Renovation /  
14 Expansion Project at the May 8 meeting. First, the Board is scheduled to consider the attached Resolution Authorizing  
15 a Construction Contract with BJ & Associates, Morehead City, NC, at cost plus 18%, but not-to-exceed \$198,750.  
16 Second, the Board is scheduled to consider the attached General Fund budget amendment appropriating \$50,000 from  
17 General Fund balance to cover project construction costs through June 30 only. Finally, the Board will consider the  
18 attached capital project ordinance amendment recognizing the \$50,000 in the multi-year project account.  
19

20 The Police Station Renovation / Expansion Project involves the complete renovation of the existing 2200 sq. ft. area  
21 occupied by the Police Department, the construction of two new corridors linking the existing Police Department area  
22 with the area currently occupied by Town administrative staff (2800 sq. ft), and the expansion of the Police Department  
23 into that area. The result will be a new, modern, 5,000 sq. ft. Police Station. Town administrative staff will be  
24 temporary relocated to the existing Town meeting room while construction of a new Town administrative building  
25 occurs later this year and next year.  
26

27 The new Police Station will include a larger and more customer-friendly reception area, larger and more secure  
28 evidence and property rooms, dedicated holding rooms and an interrogation room, a larger break area for patrol  
29 officers, dedicated office space for Police leadership, and an improved dispatch area. The new Police Station is  
30 expected to meet the Police Department's needs for at least the next 10 years, if not longer. At such time that  
31 additional space is needed, the Police Department will have the ability to expand into the Town meeting room (which  
32 would necessitate construction of a new meeting room at that time).  
33

34 The Town completed a competitive informal bid process on April 30. There was significant interest in the project, with  
35 more than 12 contractors requesting a bid package. The Town received a total of 6 bids for the project, and the bid  
36 results are included on the attached bid tabulation. BJ & Associates, Morehead City, NC was the lowest responsible  
37 bidder with a not-to-exceed bid amount of \$198,750. The 5 other bids received ranged from \$217,800 to \$421,305.  
38 We were initially concerned about the wide range of bids received, as we suspected that different contractors may  
39 have misunderstood the project's scope of work and/or quality expectations. The fact that the project is a renovation  
40 with a certain degree of unknown variables also likely contributed to the wide range of bids received. In order to  
41 address these concerns, I asked Burnette Architecture and BJ & Associates to meet and carefully evaluate BJ &  
42 Associates' bid. Both parties confirmed to me that they believe there is a common understanding of the project's  
43 scope of work and quality expectations.  
44

45 BJ & Associates is owned by Morehead City Mayor Jerry Jones. Although we have not dealt with him directly on this  
46 bid process, Mayor Schools and I both have a professional relationship with him through the Crystal Coast Mayors  
47 Association. I have a high opinion of Mayor Jones through this organization. I have also solicited comments from  
48 previous BJ & Associates clients, and all but one have expressed satisfaction with the quality of the work and the  
49 working relationship they enjoyed with BJ & Associates. One reference did express concerns about the quality of the  
50 work completed. I have discussed BJ & Associates with Burnette Architecture, and they have informed me that their  
51 firm has had positive experiences with BJ & Associates over the years.  
52

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 8 of 31

1  
2 If the Board authorizes the construction contract, work is expected to begin in June. The contract allots 6 months for  
3 completion, however, we do not believe that the project will require that much time. We expect that the Police  
4 Department will occupy the new Police Station sometime this fall. The work is relatively straightforward, and is almost  
5 exclusively interior work. The sequence of the work will be as follows:  
6

- 7 1. Town administrative staff relocated to Town meeting room,
- 8
- 9 2. Renovation work begins in existing Town administrative area,
- 10
- 11 3. Upon completion of Town administrative area renovations, Police Department relocates to Town  
12 administrative area,
- 13
- 14 4. Existing Police Station area is renovated,
- 15
- 16 5. Police Department expands into entire area of new Police Station.  
17

18 The Town's telecommunications contractor, TSM South, will be responsible for all telecommunications and computer  
19 network cabling. Embarq will be responsible for the relocation of E911 phone lines and computers. Anser-Quik  
20 communications will be responsible for relocation of the dispatch console and radio communications issues. Paul  
21 Cheshire, Police Lieutenant, has already worked closely with each of these entities on this project, and will be  
22 coordinating these activities during construction to insure the smoothest possible transition and avoid any disruption in  
23 emergency communications systems.  
24

25 The recommended budget for all remaining aspects of the project, including furniture, is \$290,000. I had initially  
26 intended to recommend that the Town enter into a very short-term installment financing agreement in May that would  
27 be retired in July with funds budgeted in the FY 07-08 budget, however, I have adjusted the recommended financing  
28 strategy for this project. The attached General Fund budget amendment includes the appropriation of \$50,000 from  
29 General Fund balance to be transferred to the multi-year capital project ordinance for the project. This amount will be  
30 sufficient to cover project expenses between the start of the project and June 30, the close of the current fiscal year.  
31 The FY 07-08 Recommended Budget includes an additional \$240,000 to provide the total remaining project budget of  
32 \$290,000. The FY 07-08 Recommended Budget also includes an additional \$50,000 appropriation to General Fund  
33 balance to repay the \$50,000 included in the attached General Fund budget amendment in FY 06-07. This approach  
34 is much easier than entering into a short-term installment financing agreement.  
35

36 The \$290,000 total remaining project budget includes the following:  
37

- 38 • \$ 198,750 for construction,
- 39
- 40 • \$ 39,750 contingency (will hopefully not be needed),
- 41
- 42 • \$ 15,500 for items associated with relocation of E911 equipment, etc.,
- 43
- 44 • \$ 30,000 for new furniture in the new Police Station,
- 45
- 46 • \$ 6,000 for the construction of a new doorway from Planning and Inspections to the Town meeting room  
47 (associated with the temporary office space).  
48  
49  
50  
51  
52  
53

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 9 of 31

1  
2  
3

BUDGET AMENDMENT  
FY 2006-07

The budget for FY 2006-2007 is hereby amended as follows:

GENERAL FUND

	Increase	Decrease
<u>Revenues</u>		
Appropriated Fund Balance	<u>50,000</u>	<u>-</u>
TOTAL	50,000	-
<u>Expenditures</u>		
Transfer to Police Station Renovation / Expansion Project	<u>50,000</u>	<u>-</u>
TOTAL	50,000	

Copies of this ordinance shall be filed with the Finance Officer, Budget Officer, and Town Clerk, to be kept on file by them for their direction in the disbursement of Town funds for this project.

MINUTES OF THE REGULAR MEETING  
 OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
 MAY 8, 2007  
 Page 10 of 31

TOWN OF EMERALD ISLE  
 CAPITAL PROJECT BUDGET ORDINANCE  
 POLICE STATION RENOVATION / EXPANSION

Be it ordained by the Board of Commissioners of the Town of Emerald Isle that, pursuant to NCGS 159-13.2, the following Capital Project Ordinance originally established for the Police / Administration Building Project on December 13, 2005 is hereby renamed the Police Station Renovation / Expansion Project and is hereby amended as follows:

	Adopted Budget (April 10, 2007)	Amendments (May 8, 2007)	Amended Budget (May 8, 2007)
<u>Revenues</u>			
Transfer from General Fund	40,000	50,000	90,000
TOTAL	40,000	50,000	90,000
<u>Expenditures</u>			
Miscellaneous	11,000	-	11,000
Design / Construction Administration	17,000	-	17,000
Construction	-	50,000	50,000
Construction - Foundation Repairs	12,000	-	12,000
TOTAL	40,000	50,000	90,000

The Town Manager, as Budget Officer, is hereby authorized to transfer funds between line items within this capital project ordinance, however, any net increases or decreases to total capital project ordinance appropriations shall require a capital project ordinance amendment by the Board of Commissioners.

- 1
- 2
- 3 Mr. Rush, in response to a question from Commissioner Wright concerning a
- 4 penalty clause, stated that was not included, that they think the work will take
- 5 less than 6 months. Mr. Rush noted that this project was bid as an informal bid,
- 6 being less than \$300,000, less stringent requirements and formalities involved.
- 7 Mr. Rush said the contract does contain a 10% retainage that would be withheld
- 8 until the end of the project.
- 9
- 10
- 11

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 11 of 31

1  
2  
3 Commissioner Hedreen added that this would inconvenience Administrative Staff  
4 but felt this was really necessary and in the overall best interest of the work of the  
5 Police Department and their dire circumstances.

6  
7 **Motion was made by Commission Hoover to approve the Resolution**  
8 **Authorizing Construction Contract with BJ & Associates for the Police**  
9 **Station Renovation / Expansion Project. The Board voted unanimously 5-0**  
10 **in favor. Motion carried.**

11  
12 **Motion was made by Commissioner Wootten to adopt the General Fund**  
13 **Budget Amendment. The Board voted unanimously 5-0 in favor. Motion**  
14 **carried.**

15  
16 **Motion was made by Commissioner Messer to adopt the Capital Project**  
17 **Ordinance Amendment. The Board voted unanimously 5-0 in favor. Motion**  
18 **carried.**

19  
20 **Note: A copy of Resolution 07-05-08/R5 is incorporated herein by reference and hereby made a part**  
21 **of these minutes.**

22  
23  
24 **11. PRESENTATION – FY 07-08 RECOMMENDED BUDGET**

25  
26  
27 Town Manager Frank Rush addressed the Board concerning this agenda item.  
28 The Town Manager's Budget Message follows in its entirety:

29  
30  
31 May 8, 2007

32  
33 Dear Honorable Mayor Schools and Commissioners:

34  
35 I am pleased to present the FY 07-08 Recommended Budget for your review and consideration. The total  
36 Recommended Budget across all funds is \$10,280,462 including the special district tax collections and debt service  
37 payments associated with the locally-funded Emerald Isle beach nourishment projects. This total does not include  
38 capital projects authorized by multi-year capital project budget ordinances, however, all General Fund budget impacts  
39 associated with these projects are included in the FY 07-08 Recommended Budget.

40  
41 **GENERAL OVERVIEW**

42 The largest portion of the total budget is the General Fund. The total General Fund budget is \$6,223,702, which is a  
43 \$197,214, or 3.07% decrease in General Fund expenditures from the FY 06-07 original budget. This decrease is  
44 deceiving, however, as it should be noted that the FY 07-08 Recommended Budget for the General Fund no longer  
45 includes the solid waste and Powell Bill (street maintenance) functions. Because these functions are funded  
46 exclusively by user fees and dedicated revenue sources, these functions have been broken out of the General Fund  
47 budget and are now included in their own dedicated funds, the Solid Waste Fund and the Powell Bill Fund. If the Solid  
48 Waste Fund and Powell Bill Funds are added to the General Fund budget, the net increase in expenditures from FY  
49

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 12 of 31

1  
2  
3 06-07 to FY 07-08 is \$1,157,237, which is an 18.0% increase. There are many factors contributing to this increase,  
4 and these factors will be discussed later.  
5

6 The budget is balanced, and the recommended General Fund property tax rate for FY 07-08 is 6.7 cents per \$100 of  
7 assessed value. The recommended rate is 1 cent higher than the revenue-neutral rate of 5.7 cents per \$100 of  
8 assessed value. The practical result of this tax rate is an additional \$58 per year in property taxes due to the Town of  
9 Emerald Isle for the average taxpayer. FY 07-08 is the first fiscal year that the 2007 Carteret County tax revaluation is  
10 effective, and Emerald Isle's total assessed valuation is now nearly \$4.3 billion, up from approximately \$1.5 billion  
11 under the old 2001 values. Based on the 2007 revaluation, Emerald Isle now represents approximately 22% of the  
12 total County tax base, and is significantly more valuable than Morehead City, Beaufort, and Newport combined.  
13

14 Although I am never pleased to recommend an increase in the property tax rate, the recommended 6.7 cent rate is  
15 necessary in order to meet the needs of the community in both the short-term and the long-term. The Town has  
16 several beneficial capital projects underway that will serve our residents and property owners well for many years to  
17 come, and in the end will result in better Town services, better community aesthetics, and an overall better quality of  
18 life for our residents and property owners. As you know, it is always a challenge to balance community needs with the  
19 proper respect for taxpayers' money. I believe the Recommended Budget represents a fiscally responsible spending  
20 and work plan for FY 07-08, and strikes the proper balance. It should be noted that the recommended tax rate  
21 represents the first General Fund property tax rate increase in 5 years. In fact, FY 07-08 will only be the 2<sup>nd</sup> year in the  
22 past 5 years without a tax rate decrease. It is also interesting to note that when the recommended tax rate is adjusted  
23 for the revaluation effect, the adjusted tax rate is slightly lower than the General Fund property tax rate in place in FY  
24 02-03. As you know, one of the Board of Commissioners' top priorities for the FY 07-08 budget was to establish a new  
25 tax rate as close to revenue-neutral as possible, and I believe the Recommended Budget addresses this priority.  
26

27 The Board of Commissioners should note that although I believe the FY 07-08 Recommended Budget is a responsible  
28 plan, it is easily the most difficult budget process in my 6 years with the Town. There were several capital items  
29 requested that I believe would be beneficial for our residents, property owners, and/or Town staff, however, there are  
30 not sufficient revenues projected to honor all of these requests. As such, the Recommended Budget includes only  
31 those items that I believe reflect the highest priorities of the community and the Board of Commissioners. I do not  
32 believe, however, that the FY 07-08 Recommended Budget will prevent the Town from replacing necessary capital  
33 equipment in a timely manner. I also believe that all of the Town's departments will continue to operate effectively and  
34 efficiently under the Recommended Budget.  
35

36 It is always a top priority of mine to make sure that the long-term impacts of current budget decisions are carefully  
37 analyzed so that the Board of Commissioners is aware of any potential tax rate impacts in future years. I have once  
38 again included an updated General Fund 5-Year Forecast in the Recommended Budget booklet, and this forecast is  
39 based on the FY 07-08 budget recommendations, future planned capital expenditures (as outlined in the 5-Year  
40 Capital Replacement / Improvement Program), reasonable inflation rates, and modest growth in the Town's revenue  
41 sources. The 5-Year Capital Replacement / Improvement Program includes many beneficial capital projects that have  
42 been discussed by the Board of Commissioners. The Board should note that the General Fund 5-Year Forecast  
43 indicates future deficits if all projects included in the 5-Year Capital Replacement / Improvement Plan are undertaken.  
44 The forecast indicates a deficit of approximately \$350,000 - \$600,000 over the next 5 years, and indicates that the  
45 property tax rate could increase to approximately 8 cents by FY 11-12. The Board of Commissioners will be faced with  
46 important decisions about the inclusion of these projects in the Town's plan, the pace at which these projects are  
47 completed, and / or the potential need for any General Fund property tax rate increases in future years. I look forward  
48 to assisting the Board in formulating its collective priorities and achieving the Town's goals in a fiscally responsible  
49 manner.  
50

51 As noted above, the FY 07-08 Recommended Budget does enable Town departments to continue current service  
52 levels and replace necessary capital equipment in FY 07-08. The Recommended Budget essentially maintains the  
53 "status quo" for Town operations, with the exception of the creation of a new Traffic Management Unit in the Police  
54 Department. The creation of this unit is contingent upon the approval of a grant that would fund 2 new Police Officer

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 13 of 31

1  
2 positions and associated vehicles and equipment. The Recommended Budget also includes funding for several  
3 beneficial capital projects. Among these projects are the construction of the Police Station Renovation / Expansion  
4 project, a new EMS Station, permitting and design activities for the next phase of the Coast Guard Road Storm Water  
5 Project, construction of a new soundside pier and bathhouse at McLean Park, reconstruction of two aging beach  
6 access walkways, and the expansion of the Public Works storage building to accommodate the Parks Maintenance  
7 function.  
8

9 As noted earlier, the FY 07-08 Recommended Budget includes the creation of the new Solid Waste Fund. This fund  
10 includes all solid waste revenues and expenditures, and is supported 100% by solid waste service fees. The new fund  
11 includes expenditures for residential trash collection, recycling, beach strand trash collection, yard waste collection,  
12 white goods collection, roll-back of containers, and public litter collection. Total Solid Waste Fund revenues and  
13 expenditures equal \$1,181,450 in the FY 07-08 Recommended Budget. The Recommended Budget relies on a  
14 modest increase in the annual solid waste fee, from the current \$170 per year to \$185 per year.  
15

16 The FY 07-08 Recommended Budget also includes the 6th year of special district taxes to finance the debt service  
17 payments on the beach nourishment bonds. These revenues and expenses are budgeted in the Beach Nourishment  
18 Debt Service / Reserve Fund. As you know, and as was communicated to the voters prior to the referendum, the  
19 Town's financing plan calls for these special district taxes to remain in effect for a total of 9 years. The Town's  
20 financing plan intentionally stabilized the Primary Benefit (oceanfront) District rate at 48 cents per \$100 of assessed  
21 value, and the Secondary (non-oceanfront) Benefit District rate at 3 cents per \$100 of assessed value for the entire  
22 nine-year period. The Town's commitment to the residents and property owners was to maintain a revenue-neutral tax  
23 rate for the two special districts after the 2007 revaluation. I am pleased to report that the FY 07-08 Recommended  
24 Budget includes a revenue-neutral rate of 16.6 cents for the Primary Benefit (oceanfront) District and a revenue-neutral  
25 rate of 1.1 cent for the Secondary Benefit (non-oceanfront) district. Total Beach Nourishment Debt Service / Reserve  
26 Fund revenues and expenditures equal \$2,430,560 in the FY 07-08 Recommended Budget.  
27

28 For the 5th year, the Recommended Budget also includes a detailed Capital Replacement / Improvement Program to  
29 effectively plan for future capital needs. The Board should note that the Capital Replacement / Improvement Program  
30 included in this document reflects established capital replacement schedules developed by the department heads and  
31 myself, includes special projects already underway, and includes recommendations for additional projects over the  
32 next five years. While I believe I have included many projects aimed at addressing the Board's priorities, the Board  
33 should thoroughly review and amend this plan before adoption so that it adequately reflects your collective priorities.  
34 As noted above, the projects contained in the 5-Year Capital Replacement / Improvement Program are the major factor  
35 in the projection of annual General Fund budget deficits in future years. The Board should carefully review this plan  
36 and consider the need for, benefits associated with, and the timing of the recommended projects balanced against the  
37 Board's fiscal responsibility.  
38

39 Again, I am pleased to present this Recommended Budget for the Board's review and consideration, and staff and I  
40 look forward to working with you in the coming weeks to make any adjustments the Board deems prudent prior to  
41 adoption. The following pages include a detailed discussion about the many issues impacting the FY 07-08  
42 Recommended Budget.  
43

44 **2007 REVALUATION – REMAINING APPEALS AND UNCERTAINTY ABOUT TOTAL ASSESSED VALUATION**

45 The Board of Commissioners should note that the recommended tax rates and the total assessed valuation totals  
46 referenced in this memo and the FY 07-08 Recommended Budget are still being adjusted by the Carteret County Tax  
47 Office. As of the writing of this Budget Message, the County Tax Office had completed approximately 50% of the  
48 informal appeals for Emerald Isle.

49 The estimated total assessed valuation used to calculate tax rates and revenues is somewhat conservative in nature,  
50 and includes allowances for further adjustments by the County Tax Office. The Town will need to carefully monitor the  
51 County's appeals process throughout May and June to insure that the adopted tax rates are not based on total  
52 assessed valuation that is likely to decrease after the adoption of the budget. Updated information will be provided to  
53 the Board of Commissioners throughout your review of the FY 07-08 Recommended Budget, and appropriate  
54 adjustments to the tax rate will be recommended.

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 14 of 31

**FY 07-08 BUDGET GOALS and CAPITAL PLANS**

Based on direction from the Board of Commissioners over the past year, and priorities expressed at the Board's special planning workshop in January, I compiled the following list of the Board's expressed goals heading into the FY 07-08 budget process and capital planning process:

1. Establish a General Fund tax rate as close to revenue-neutral as possible, recognizing that planned projects will necessitate an increase,
2. Establish beach nourishment special district tax rates at revenue-neutral,
3. Replace funds utilized from the Town's General Fund balance for one-time capital projects in the past year via a direct appropriation in the FY 07-08 budget; maintain fund balance at a level that is acceptable to meet cash flow needs, address disaster recovery needs, and maintain a sound financial position,
4. The completion of the Police Station Renovation / Expansion Project and the construction of a new EMS station are the top capital project priorities,
5. Seek to complete construction of the next phase of the Coast Guard Road Storm Water Project (2 pumps in Spinnakers Reach and associated improvements at the Emerald Isle Woods receiving site) by June 30, 2008, and
6. Plan on future debt issues for the Coast Guard Road Storm Water Project and the new Town administrative office building; limit the term of any new debt to 5-10 years with a goal to limit annual storm water debt service payments to approximately \$300,000 per year.

In addition to the budget goals expressed by the Board, I also established the following budget goals for FY 07-08 and the 5-year capital plan. These goals are as follows:

1. Consider long-term implications of annual budget decisions, and attempt to minimize any tax rate increases over the foreseeable future,
2. Limit expenditures to the maximum extent practical while continuing current service levels,
3. Maintain acceptable funding levels for the replacement of essential capital equipment, and schedule such in a manner that stabilizes annual capital expenditures,
4. Continue investment in projects and services that will have a measurable and visible impact on the quality of life in Emerald Isle, and
5. Provide for fair compensation for Town employees to promote healthy morale.

I believe that the FY 07-08 Recommended Budget and 5-Year Capital Replacement / Improvement Program reflect all of these goals. Each of the components of the FY 07-08 Recommended Budget is intended to accomplish one or more of these goals.

**FY 07-08 GENERAL FUND DISCUSSION**

As noted earlier, the FY 07-08 Recommended Budget for the General Fund is \$6,223,702, a \$197,214, or 3.07% decrease from the FY 06-07 original budget. (Note that the General Fund no longer includes the expenditures now included in the Solid Waste Fund and Powell Bill Fund.)

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 15 of 31

1  
2  
3 The various Town department budgets have changes ranging from a 0.38% decrease up to a 28.29% increase. The  
4 Board should note that the relatively large increases are primarily associated with large capital items included in the  
5 departmental budget, and in the case of the Police Department, a significant amount of grant-funded expenditures.  
6 Across the General Fund, salary expenses have increased by \$114,908, or 4.54%. This increase is impacted by the  
7 funds made available for salary increases in FY 06-07 (4.4% of full-time payroll), recommended cost-of-living increases  
8 for all employees (2.7%), new positions in the Police Department, shifting of positions associated with the Solid Waste  
9 function, and other part-time and overtime expenses. Benefits expenses have increased by only \$19,952, or 2.47%,  
10 due primarily to the fact that the Town's health insurance premiums will increase only marginally in FY 07-08.  
11 Operating expenses in the General Fund have decreased by \$885,851, or 38.19%, due exclusively to the shifting of  
12 the Solid Waste function and Powell Bill function.  
13

14 Capital outlay items have increased by \$182,530, or 71.30%, due primarily to large expenditures for an expansion to  
15 the Public Works Building (for Parks Maintenance function) and reconstruction of aging beach access walkways. The  
16 largest increase in the General Fund, and the primary driver of the recommended tax rate increase is in the Transfers  
17 to Other Funds category, which includes funding for large capital projects. Transfers to Other Funds have increased  
18 by \$371,250, or 73.51%. Funding for the Police Station, EMS Station, and Coast Guard Road Storm Water projects is  
19 included in this category.  
20

21 The FY 07-08 Recommended Budget includes no debt service payments, as the Town now has no outstanding  
22 General Fund debt.  
23

24 On the revenue side, total revenues are projected to decrease by an identical amount of \$197,214, or 3.07%. (Note  
25 that the General Fund no longer includes annual solid waste fee and Powell Bill revenues.) The FY 07-08  
26 Recommended Budget includes \$522,612 of additional property tax revenue, with the vast majority of this attributed to  
27 the tax rate increase. The sales tax continues to be the Town's other most important revenue source, and an increase  
28 of \$84,125 is projected in FY 07-08. The budget assumes a smaller growth rate in sales tax than previous years due  
29 to declining consumer spending, reduced new construction, and potential changes to the sales tax distribution  
30 percentages in Carteret County. The Town continues to suffer from declining development permit fee revenues, and  
31 the FY 07-08 amount is \$85,000 less than originally estimated in FY 06-07.  
32

33 The FY 07-08 Recommended Budget does include dedicated grant revenues for the Traffic Management Unit in the  
34 Police Department, and also a one-time \$200,000 contribution from EI EMS for the new EMS Station project. Other  
35 General Fund revenue sources are expected to remain relatively constant, with modest increases or decreases  
36 projected for most revenues.  
37

38 **Significant FY 07-08 General Fund Revenue Issues**

39 Additional Property Tax Revenues Result from Tax Rate Increase

40 The FY 07-08 Recommended Budget anticipates a total of \$2,872,796 from General Fund property tax. This is an  
41 increase of \$522,612 over the FY 06-07 original budget. A total of \$96,958 is attributed to growth in the tax base, while  
42 \$426,654 is attributed to the 1 cent tax rate increase. As noted earlier, the increase in the General Fund property tax  
43 rate is not desirable, but is unavoidable if the Town wishes to continue current service levels and complete planned  
44 capital projects.  
45

46 In FY 07-08, each 1 cent of the General Fund property tax rate will generate \$426,654 of revenue.  
47

48 The property tax continues to be the Town's largest single revenue source, providing more than 46% of the Town's  
49 total General Fund anticipated revenues for FY 07-08. This percentage is up from 37% in FY 06-07 due to the  
50 additional property tax revenues generated and the shifting of solid waste service fees and Powell Bill revenues.  
51  
52  
53  
54

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 16 of 31

1  
2  
3 Sales Tax Continues to Be the Town's 2<sup>nd</sup> Most Significant Revenue Source

4 In FY 07-08, sales tax will represent nearly 32% of General Fund revenues. A total of \$1,973,000 is expected, an  
5 increase of \$84,125, or 4.45% more than the FY 06-07 original budget and \$67,000 more than the revised FY 06-07  
6 projection.

7  
8  
9 The FY 07-08 Recommended Budget assumes a 3.5% growth rate in the sales tax revenue, which is on the low end of  
10 guidance provided by the NC League of Municipalities, which forecasts a growth rate of 3.5% – 4.0%. The FY 06-07  
11 Recommended Budget includes a smaller growth factor to be conservative in light of decreased consumer spending  
12 and construction activity, and due to the impact of Carteret County's previous and expected property tax rate increases  
13 on the sales tax distribution formula. As you know, the sales tax distribution method used in Carteret County is directly  
14 related to the amount of property taxes levied by the County and its municipalities. Essentially, the more property  
15 taxes levied, the greater proportion of sales tax revenues, and the less property taxes levied, the smaller proportion of  
16 sales tax revenues.

17  
18 I believe that the 3.5% growth factor used to estimate FY 07-08 sales tax revenues is reasonable, however, I am  
19 reluctant to assume a higher growth factor for the reasons stated above.

20  
21 Sharp Decrease in Development Permit Fee Revenues

22 The FY 07-08 Recommended Budget anticipates only \$167,500 from development permit fees, an \$85,000, or 33.66%  
23 decrease from the FY 06-07 original budget. Construction activity is still relatively strong in Emerald Isle, however, the  
24 spike in new construction from the past few years appears to have ended and we have returned to more historical  
25 levels of new construction.

26  
27 Building permit fees make up the bulk of revenues in this category. The anticipated amount of building permit fees for  
28 FY 07-08 is \$150,000, and is based on assumption that 50 new residential dwellings will be constructed in FY 07-08.  
29 This estimate is comparable to the levels experienced prior to the past few years. Although this estimate is  
30 reasonable, I am slightly concerned that it may be a bit optimistic. There have been 31 new residential dwellings  
31 initiated in Emerald Isle through March. The Board should note that failure to meet this estimate may require a  
32 reduction in expenditures during FY 07-08. We will closely monitor this revenue source during FY 07-08.

33  
34 Additional Interest Earnings

35 A total of \$125,000 is projected in General Fund interest earnings in FY 07-08. This amount is \$20,000 more than  
36 anticipated in the FY 06-07 original budget, and is comparable to the revised amount projected for FY 06-07.

37  
38 The Town was earning approximately 4.61% on its investments in April 2006, and is now earning approximately  
39 5.16%. It appears that the Federal Reserve Board has reached a comfort level with interest rates, and no significant  
40 increases or decrease in interest rates are factored into this estimate. The estimate is tempered by the fact that the  
41 Town's cash balances are slightly lower now than in previous years due to use of General Fund balance for capital  
42 projects.

43  
44 Grant Revenues Fund Majority of Cost for new Traffic Management Unit

45 The FY 07-08 Recommended Budget includes \$161,754 in grant revenues to fund 90% of the cost of the new Police  
46 Traffic Management Unit (TMU). This grant will decrease to 75% in year 2, 50% in year 3, and 0% in year 4 and  
47 beyond when the Town is expected to maintain full funding for the TMU. The General Fund 5-Year Forecast  
48 incorporates these gradually decreasing grant amounts.

49  
50 Contribution from Emerald Isle EMS for New EMS Station

51 As you know, the Town is nearing completion of the design phase for the new EMS Station. The estimated  
52 construction cost for the new building is \$800,000. The 5-Year Capital Replacement / Improvement Plan calls for the  
53 building to be funded by a \$200,000 contribution from EI EMS, a \$150,000 contribution from the Town, and \$450,000  
54 from proceeds of the sale of the existing EMS Station property on the oceanside on Cedar Street.

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 17 of 31

1  
2 The \$200,000 contribution from EI EMS and the Town's \$150,000 contribution are included in the FY 07-08  
3 Recommended Budget. The remaining \$450,000 from the sale of the existing station will obviously not be realized  
4 until the new station is complete, and a short-term installment financing agreement will be utilized in FY 07-08, to be  
5 retired in FY 08-09, if not sooner, with the proceeds from the sale.  
6

7  
8 Other Revenues

9 As noted earlier, other General Fund revenue sources are expected to remain relatively constant, with modest  
10 increases or decreases projected in FY 07-08. There are a few revenues worth noting, however.  
11

12 The Parks and Recreation Department continues to offer more and more special events and programs that are  
13 supported by fees, and these events and programs have generally been well-received. As such, the FY 07-08 budget  
14 includes these additional revenues. Additionally, a recent increase in summer day camp fees will generate additional  
15 revenue in FY 07-08. Overall, an additional \$13,600 from various Parks and Recreation fees is anticipated in FY 07-  
16 08. The total amount of Parks and Recreation fees budgeted is \$121,700.  
17

18 The Town has experienced a significant increase in the number of beach driving permits issued, and as a result,  
19 annual permit fees have increased by approximately \$10,000. A total of \$40,000 is anticipated in FY 07-08.  
20

21 Once again, the Recommended Budget includes a modest contribution from Carteret County for recreational purposes.  
22 A total of \$20,000 is anticipated in FY 07-08, and these funds are linked to the planned improvements at McLean Park.  
23

24 Finally, the FY 07-08 Recommended Budget does not rely on the use of General Fund balance to balance the budget.  
25 As we have discussed recently, the Town can not afford to utilize General Fund balance for non-emergency items until  
26 fund balance levels rise over time.  
27

28 **Significant FY 07-08 General Fund Expenditure Issues**

29 Police Station Expansion / Renovation Project

30 A total of \$240,000 is included in the FY 07-08 Recommended Budget to be transferred to the capital project account  
31 for the Police Station Expansion / Renovation Project. This amount supplements a planned \$50,000 appropriation  
32 from General Fund balance in late FY 06-07 for this project (to be reimbursed in FY 07-08), resulting in total  
33 construction-related appropriations of \$290,000. The total amount of \$290,000 will enable the Town to fund this project  
34 on a "pay-as-you-go" basis, and will fund construction, furnishings, and technical issues associated with the E911  
35 communications center.  
36

37 The project involves the renovation of the existing Police Station area, the connection of the existing Police Station with  
38 the existing Town administrative offices, and the expansion of the Police Department into the area currently occupied  
39 by the Town administrative offices. The project will relieve overcrowding in the Police Department, update the  
40 condition of the station, and provide a more customer-friendly environment. The expanded Police Station will occupy  
41 nearly 5,000 sq. ft., and should meet the department's needs for many years to come.  
42

43 New EMS Station To Be Constructed

44 The FY 07-08 Recommended Budget includes the transfer of \$350,000 to a new capital project account established for  
45 the construction of a new EMS station for Emerald Isle EMS. This amount would be supplemented by an additional  
46 \$450,000 from proceeds from the sale of the existing EMS station on Cedar Street to result in a total project budget of  
47 \$800,000.  
48

49 The new station will be constructed on Town-owned land at the corner of Live Oak Street and NC 58 adjacent to Fire  
50 Station #1. Construction is expected to begin in early FY 07-08, and the \$450,000 balance would be financed for a  
51 period of approximately 1 year, and would be retired with the proceeds from the sale of the existing EMS station after  
52 the new station is complete.  
53  
54

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 18 of 31

1  
2  
3 The \$350,000 included in the FY 07-08 Recommended Budget consists of \$150,000 of pay-as-you-go funding from the  
4 Town and a \$200,000 contribution from Emerald Isle EMS.  
5  
6

7 Coast Guard Road Storm Water Project Funding Included

8 A total of \$250,000 is included in the FY 07-08 Recommended Budget to fully fund the cost of permitting activities for  
9 all future phases of the Coast Guard Road Storm Water Project and to complete detailed design of the Phase II system  
10 involving 2 new pumps in Spinnakers Reach, associated piping to convey storm water to Emerald Isle Woods, and site  
11 improvements at Emerald Isle Woods. These funds supplement a \$50,000 appropriation made in April 2007 for this  
12 work.  
13

14 The FY 07-08 Recommended Budget anticipates a \$1.2 million installment financing agreement to finance construction  
15 of Phase II beginning in late FY 07-08. Debt service payments associated with this new debt issue will not begin until  
16 FY 08-09, and are factored into the General Fund 5-Year Forecast. Assuming a 5-year debt issue at a 5% interest  
17 rate, annual payments of approximately \$277,000 are anticipated.  
18

19 McLean Park Improvements

20 A total of \$36,250 is included in the General Fund to be transferred to the Regional Access Fund to match an  
21 anticipated CAMA grant of \$108,750 for improvements at McLean Park. This project involves the construction of a  
22 new soundside pier and bathhouse at this new park adjacent to Chapel By The Sea on NC 58.  
23

24 The \$36,250 local match is offset by an anticipated \$20,000 contribution from Carteret County.  
25

26 Future park improvements include the construction of a new joint parking lot with Chapel By The Sea and the potential  
27 eventual construction of a multi-purpose ball field.  
28

29 New Traffic Management Unit

30 Funds are included in the FY 07-08 Recommended Budget for the creation of a new Traffic Management Unit in the  
31 Police Department.  
32

33 Funding is included for salaries and benefits for 2 new Police Officers, the purchase of 2 new patrol cars, in-car video  
34 systems, radar systems, a new speed monitoring trailer, and associated equipment and supplies. The total cost of the  
35 new Traffic Management Unit is approximately \$183,800, and is primarily funded by a grant from the NC Governors  
36 Highway Safety Program in the amount of \$161,754. Grant funding will gradually decrease over the next 3 years, and  
37 the Town will ultimately be responsible for 100% of the cost of the Traffic Management Unit.  
38

39 The addition of the new Traffic Management Unit will enable the Police Department to more effectively enforce traffic  
40 laws and promote traffic safety in Emerald Isle. The addition of the two new officers will also bolster the Police  
41 presence in our community by adding an additional officer to certain shifts and by allowing existing officers to spend  
42 more time on proactive police patrol and response to other (non traffic-related) calls for service.  
43  
44

45 Reconstruction of Aging Beach Access Walkways

46 A total of \$75,000 is included in the Parks and Recreation budget to reconstruct public beach access walkways at  
47 Cedar Tree Lane and Santa Maria Drive in FY 07-08. These walkways are the worst of several older beach access  
48 walkways that are deteriorating beyond repair and that are in need of complete reconstruction.  
49

50 The 5-Year Capital Replacement / Improvement Program includes \$75,000 annually over the next 5 years to  
51 reconstruct two existing beach access walkways. The majority of the walkways in need of reconstruction are located in  
52 central Emerald Isle between Pier Pointe and the new Sea Oats subdivision. All walkways in eastern Emerald Isle  
53 were replaced in 2003 after the beach nourishment project, and the walkways in western Emerald Isle are generally in  
54 good condition.

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 19 of 31

1  
2  
3 Expansion of Public Works Building for Parks Maintenance Function

4 A total of \$89,000 is included in the Public Works budget to construct an approximately 40' x 40' expansion on the  
5 existing Public Works storage building. The expanded building would include a small office, electric, plumbing, and  
6 heat, and would house the Parks Maintenance function.

7  
8 The existing Parks Maintenance building adjacent to the tennis courts at Blue Heron Park has been flooded on multiple  
9 occasions by rising water in Archer's Creek. In addition to the danger of repeated flood losses to the building and  
10 contents, the building can not be electrified due to code issues. The existing building would be retained as a garage  
11 for riding mowing equipment to keep it out of the elements, and because this equipment can be easily relocated in the  
12 event of an approaching hurricane or storm event that is likely to cause flooding.

13  
14 Transfer to Beach Nourishment Debt Service / Reserve Fund Eliminated

15 The General Fund has historically transferred funds to the Beach Nourishment Debt Service / Reserve Fund to assist  
16 in the retirement of the General Obligation bonds that were used to finance the Town's locally funded beach  
17 nourishment projects in 2003 and 2005. The FY 06-07 original budget included \$75,000 to be transferred to the Beach  
18 Nourishment Debt Service / Reserve Fund. The FY 07-08 Recommended Budget permanently discontinues this  
19 transfer due to the overall financial health of the Beach Nourishment Debt Service / Reserve (BNDSR) Fund. The  
20 BNDSR Fund is projected to have an ending balance of approximately \$546,000 in FY 12-13 after all bonds are retired.

21  
22 Employee Salary Adjustments

23 The FY 07-08 Recommended Budget includes a 2.7% cost-of-living adjustment for all Town employees, and this  
24 amount is equal to the change in the CPI for the "South-Urban" area for the 12 months ending in March 2007. The  
25 total cost of these adjustments is approximately \$75,000 when all percentage-driven benefits are added.

26  
27 As in previous years, I have included an additional amount of \$25,000 for additional targeted employee salary  
28 adjustments. These funds are budgeted in the NonDepartmental account, along with \$5,000 for percentage-driven  
29 benefits. This amount is equal to an additional 1.1% of the Town's full time payroll.

30  
31 The Board should note that the Town's percentage contribution to the NC Local Government Employees Retirement  
32 System will decrease in December 2007. The result is that beginning January 1, 2008, the Town will only be required  
33 to contribute approximately 4.7% of each employee's salary to the retirement system instead of the historical 6.6%.  
34 This represents a savings of approximately \$20,000 in FY 07-08 and these funds are earmarked for the targeted salary  
35 adjustments noted above.

36  
37 Capital Equipment Replacements

38 The FY 07-08 Recommended Budget implements the Town's 5-Year Capital Replacement / Improvement Program,  
39 and allocates sufficient funds for the schedule replacement of vehicles with excessive mileage, age, and wear. The  
40 following vehicle replacements are included in the FY 07-08 Recommended Budget:

- 41  
42
- 43 • a 4 x 4 pickup truck in the Fire Department
  - 44 • two Police patrol vehicles
  - 45 • a 4 x 4 pickup truck in the Public Works Department (Solid Waste).
- 46  
47

48 The Board should note that there were two other vehicles scheduled for replacement in FY 07-08, however, each of  
49 these vehicles is still in reasonably good condition and can survive another year without diminishing the quality of the  
50 Town's services or the efficiency of our departments. Vehicles originally scheduled for replacement are as follows:

51  
52  
53  
54

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 20 of 31

- a 4 x 4 pickup truck in the Planning and Inspections Department,
- a Ford Crown Victoria in the Fire Department.

The future replacement of all of these vehicles is included in the Town's 5-Year Capital Replacement / Improvement Program, and is factored into the General Fund 5-Year Forecast.

Other Notable Expenditure Items

The Recommended Budget also includes funding for several other notable items, as follows:

- a total of \$30,000 for storm water monitoring activities at Emerald Isle Woods,
- a total of \$249,545 contributed to Emerald Isle EMS, which is a \$23,575 increase over the FY 06-07 amount; this amount includes funding to continue and expand the vehicle replacement capital reserve fund and for additional part-time salaries,
- a total of \$6,000 to implement a recommendation from the Town's Safety Committee for an alarm system in the Police Station, Board Meeting Room, and Planning and Inspections,
- a total of \$7,000 for the purchase of a new printer and tax software in the Administration budget,
- a total of \$15,200 for various repairs to Fire Stations 1 and 2,
- a total of \$20,000 for electrical improvements at the Community Center and Fire Station 2 for easy connection of emergency generators,
- a total of \$10,000 to continue making bulkhead, access, and storm water improvements as soundside street ends on the eastern end of Emerald Isle, and
- a total of \$12,500 toward the Town's 50<sup>th</sup> birthday celebration.

Construction of Town Administrative Office Building

Design work on the new building to house Town administrative staff will occur during the first 6 months of FY 07-08 with funds appropriated in FY 06-07. The Recommended Budget anticipates that the Town will enter into an installment financing agreement for construction of the new building in late 2007 or early 2008. It is anticipated that construction of the new building will cost approximately \$800,000, and that the building will be financed over a 10-year term. Assuming a 5% interest rate, annual debt service payments of approximately \$104,000 are expected to begin in FY 08-09. The General Fund 5-Year Forecast incorporates these debt service payments.

GENERAL FUND BALANCE

As noted earlier, the FY 07-08 Recommended Budget does not rely on the appropriation of General Fund balance. The budget does include a direct \$150,000 appropriation to General Fund balance, and these funds are included in the NonDepartmental budget.

As of June 30, 2007, the Town's adjusted General Fund balance is projected to decrease from approximately \$1.96 million (as of June 30, 2006) to approximately \$1.70 million. The primary reason for this decrease is the use of approximately \$320,000 of fund balance during FY 06-07 for various capital projects. Due to timing issues, the Town is expected to receive approximately \$60,000 of the new sales tax on cable television during the remainder of FY 06-07, and these funds will be added to General Fund balance.

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 21 of 31

1  
2  
3 The \$1.70 million of adjusted fund balance projected at June 30, 2007 is equal to approximately 27% of the FY 07-08  
4 Recommended Budget amount. This amount is acceptable and is no cause for alarm, however, the Town can not  
5 afford to utilize additional fund balance for non-emergency purposes. The direct appropriation of fund balance in FY  
6 07-08 will increase the total fund balance to approximately \$1.85 million, or approximately 30% of the FY 07-08  
7 Recommended Budget amount.

8  
9 The Town should strive to gradually improve General Fund balance levels to the 50% goal outlined in the Town's  
10 Fiscal Policy over the coming years.

11  
12 **OTHER FUNDS**

13 **Beach Nourishment Debt Service / Reserve Fund**

14 FY 07-08 is the 6th year of the Beach Nourishment Debt Service / Reserve Fund, which is used to account for the  
15 special district tax collections and principal and interest payments on the beach nourishment bonds. The total budget  
16 for this fund is \$2,430,560.

17  
18 FY 07-08 will be the 5th year of principal payments on the 2002 bonds, and 3rd year of principal payments on the 2004  
19 bonds. A total of \$1,825,171 of Primary Benefit (oceanfront) special district taxes and \$348,592 of Secondary Benefit  
20 (non-oceanfront) special district taxes are anticipated in FY 07-08. These special district taxes are the primary revenue  
21 sources for debt service payments in this fund.

22  
23 The recommended tax rate for the Primary Benefit (oceanfront) special district is 16.6 cents per \$100 of assessed  
24 valuation, which is the revenue-neutral rate after the 2007 revaluation. The total assessed valuation in the Primary  
25 Benefit (oceanfront) district is approximately \$1.10 billion. The recommended tax rate for the Secondary Benefit (non-  
26 oceanfront) special district is 1.1 cent per \$100 of assessed valuation, which is the revenue-neutral rate after the 2007  
27 revaluation. The total assessed valuation in the Secondary Benefit (non-oceanfront) district is approximately \$3.18  
28 billion.

29  
30 The Beach Nourishment Debt Service / Reserve Fund is expected to have a fund balance of approximately \$2.63  
31 million at June 30, 2007. This fund balance will be depleted gradually over the remaining years of the debt service  
32 schedule, including the use of \$144,262 in FY 07-08.

33  
34 Current projections indicate that the final ending balance in this fund will be approximately \$546,000 in FY 12-13 after  
35 all bonds have been retired. This projection is based on the elimination of the annual transfer from the General Fund  
36 to the Beach Nourishment Debt Service / Reserve Fund until FY 10-11. Because this fund balance level is better than  
37 anticipated, the FY 07-08 Recommended Budget discontinues the annual transfer from the General Fund.

38  
39 The Board should note that the Town may need to enlist the services of an arbitrage consultant to analyze the interest  
40 earnings in this fund. This is a very complicated calculation, and essentially it involves an analysis to determine if the  
41 Town is earning more interest than it is paying on the General Obligation bonds issued for the Town's beach  
42 nourishment projects. Any positive income as a result of interest earnings must be remitted to the Federal  
43 government. The Town is likely not in a position to have to pay arbitrage at this time, but must monitor this situation in  
44 the future.

45  
46 **Disaster Recovery Fund**

47 All repairs and FEMA reimbursements associated with Hurricane Ophelia are expected to be complete by June 30,  
48 2007, thus no appropriations are included in the FY 07-08 Recommended Budget for the Disaster Recovery Fund.  
49 This fund will only be utilized if the Town is impacted by a Presidential-declared disaster event.

50  
51  
52  
53  
54

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 22 of 31

1  
2  
3 **Powell Bill Fund**

4 This is a new fund recommended for use in FY 07-08 and beyond. The new fund will allow the Town to better  
5 segregate restricted Powell Bill revenues in the future, and insure compliance with the statutes governing the use of  
6 these funds.

7  
8 The new Powell Bill Fund includes \$173,000 of expected Powell Bill distributions from the State in FY 07-08. These  
9 funds are restricted to street maintenance and sidewalk functions, and the bulk of these funds (\$163,000) will be used  
10 to fund the Town's annual street resurfacing contract. The remaining funds will be used for small-scale street drainage  
11 projects on the east end of Town and pothole repair.

12 Any unused Powell Bill funds will be retained in this fund, and the Powell Bill fund will gradually accumulate its own  
13 fund balance over time.

14  
15 **Regional Beach Access Fund**

16 The Regional Beach Access Fund includes a total of \$288,000 in the FY 07-08 Recommended Budget. Two grant-  
17 funded projects are included in this fund.

18 A total of \$145,000 is included for the construction of a new soundside pier and bathhouse / picnic shelter at the new  
19 McLean Park. Revenues include a \$36,250 transfer from the General Fund and an anticipated \$108,750 CAMA grant.

20  
21 An additional \$143,000 is re-appropriated in FY 07-08 (from FY 06-07) for the construction of new handicapped  
22 walkways and observation decks at the Western Ocean Regional Access and Eastern Ocean Regional Access.  
23 Revenues include a \$35,750 appropriation from fund balance in the Regional Access Fund (previously appropriated  
24 from the General Fund in FY 06-07) and a \$107,250 CAMA grant.

25  
26 **Special Separation Allowance Fund**

27 The FY 07-08 Recommended Budget does not include a contribution to the Special Separation Allowance Fund. This  
28 fund is projected to have a balance of approximately \$66,000 as of June 30, 2007, and should be sufficient to meet any  
29 pending obligations in the short-term. There are currently no Emerald Isle law enforcement officers eligible for the  
30 Special Separation Allowance payment. The Town should continue to monitor the pending obligations to soon-to-be  
31 retiring law enforcement officers and consider additional payments to this fund in future years.

32  
33 **Solid Waste Fund**

34 As noted earlier, the FY 07-08 Recommended Budget includes the creation of a new fund to segregate revenues and  
35 expenditures associated with the solid waste function. The creation of the new fund will make it easier to track  
36 revenues and expenditures to insure that the fund is completely self-supporting. The new fund will gradually  
37 accumulate its own fund balance over time.

38  
39 FY 07-08 will be the first full year of the Town's new solid waste system and contract with Simmons & Simmons  
40 Management. Simmons & Simmons has performed well thus far, and there have been many positive comments from  
41 our residents and property owners. As you know, the new service resulted in additional cost, and as a result of the  
42 first full year of implementation a modest fee increase is necessary. The FY 07-08 Recommended Budget includes a  
43 \$185 annual solid waste fee, a \$15 increase from the current \$170 fee.

44  
45 The Solid Waste Fund includes all expenditures related to residential trash collection, recycling, container roll-back,  
46 yard waste collection, white goods collection, beach strand trash collection, and public litter removal. The total  
47 Recommended Budget is \$1,181,450, with the bulk of this amount related to the Town's contracts with Simmons &  
48 Simmons (\$720,780) and Waste Industries (\$65,000 – for dumpster service only).

49  
50 The Solid Waste Fund does include funding for the scheduled replacement of a 4 x 4 pickup truck in the Public Works  
51 Department.

52  
53  
54

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 23 of 31

1  
2  
3 **Special Drug Fund**

4 This fund accounts for restricted Police Department revenues resulting from drug seizures. The actual revenue  
5 collections in this fund are highly variable; thus the FY 07-08 Recommended Budget appropriates fund balance only.  
6 As of June 30, 2007, the fund is expected to have a total fund balance of approximately \$51,000.

7  
8 A total of \$20,000 is appropriated in the FY 07-08 Recommended Budget. These funds will be used to purchase a  
9 portable video surveillance camera and taser weapons for which a recent grant application was denied. Funds will  
10 also be used to purchase new hand-held radios and laptop computers for Police Department personnel.

11  
12 **CAPITAL REPLACEMENT / IMPROVEMENT PROGRAM**

13 The total investment recommended in the 5-Year Capital Replacement / Improvement Program is approximately \$9.29  
14 million, and is funded with a mixture of pay-as-you-go funding, grant funding, and installment financing proceeds.

15  
16 The 5-Year Capital Replacement / Improvement Program includes many beneficial items for the community, however,  
17 these items come with a cost. As noted earlier, the General Fund 5-Year Forecast includes all of the items in the  
18 Capital Replacement / Improvement Program, but projects deficits in future years. As noted earlier, the Board of  
19 Commissioners will need to carefully consider the items included in this plan.

20  
21 Some of the significant items in the plan include the following:

- 22
- 23 • all capital replacements and capital projects included in the FY 07-08 Recommended Budget,
- 24
- 25 • the issuance of \$400,000 of installment financing debt in FY 08-09 to replace an aging Fire Engine,
- 26
- 27 • the use of NCDOT grant funds and required local matching funds to construct a dedicated bicycle path along  
28 the entire length of Coast Guard Road in FY 08-09, the next date that grant funds are expected to be made  
29 available; a total of \$600,000 is included, with \$480,000 anticipated from grant funds,
- 30
- 31 • the use of \$100,000 of pay-as-you-go funds in FY 08-09 for the construction of a dedicated bicycle path  
32 along NC 58 near Pier Pointe and Ocean Reef condominiums, to enable bicyclists and pedestrians to avoid  
33 using NC 58 thereby improving safety,
- 34
- 35 • future annual appropriations of \$50,000 of pay-as-you-go funding for additional sidewalks,
- 36
- 37 • the addition of an electronic community events sign at the base of the Cameron Langston bridge to inform  
38 the public about upcoming community events and eliminate the need for temporary banners,
- 39
- 40 • future annual appropriations of \$75,000 of pay-as-you-go funding to replace aging beach walkways that are  
41 maintained by the Town,
- 42
- 43 • future annual appropriations (\$10,000) of pay-as-you-go funding for soundside public access improvements,
- 44
- 45 • the allocation of \$150,000 of pay-as-you-go funds annually in FY 08-09, 09-10, FY 10-11, and 11-12 and  
46 beyond for future storm water improvements along the Coast Guard Road corridor, with the Island Circle  
47 area being the next planned phase after the Spinnakers Reach area,
- 48
- 49 • the issuance of \$800,000 of installment financing debt in FY 08-09 for the construction of a new Fire Station  
50 along Coast Guard Road in order to meet ISO requirements (additional research is necessary to determine  
51 other, less expensive options),  
52  
53  
54

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 24 of 31

- the issuance of \$500,000 of installment financing debt in FY 08-09 for the Town's contribution toward a strategy to insure the perpetual existence of a public fishing pier in Emerald Isle; these funds would be combined with significant Federal, State, and/or County funds when a feasible strategy emerges,
- the annual replacement of Town vehicles and equipment with pay-as-you-go funding, and
- the annual resurfacing of Town streets with Powell Bill funds.

The Board should note that three items previously included in the Capital Replacement / Improvement Program have been eliminated due to changing strategies, less likelihood for future grant success, and / or financial reasons. First, the acquisition of land for the creation of small parking lots (10 cars) at ½ mile intervals along the oceanfront, primarily with CAMA grant funds, has been eliminated. With the dramatic increase in land prices, the competitiveness of CAMA grant funds, the Town's other needs, and the diminishing likelihood of participation in the 50-Year Federal Shore Protection Project, this project has been removed from the 5-year plan.

Second, the acquisition of land off the island for a Public Works storage yard has been eliminated due to a new plan to utilize land behind Fire Station 2. Third, the large-scale development of McLean Park with a \$250,000 Parks and Recreation Trust Fund grant and \$250,000 local match has been removed from the plan based on the anticipated success of the pending CAMA grant application, the limited availability of remaining land at the park, and smaller efforts by Town staff and volunteer sources to create an all-purpose ball field at the new park.

Staff and I look forward to working with the Board to review the Capital Replacement / Improvement Program.

**LOOKING AHEAD**

As in previous budgets, I have put considerable effort into planning for future capital expenditures and reasonably anticipated revenue adjustments, and the General Fund 5-Year Forecast included in the FY 07-08 Recommended Budget document incorporates all of this information.

Looking ahead over the next five years, the Town's budget situation is less stable than desired, and the Board should consider the 5-year forecast in its FY 07-08 budget decisions. Incorporating the Capital Replacement / Improvement Program, the Town is facing potential deficits in the General Fund of up to \$610,000 by FY 11-12. Under the 2007 tax values, the Town's General Fund tax rate could increase to approximately 8 cents. We will certainly be working diligently over this time period to minimize the severity of any tax rate increases that may be necessary, however, the Board should be aware of this potential. Of course, we must also be cognizant of potential negative impacts from natural, manmade, or economic disasters, and the occurrence of any of these could also impact the Town's tax rate in the future.

There are a few very significant points that the Board should remain aware of regarding the Town's financial future:

- The Town relies heavily on sales tax to balance the General Fund budget. Expected sales tax revenues in FY 07-08 will approach \$2 million and represent nearly 32% of the Town's General Fund revenues. As you know, sales tax revenues have increased dramatically over the past few years due primarily to the impact of the beach nourishment special tax districts (there was also a ½ cent increase in the sale tax during that time). To put this in perspective, the Town received approximately \$718,000 of sales tax revenue in FY 01-02.

As you know, Carteret County utilizes the tax levy method for the State to distribute sales tax revenues to the County and its municipalities. In short, the more property taxes levied, the larger the share of sales tax revenues. The addition of the special district taxes for beach nourishment in FY 02-03 are the primary cause of the dramatic increase in sales tax revenues, and the planned sunset of the special district taxes after FY 10-11 will have an equally dramatic, but negative, effect. Because there is a 10-month lag time in the change of the distribution formula, FY11-12 is the last year that the Town will receive additional sales taxes associated with the beach nourishment special tax districts. In FY 11-12, the impact will only be felt in the

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 25 of 31

1  
2  
3 last 2 months of the fiscal year, and the decrease is not too significant. FY 12-13 will likely see sales tax  
4 revenues decrease by approximately \$900,000 - \$1 million, or the equivalent of approximately 2 cents on the  
5 Town's General Fund tax rate.  
6

7 Although that date is still 5 years away, it will become important in future years to adequately plan for the loss  
8 of those sales tax revenues at that time.  
9

- 10 • Although it requires discipline, and this year may require some difficult choices, I again recommend that the  
11 Town adhere to a responsible Capital Replacement / Improvement Program in the future. This tool is very  
12 helpful in projecting annual capital expenditures, as it enables sound financial planning for major capital  
13 investment and provides for the orderly replacement of the often expensive capital equipment that is  
14 essential for quality service delivery. Adherence to a Capital Replacement / Improvement Program will  
15 enhance the Town's ability to manage the property tax rate over the long haul. The Capital Replacement /  
16 Improvement Plan is also helpful to communicate the Town's plans to its residents and property owners, and  
17 can provide confidence that the Town is addressing its challenges and opportunities, and indications of  
18 potential future tax rate increases.  
19
- 20 • As noted earlier, it is now even more important for the Town to exercise discipline with regard to the General  
21 Fund balance. The Town remains in good financial condition, but can no longer afford to utilize General  
22 Fund balance for non-emergency expenditures.  
23

24 CLOSING

25 As noted earlier, I am never pleased to present a Recommended Budget with a tax rate increase, however, I believe  
26 that the recommended General Fund tax rate of 6.7 cents is necessary and justified given the needs of the community  
27 and the Town organization, and the fiscal reality in 2007. As noted earlier, this will be the first year in 5 years that a  
28 General Fund tax rate increase is required, and only the 2<sup>nd</sup> year of the past 5 years without a tax rate decrease.  
29 Despite the recommended tax rate increase this year, the recommended rate is slightly less than the adjusted rate in  
30 FY 02-03.  
31

32 I believe the Recommended Budget includes the proper balance between respect for our taxpayers, provision of  
33 quality Town services, responsible investment in the future of Emerald Isle, and our overall responsibility to enhance  
34 the quality of life in Emerald Isle. As noted earlier, the development of the FY 07-08 Recommended Budget was the  
35 most difficult in my nearly 6 years serving as Town Manager. Staff and I have devoted significant thought and analysis  
36 to these budget recommendations, and I hope that the Board and the public will find these recommendations  
37 acceptable. As you know, the Town's budget should accurately reflect the Board of Commissioner's collective  
38 priorities for the Town, and I encourage the Board to adjust the Recommended Budget in any way that more clearly  
39 reflects your priorities and vision for the Town.  
40

41 Once again, I would be remiss if I did not express my thanks to the Town's department heads and all of our employees  
42 for their efforts to make Emerald Isle an even better place than it already is. We are fortunate to have a dedicated and  
43 competent workforce serving our residents, property owners, business community, and visitors.  
44

45 I also thank the Mayor and the Board of Commissioners for creating a productive and pleasant work environment for  
46 myself and the Town staff to work within. I am thankful for your continuing support for me personally and for the entire  
47 Town organization.  
48  
49  
50  
51  
52  
53  
54

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 26 of 31

1  
2  
3  
4  
5  
6  
7

Staff and I stand ready to assist the Board in the budget review and adoption process over the coming weeks.

Respectfully submitted,



8  
9

Frank A. Rush, Jr.  
Town Manager

10  
11  
12  
13

Town Manager Frank Rush noted that the first budget workshop meeting is scheduled for May 14 at 5 pm here at Town Hall. Another budget workshop meeting is scheduled for May 21 at 5 pm at Town Hall, with the Public Hearing scheduled for May 31 at 7 pm at the Community Center. Mr. Rush stated if all goes well he hopes the Board will adopt the budget at their regular meeting scheduled for June 12.

20

**12. RESOLUTION SUPPORTING AMENDMENT TO STATIC VEGETATION LINE RULE BY NC COASTAL RESOURCES COMMISSION**

21  
22  
23

Town Manager Frank Rush addressed the Board concerning this agenda item. The following excerpt from Town Manager Rush's memo to the Board is provided as background:

26  
27

The Board of Commissioners is asked to approve the attached Resolution Supporting an Amendment to the Static Vegetation Line Rule by the NC Coastal Resources Commission (CRC) at the May 8 meeting. Such an amendment, if adopted by the CRC, would provide a potential opportunity for existing non-conforming homes and non-conforming vacant lots in eastern Emerald Isle to regain conforming status in the future. The potential to regain conforming status could ultimately result in significant benefits for oceanfront property owners and the Town.

32  
33

The CRC's current rules require the use of a static vegetation line for measuring oceanfront setbacks in areas that have benefited from large-scale beach nourishment projects (more than 50 cy / linear ft placed along the shoreline and more than 200,000 cy placed). By rule, the static vegetation line represents the actual first line of stable vegetation in place just prior to the construction of a beach nourishment project, and current CRC rules require that this line be surveyed and used in perpetuity. (There are some limited exceptions to the "in perpetuity" feature in the rules, but these exceptions have no practical usefulness in Emerald Isle or on Bogue Banks.)

36  
37

The result is that oceanfront structures and lots that could not meet the oceanfront setback from the first line of actual stable vegetation prior to nourishment and were considered non-conforming must continue to use that line for measuring setbacks in the future, and thus will remain non-conforming in perpetuity. Regardless of the presence of sand dunes, a wider beach, and a first line of actual vegetation that may migrate seaward and again create conformity, the static line is used in perpetuity. The application of the current rule in areas with non-conforming structures prevents

40  
41  
42  
43  
44  
45

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 27 of 31

1  
2  
3  
4 the reconstruction of homes that may be destroyed by fire or storm events in the future. Such an unfortunate event  
5 could immediately eliminate a property owner's home, second home, or investment with no opportunity to reconstruct.  
6 Additionally, the application of this rule prevents the voluntary reconstruction or significant renovation of homes in  
7 these areas, and insures that such areas will remain in an older, deteriorating, and less aesthetically-pleasing condition  
8 over time.  
9

10 In Emerald Isle, there is a total of 6 miles of beach that is subject to a static vegetation line. This area encompasses  
11 the reach from the Indian Beach town line to the 6800 block, and is the same area nourished in 2003. (The 2005  
12 beach nourishment project, a length of 4.5 miles from the 6800 block to Lands End, is not subject to a static vegetation  
13 line because the placement did not exceed 50 cy / linear ft.) Of this 6 mile stretch, the westernmost 3.5 +/- miles from  
14 Pier Pointe to the 6800 block remains in conforming status and is therefore not negatively impacted by this rule. The  
15 approximately 2.5 +/- mile reach between the Indian Beach town line and Ocean Reef is negatively impacted by this  
16 rule, as almost every property in this area was non-conforming prior to the 2003 beach nourishment project and will  
17 remain non-conforming forever under the current rules. There are a total of 171 properties in this area, and 168 are  
18 non-conforming in perpetuity. Of the 168 properties, 157 have existing non-conforming homes, 10 are vacant non-  
19 conforming lots, and 1 property (3<sup>rd</sup> St. Beach Access and Parking Area) is owned by the Town.  
20

21 As a result of recent analyses involving this rule in Ocean Isle Beach and Oak Island, and also as a result of recent  
22 variance cases considered by the CRC, both the CRC itself and the staff at the NC Division of Coastal Management  
23 (DCM) have acknowledged the need to amend the current static vegetation line rule. The CRC has begun that  
24 process, with discussions at several recent CRC meetings. The CRC provided direction to DCM staff at their March  
25 meeting to seek input from coastal local governments and return to the CRC with proposed amendments at a future  
26 CRC meeting (likely this summer). The attached resolution is an attempt to convey Emerald Isle's input into the rule  
27 amendment process. The attached resolution outlines several principles that should be included in an amended rule,  
28 and was originally drafted by representatives from Emerald Isle and Oak Island. Several of the beach towns in  
29 Brunswick County have already approved a similar document, and the attached resolution is also being circulated to  
30 other beach towns (including Indian Beach, Pine Knoll Shores, and Atlantic Beach) in an effort to develop a collective  
31 policy position among all NC beach towns.  
32

33 The attached resolution includes several key principles that are designed to strike the proper balance between the  
34 benefits of beach nourishment, the risks of oceanfront development, the unique natural environment, and the rights of  
35 private property owners. No one involved in this issue is promoting anything that will result in greater risk, and in fact  
36 the amendment of the current rule consistent with these principles will actually result in a safer condition overall. The  
37 key principles espoused in the attached resolution are as follows:  
38

- 39 • Rather than using the static vegetation line, the actual first line of stable vegetation should be used to  
40 determine oceanfront setbacks, consistent with existing CRC rules for all other beaches. Depending on the  
41 performance of the beach nourishment project, the first line of actual vegetation may remain in the same  
42 area as the static line or may migrate seaward, and setbacks would be measured from that actual point  
43 instead of a perpetually fixed line. This approach at least provides the potential that existing non-conforming  
44 homes and lots could regain conforming status in the future. Under the current rules, the affected property  
45 owners have absolutely no chance for this to occur.  
46
- 47 • New or reconstructed homes should not encroach into man-made or natural dunes that are formed as a  
48 result of the beach nourishment project, and any new or reconstructed homes should remain beyond the  
49 landward limits of the beach nourishment project.  
50
- 51 • New or reconstructed homes should not be allowed further seaward than the line of existing homes in the  
52 affected area. No homes should be built any closer to the ocean than existing homes.  
53  
54

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 28 of 31

- The ability to construct new or replacement homes in these areas will result in homes built to today's more stringent building codes and will ultimately be safer in the event of future storm events.
- The ability to construct new or replacement homes in these areas will enhance the aesthetics and tax base of these areas, and will prevent the eventual deterioration of these areas.
- Affected local governments should use local zoning tools to insure that any new construction or reconstruction is of reasonable scale and is designed to minimize risk.
- Affected local governments should have the option of continuing to apply the static vegetation line rule if their community prefers to continue to utilize this line.

In Emerald Isle, the amendment of the current static vegetation line rule according to these principles will potentially provide reasonable options for our oceanfront property owners in eastern Emerald Isle, will provide a mechanism to improve the aesthetics of eastern Emerald Isle, and will ultimately enhance the tax base. These goals would be shared by any local government, and the incorporation of the attached principles into an amended rule will insure that risk is effectively minimized.

Town Manager Frank Rush added that the CRC will be discussing this issue and we would want to get a Resolution to them prior to their next discussion. Mr. Rush felt it would be several months before there is a decision on this issue. Mr. Rush noted this Resolution would put Emerald Isle officially on record in support of this with what he considered to be very reasonable approaches to the issue. Mr. Rush noted that similar resolutions had already been passed by some of the communities in Brunswick County, and this same resolution has been sent to Atlantic Beach, Pine Knoll Shores, and Indian Beach for their consideration.

***Motion was made by Commissioner Messer to approve the Resolution Supporting an Amendment to the Static Vegetation Line Rule by the NC Coastal Resources Commission. The Board voted unanimously 5-0 in favor. Motion carried.***

**13. RESOLUTION AUTHORIZING FINAL CAMA GRANT APPLICATION FOR MCLEAN PARK IMPROVEMENTS (07-05-08/R6)**

Alesia Sanderson, Parks and Recreation Director addressed the Board concerning this agenda item. The following excerpt from Town Manager Rush's memo to the Board is provided as background:

Attached for the Board's consideration is a resolution authorizing a final CAMA Public Water Access grant application for improvements at the new McLean Park adjacent to Chapel ByThe Sea. The Town's preliminary grant application has been reviewed by the NC Division of Coastal Management, and the Town has been invited to submit a final grant application. If the Board of Commissioners concurs, the Town will submit a final grant application requesting a total of \$108,750 for the construction of a new soundside pier and bathhouse / picnic shelter. The required local match for this grant is \$36,250, and is included in the FY 07-08 Recommended Budget.

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 29 of 31

1  
2 Grant funds, if approved, would be used to construct a new +/- 500 ft. pier to the sound and new bathhouse / picnic  
3 shelter at McLean Park. These improvements will greatly enhance public access to Bogue Sound in the central and  
4 eastern areas of Emerald Isle, and will be the first phase of overall park development at this site. There is an  
5 agreement in place with adjacent Chapel By The Sea Church to share a new parking lot that will be constructed by the  
6 Church in conjunction with their planned expansion. The timetable for parking lot construction is still uncertain at this  
7 time, and the existing Church parking lot would be made available in the interim to serve park patrons.  
8

9 I have attached copies of an aerial photograph and survey of the McLean Park site for your information. The proposed  
10 new bathhouse / picnic shelter will be located either near the southern boundary of the property adjacent to NC 58  
11 (Emerald Drive) or just north of the existing parking lot. The only area believed to be suitable for septic is located near  
12 the southern boundary of the property adjacent to NC 58 (Emerald Drive), and wastewater would be discharged in that  
13 location. The new pier would be constructed from the edge of the marsh / upland area extending north toward the  
14 sound. The new parking area will be constructed approximately in the middle of the property, directly east of the  
15 current parking area for Chapel By The Sea.  
16

17 As you know, the McLean Park site is owned by the non-profit Emerald Isle Parks and Recreation Association, Inc.,  
18 whose Board of Directors is appointed by the Emerald Isle Board of Commissioners. Town staff, including Parks and  
19 Recreation Director Alesia Sanderson, and I have been assisting this group with park development plans, and they are  
20 supportive of efforts to develop the park with a soundside pier and bathhouse. In order to meet CAMA grant  
21 requirements, it will be necessary for the Emerald Isle Parks and Recreation Association, Inc. to enter into a long-term  
22 lease agreement with the Town for McLean Park. We do not expect any difficulty in meeting this requirement.  
23

24 We are optimistic about the Town's chances for securing grant funding for this project. The NC Division of Coastal  
25 Management expects to award approximately \$2.9 million of grant funds during this grant cycle, and expects to  
26 consider grant applications requesting a total of nearly \$3.5 million. A final decision on the grant application is  
27 expected this summer.  
28

29 A public hearing is not required, however, the Board of Commissioners is required to discuss the grant application in a  
30 public meeting and solicit public comment. As is usually the case with all Town agenda items, the Mayor should solicit  
31 comments from the public when this item is discussed by the Board of Commissioners on May 8.  
32

33 Ms. Sanderson said that things look very favorable, though there are no  
34 guarantees with grant funding, but at this point she is highly encouraged and  
35 recommends that the Town seek this funding.  
36

37 Mayor Schools asked for any public comment on this issue.  
38

39 There were no comments from the Public.  
40

41 Commissioner Hoover asked if this would be just for a pier and bathhouse. Ms.  
42 Sanderson stated that was correct and added that it was her recommendation to  
43 the Town Manager that the Town seek the communities input because she hears  
44 of so many needs, all of which won't fit down there. She felt that seeking the  
45 communities input through an informal survey conducted in-house would  
46 determine what the community wants to see at the park.  
47

48 Mr. Rush noted that there are plans to improve the parking lot at that location.  
49 Emerald Isle Chapel by the Sea will soon be building a new main chapel and a  
50 new parking lot for church visitors; the Town has an agreement with them

1  
2 whereby that new parking lot which will be constructed at the church's' expense  
3 will also be available for park patrons.  
4

5 ***Motion was made by Commissioner Wootten to approve the Resolution***  
6 ***Authorizing a Final CAMA Grant Application for McLean Park***  
7 ***improvements. The Board voted unanimously 5-0 in favor. Motion carried.***

8  
9 **Note: A copy of Resolution 07-05-08/R6 is incorporated herein by reference and hereby made a part**  
10 **of these minutes.**

11  
12  
13 **14. COMMENTS FROM TOWN CLERK, TOWN ATTORNEY, AND TOWN**  
14 **MANAGER**

15  
16 There were no comments from the Town Clerk or the Town Attorney.  
17

18 Town Manager Frank Rush noted that he would be going to Raleigh over the  
19 next two days, with the first meeting the next day being Town Hall Day  
20 sponsored by the North Carolina League of Municipalities highlighting current  
21 legislative issues. Also he will be attending a meeting of the Water Quality  
22 Committee of the Environmental Management Commission; discussing the  
23 potential designation of Emerald Isle as a Phase II Stormwater Community. In  
24 addition there is also a legislative committee meeting of the House Commerce  
25 Committee discussing legislation that would essentially make our Bogue Inlet  
26 Project undoable; Thursday is the meeting of the Environmental Management  
27 Commission where they will make a final decision on the Town's Phase II  
28 Stormwater designation.  
29

30 **15. COMMENTS FROM MAYOR AND BOARD OF COMMISSIONERS**

31  
32 There were no further comments from the Mayor or the Board of Commissioners.  
33

34 **16. CLOSED SESSION – PURSUANT TO NCGS 143-318.11 (a) (3),**  
35 **ATTORNEY-CLIENT PRIVILEGE**

36  
37 ***Motion was made by Commissioner Messer to enter Closed Session. The***  
38 ***Board voted unanimously 5-0 in favor. Motion carried.***

39  
40 The purpose for the closed session is pursuant to NCGS 143-318.11(a)(3),  
41 Attorney-Client Privilege.  
42

43 ***Motion was made by Commissioner Wootten to return to Open Session.***  
44 ***The Board voted unanimously 5-0 in favor. Motion carried.***  
45  
46

MINUTES OF THE REGULAR MEETING  
OF THE EMERALD ISLE BOARD OF COMMISSIONERS  
MAY 8, 2007  
Page 31 of 31

1

2 There was no action taken as a result of Closed Session.

3

4 ***The meeting was adjourned at 7:25 pm.***

5

6 Respectfully submitted:

7

8

9

10 Rhonda C. Ferebee, CMC

11 Town Clerk