

MINUTES OF THE RECONVENED SPECIAL MEETING OF THE EMERALD ISLE BOARD OF COMMISSIONERS Tuesday, May 21, 2002 – 9:00 A.M. – Town Hall

Mayor Schools called the meeting to order at 9:00 A.M. Board members present were Mayor Art Schools, Commissioners McElraft, Farmer, Marks, Messer and Eckhardt. Staff members present were Town Manager Frank Rush and Town Clerk Carolyn Custy, Assistant Manager/Finance Officer Georgia Overman.

This meeting is a continuation of May 20, 2002 meeting on Budget.

Mr. Rush gave a synopsis of the Governor's budget. It came out and he did recommend that the county be authorized to add another ½ cents local option sales tax this year as opposed to next year. That is good news to us but it has to go through the whole process with the Legislature. That would be \$175,000 to \$200,000 for the town this year and would help in cutting the tax rate.

The County Manager supports that and he is under the impression that the County Commissioners supports it also but there has been no formal vote yet. If the County does get to impose this tax, it would decrease their tax rate about 2 cents.

Mr. Rush noted it appears that the Governor is not touching the Franchise Tax which is good news. Our budget includes the Franchise Tax reimbursement. Mr. Rush will keep the board apprised of the situation when he receives more information.

Mr. Rush said as far as adoption of the budget, he does not know if the Legislature is going to be finished with their budget by June 30th and that would present some problems with the town's budget as we are required to adopt a budget by June 30th. He hopes they will make a decision on the sales tax issue in time for the local government to plan accordingly.

PLANNING AND INSPECTIONS DEPARTMENT

Mrs. Carol Angus indicated she had asked for a new truck this year but will take one from the Public Works that will be replaced. She also asked for a Diazit Machine because she does not know how long the one she has is going to keep working. She was very disappointed with the percentage of pay raises. She realized that she makes significantly less than her Building Inspectors.

Commissioner Farmer commented this has bothered her and she wishes the board could fix this. Commissioner McElraft mentioned the \$1,500 taken from the Fire Department, she would like to put \$1,500 into Carol's Salary. Commissioner Farmer said she supports that but before that call is made she would like to get through the whole budget to make sure about everything.

Commissioner McElraft also mentioned that Carol is looking at Retirement soon and she would like to encourage her to stay on a few more years and if she is happy with her salary, then maybe she will.

Mr. Rush said this budget is pretty straight forward. The only thing Mrs. Angus did not mention that makes the budget look larger than it really is, is a CAMA Grant for Planning for

\$25,000, which has been included on the expenditure side that would be offset off by \$18,000 on the Revenue side. If that grant is not received, this expenditure will go away and will be deleted for this year. This grant was put in for the Land Use Plan.

The other thing in Planning and Inspections is \$17,000 programmed from the general tax revenues for some planning and engineering assistance from Benchmark to provide some assistance to the Planning Board, Carol and Mr. Rush. This is \$12,000; roughly \$1,000 per month to help with plan reviews, ordinance amendments, etc. This is considered very necessary.

Mrs. Angus talked to Mr. Dale Holland last week and he indicated he has done the last Land Use Plan Updates for the entire Bogue Banks. She publicly put in a vote that Mr. Holland be allowed to continue with this process since he is familiar with it.

Commissioner McElraft asked about cell phones and why none were budgeted last year but Inspections has them. Mrs. Angus said she took the Uniform money budgeted to purchase cell phones because they were needed more.

Commissioner Marks questioned the possibility of having one Building Inspector scheduled to work weekends because of the activity going on during the weekends when no one is available for inspections enforcement. Mr. Rush said it could be considered but he is not sure it is warranted.

Mrs. Angus said if this were brought up and enforced, she would probably have a mutiny or two resignations. Mrs. Angus said she does not believe Danny Taylor found enough wrong when he was doing some weekends to justify enforcement of an Inspector working on weekends.

Mr. Rush said permit fees have been significantly increased for the upcoming budget.

Commissioner Messer asked about the Contract for Planning and if it was hourly or a set fee per month and Mr. Rush said it could be a simple contract proposing \$1,000 per month but it can be flexible and can be done on a time and material basis. He will be bringing the proposal to the Board when he has drawn it up. It will probably be hourly.

Commissioner McElraft noted she had rather not pay Benchmark \$1,000 if there were nothing for their representative to do. She suggested getting another quote from Benchmark. Mr. Rush commented that Michael Harvey would be the planner for this area. Mrs. Angus made note that Roy Brownlow now works for Benchmark and having him there with his expertise would be very helpful.

Confirmation was given that there is a total of \$12,000 for the planning services and \$5,000 for engineering services for a total of \$17,000. If the grant does not come through there would only be \$6,000 or \$7,000. No information has been received on the application to date.

Mrs. Angus said activity of the department consists of an increase in phone calls, walk-ins, permit activity and yet houses are not being built like they were 10 years ago. More permits are being required as well as more inspections but she has not been able to figure it out yet. There is still building going on even with the build-out that is supposed to be present. CAMA permits hold true to increasing. Old ones are taken down and new ones put up. Hopefully there will not be too many beach bulldozing permits in the future. Flood Insurance information has increased considerably. Stormwater review has been a real stinker because it is taking a lot of time. Mr. Art Daniel has done a new 2-inch formula for roof-runoff and dry well. He even used different scenarios for different driveways. She thinks he did it preverbal.

Commissioner McElraft commented saying Mr. Joe Dunnehoo mentioned to her, preverbal, that he would be willing to do some storm water plans that would work on different

properties and have people come view them for usage. Commissioner Farmer commented she has trouble using a local person. She thought it was a great idea to use a generic plan and she thought this might be the first duty for whoever the engineer consultant is.

Mrs. Angus continued with the activity of her department saying mobile home inspections are down. Dunes and Vegetation is going to go up with the new requirements with the amendment coming up. It will require more inspections.

Mr. Rush wants to rectify the salaries of the subordinates in the Inspections Department but the budget does not allow for it at this time.

Mr. Rush suggested after getting a hold on the budget to go back and talk about salaries at that time.

Mr. Bill Reist, WoodCliffe Drive, questioned if the Inspections Department had enough staff. Mrs. Angus replied that she is managing.

Mr. Reist also commented he does not think windows in storefronts are in compliance. Mrs. Angus replied they can only use 25% of the largest window.

She went on to say that is the kind of thing she hates to take the staff off the road to go in and measure because they need to be doing insulation, mechanical and electrical inspections.

Mr. Reist mentioned impact fees and felt that someone should probably look into this area.

PARKS AND RECREATION DEPARTMENT

Alesia Sanderson, Parks & Recreation Director, commented the CAMA funding for the Sea Gull and Lee Street Walkway is included. The only problem is we will not know whether that has been funded until late September or early October. There is no way predicting what the outcome will be on it. It is a very favorable funding project but that does not mean it will be funded. The amount is around \$9,000.

Commissioner Marks asked about fees and Mr. Rush referred her to the fee listing in the budget. Ms. Sanderson answered Commissioner Farmer's question on what the percentage is of residents and non-residents. Ms. Sanderson said it was based on the number of memberships sold rather than on resident versus non-resident. About 82 % of the users are Emerald Isle taxpayers.

Commissioner Marks asked about the "team fees". Ms. Sanderson explained that is the cost of the League and it cannot be determined what that is going to be. She takes what it will cost to run the League, scorekeepers and trophies, etc. and find out how many teams are interested. It is broken down into about 50 different scenarios.

Commissioner Farmer went back to her original comment about the taxpayers who are paying for the Community Center and if there were some way to put a little more on the non-taxpayers, that would be great.

Mr. Rush commented he would not necessarily discount the possibility of raising the fee on taxpayers because of the different levels of usage.

Ms. Sanderson informed the board that the biggest producers are the program fees not the membership fees. Membership fees are less than \$30,000 per year.

Commissioner Farmer asked about "Alive at Five" referred to in the budget. Ms. Sanderson indicated she wanted to contact the Arts Council and in order to better utilize the

Western Ocean Access. She wanted to get some local entertainment out there to promote local artists, i.e. guitarists, etc. The event could possibly called "Alive at Five".

Commissioner Eckhardt asked about the flooring for \$4,000. Ms. Sanderson wants to replace the flooring in the foyer at the Community Center. It has been glued down about ten times and people keep tripping over it where the seams keep popping back up. She has proposed replacing the foyer and entire hallway with a vinyl composite tile. Commissioner Eckhardt said he would like to see that postponed like the fire truck was postponed.

Mayor Schools said the tennis courts need work. The fence is falling down, etc. He considered the flooring and Tennis Courts as being borderline. Ms. Sanderson said the fence was budgeted for last year and it was cut. The Tennis Courts were supposed to be resurfaced this year and that was cut and the flooring is 11 years old.

Mr. Reist asked if you had to belong to the Community Center before one could participate in the other services and Ms. Sanderson replied that you did. Mr. Reist asked how many people actually belonged to the Community Center and the reply was 787. He questioned the use of the tennis courts and Ms. Sanderson informed Mr. Reist that the use of them were based on those who did sign up for use. During the summer people start at 6 A.M. and have 8 people on the courts until 12:00 midnight. Tennis Clinics are held and sometimes there will be 20 people to attend a Tennis Clinic. This function bumps the numbers up somewhat. Ms. Sanderson reminded Mr. Reist that they can only play for 1 hour at a time. Mr. Reist suggested raising the fees for the Community Center higher given all the services provided by the Parks and Recreation Department.

ADMINISTRATION / GOVERNING BODY / NON DEPARTMENTAL

Commissioner Eckhardt said he had obtained a burning permit sometime back from the Fire Department to burn some yard debris. It saved him about \$100 in fees and the town did not have to have it picked up from the side of the road. He suggested looking into something like this. It may be hard to administer. It is easy to work with and certainly saved him some money.

Mr. Rush suggested that he get together how many burning permits have been issued. Commissioner Marks suggested there being a penalty for those who burn without a permit.

Ms. Overman indicated the Ordinance is vague so she and Chief Walker went through it to make a recommendation to the board for approval to make this a Civil Penalty.

Mr. Rush discussed the Administrative Budget. There is a net decrease of approximately \$4,000 and is similar to the budget for FY 2001-2002. The only thing in Capital Outlay is \$1,000 that is just in case something comes up during the year. Ms. Overman said the budget would be a lot less than it is for Administration but line items have been moved from Governing Body into Administration, i.e. Wellness Grant Expense Line Item, which was in Governing Body

last year, the computer contract line item along with a couple of others. Internet Service for \$800 has been added.

Mrs. Custy discussed the Wellness Grant that is received from the League of Municipalities and used to encourage employees to look at their health, health discussions with speakers, and to purchase any equipment for employee use only. If the town changes its health insurance coverage, it does not lose this grant as long as it maintains its Worker's Compensation with the League. It is also off-set in the Revenue line item by \$1,700.

Commissioner Farmer asked about dollars that are being looked at for the Computer coverage. It comes out of the Police Department budget and Mr. Rush does not have the exact figures. Ms. Overman said it is 6 hours a week. Paul Cheshire covers the maintenance.

Mayor Schools asked about Contracted Services. Ms. Overman replied it is \$780 a month for ICS Computer System Software Service, Contract for exterminating, Leases on copy machines, etc. Commissioner McElraft asked if it were cheaper to lease a copy machine as opposed to buying one and the answer was yes. Commissioner Messer said that is the only thing he has ever leased in his life. If you buy one and it goes down, it is your problem. Ms. Overman said it has been a long time since she has been involved in leased equipment but she feels like the Xerox leases are a little on the high side. Mrs. Custy said the town has three copying machines now that is fully covered for everything except for paper. Xerox does the maintenance; they furnish the ink and the copy cartridges. There is one machine (the 4th one) that the town buys the ink cartridges and copy cartridges for and that one is at the Police Department.

Mayor Schools questioned the Computer Contracts and asked if there were possibly anything else out there for software. Ms. Overman explained that ICS is a private firm and they write software specifically for local governments and they go by the guidelines of the Local Government Commission. She said if the computer crashes, they come down and get it back up and running. Atlantic Beach, Beaufort, Morehead and Emerald Isle all have the same software package. ICS has contracts over all the State of North Carolina.

NON DEPARTMENTAL

This account holds a lot of items that were included in the Governmental Body Account. A lot of donations to outside organizations as well as things as general election costs, towns insurance, worker's compensation, etc with the League.

Commissioner McElraft asked if the sandbag project that was taken out of beach nourishment, was that why there was no expenditure for it and Mr. Rush confirmed that was correct.

It was Commissioner Marks' understanding that the sandbags have to be removed after two years. She asked if it would be possible to cover them instead of having to spread them. Mr. Rush said one of the provisions is that if your area is being actively studied for a beach nourishment project, which Emerald Isle is by the Corps of Engineers, those sandbags can remain in place. Commissioner Farmer said she does not think they can remain in place if you are doing a local beach nourishment project as Emerald Isle is while the Corps is doing a feasibility study for on-going. Mr. Rush said he posed this question to Mickey Sugg with the Corps of Engineers and from the Corps standpoint, he said they needed to come out or be covered with sand. Mr. Rush said if the sandbags at the Pointe were covered, he does not think they would stay that way with the way things are at the Pointe. Mr. Rush said he will need to

contact CAMA to see what needs to be done. The old bags that collapsed have been sliced.

Mr. Rush continued that \$25,000 has been included in the budget for the Library and this is not something that would occur beyond this coming fiscal year.

Mr. Rush continued with the Governing Body budget that has increased slightly over the current years budget because of related health insurance. That will be discussed when health insurance is discussed.

Capital Outlay holds \$1,000 for miscellaneous items that might be necessary.

The publishing of articles in the Island Review was discussed. Prices now are approximately \$245 per page but the town never seems to get by with one page. Ms. Overman clarified the agreement as they would put the meetings in the Island Review for no charge but anything else put in there was \$245 per page plus mailing. The town was previously spending around \$16,000 to print and mail their own Emerald Tidings, which was approximately \$4,000 per quarter to do it in house.

Commissioner McElraft asked about a page or a couple of pages every other month since the meetings are put in every month. Mr. Rush said the deadline is a little frustrating because of when it is due and when it gets printed. For the one that is due to come out any day now, he would have put something in it about the budget but the budget was not done and now the next issue will not be on the street until June 22nd and it will be too late to do it then. Mayor Schools has talked with the Island Review and was informed he was not paying anything for his article.

Mayor Schools said he would like to see it cut back to one page. Mr. Rush indicated he has trouble coming up with something sometimes. Commissioner Eckhardt suggested doing it based on need. Commissioner McElraft agreed. Mayor Schools suggested getting in touch with Jennifer Starr at the Island Review and see what the town's options are on this issue. Commissioner Farmer said she had rather see one page.

Commissioner McElraft suggested maybe to have it one time for the Mayor and one time for the Town Manager and then the town does not have to pay for a page at all. Mr. Rush said he would contact Jennifer, see what the options are and come back to the board with the information.

Dues and Subscriptions line item includes dues to the League Municipalities, Institute of Government, etc. Commissioner Farmer said she would like to know what organizations dues are being paid to. She does not see any reason why the Town of Emerald Isle should be paying dues for anyone. Ms. Overman noted she would get the information for Commissioner Farmer.

Commissioner McElraft commented about advertising fees and asked if they had not been cut back on this fiscal year? Town Clerk Custy asked that the advertising be discussed as everything is being run in Block Style (with a box around it) in the Legal Section of the paper.

Mr. Rush noted that the League of Municipalities is roughly \$2,400 and they are worth every dime of it; the Institute of Government \$258, Eastern Carolina Council of Governments \$885, EDC \$480, NC Shore and Beach 500, the JLUS match was \$554, Carteret Inside Government Report \$125, Crystal Coast Mayor's Association \$250.

Mr. Rush went over the other funds briefly. The old beach nourishment fund had a balance of \$248,000 that would have been available at the end the current year but that was before money was spent on sandbags. That cost was \$25,000 leaving a balance of \$223,000. Mr. Rush recommended to leave that in tact to take care of other beach nourishment related costs and any emergency situations that may arise.

The first year of the beach nourishment reserve fund has been set up. The Local Government Commissioner is requiring the accounting for the Special Tax Districts and Bonds within a separate fund and account for everything separately. The first year, it is anticipated that only one interest payment will be made as monies have not been collected and the bonds have not been sold yet. There is a balance of \$2,150,293 that will fall into fund balance of the reserve account in beach nourishment debt service fund and that will be spent down over time so the tax rates can be maintained at a level each year so they will not be raised up and down. The principal payments are going to remain constant and the interest payments will decline over time in order to accomplish the constant tax rates of \$.48 and \$.03.

Commissioner McElraft asked about putting the money in the bank and asked where the interest goes. Mr. Rush replied the interest would go toward the debt service payment. It is Mr. Rush's hope that the bonds could be paid off earlier if the interest earned is built up.

Mr. Rush also noted that the County has not decided if they are going to do a 4-year or 8-year re-evaluation and at the time that re-evaluation is made, the tax rates would be adjusted. He encouraged the board, whomever it is at that time, to adopt a Revenue Neutral policy at that time so that the tax burden on a person would remain essentially the same. If there are some additional interest earnings in the fund, that may give a little more flexibility to decrease that rate.

Commissioner Marks said she would recommend a 4-year period. Mr. Rush encouraged the Board to contact the county relative to this matter. He also agreed with the more frequent re-evaluation. If the County stays with the 4-year the next one would be in 2005.

The Debt Service Fund shows an increase of \$240,000 next year because of the shift of the storm water amount, instead of putting it into other funds, it has been shifted to the Debt Service Fund. There is no increase in expenditures.

Fire Equipment fund has been deleted.

The Regional Beach Access Fund is being closed out at the end of this fiscal year.

The Separation Allowance Fund contains the 2nd years contribution that is basically setting aside \$5,100 per year to fund the Police Officers separation allowance. The liability at this time is \$51,000.

The Special Account Fund contains the controlled substance tax received and is restricted to expenditures for the Police Department. It can be used to plan and fund things that pertain to drug related instances. It cannot be used to buy Police Cars.

The Storm Water Fund has nothing appropriated to it this year. Monies that have been appropriated previously to that fund are now appropriated to Debt Service. There is a balance of approximately \$62,000 that will be available in that fund at the end of this year. Mr. Rush proposed to let that stay in this account in case it is needed.

The next items reviewed were Fees. Solid Waste fees will go from \$120 to \$130 per year. Parks and Recreation fees are increased.

Mr. Rush commented in looking ahead to next year, factoring in the additional sales tax and then factoring in some increase in Capital Outlay spending next year plus moderate inflationary increases in the budget, the town would come out to about \$65,000 to the good with a tax rate of \$.20 being carried forward next year. This is just a projection. It includes the additional ½ cents sales tax coming on in 2003-2004 and does not reflect it coming on this year. If it does come on for 2002-2003, it will make the situation a lot better for this current fiscal year.

Commissioner Farmer noted, this is inflated by \$400,000 because by the end of the year there will be \$400,000 to \$500,000 in the budget. Mr. Rush said at the end of nine years that would be correct.

Commissioner Eckhardt was not comfortable with projections for future years in terms of the long range terms as far as the figures are concerned and the spending and how the town intends to go about financing and some expectation of the tax rates. He does not know why he doesn't like it but he is uncomfortable with it.

Mr. Rush said he only wanted to give the board something to look at for possible future years. He does not want to convey to anyone that this is the gospel.

Commissioner Farmer said the bond referendum was sold on the idea that you pay \$3, you get \$4 back. Commissioner McElraft said you are getting \$4 as long as you are paying \$3 and that was no lie. Commissioner Farmer responded, "I think it is a lie".

Mayor Schools said when it gets to the 9th year there is going to be a big hole there and general fund taxes will increase. Commissioner McElraft said "No, because at the end of the 9th year you would not be paying beach nourishment taxes".

Mr. Rush asked to go back and re-state some of the board's concerns so he can put together additional information for them before the next workshop.

- (1) Look at telephone expenses and go out for bid.
- (2) Flag System in Fire Department cut - \$1,750
- (3) Fire Truck issue raised again on 5-20-02 about possibility of going ahead and ordering the truck now and make debt service payment next year. That would put additional pressure on next years budget as it does not anticipate buying that vehicle next year but does anticipate it coming on the budget in 2004-2005. Appears no real interest by the Board.
- (4) Building Maintenance Line Item – Fire Department for Fire Station.
- (5) Sprinklers on water system - \$58/mo to \$148/mo. Keep out in open to look at – is it a

threat to aquifer.

- (6) Salary increase – Carol Angus
- (7) Commissioner Eckhardt – interest in Fire Chief – 8% based on performance. Mr. Rush impressed with him. Mr. Rush wants to move away from having the board involved in salary increases for (1) it puts the board in a difficult position when talking about it right now and (2) it tends to avoid any reality or appearance of favoritism. Mr. Rush did not suggest that this does occur but may appear to be so sometimes. Annual evaluations will be entertained.
- (8) Trimming amount for professional planning and engineering.
- (10) Possibility of eliminating hallway flooring at Community Center.
- (11) Burning Permit Fees - review.
- (12) Island Review – possible cuts.
- (13) Look at Solid Waste Fees.

Commissioner Marks commented on enforcement of parking in front of Food Lion in the Fire Lane. There are signs up with a \$150 penalty for parking there but enforcement needs to be more aggressive.

Yard Waste was discussed briefly. Mr. Rush suggested that he would like to take a look at it next to possibly bring that function in-house. Waste Industries is picking up two times month now but that doesn't help much. Also if it is not prepared properly (limbs no more than 4 foot in length and 6 inches around, no vines or other yard waste mixed with limbs, etc.) Waste Industries does not pick it up until it is properly prepared. Possibly picking up the yard waste in-house may eliminate the problem of the waste sitting by the road for long periods of time.

Back to the budget, Mr. Rush said the tax rate at this point in time is set at \$.20, departments have cut as much as possible but if needed he is sure a few thousand dollars could be found here and there. Things have been cut pretty close. Mr. Rush would rather see a lower tax rate but he does not see how it can be done without cutting people and previous indications were that was an option the board did not want to pursue. By being less conservative on the Revenue estimates and making various cuts in the budget there may be a chance the rate could go to 19.5 cents. Mr. Rush has not been as conservative as he would have liked to have been but he does not think there is anything “wild and crazy” by any means. He does not think it wise to tap into the Fund Balance for (1) that does not need to be depleted anymore and (2) he does not want to do anything to the budget that would create a hole next year. The old beach nourishment fund and the old storm water fund that are available and could be appropriated toward this tax rate. That would probably be digging a hole for next year if they were used for the tax rate.

The Sales Tax issue along with a possible Restaurant Tax was discussed in general with Mr. Rush saying he would get some information together for a possible Restaurant Tax. If all of the Restaurants would sign on supporting it, there may be a possibility but if they did not support

it, he does not feel it would be approved. Mr. Rush is hoping that the sales tax comes through this year.

Commissioner McElraft asked about the beach nourishment and storm water funds and if they could be used for other things. Mr. Rush replied that would be completely up to the board.

Mr. Rush reminded the board that the next meeting is set up for May 30, 2002 at 9:00 A.M.

Commissioner Messer commented, in reference to the Blue Cross Blue Shield Health Insurance, that it seems like Farmville is getting a better deal than Emerald Isle is getting. Mr. Rush said he wanted to talk about this issue before the meeting is over.

Mayor Schools, at this point, interjected that an Executive Session would be held on May 30th to do the Town Manager's evaluation.

Mr. Rush went on to the health insurance issue. There is \$330 budgeted per employee per month. Comparisons were made with other proposals. There was roughly a 40% increase between premiums for this current year and proposed premiums for next year if the town stayed with Municipal Insurance Trust. In response from the Department Heads and employees, there is a lot of dissatisfaction with claims processing of CIGNA and the breadth of their network in this area. There is a clear sentiment to go with Blue Cross and Blue Shield from the employees. The plan that is recommended has a \$150 lower deductible than what the town has now, it pays 80% after the deductible compared to 90% now, maximum annual out-of-pocket is \$2,000 more than what we have at present, co-payments for primary care is \$20 and \$30, where the town at present has \$20 and \$20. Preventive care and emergency room is \$100 co-payment and that is it. There are certain things better with Blue Cross Blue Shield and some that may not be quite as good as what we would have if Care Plus were chosen. The network is a lot better with BC/BS.

The big hit is those with family coverage. At present they pay \$453 per month and it would go to \$500 + per month with Care Plus for coverage. BC/BS would be \$729 per month for the one person employed with the town that has family coverage. This fact is bothersome a great deal to Mr. Rush. He has been talking with Steve Chalk, the insurance agent, about getting an individual policy and Mr. Chalk quoted that at \$465 per month. Mr. Rush has put that employee in contact with Mr. Chalk to talk about that issue.

The big impact to the board is that BC/BS will not allow elected officials to participate in the plan.

Mr. Rush has proposed in the budget to give each elected official a stipend each month equal to what the town pays for the employee, which would be \$330 per month. At present, four officials have health insurance, two do not, and the other two could use the health insurance budgeted for what ever they deem appropriate. Mr. Rush feels badly because he feels he has put the officials in a very difficult position. He has had several conversations with CPA Joy Bell and the Human Resources people trying to get some answers on whether the board would be liable for any taxes. He received an answer from Joy Bell that if the board retained health insurance with this money and provided the town with documentation that you retained health insurance, there would be no

W-2 or 1099 generated for those funds. She was 95% confident in that interpretation. Mr. Rush said he does not know how much taxes there will be and the board might want to consider a higher health insurance plan to off-set that.

Commissioner Farmer said she did not think this is the year for this. Mr. Rush sympathized with her. Commissioner Farmer stated she does not think any of the board ran for medical insurance.

Mr. Rush said the other thing would be to stay with the League of Municipalities and Commissioner McElraft said she would not do anything to hurt the employees.

Mr. Rush suggested the board might consider a salary increase for the board, since the new insurance plan would result in a lower expense to the town. It is saving money for the town, whether or not it is perceived that way by the public, is another story.

Commissioner McElraft said she might go along with something costing less but she is willing to give it up.

Mr. Rush suggested the board look into getting an individual Blue Advantage Policy. Blue Cross could send the bill to the town and there would be no stipend. He contacted Blue Cross and Blue Shield, and BCBS has to send the bill to the individual. Another alternative would be setting up some sort of flexible spending account where money would be deducted at the board's option and placed in a flexible spending account. Board members could file for reimbursement on health insurance premiums from this account but he has been told this is illegal and cannot be done.

Mr. Rush noted the vision and dental coverage would be retained by the League of Municipalities. The board will still be on this coverage if they have it now.

Commissioner McElraft asked about cutting the \$300 in half and then they would be saving the town ½ as much money and still have enough to help with insurance. Mr. Rush recommended they go 100%.

Commissioner McElraft said she is fine with whatever everyone else wanted to do. Mr. Rush asked if the board would consider some salary increase setback on this. Commissioner Farmer said "Not this year".

Commissioner McElraft made a motion to adopt the Resolution to Authorize the Town Manager to Execute a Contract with Blue Cross Blue Shield for health insurance. The board voted unanimously with a vote of 5-0.

Mr. Rush said the board could ponder the issue of a stipend and make a final decision before the budget is adopted.

No other budget items were discussed.

The board recessed this meeting until 9:00 A.M. on May 30, 2002.

Respectfully submitted,

Carolyn K. Custy, CMC