

MINUTES OF SPECIAL MEETING OF THE EMERALD ISLE BOARD OF COMMISSIONERS MONDAY, JULY 29, 2002 – 8:30 A.M. – TOWN HALL

The Emerald Isle Board of Commissioners held a Special Meeting beginning at 8:30 A.M. at the Emerald Isle Town Hall for the purpose of discussion and consideration of adoption of the fiscal year 2002-2003 Budget.

Mayor Schools called the meeting to order at 8:30 A.M. Board Members present were Mayor Art Schools, Commissioners McElraft, Farmer, Marks, Messer and Eckhardt. Staff members present were Town Manager Frank Rush, Asst. Town Manager/Finance Officer Georgia Overman and Town Clerk Carolyn Custy.

Mr. Rush, Town Manager presented the Board with two scenarios on the FY 2002-2003 budget. The first one was with a tax rate of 18.5 cents tax rate. He said there were no surprises on the recommendation. He did point out that on the Revenue side, there is an item of appropriation of the old storm water fund in the amount of \$38,000 and this is a little less than what has been discussed in previous meetings. There have been a few more expenses from that fund and the balance left at this time is now \$38,000.

A Police Grant has been decreased by \$1,025 on the revenue side where too much revenue was budgeted. On the expenditure side, it has been increased by \$3,750. This is the Governor's Highway Safety Grant Program.

Everything else is consistent with what has been discussed in previous workshop meetings.

Mr. Rush informed the board that the NC House has approved a proposal that was made on the ½ cent sales tax to be effective January 1st. One more vote will be taken on it and then it will go to the Senate where it is likely to be rejected. Mr. Rush thinks the town will get some form of sales tax next fiscal year but he does not know how it will turn out with the January 1 effective date. He recommended that the board consider adopting a budget today. He does not think we will know the outcome of the sales tax within the next week or two.

Mr. Rush presented another proposal that is 18 cents General Fund Tax Rate. This proposal takes in the new house sales tax proposal. Essentially if the board chose to accept this tax rate and the sales tax did not come through, the town would have to identify \$85,000 of additional cuts midway through the year or appropriate this amount from Fund Balance.

Mr. Rush reiterated he thinks there will be some sales tax received this year but doesn't know how much and when.

Commissioner McElraft made a motion to accept Public Comment and the board voted unanimously, 5-0.

Mr. John Wootten, 103 Eagles Nest, urged the board not to increase the tax rate for this year. At the workshop that was held in June, the Town Manager did give an alternative that would retain the current 17.5 cents tax rate plus the 3 cents for beach renourishment. Mr. Wootten went over what has happened up to this point. There is 3 cents for beach nourishment and part of that package was the "sales tax rebate" that was going to be at least 3 cents if not 4 cents. Even with the numbers that Town Manager was working with, those numbers are a reality but what has happened to the 4 cents tax rebate. If you take a look at it, 2 cents has gone to fund

EMS, which is recognized, as something the town would do. The remainder of that fund has been delayed and per the Town Managers calculations, it will not come into full effect until next year. Next year the revenues will exceed this years revenues by between \$300,00 and \$400,000 as best as can be determined. Next question is what are you going to do when your revenues next year are going to be higher than this year? Mr. Wootten said you do some actions to stretch out and match the expenditures of this year with the revenue strength. Go conservative this year and match the revenues, avoid a tax increase and handle the problems in the future years. Mr. Wootten said one way to do that is to stretch out the debt payment for the piece of property down on Coast Guard Road. That payment was scheduled to be completed over a two-year time, somewhat an arbitrary decision. It looked like a good one at that time. There is no reason in Mr. Wootten's mind that it cannot be delayed and funded over a four-year period of time.

Mr. Wootten calculated it would cost the town somewhere between \$18,000 to \$19,000 in increased interest over that period of time but trade that off by keeping a penny's worth of taxes in peoples pockets over a two year period of time would roughly be \$216,000. Comments have been made about the delay of the project. Mr. Wootten does not see that because the financing stream, the money has flowed to buy the property, the money will have to be raised in the future to finish the project so the payment stream is being discussed, not necessarily the completion of the project. Comments have been heard that everyone is faced with a tax increase, the EMS cost is going up and it is. This town is going to annie-up \$200,000 within the budget presented to handle higher EMS cost. Comments that tax increased are inevitable. Mr. Wootten said what the Town Manager gave the board was not inevitable for two years and in the budget world and in this small community, two years is pretty close to inevitability. Who knows what could happen in that period of time? Mr. Wootten suggested going with the Alternative C that was presented in June because this is tough times at present. He asked, "How much have you lost in the stock market"?

Mr. Wootten commented he has been through the many 5-year forecasts and different alternatives. He is a little concerned about an attitude. His final point made before he got to the attitude concern, was his suggestion to put the ½ cents sales tax that may come in December or January, if it comes, into reserve. Put the risk taking into building the reserve. Mr. Wootten commented out of all of the 5-year projections, there is not one that shows a decreased. It is almost "If I have the money I am going to spend it". If the tax rate goes up to 18.5 cents this year it stays at 18.5 and grows. Tighter controls need to be thought of.

Mr. Ronnie Watson, 9100 Coast Guard Road, commented he is not used to coming to a budget meeting at 8:30 in the morning and he guessed that was why there were not very many people present. He thought that when you were spending the taxpayers money, not your money, to have a budget meeting at 8:30 A.M. is a little out of the norm. He thought people would have appreciated it if the meeting had been scheduled at a later time because a lot of people were working and could not attend. He commented he has been told that the budget was already set by one of the town officials and it has bothered him. He reiterated what Mr. Wootten said and he does not want to see a tax increase because there is already a tax increase. The County is 42 cents, a lot of Emerald Isle residents will be paying 48 cents for the beach tax and if the town goes with 18.5 cents tax rate for a lot of people that will be \$1.08. Some will be looking at a total tax of .63 cents. Mr. Watson said these are tough times if you look at the State, the Country and the town. He felt that the representatives of this town and the Town Manager should start

tightening their belts. Mr. Watson noted that the Town Manager comes from a different generation than he, but he is a lot more conservative than he is or than the board is. Mr. Watson knows times are tough. It is not just taxes, but also insurance rates increase because we are one of the 9 Coastal Counties in North Carolina and all the other increases that the people are having to deal with. Those in business are having to tighten belts and he thinks it is up to the board to tighten theirs.

Mr. Watson expressed a concern about the way money is being spent in this town. Every time he turns around, he reads something in the paper or comes to a meeting and hears about a grant. There is nothing free out there. Those funds have to be matched with taxpayer's money and the town cannot take care of what it already has. Mr. Watson said he went to the Town parking lot (Western Regional Access) this morning just to look at it. He has written the Town Manager and the board about the way it is being maintained. "It is a junk hole down there and every time you turn around it is a grant for this and a grant for that. That is our money you are spending. It is not yours. It is ours. The taxpayers. I think you need to be a little more conservative. Watch what you are spending". Mr. Watson said he does not want to see a tax increase because there is already an increase. There are other things that are costing the town more money and one of them is attorney fees. Mr. Watson implied that it is nothing against the attorney, but that is a fact compared to what it was 2 years ago. Mr. Watson has never seen anything like it. If a lot of people ran their businesses the way the town is run, they would have some problems. Mr. Watson suggested the board tighten their belts. When times get tough, you get tough with them. You have to cut out the fat and when economic times are good, then yes, we look at things differently then but times are not good right now. Mr. Watson thanked the board for listening.

Commissioner Marks made a motion to close Public Comments and the board voted unanimously with a vote of 5-0.

Mayor Schools said many budget meetings had been held, and public comment was welcomed at all of them. The public hearing for the budget was held in June, and the commissioners decided delay adopting a budget until late July, in hopes that the state would have made a decision on the 1/2 cent local option sales tax. All of the Commissioner and himself agreed that the date and time of today was when the meeting should be held.

Mr. Watson interjected that they knew in June that the Interim Budget was going to be passed and that is why there was not that much participation.

Mayor Schools said if anyone was wrong about setting the time for this budget meeting, they all were wrong, not just certain commissioners.

Mayor Schools commented he personally is in favor of the 18.5 cents tax rate and if the Sales Tax comes in, it should go to increase the reserve. Everyone is in bad shape, the State, the Federal Government and the town. If we encounter a hurricane, it would be very difficult at the current reserve level. We need to increase our reserves.

Commissioner Marks read a statement as follows: "In June, the board adopted an interim budget in hopes that the State Legislature would pass a bill allowing NC Towns and cities to enact a 1/2 cent sales tax starting July 1. At least two of the items in this budget were enacted by the previous board and supported by a majority of the present board. The adoption of a 2-cent tax increase to pay for the purchase of land for the Town's Coast Guard Road storm water project was adopted in 2001. That 2-cents amount is reflected in this year's budget and is a

continuation of the plan to pay for the purchase of the 40+ acres plus the development of the project over a 10-year period.

The second item in this year's budget that was enacted by the previous board and supported by both boards is town funding of Emerald Isle EMS. The 2001-2002 budget reflected a half year of funding in the amount of \$100,000. The 2002-2003 budget picks up a full year of funding for a total of \$185,000. This item alone accounts for 8/10 of the 1-cent increase. Although Emerald Isle EMS has operated in the past almost entirely on voluntary donations, those donations came from only 40% of the property owners and residents. That 40% underwrote the cost for the other 60% who did not contribute. When donations were no longer keeping up with increasing costs, it was decided to seek town funding with a contract for services that would reflect the actual cost of funding the ambulance service. Every other rescue squad/EMS service in this county is funded either through the town's operating budget or by a rescue tax that is imposed in addition to local town taxes. Towns like Cedar Point and Pelletier who boast a 5 cents town tax rate do not mention the additional fire tax of \$.07 a hundred plus an additional Rescue tax of \$.05 per hundred that is added to that tax rate to provide fire and ambulance services. That would bring their tax rates to \$.17 cents a hundred with no provision for police service.

This year's budget will see a 1-cent tax increase to maintain town services and allow town employees a cost of living increase. As a retiree who is on a fixed income, I receive a cost of living increase in my Social Security income. I am not willing to support a budget that will not provide cost of living increases for town employees. Few town employees can afford to live in Emerald Isle. It would be most unfair for the town to ask its employees to forgo a cost of living increase so that residents will not have to see a 1-cent increase in their tax rate".

Commissioner Marks said this is not a political statement because those who do not live in Emerald Isle cannot vote in Emerald Isle.

Commissioner McElraft commented as follows. The 2-cents that was voted in by the past board and by the present board for storm water was not a 14 year 2-cent but a 2-cent to get the storm water project going. The \$185,000 for EMS, the cost of living for employees can be kept in. Each department head has pared down their budget as much as they can. She is not saying cut vital services any more. She is not saying cut anywhere else. All she is saying is stretch the storm water project out, with an increase cost of \$18,000 over a 4-year period for interest. There will be \$600,000 more in the budget starting next year than in this 18.5 cent budget. Capital Outlay for Police vehicles and a Fire Truck has been delayed to be purchased in 4 years. This would more than pay for those things, but it is just like Mr. Wootten said, the budget for the next 5-years projection is increased, increased, increased. The budget this year started out with a possible increase in taxes of 4 to 5-cent and we are down to where we are now. Commissioner McElraft said there is no reason why the town cannot take a payment and pay it slowly until the money is in citizen's pockets instead of taking money from citizens when they are already hurting. A 1-cent property tax increase is being talked about. A 3-cent and 48-cent is also being talked about. She would like to see the town stretch the storm water project payments out.

Commissioner McElraft continued that the Mayor was very interested in the General Fund being built up. \$240,000 was taken out of the General Fund without any input from the

public by the previous board. The General Fund was depleted \$240,000 to start the storm water project. She thinks that needs to be put back in. The storm water part of the project would not be hurt by delaying payments. Commissioner McElraft thinks this should be considered and not go with a tax increase. She said, "I will not vote for a tax increase on the people."

Commissioner Eckhardt said he supported setting the tax rate at 18.5cents. He is talking city tax only. He is not talking nourishment and solid waste fees. Four public budget workshops were held, approximately 10 to 12 hours, a Public Hearing was held on June 11 and based on that the Town Manager and staff held the line on expenditures. They did better than hold the line, they reduced the expenses. Last year it was \$5.4 million. This year it is \$5.2 million. The reasons why there needs to be an increase is (1) the State is in trouble with their budget and they are passing it along to towns and (2) it doesn't seem wise to dig further into the town's reserve. (3) As Commissioner Eckhardt looked at the 5-year forecast the Town Manager prepared, he does not see any windfall that he has heard today. He sees a flat challenge for the next 5 years for this board and any boards in the future. As a fixed incomer, he counts on a flat playing field as far as finances are concerned and that is what he wants. He said he will support the 18.5 cent.

Commissioner Farmer asked about the spread out that was presented. She did not have her copy and could not remember about it. Mr. Rush said it if were spread out over 4-years a 17.5 tax rate could be maintained this year and come close to that next year. In the 3rd year, a 20 to 25 cent rate is being looked at if the storm water project is kept on the same schedule as now in accordance with the agreement with the Clean Water Trust Fund. In the 4th year because of the declining debt service payments, it would push the tax rate back down to around 19 or 19.5. That spike that one year is because of overlapping payments on the land and the infrastructure. As it is set up now, the land will be paid off in two years and then will start paying on the infrastructure for a period of 10 years, roughly \$270,00 a year for a period of 12 years. This would amount to 2-cent on the tax rate.

Commissioner Farmer asked for clarification that you would have 2-cent tax rate increase in three years and also be paying \$18,000 interest more.

Town Manager Rush said is would be closer to 3-cent and it would be temporary. Mr. Rush said he thinks the estimates have been close to \$18,000 or \$19,000, it may be a little bit more, it may be a little less, depending on the rates and other factors.

Commissioner Farmer did not feel that was fiscally very responsible to be paying like this when we are not in a position where we have to do that. She also noted this budget is "bare boned". Capital Outlay has been put off until next year or the year after. The projected tax rate shows that would more than eat up the additional funding from sales tax from beach renourishment. Commissioner Farmer supported the 18.5 cent tax rate.

Commissioner Messer commended the Town Manager and Department Heads who have done a very good job. Commissioner Messer said he does not support a tax increase because there is a way to get this job done without it.

Commissioner McElraft commented there is a windfall but over the next 5 years the town is planning on spending it with the 5-year projection. The windfall is over \$ 400,000 to \$ 500,000 from the beach nourishment and the \$200,000 from Sales Tax. Those are windfalls.

Commissioner McElraft feels the town needs to stretch the storm water payment out and “bare bone” the budget for the next 5-years. When talking about fiscal responsibility, she thinks the town needs to be fiscally responsible to the taxpayer because it is getting ready to go into his pockets. She suggested digging down in the towns pockets and undo what was done and put \$240,000 back into the General Fund and let the storm water project be paid out over 4 years rather than 2.

Commissioner Farmer reiterated you might get by without a tax increase this year but there is already a guarantee of a 3-cent tax increase in 3 years. Commissioner McElraft said there was no guarantee for 3-cent tax unless you continue to spend. The \$600,000 windfall will more than pay for a Fire truck and Police cars in that 3-cents if the town continues to be fiscally responsible and not spend \$18,000 on law suits that we should not have had in the first place.

Mr. Rush commented on the comment made about the attitude of the Manager and Staff in preparing the budget, he pointed out that the budget for the fiscal year 01 was right at \$5,391,960. Bottom line on the new budget, based on 18.5-cent is \$5,212,825. That is roughly \$178,000 less in expenditures. Mr. Rush commended the staff for doing a fantastic job of keeping expenditures down and keeping their budget requests down. This is the leanest budget he has seen in his career in local government. There is virtually no Capital Outlay. There are decreases in departmental spending. There is minimal salary increases on an average of 2.5%. He feels the staff has made a grand effort to keep expenses down.

Mr. Rush said as far the projections over the next 5-years, those projections factor in what revenues can be anticipated. The key functions of the expenditure sides of those projections, a 3% increase in departmental budgets, and on the Capital Outlay side, it will basically return to a normal level as far as 01-02 and the number of Police Cars replaced, the number of heavy equipment replaced, etc. This is just a projection at this point in time and Mr. Rush felt it was his responsibility to give the board some idea of what the operations will cost in future years for planning. It is not a crystal ball. Expenditures may go up, expenditures may have to be reduced, etc. and those are decisions this board and future boards will have to make. Mr. Rush felt the projections give a reasonable estimate of what government is likely to cost in future years based on past practices and based on what we know about revenue sources at this time.

Commissioner Eckhardt made a motion to adopt the Budget Ordinance that reflects an 18.5 cent tax rate for Fiscal Year 2002-2003. The board voted with a split vote, 3 to 2. Voting in favor of the motion was Commissioners Farmer, Marks and Eckhardt. Voting against the motion was Commissioners Messer and McElraft. Motion carried.

Commissioner Eckhardt made a motion to adjourn and the board voted unanimously with a vote of 5-0. Motion carried.

The meeting was adjourned at 9:10 A.M.

Respectfully submitted,

Carolyn K. Custy
Certified Municipal Clerk