

May 30, 2003 Minutes

MINUTES OF SPECIAL MEETING OF THE EMERALD ISLE BOARD OF COMMISSIONERS FOR THE PURPOSE OF A BUDGET WORKSHOP FRIDAY, MAY 30, 2003 – 9:00 A.M. – TOWN HALL

Mayor Pro-Tem McElraft called the meeting to order at 9:00 A. M. Board members present were Mayor Pro-Tem McElraft, Commissioners Eckhardt, Messer, Marks and Farmer. Absent was Mayor Arthur Schools. Staff present was Carolyn Custy, Town Clerk, Frank Rush Town Manager and Georgia Overman, Assistant Town Manager.

Commissioner Farmer made a motion to excuse Mayor Schools from this meeting and the board voted unanimously 5-0. Motion carried.

Commissioner Marks made a motion to adopt the Agenda and the board voted unanimously, 5-0. Motion Carried.

Mr. Rush left a copy of the very early draft of the Land Use Plan Update for the board. Mr. Rush also informed the board that on Tuesday Night at a Special Meeting, there would be a public hearing for the budget and then a workshop will be on the Dunes and Vegetation Ordinance. The ordinance has been completely revamped and it is much easier to understand and follow and Mr. Rush said he was very proud of that fact.

PUBLIC COMMENT

Mr. Bill Reist, Woodcliff Drive, has talked to Mr. Rush about the intersection to the marina. It is a dangerous intersection and if you come west on Sound Drive, you have a fence in there that is high and it is very difficult to see though and the people coming out of the marina have the right-of-way. It is really a dangerous intersection. He asked about the possibility of putting up a 4-WAY STOP SIGN. He encouraged the board to drive west on Sound Drive and look and see what he is talking about. There is fencing on one corner and shrubbery on the other and it makes it very difficult to see. People get hung up there.

Commissioner Marks said the marina could simplify that if they would make it a one way going in and one way going out. Mr. Reist said to come out the other way would make it difficult for people coming out with big boats. He felt that a couple of 4-WAY STOP SIGNS would handle it.

Commissioner Eckhardt agreed it was a tough intersection. Where you are coming from with the exception of coming out of Sound Drive from the west, you have good visibility. From other places there

is zero visibility. Mr. Rush said he would take a look at it and would talk to the person who owns the marina and the mobile home park and to see if there is anything that can be done about the obstruction.

Mr. Reist also suggested some type of animal crossing signs on Coast Guard Road because of the deer that have been hit there.

FUND BALANCE

A comparison of Fund Balances from all of the beach towns, except for Duck, which was recently incorporated, is included for comparison. In Mr. Rush's view the more telling number is the undesignated fund balance and the percentage that is available because that is the money the town has available that is truly allocated for nothing. It is available for emergencies and it is at the board's discretion on how to spend that money. The total fund balance and the percentage of expenditures is something that the Local Government Commission calculates and what that includes is the total undesignated fund balance but it also includes any money that was used to balance the budget for subsequent years. It also includes any Powell Bill Reserves and funds earmarked for specific purposes and it also includes the category that is reserved by State Statutes. Mr. Rush does not consider the total fund balance to be the correct number because you do not really have it available. He explained that you have it but it is already allocated for something else.

Mr. Rush noted that Emerald Isle's undesignated Fund Balance is at 27.6% of its total expenditures as of June 30, 2002. Mr. Rush said the town has a total undesignated fund balance of \$1.38 Million and the town is not in bad shape at all. Mr. Rush suggested not reducing that amount at all and adding to it when the town could. The LGC suggests an amount in the 35 to 40+%. In a letter from the North Carolina Municipal Council dated 28 January 2002, they note that "one area of concern is the level of unreserved/undesignated fund balance. While 30% is adequate for most towns, municipalities with populations of 5,000 or less and especially those along our coast, should have higher fund balances. The average for your peer group is 49%. We encourage "beach communities" to consider levels of 75% to 100% of General Fund expenses and transfers."

Commissioner Farmer agreed with Mr. Rush that the fund balance is not high enough. She is still struggling with 50%. She said it could be looked at as a target but whether or not it is a realistic target she is not sure.

Mr. Rush said the board could make a determination on the fund balance right now if they wished or could defer a decision as part of an overall financial policy that will be presented to the board at a later date. He said the town was in good shape but he would hate to see the board decrease the fund balance.

PROPOSED SALARY INCREASES

Mr. Rush presented proposed salary increases from other beach towns, except Duck, along with some of the Carteret County towns and Swansboro. Some of the towns also use the merit system where if a person does a good job, he/she might get 5%, someone who has done OK would get 3% and some who just held on would get 1% or zero.

Commissioner Farmer asked if this includes longevity pay and Mr. Rush answered it did not. A copy of this report is attached at the end of these Minutes for review. The increase budgeted by some of the towns for merit increases is 0 to 5%. In the case of Emerald Isle, roughly 2% of the payroll is budgeted for merit increases recognizing that some people would get more and some would get less. Carteret County and Morehead City are suspending their merit system this year and are only giving a COLA.

Commissioner McElraft wondered how many had a Longevity program also. The report does not show that those who are giving merits has longevity program also. They may be doing this in lieu of the longevity program instead of together. She feels this is misleading because the board does not know about that.

Commissioner Farmer said she could send the Town Manager out on an assignment and he could come back with all kinds of figures. She is not in favor of a merit. She really thinks it will bring discontent. She thinks there are other ways of rewarding staff with comp time etc. They are very happy employees as she sees it and she is concerned that the town will end up with very unhappy ones.

When he completed the survey of other towns, Mr. Rush did not write down whether they were supposed to have longevity pay, and it was not in his conversations with some of them. It did come out that some of them do have longevity pay. As far as the merit system, Mr. Rush thinks there are pros and cons and a lot of pros and cons have been discussed. He just wanted the board to know that is the way most local governments do business. They reward the employees based on their performance. He thinks if you have the right tools and right training, the right performance evaluations, that is can work and it can be helpful. Mr. Rush said he understands the board's concerns and whatever decision is made he will be comfortable with. He would urge the board to reward the employees with reasonable salary increases next year.

Commissioner Eckhardt said the board certainly has the authority but he is not sure it wants to exercise it because he thinks it is Mr. Rush's call. That is a management decision. Commissioner Farmer said the board would have to give Mr. Rush the money to do it.

Commissioner Eckhardt said whether it is 5% or 4% that the board should let the manager distribute it. Commissioner McElraft said she did not want to set precedence with all managers because if the town started giving merit increases now, it is not something that can be stopped down the road so she does not think it should be left up to Mr. Rush. It is a policy decision. Commissioner McElraft agreed with Commissioner Farmer, she feels this is going to cause some discontent. The employees are happy now and she had rather see the money go to longevity pay. Commissioner McElraft felt also that if some of the employees are not doing their jobs, they should not be here which would be a management decision. She continued that if there are super stars out there lets reward them by making a pot in the department. Commissioner Marks agreed with everything Commissioner McElraft said about the pay increases. Commissioner Marks said she knows they get longevity but if they are not doing their jobs, then let the town find somebody else who will do a better job. Mr. Rush felt that it was the board's authority to determine the kind of personnel system. What should happen is that a board of commissioners should authorize a pay plan in the personnel policy and expect the Manager to implement it.

Mr. Rush asked the board to consider instead of augmenting longevity pay to identify salary ranges and allow him to move the folks through those ranges based on their years of service. It troubles Mr. Rush that there are police officers who have been here for two years and some for four years and he would like to have the flexibility to make some distinction there and then have some sort of compromise to work toward. He was asking for approval of \$42,000 for other salary adjustments. Commissioner Messer said he supported longevity and COLA but does not support merit increases.

Further discussion took place in this matter regarding looking at where the breaks were in longevity, possibility of going up a little on the 3.1%, and some options that Mr. Rush will present along to them at the end of this session.

Mr. Rush also asked the board to consider \$10,000 for a personnel study. It has been years since that was done and the town has no job descriptions. Commissioner McElraft said she preferred the department heads to write the job descriptions and use the \$10,000 somewhere else. She feels it is important for the supervisors of the employees to help write them because they know what the employee is supposed to do.

Mr. Rush said it was not that easy. In order to get it in the right format and get it all consistent with various departments. He could do it, Ms. Overman could do it, department heads could do it, sure, but it will take a lot of time and effort to do it right and it will take away time from something else. It is not as simple as writing down what you do. What should be done is to make sure there is consistency internally where you show a receptionist makes X dollars less than a Technician, for example. You also have to make sure it is competitive with other municipalities near by.

Commissioner McElraft does not want someone coming and telling the town what they think a planner should do, or what they think a public works director is.

Commissioner Farmer noted she could not believe there couldn't be generic job descriptions out there and use those with the Emerald Isle tweak.

The board's direction to Mr. Rush was to check with Institute of Government and see what they have to offer in job descriptions and see if they could not be used.

TELEPHONE SYSTEM

Ms. Overman, Assistant Manager and Finance Officer, brought the board up to date on information on a new telephone system to replace the one that has been in use for a number of years now. The town now owns its equipment and would be upgrading hardware. The town only pays for its local monthly service on the system. Long distance varies from month to month. The present system does not allow for voice-mail or other features that would make it easier to contact Town Hall. The town now has 34 phones. She provided a breakdown of cost of those phones to the town. Mrs. Custy verified that a small amount of calls made were personal but she went through bills for each month and collected the amounts due from those who made the calls.

Commissioner McElraft suggested getting two or three different companies to come in and see what they

could propose for the town to see how much they could save you. Also let them know there was competition.

Commissioner Farmer said the question is whether or not the town wants to go for new hardware.

EMERALD ISLE BUSINESS ASSOCIATION

Mr. Rush informed the board he had received a letter from the Business Association for \$2,500 provided by the town for the St. Patrick's Day Festival. Ms. Becky Rowland, Treasurer provided the letter of request and the operating budget for 2003 and their annual budget for 2003. The treasurers Report for April 2003 had an ending balance of \$9,255.08. Some of that has to go for expenses for the rest of the year since they are on calendar year basis. The \$2,500 dollars from the town is recorded under the expense line for St. Patrick's Festival. Mr. Rush was told that the biggest money making items were beer sales and the town's contribution. Commissioner Messer informed the board that the vendors pay a fair amount for a spot to sell their wares and that was not shown on the statement. After a discussion on this item, the board felt that the Business Association did not need that much of a donation since they have a fairly large balance at this time. Commissioner McElraft commented she could not see taxpayers funding the Association any longer and would be willing to see it go down to \$1,000 this year and maybe one or two more years later let that be the end of it. Commissioner Marks said they are making donations to the Broad Street Clinic and other things and saying it is coming from the Business Association when it is actually coming from taxpayers. Commissioner Marks also said she had a hard time with someone doing something for someone and saying it is coming from them when in fact it is coming from the town. Commissioner Farmer mentioned that it may be well to have Alesia Sanderson, Parks and Recreation Director, come up with how much time she spends on the St. Patrick's Festival. If this could be converted in dollars, then the town could say it is really making a contribution. The board decided on a donation for \$1,000 for fiscal year 2003-2004.

POTENTIAL CHANGES TO CONSIDER TO REDUCE TAX RATE/REDUCE RELIANCE ON FUND BALANCE

Mr. Rush gave five scenarios for potential changes to consider reducing the tax rate or reduce reliance on Fund Balance. They are attached at the end of these Minutes with the back up materials (page 14, 15 and 16) and are self-explanatory. Commissioner McElraft said she could go along with Scenario #1 leaving the tax rate the same and not taking the Fund Balance down \$50,000 that could always be used for personnel study and miscellaneous stuff. Commissioner Farmer said she would have loved to have had this thing yesterday or the day before to go over it but she cannot make a decision, she cannot do that today. Mr. Rush said if the board wanted to make a decision that was great but if it did not, that was fine also. Mr. Rush said they have made some progress. The board would appear to favor reducing the use of Fund Balance instead of cutting the tax rate. Mr. Rush noted that they appear comfortable with cutting \$20,000 from the salary adjustments, and not funding the computer projector and the personnel study. Commissioner Messer noted he did not see anything on the expenditure list under Scenario #1 that can't be lived with and he would support Scenario #1. Commissioner Messer did not want to reduce the

tax rate. Commissioner Marks wanted to stay with the projected tax rate. Commissioner Messer noted that he feels the board should tell the people what a fine job the Town Manager has done to keep it the same and not have an increase.

Mr. Rush said he would present the budget with the changes and the board will have an option after that meeting to make adjustments to the budget and certainly the board can make adjustments from now until June 30th. Mr. Rush is hoping the board will be ready to adopt the budget on June 10th at the regular meeting but if they are not, they can call a Special Meeting to do that.

Commissioner Eckhardt presented Mr. Rush with an American Flag for a housewarming gift from the board.

There being no more discussion, ***Commissioner Messer made a motion to adjourn at 11:03 A.M. and the board voted unanimously, 5-0. Motion carried.***

Respectfully submitted,

Rhonda C. Ferebee
Town Clerk