

MINUTES
KITTY HAWK TOWN COUNCIL
Recessed Meeting
Monday, April 11, 2011
Kitty Hawk Town Hall, 9:00 AM

AGENDA

1. Call to Order/Reconvene from April 4, 2011 meeting
2. Approval of February 23, 2011 Recessed Minutes
 - a.) Proposal for Portable Toilet Installation on Kitty Hawk Beaches
 - b.) Lillian Street Parking Expansion
3. Request for Reclassification of Position
4. Schedule of Fees
5. Capital Improvement Plan
6. FY 2011-12 Budget
7. Closed Session: NCGS 143-318.11(a) (1) "To prevent the disclosure of information that is privileged or confidential pursuant to the law of this State or of the United States, or not considered a public record within the meaning of Chapter 132 of the General Statutes." Approve closed session minutes: December 3, 2007, April 7, 2008, April 28, 2008, April 9, 2009, and May 5, 2010.
And: N.C.G.S. 143-318.11(a)(6) To consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee (Town Manager annual review).
8. Return to Regular Session
9. Adjourn

COUNCIL MEMBERS PRESENT:

Mayor Clifton Perry, Mayor Pro Tem Gary Perry, Councilman Ervin Bateman, Councilwoman Emilie Klutz and Councilman Richard Reid

STAFF MEMBERS PRESENT:

Town Manager John Stockton, Town Clerk Lynn Morris, Planning Director Joe Heard, Town Attorney Steve Michael, Finance Officer Mike Eubank, Management Assistant Melody Clopton, Fire Chief Lowell Spivey, Police Chief David Ward, and Public Works Director Willie Midgett

1. CALL TO ORDER / RECONVENE FROM APRIL 4, 2011 MEETING

Mayor Perry called the reconvened meeting to order at approximately 9 AM followed by a welcome to staff. He said there are several changes to the agenda: add 2(a) Portable Toilets on the Beach; 2(b) Lillian Street Parking Expansion added by Councilwoman Klutz; and, add #8 Return to Regular Session and #9 is adjourn.

MPT Perry made a motion to approve the agenda as amended. Councilman Bateman seconded and the vote was unanimous 5-0.

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2. APPROVAL OF FEBRUARY 23, 2011 RECESSED MINUTES

Councilman Bateman moved for approval of the minutes and Councilwoman Klutz seconded. MPT Perry asked for a clarification to be made on Page 13 in the 4th paragraph under the fire department discussion. It implied he was making a statement about the design features of a Quint when in fact it was Chief Spivey. **Vote was 5-0.**

2(a) PROPOSAL FOR PORTABLE TOILET INSTALLATION ON KITTY HAWK BEACHES

Midgett: *I am speaking on behalf of three young men from First Flight High School who are doing a project for their Civics class, a community improvement project. Ashton Harrell, Aaron Ziegler, and David Cubler are their names and the proposal is to install portable toilets at all the beach accesses on the beach road. Their reason would be to have less pedestrian traffic on NC 12 and hopefully keep people from doing things they do not need to be doing around their cars.*

We have 11 beach accesses and for that amount of money I do not see how we could do the project. Plus we do not have the real estate to do it. Their idea is a good one and I understand why they suggested it but it is expensive and we have had some responses from residents that just do not want to see a port-a-potty at all the beach accesses. I do not think it would go over very big in the town.

Mayor Perry: *Is there an estimated cost?*

Midgett: *They received a cost from a contractor in the amount of \$400 per toilet. For ten of them it would be about \$4,000 a month.*

Mayor Perry: *There is nowhere to set them. It is really beyond our means to do it.*

Klutz: *As a beach person I would like to add I have dealt with a lot of the things they are trying to prevent. I understand that having port-a-potties there would prevent some of those things but it happens only intermittently. Also, having to look at a port-a-potty from your deck would not be something you would want. I do not think it is the answer.*

Midgett: *I agree. Of course we do provide them at Byrd St. during the season but they are shielded and we have space there.*

Mayor Perry: *Also, if you had a quick storm come up they would all have to be removed. I suggest you take care of it Willie. We want to encourage them but this is just beyond our means.*

Midgett: *Yes sir, I certainly will.*

Klutz: *And be sure to thank the kids for coming up with a project. They thought of recycling last year and we did that. We do not want them to feel like everything they come up with will be ignored or will not be done.*

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2(b). LILLIAN STREET EXPANSION

Klutz: *On behalf of the Recreation Committee, during the meeting where they talked about the parking on the beach and opening up a segment of the beach for driving, I think it went in such a way that they came away from it feeling some of their volunteer efforts were not treated in an objective manner as we could have hoped. But a couple of the speakers mentioned that instead of looking at beach driving, perhaps the town could look at providing some other parking opportunities or some expanded parking opportunities. One of the things I would like to bring up is that there is currently some money left over in the Paths fund that perhaps could be used for a parking expansion at Lillian Street where we already have the property. There is a beach access there and I think there is the potential for about a dozen more parking places. This is on behalf of the Recreation Committee and I want to get comments from council.*

Mayor Perry: *My comments are if we had plenty of money or a grant it would be fine but to use the bike path money that we have leftover ... you saw what happened to the little cement path we put down by the Black Pelican, how much that cost. Then we have Sandy Run Park coming up and we do not know where that is going financially. I think we need to reserve that money until we see where all these projects go. In the future I think maybe we can come up with a grant or do what we planned to do in the beginning. I am glad the Recreation Committee is looking at those things. I wish we had access to the beach further south of Kitty Hawk Road.*

Klutz: *So is it the consensus that we just leave it where we did at the last budget workshop meeting? When the grants become more available in the future we can look at getting one for that parking expansion. We said we did not want to interfere with any grants that we currently have for Sandy Run Park.*

Reid: *Is this in the Recreation Plan?*

Klutz: *Yes.*

Reid: *I think my only statement is I think a lot of times people on the beach feel like these accesses are only for day trippers and it is unfortunate they think that. There are those obviously but there are a lot of residents that are not on the beach that use the accesses to go to the beach. I use them and think they are for everyone.*

Klutz: *The Recreation Committee, when they were talking about the beach driving, they were trying to emphasize the shoulder seasons and in the shoulder seasons the parking is used mainly by local people.*

Mayor Perry: *Because it is not in the budget does not mean if we find a grant during the year that we cannot do it. I am afraid they are going to dry up down the road. I think after we get through with Sandy Run maybe we will be able to come up with enough money to do it. We might get another grant from the Tourist Bureau. It is not a huge amount of money but it would help or maybe some of the CAMA grants.*

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Reid: *My only other concern is that we keep adding things for public works to maintain and I just would caution ... I mean not that we do not probably need to do this and I do not know how much maintenance is involved in a parking area versus a park where you are going to cut grass and everything but I think we should be mindful of that because our budgets keep getting bigger and bigger.*

3. REQUEST FOR RECLASSIFICATION OF POSITION

Manager Stockton: *We sent out information to council about this request and I did get some feedback on it. I realize this is not probably the best time to bring this up but I want to bring it to council's attention that we had a request from the chief to upgrade one of the positions in his department. Change the Records Clerk position to an Administrative Records Technician. A main reason behind this was because of the change in technology, a change in requirements for collection of information, documenting information, recording information, and because of this technology the chief was asking that this position be upgraded. I guess previous classification studies for this particular position, why it was not addressed I do not know, but it was not addressed. Therefore he was asking that it be done at this time. Like I said, because of the budget constraints we are faced with, this may not be the time to do it but I did want to bring it to your attention.*

Klutz: *One of the questions I have is, and it was not clear to me, how much time the person in the position devoted to the traditional tasks for the position versus all of these additional items that were noted in the information we received.*

Stockton: *We can certainly come up with that.*

Klutz: *The other comment I have is I have a tendency not to agree with supervisory positions that involve just one person. I think both of those positions should be supervised by someone who has other supervisory responsibilities. I agree this is not the time to be doing promotions or new hires or anything with personnel but with those questions unanswered, I do not feel comfortable with doing it right now.*

Mayor Perry: *It may be one of those things that will need to be looked into at some point, but ... anybody else?*

MPT Perry: *"Oversees administration of Officer AIR Cards." What is that?*

Chief Ward: *All the laptops are hooked up with an air card like through self service ...*

MPT Perry: *Like a sim card or something?*

Chief Ward: *Yes sir.*

MPT Perry: *Taking back up data home. I was given an explanation after I read that but I still think there ought to be a different way to do it that does not get us into the possibility of it being*

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lost or destroyed. The note I got back said the cost to do a secondary backup, which I do not remember this council ever hearing about, was too much. Can you explain that a little bit?

Chief Ward: At one point we looked into backing up our systems somewhere off-site. You can rent space somewhere and every night it downloads there. I think it was probably four to six years ago we talked about it and it was too much money. What we have been doing for a long time is taking it off-site every night and bringing it back.

MPT Perry: If the employee got in a car wreck or any number of things happened, and it was lost and got into the public domain or whatever ... I do not even know what data you are collecting but I assume it has names and numbers and things like that. Isn't that dangerous?

Chief Ward: Most of it is public information. The main part for us is just to be able to have access to it. Most of that data is already public information but if we lose it, then we do not ever have access to it. It really does not bother me as much information wise because you can go down to the police department and request any of those reports. As long as it is not an active investigation you can go and ask for it but the accumulation of what we use out of there on a daily basis is why we deem it so important to have. History for us predicts the future and I am not really worried about that type of thing. It is not having access to it.

Klutz: I have a question. The police department is certainly not the only department that has that kind of a concern and I agree off-site storage is a good concept. Could the off-site storage be at another building within the town? For instance the police department takes it to the town hall. If the town hall has something they want to take out of the building ... in the emergency plan when we are preparing for an evacuation I recall that the clerk gets together a box of the important information in the town to take off-site, out of Kitty Hawk. On a daily basis it could be an option to take it from the building it is in and put it in another building. The fire department could go to the police department and vice versus. Something of that nature?

Chief Ward: I think Josef Vesely, our Information Technology Specialist, has plans to connect everybody which will enable us to have something like that. Information could be stored here from the police department without anybody bringing it over here. It is his plans in the future to tighten up on that. He sees there needs to be something else done.

Klutz: What I am getting at is in the interim. Instead of putting it in the car and taking it home, you put it in a Kitty Hawk vehicle and take it to another Kitty Hawk building. At least we get it out of the domain of an employee taking it to a private residence, driving on the road in a personal vehicle. That is the bigger danger I think. We have plans in place that deal with a catastrophe that we can see coming and for a fire we have the luxury of having buildings that are widely disbursed in town and we could have that kind of storage. In the case of the police department it could go to one of the officers on duty instead of the clerk taking it home.

Mayor Perry: If they had a lock box that they could put it in and somebody could not open and find it. Put it in the police vehicle.

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Klutz: *And take it to the town hall or to the fire department. It is just a suggestion but at least it gets it out of a private residence.*

MPT Perry: *To finish up, I agree with everyone that this is probably the most horrible time that you could ask to reclassify, promote, or any of those sorts of things. I am not sure what happened in the past but I cannot go along with giving somebody a \$3,200 raise at this particular point in time. I just cannot do that.*

Bateman: *I agree with what was said. Maybe two years down the road, maybe next year. We do not know what is coming up. I agree that everybody needs equal pay for the jobs and always have. Just today is not the day.*

Chief Ward: *She and I have talked about this and this was just one of the things that I felt like needed to be discussed and addressed. She knows the way the budgets are.*

Bateman: *That is a point well taken.*

Mayor Perry: *What makes it dangerous is if you do one and then there is somebody else ... and then you get into a whole area that you have changed ... she may well be needed to go there, I do not know. I am not sure it would be 5 steps but I do not think we should do it right now in this situation.*

4. SCHEDULE OF FEES

Lot Disturbance Fee (current fee \$35, proposed fee \$75)

Stockton: *The lot disturbance fee is currently \$35 and the proposed fee is \$75. The Planning and Inspections Department is suggesting it because small projects require many inspections and the fee should reflect the time required.*

MPT Perry: *I was reading through the justification and help me understand how a small lot disturbance could require 5 to 10 inspections. I did not quite understand why so many.*

Heard: *We actually treat those in the same manner as we do the erosion and sediment control permits where we conduct inspections at least once a month. We try, as time allows, to inspect twice a month. During the course of a project we will inspect the area to see that proper measures are being taken. If a silt fence is installed against the neighbor's property to prevent sand and soil from washing down we check to be sure that fence is still in place and it has not blown off the stakes or been overrun by the sediment. That kind of thing. And we will look at ground cover so that as they are completing the project we will be looking to see if it has been seeded or sod has been laid. It is just a periodic inspection that is done during the course ... A vast majority of the permits are related to construction of single family residences. It would deal*

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with the area where the house is going, the driveway is going, the septic tank, and the areas immediately around there.

MPT Perry: These are policy inspections conducted by the town. More than a step where in the construction at a certain point you have to call out the inspector and he inspects insulation or wiring. It sounds to me like you do the initial permit and then there is a post permit and somewhere in between there it becomes the policy of the town inspection to do all these additional inspections.

PD Heard: Yes, it is monitoring to be sure that the measures that were installed are working.

Mayor Perry: You know we talk about not raising taxes and then we have a building problem where everybody is having a problem building in general. Raising permits is also raising taxes in a sense and people are struggling trying to build a house or fill a lot or whatever the case may be. I know it brings in more money for the planning department that we would not have to take the money from somewhere else but it just concerns me. Some of them might be okay but some of them I have concerns about.

Mayor Perry: Somebody that just wants to repair his septic tank or whatever and he has to pay more money, it is just more government ...

Stockton: The lot disturbance permit. Is that a yes or no on that?

Klutz: I do not like it.

MPT Perry: I do not either.

Reid: Well I have a slightly different take on it. I understand your concern on raising the fees and all that but basically when the building inspection departments were created in North Carolina, the community I was working in before said they wanted the fees to pay for the inspection department. Essentially the long term residents who already have their homes and built them twenty or thirty years ago are not paying for the service the town is now providing through their taxes. I have a slightly different perspective in the sense that this is supposed to pay for the new construction and it should not be on the backs of the citizens who have been here for long term.

Mayor Perry: I understand that but every time you want to do something you have to pay another fee. As much as I liked Chet (Chet Forrester deceased, former building inspector) and got along with him, we never had any disagreements except this one item. He always wanted to raise fees so it could pay for the department but I always looked at the local residents who were having to ... and looking back at the situation we probably should have some sort of fee for people coming in building new homes but just raising fees I do not know...

MPT Perry: I would go one step further to comment on your argument. If you take that tact then you would have to take that tact on several different avenues. One being pulling back a trashcan

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on the beach. We do not have a special taxing district for it. I pay for pulling somebody else's trashcan back off the beach road after each trash pickup. And the argument of somebody who does not have kids should not have to pay taxes to teach my children for example. I got in an argument with an engineering officer over that one time. Then he had kids and he changed his mind. But the point being there are some places where you need it and some places where you do not and I just do not want to put this on the backs of people. It is seen as a tax. I do not care what your argument might be, the people out there see it as a tax and I do too quite frankly. I do, so I am not for this.

Klutz: The other comment I would like to make is that I think it would be a more serious issue if we were looking at having to expand the planning department because of growth or whatever. At that point we would be having an impact on the taxpayers because expanding the department would require additional personnel. But right now we are in such a slump that we certainly are not going to have an increased amount of work that would get us to a place where we would have to look at raising taxes to cover it.

Minimum Building Permit (current fee \$25, proposed fee \$50)

Stockton: The next one listed is a minimum building permit from \$25 to \$50. Reason being is the review, permit preparation, and inspection for small projects requires a disproportionate amount of staff time.

Klutz: What is the minimum amount of money that qualifies as the cut off for having to get a building permit? Is it five or six thousand dollars? You have to get a building permit no matter what you are doing. It is only based on how much you are spending. I had a personal experience when putting siding on my house. Just because it cost more than that threshold, why do you need a building permit and somebody to come out to inspect it?

MPT Perry: For cosmetics ...

Klutz: You wonder about the purpose of having a permit for something like that.

Mayor Perry: I think anything you do electrical with a contractor has to have a permit. This minimum building permit, would it include something like a hot water heater change out?

Heard: That is a good question. It might require a plumbing permit. One of the things that was brought to my attention when this came up was when we had a project where a business in town was replacing many large HVAC units. The project was approaching six figures and we are charging them a \$25 permit fee because we did not have another category to put it in. What they were looking at is simply the time it takes to write up a permit. Work with the person, sit down, write up a permit, and go out for an inspection. We are just looking at that cost. Staff suggested this is something we could look at in terms of capturing the amount of work that actually goes into the process.

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Klutz: *I was told when putting siding on my house, because the job exceeded a certain amount of money, I had to get a permit. I think it was this \$25 permit. It made me come up on a list when the final inspection had not been done because I thought I only had to get the permit, not that somebody actually came out and inspected it.*

PD Heard: *I can find out.*

Klutz: *A year after they found it in the file I popped up with not having gotten the inspection. At the time I wondered why I had to get a permit. What kind of inspection is really required and I think maybe that whole thing ought to be looked into. You would not have as many inspections to do if the rules changed a little bit.*

MPT Perry: *Joe, isn't that threshold set by NC Building Code?*

Heard: *Yes it is.*

MPT Perry: *That is what I thought. And right now I think it is \$5,000 and it was at \$2,500.*

Heard: *I would have to check on that.*

Klutz: *It was relatively low.*

MPT Perry: *In today's world of building it would be. Do we want to raise the fee?*

Klutz: *We do not want to.*

Mayor Perry: *Richard might decline.*

Reid: *No, I will go along with it.*

Irrigation systems permit (current fee \$50, proposed fee \$50 residential and \$100 commercial)

Stockton: *The next one we had was the irrigation systems building permit. They wanted to change the commercial to \$100 and keep the residential at \$50. This change would bring the fee in line with other specialty permits that require a similar level of review and inspections.*

MPT Perry: *I do not have a problem with that. It was a mandate added to the town, not something we did.*

Mayor Perry: *If you install it yourself you do not have to get a permit do you?*

Heard: *No. It works just like the other mechanical kinds of permits. In other words anybody installing that type of system has to have a specialty license in irrigation or a plumber can use that license to cover it.*

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Mayor Perry: *I thought it was mandated because people were putting in irrigation systems and then they did not work.*

Heard: *That is typically why the State looks at that type of thing when they are looking at the certification. There have been a lot of cases of unqualified ...*

Mayor Perry: *If I go out and run a pipe underground and put some little sprinklers in, do I have to get a permit?*

Heard: *I will look it up.*

Mayor Perry: *Residential \$50 and go to \$100 for commercial.*

MPT Perry: *I am okay with it.*

Mayor Perry: *What about the rest of council?*

Reid: *That is fine.*

Free Standing Sign Building Permit (current fee \$50, proposed fee \$100 no lighting and \$150 with lighting)

Stockton: *Next is the free standing sign building permit. The proposal is to raise that from \$50 to \$100 for no lighting and \$150 with lighting. The reason being the additional time for inspections justifies increasing the fee.*

Klutz: *I do not like this one.*

Mayor Perry: *I do not like it either.*

Bateman: *I say leave it as it is.*

Posting Stop Work Order (current fee \$0, proposed fee \$50)

Stockton: *This fee is for posting a stop work order. Right now we have no fee for it. The proposal is for \$50. A stop work order is issued when someone is doing substantial work without a permit and this would cover the staff time.*

Mayor Perry: *I probably agree with that.*

Bateman: *I do not.*

MPT Perry: *You are going to make the man madder than heck and then you are going to fine him too?*

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Bateman: *We are going to make him mad by telling him what he is doing is wrong, he cannot do it anymore, he has to go and spend whatever money on getting the proper permits and then we are going to fine him fifty bucks. When I built Sugar Creek it cost me \$65,000 dollars in building permits ... less intrusive government.*

MPT Perry: *I think it is not appropriate to make them mad twice. That was my take on it.*

Mayor Perry: *So the answer is no again?*

Klutz: *The only thing I think justifies this is if someone is doing something wrong, that they know is wrong, or they probably know is wrong ... if they get a stop work order then they have to spend money to get the permits and I think there is already something that says they have to pay double the permit fee if they started the work without a permit. Is that correct?*

MPT Perry: *That is correct.*

Klutz: *So they are already getting punished for what they did and another fine might be piling it on.*

ABC Permit Review and Inspection (current fee \$0, proposed fee \$75)

Stockton: *ABC permit, review, and inspections. We have no fee for that right now and the proposal is \$75. Staff time is required from our fire department, police department, and the planning department and this fee would cover the staff time for those inspections.*

Reid: *What does the fire department inspect when you are talking about selling liquor?*

Mayor Perry: *I think we authorized the police department to make that decision years ago. It was the police department that worked with the North Carolina ABC Board.*

Spivey: *The fire department has to sign off stating that the structure meets the North Carolina Fire Code.*

Reid: *But you do that as part of the bar and the kitchen anyhow don't you?*

Spivey: *We do it on a scheduled basis depending on the type of business occupancy but when they change and want an ALE permit, if it is part ... if it is a brand new business then it is just part of the original inspection. But every time it changes hands, changes names, or anything like that, it requires the fire department sign off stating that it meets the North Carolina Fire Code. What we have done in the past is if we go to the file and if there has been an inspection within the last 60 days, sometimes 90 depending on the business, we will go ahead and sign off. If not then we go out and conduct the inspection.*

Klutz: *The person that is applying is paying a fee and this would add on to whatever it is they are paying the State.*

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MPT Perry: *Is this on top of ... let's say a new business is going in and they are setting up a restaurant, doing all the things that you would normally do anyway, and they are going to serve liquor as well. It is just one of the many things they are going to do. Would this fee be on top of the other inspection fees you would already do?*

Heard: *Yes. This would be solely for that purpose. Often times you will have a business that does not have other aspects of the project involved and this would be solely related to the acquisition of that license.*

MPT Perry: *But he would go out and inspect a restaurant facility anyway under the building permit fee. Is that correct?*

Spivey: *Yes sir.*

MPT Perry: *In that case, where you are out doing the inspection for the other restaurant and other things you just talked about, would you also add this \$75 fee for the license of ABC on top of that?*

Spivey: *If it was combined into a new business or right at the time we were conducting the fire code inspection for a business I would suggest not.*

MPT Perry: *But we do not make that distinction here.*

Mayor Perry: *How many people in business today add ABC?*

Reid: *They change it for every owner. In other words, when the ownership of the restaurant changes they have to get a new ABC license.*

Heard: *We are not just checking restaurants. We are talking about 7-11's and anywhere that sells alcohol.*

Klutz: *When Winks changed hands the new owners thought they wanted a new kind of ABC license but there was neighborhood objection and they went back to the same kind of license the previous owner had. If the new owner had just wanted to keep the same kind of license that was there previously, this fee would have applied correct?*

Heard: *That is correct.*

Klutz: *Because the ownership changed.*

Heard: *That is correct. The State requires them to register under that different ownership and all of the departments are required to review and sign off on it for the State.*

Klutz: *When the person applies for that license with the State, there is a payment made to them.*

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Bateman: *I think it is \$500.*

Klutz: *Would not the expectation be on the part of that business owner that everything to get his ABC license is covered by what he pays to the State? Do we get some of that \$500?*

Mayor Perry: *We get a tax off of what he sells.*

MPT Perry: *What is involved in your inspection? What do you physically do to meet the requirements of the fire department for an ABC permit?*

Spivey: *We have to conduct a full fire code inspection. We are checking all of the electrical outlets for any electrical emergencies. Any fire code violations such as blocked exists. Going back to if it has a kitchen we have to inspect the hood system which has to be inspected every six months. Checking hydro's on the suppression bottles in any suppression systems. If there is a sprinkler system it is required to be inspected annually by the owner. That has to be checked. One of the reasons I would like to charge and support this is a business such as Winks is only required, and we only inspect, once every three years. Based off that occupancy type it is a mercantile. A lot can go on in three years. Harris Teeter and Guy C. Lee are also only inspected every three years. Like I say a lot can occur and does occur. Some businesses that have restaurants, even though it is required to be inspected through the owners initiative every six months, we will go in and find where hood systems have not been serviced in three years. Or fire extinguishers have not been serviced or inspected in three years. All these things are required annually and when the permit comes through for the ALE, somebody has to sign off stating it currently meets the North Carolina State Fire Code. So we have to do an inspection.*

MPT Perry: *Thank you. I do not like this.*

Mayor Perry: *The only way I would like it is if it was simply just for adding ABC and the business is already in operation. But I am okay for not doing it. Anybody else?*

Bateman: *I agree with you.*

Farm Market Vendors (current fee \$0, proposed fee \$10)

Mayor Perry: *Farm Market. That is something we added and is for one business only at this point unless we so direct another business to do the same thing.*

Klutz: *I want to clarify that because we have in our code the fruit stand and I do not want this to apply to that. I would rather change this to something like "farm and flea market" because it is basically just for the temporary vendors.*

Reid: *Not flea market, do not use that term.*

Klutz: *But farm market, just for the temporary vendors, not the people that come in ...*

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Mayor Perry: *That is correct and is what I was trying to get to. It only applies to a business that is using temporary vendors coming through.*

Klutz: *Let's change "individual" to "temporary."*

MPT Perry: *Before you go any further, help me understand why this was wanted. We were involved with all the other aspects of the farm market and the restrictions and those sorts of things and then this came out. But I never truly understood why you needed a vendor fee in addition to whatever the applicant was going to charge a vendor.*

Mayor Perry: *Because everyone has to come to the town to conduct business. If they are conducting business they have to come to the town to get a permit. If the new business opens or if a farm market goes in they come and get a permit. In this case there would be vendors coming in and the town would not know who was there. And if they did not comply, we could withhold their permit. In other words, if we had trouble with them at the farm market during the year, the next year we may not issue them a permit or withdraw their permit. This was a control about who was doing business in the town and we control everybody else in some manner.*

Reid: *I was not here when you made the final decision but my perception of it is that the original legislation which allows a fruit stand or vegetable stand was intended to be a seasonal situation. We had one over on The Woods Road and we have one currently at the Solo site. Someone comes in, gets a conditional use permit and they operate the business. They are usually there seasonally. In this case the proposal was that people might come in for one weekend, they might be there for two weeks, or they might be there the whole season. We had no way of knowing who was coming in, how long they were going to be there, what they are going to sell. It seems to me this \$10 fee should be tied to anything that is not a long term seasonal operation.*

Klutz: *What if the wording changed to "this annual fee was recently set by town council for temporary vendors at the Kitty Hawk Farm Market."*

Mayor Perry: *And that is the only place that would it would apply.*

Klutz: *I do not know if it is legal. It was part of what we talked about but we did not make a motion at the meeting to add that fee.*

MPT Perry: *How about the different vendors who sell Christmas trees?*

Mayor Perry: *They come in and get a permit.*

MPT Perry: *A ten dollar permit?*

Klutz: *It is a conditional use permit but I do not know how much we charge.*

MPT Perry: *Steve, is what they are discussing doable?*

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Michael: *You can impose a fee but you have to impose it on a classification not a location. You are going to have to classify those folks as to what they are then you can impose a fee on them. You cannot impose a fee just on that property.*

MPT Perry: *Based upon the discussion here today this probably needs to go back for your review.*

Michael: *We can come up with a classification that would apply just to those that have temporary vending status but without tying it directly to that property.*

Klutz: *Right now they are the only property in town that has temporary farm market vendors. The way it reads now is "individual farm market vendors." Individual to me would include the farm and fruit stands.*

Michael: *We would have to say what temporary means.*

Mayor Perry: *In other words it is people who come in any time it is rented to individuals. They rent the space but we have no control of knowing who is there and what they are doing and that is what we were trying to do.*

Michael: *Get their permits so we know who they are.*

Mayor Perry: *We have nobody else in town that is conducting that kind of business and there was discussion about these conditional uses. If somebody comes in and changes in a strip mall and rents a space then he goes to the planning department and gets it approved. This is the same situation except it was going to be rotating and we are trying to come up with some way of having some control on who was there. Saying yes, you can be there, or no, you cannot. We would have the authority to withdraw their permit and they would have a permit that would be with them during whatever times they showed up. We did not want an extravagant permit that created a big problem.*

Michael: *I think we can word it in such a way that it will work. And you are going to deal with one in just a minute with the precious metals dealers that the State has regulated. What they did was they regulated a category. They did not regulate it by location. You can do exactly what they did.*

Mayor Perry: *In order for somebody else to fall under this particular fee council would have to so designate in my opinion that another place would have to do the same thing.*

Michael: *I think we can come up with the language that does what you want.*

Mayor Perry: *Because we do not have any other places that we have approved to have that kind of business.*

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Reid: *Joe, on the little stand that is at the Solo. That was approved as a conditional use. Once it was approved as a conditional use it can continue to operate and does not have to pay an annual fee as long as it is the same operator. In other words, we approved it for that operator?*

Heard: *That is correct.*

Reid: *I just want to make that distinction because what we are trying to do here is if someone else came in to operate there, not the person that got the conditional use permit, they would have to come in for another conditional use permit.*

Heard: *Not if the use was the same. If they were proposing the same location ... in other words if they were doing a stand in the same area of the property and the only thing different was the owner, but the use was the same, they would not have to come back in. The conditional use fee is also a \$300 fee up front so they are paying a significant ...*

Reid: *But if they change their operation and said half the building is going to be run by Farmer Brown and the other half is going to be run by Farmer Smith then it would probably come under this. I mean it potentially could or it would be a change in the conditions so they would have to come back for approval.*

Heard: *Yes. Depending on how this is worded.*

Bateman: *I think we are splitting hairs. These people are just like the farmers. Like at the Solo they just come and operate for five months out of the year, close up, and come back and do the same thing next year. I think you need to do it by a time frame of work instead of the use that you have there. Do not say farmers market. Someone who comes in and works 24 hours or 36 hours comes in and gets a permit which would regulate what you are trying to do.*

Mayor Perry: *They could use it any time during that calendar year. They come and get a permit and any time during the calendar year, set up. If they wanted to set up one time or whether they wanted to set up 365 times that year, that one permit would allow them to be there. If the inspectors go out and there is a problem or if they do not have a permit, then tell them they have to get a permit or they have to leave. It would give us some handle on things and that is what we are doing with everybody else in the town. You mentioned something about precious metals.*

Michael: *That is coming up. A fee for buying gold and selling it.*

Mayor Perry: *All right. So we are going to let the attorney ... and we may not need this but we passed something that required it and that is the reason I was saying council should do it.*

Klutz: *I think we need it.*

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Copy of Meeting Cassette Tape (Current fee \$10, Proposed is to remove from schedule)
Copy of Town Meeting Video (Current fee \$30, Proposed fee is \$10)

Stockton: *This is from the Clerk's Office and is my recommendation also. A copy of a cassette tape should be removed from the schedule because it is no longer needed.*

Mayor Perry: *That is good and the other one is good as far as I am concerned. Anybody have any problems with that?*

Copy of emails >100 (Current fee \$0, Proposed fee \$1.50 per page)

MPT Perry: *Steve, I read somewhere in the not too distant past there was a town that was called to court basically for excessive charges. Have we met that standard?*

Michael: *Are we saying we are going to give someone the first 100 emails for free and then we are going to start charging \$1.50 for each one after that?*

Stockton: *Are you talking about the emails?*

MPT Perry: *Yes, we are okay with the first two.*

Klutz: *Are these emails being provided on paper because we already charge 10 cents a sheet for a copy.*

Mayor Perry: *The problem is when you get into weeks of going through emails.*

Stockton: *Yes, 10 cents a copy but I am talking about anything greater than a hundred where she had, like you said, the clerk had to spend a lot of time ...*

Klutz: *I am talking about the accuracy of where it says "current fee." I thought we charged 10 cents a copy and it says on the memo "none."*

Mayor Perry: *Somewhere else it says when somebody comes in and wants a copy we charge them 10 cents. With emails we do not have any fee.*

Klutz: *If they get a hard copy of it is there a charge of 10 cents a page?*

Clerk Morris: *We charge 10 cents for a sheet of paper for anything.*

Stockton: *I was trying to come up with something because of the amount of time she had to spend on making the copies of the emails for the litigation we were involved in. Some type of fee and that is pretty much what it came out to, about a dollar and a half per page.*

Bateman: *I have no problem with that.*

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Michael: *The rule is that you can charge a "reasonable" administrative fee and nobody has told us what a reasonable administrative fee is. If John is talking about charging \$1.50 after a hundred emails, that probably is not reasonable. That is probably too much. If you want to charge 15 cents per copy you could cover some of that administrative cost, the cost of the toner used and the cost of the time producing it. There is a right of people to have access to the documents of government and the government is going to have to absorb some of the expense. You cannot transfer it all to the people asking for it. That is why they use the term "reasonable" fee. Charge them by the copy and you are recovering from the first hundred.*

Klutz: *I dealt with a city government in Virginia that charged 50 cents a copy for any kind of copy you wanted. That obviously passed the test in court. Part of it is the actual extraction of what is needed and I would imagine that it is not just our clerk but probably county personnel who run the computer system that get involved as well.*

Michael: *The county does not charge us anything for running the searches do they?*

Morris: *No sir. But we are at their mercy.*

Michael: *If the county imposed a charge that would be a charge we could pass on to the person making the request but right now they provide the email search for free. In producing those, the cost to us is Lynn or me going through them.*

Mayor Perry: *Personally, if a citizen comes in and wants a copy of something I do not want to charge him. We used to not charge until we ran into a problem with the asphalt plant and we had people coming to the town hall everyday copying and recopying. We finally decided we had to do something and that is why we have a fee to start with. The excessive thing is what bothers me. When we get into the excessive it creates a problem. I go along with the fee, whatever the attorney says is reasonable but I still think "Joe Citizen" out there that needs a copy of something, I do not want to charge him.*

Michael: *Why not let us come up with something to give you that exemption for a certain number of copies. A citizen who wants to come in and get a copy of a building permit or something like that would not ... it is almost not worth it to collect 50 cents. We can look and see what other towns are doing as well, how broad the spectrum is. I have seen things on the list serve of people proposing things but I do not know if they are actually doing it or not.*

Klutz: *Do we have to specify emails or can we just say copies?*

Michael: *Copy of anything. And again, right now your emails are paper copies.*

Reid: *You can get into disks ...*

Michael: *Disks are actually cheaper than paper.*

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Klutz: *Yes, but in doing that you would charge a single amount for the media itself and then something that goes into all of the time it takes to ...*

Mayor Perry: *So we will let the attorney work with them and come up with something reasonable.*

Precious Metals Permit (current fee \$0, proposed fee \$180 annually)

Employee Permit (current fee \$0, proposed fee \$10 initially)

Employee Permit (current fee \$0, proposed fee \$3 annually)

Stockton: *This request is from the police department and according to State Statutes. An annual fee for a precious metals permit is \$180 initially, an employee permit for precious metals \$10 initially, and an employee permit for precious metals \$3 annually.*

Reid: *These are all required?*

Stockton: *Required by State Statute.*

MPT Perry: *The fee is not required but the permit is required correct?*

Michael: *If they want the permit they have to pay the fee. This is set by State Statute.*

Precious Metals Special Occasion Permit (current fee \$0, proposed fee \$180)

Stockton: *I have one more that the town attorney gave to me this morning. This is also by State Statute and is a "special occasion permit." It is \$180.*

Michael: *What it means is if you have a dealer here in town and he is going to some trade show or craft show in another part of the State where they are going to be buying and selling precious metals, he has to come here and apply for a special occasion permit and pay another \$180.*

Mayor Perry: *To go somewhere else, he has to have that when he gets there.*

Michael: *He has to have that to go participate in that show somewhere else.*

Mayor Perry: *If that is what is says I guess we have no choice.*

Klutz: *That would then be called a "precious metals special occasion permit?" So we do not confuse it with other special occasions.*

5. CAPITAL IMPROVEMENT PLAN

Stockton: *This is contingent upon appropriation of funding for these items.*

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Mayor Perry: *This is just a plan and we can go with it or change it according to our funds.*

MPT Perry: *Let's start with the fire department. What is the shelf life of the SCBA bottles?*

Spivey: *Fifteen years right now.*

MPT Perry: *The copier that you have scheduled for FY 14 was replaced in the 07-08 budget and you are still referring to a 5 or 6 year replacement schedule.*

Spivey: *Yes sir.*

MPT Perry: *I noticed that none of the other departments have bothered to do that for which they are to be commended. Why are you still on that schedule?*

Spivey: *You said it was a 5 or 6 year replacement and I think that would be about 8 years. Or 6 to 8? We purchased the copier in 07-08 I believe when we could no longer get parts for the last one we had. When we purchased it from COECO we talked about a replacement schedule and that is the year he recommended we put in the budget. As long as we can keep it going we will keep it just like we did with the other one. But it was put there for budgetary or discussion purposes based off of his recommendation.*

MPT Perry: *How long is a thermal image camera good for?*

Spivey: *I cannot answer that. It is like a car. I have one right now that is starting to give us some problems. We sent it off and had it repaired recently. Again, as long as we can keep them going, and they are dependable, we will use them.*

MPT Perry: *Engine 131. Is that the truck that you do not use anymore?*

Spivey: *No sir, we surplused that. That was a 1974 Ford.*

MPT Perry: *This is the one ...*

Mayor Perry: *'85 telesquirt?*

Spivey: *Engine 131 is a 1991 Grumman. Truck 13 is a 1985 telesquirt.*

MPT Perry: *You are asking this year to replace a tank.*

Spivey: *Yes sir, engine 131. We are going to have to.*

MPT Perry: *What is the matter with it?*

Spivey: *It is leaking. It is a metal tank and has rust. We are having problems with the rust going into the pump ... replacing it with a poly tank is what it is referred to.*

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MPT Perry: *The tank cannot be repaired by welding or something ...*

Spivey: *Not anymore, no sir.*

MPT Perry: *And it looks like you are replacing computers every year at \$6,500. The computers in our system, are they work stations with a central computer or are they individual computers?*

Stockton: *All of the departments have servers for their individual computers. They are tied into the servers. Is that what you are referring to? We do not have a central network for all these departments. In other words the town hall is separate from the fire department and the fire department is separate from ...*

MPT Perry: *I understand but within the fire department when you are replacing a computer what are you replacing?*

Stockton: *If it is a desktop computer then more than likely we are replacing the monitor and a keyboard and everything.*

MPT Perry: *And a separate computer?*

Stockton: *Right.*

MPT Perry: *Okay. Because I noticed that over in planning they are replacing computers every year through year 2016. There are three people in that department?*

Stockton: *The reason why we are doing that is to try to set up the capital reserve for computer replacement in the future. We will have funds built up so when one department needs to have their computers replaced we can go in and replace them all at one time. Our IT person says it is a lot better to do it that way because of the software you get involved with. When you have them spread out over several years then you have a multitude of software they are running on.*

Mayor Perry: *You are putting that in there for it to go into reserves.*

Stockton: *Right, in other words, if they do not spend it then the excess funds will go into the capital reserve for future replacement.*

Klutz: *And it also includes a certain amount of money towards the potential for having to buy new server equipment for the departments.*

Stockton: *That is correct.*

Klutz: *I agree that software, particularly the operating system software of so many of these desktop and laptop computers, has a tendency to change rather rapidly. I think the IT person's advice to try to get all of that compatible with a purchase and put money aside to do it makes sense.*

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Mayor Perry: *And extend the other ones out until we can buy them all.*

MPT Perry: *Don't we need to set up a capital reserve fund stating that? What I see built into all the budgets ... for example the fire department has \$6,500 built in and it does not show that separated out. I am looking at this and if I did not know any better, I would say the fire department is going to go out next year and buy \$6,500 worth of computers. What I just heard you say is we are not doing that.*

Stockton: *That is right.*

MPT Perry: *Don't we need to separate it out into some sort of a fund so we all know that is what is going to happen?*

Mayor Perry: *I think Mike is working on that.*

Eubank: *I am working on that. We have a capital reserve fund. We are in the process of transitioning it right now. I heard Councilwoman Klutz talk about parking earlier and she almost reintroduced the \$14,000 for Lillian Street that I am ready to put in the capital reserve fund. I am having a hard time trying to get this formulated to give to you.*

The capital reserve fund is in existence. We currently have money set aside, three hundred and some thousand dollars for the fire truck. The town manager is going to, in this budget we are discussing, put possibly \$150,000 designated for a transfer but it will not be in there like that. It will show up as a purchase for a fire truck but we all know he cannot buy a fire truck for \$150,000, so we would propose to move that \$150,000 into the capital reserve. It is our hope you all would approve that. We do not know that we are getting that.

Mayor Perry: *Right, I understand.*

Eubank: *With computers, each department is budgeting for them. In my department I have put money in there but have not spent it on computers in two years. But I am putting money in there for that great and terrible day when needed. If not needed, unspent monies could be swept into our capital reserve fund as IT technology for future purchase.*

On the Parks and Recreation function, you all just passed and approved to slide remaining money into the capital reserve once finished with the Kitty Hawk Sidewalk Capital Project. That will leave us approximately \$130,000 to \$140,000 we are going to put into the capital reserve fund for future park upgrades and maintenance. I have not given these items to you yet because we have not closed any of those projects.

This year we have a mandate to re-designate and re-define our funds from restricted and designated to assigned and committed. After we all finally, almost got it straight, the GASB 54 accounting statement changed it. That is why I am considering establishing these items in the capital reserves fund and I am trying to reflect what monies will be truly available for general spending purposes. In future actions council can commit this money and it can go into reserved

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funds and we do not have to hold monies in the general fund knowing that we have it there but not clearly earmarked for a future purpose or need. There is a reason for this change. This will now provide the public with a detail of balances that are truly available and spendable in all funds. Right now everybody is wrestling with tax increases, or no to tax increases, and we are talking about revenue shortfalls and all these budget issues, but if we are maintaining a \$4.7 million dollar overall general fund balance in our checking account, it is very hard to sell a tax increase to the taxpayers. Matter of fact it is hard to sell that idea to my fellow finance officers in the area.

However if you start by setting aside \$3 million to \$4 million dollars for emergency reserves, (rainy day fund) and \$2 million dollars for future capital needs, then all of a sudden you only have \$200,000 or \$300,000 dollars remaining in your spendable fund balance to cover short-term gaps in operating cash flows. Now we might need a tax increase to fund specific services or needs and maybe the public can better understand that. Taxes are just a no-no for everybody. They do not like them in good times and they do not like them in bad times. But at least this funding method will classify how the council and how the town is intending to use some of these committed monies for long term projects like the repair and replacement of boardwalks or repair and replacement of the multi-use paths. We are not going to get grants to repave that multi-use path in the future.

Mayor Perry: All of the wood decking at Sandy Run Park at some point is going to have to be replaced. We are going to be stuck with doing that.

Eubank: And these things will need to be set aside in reserves. Until needed, the funds of course are just going to sit there and will not impact your general operating budget. They are going to be sitting there showing up as committed funds and the only way that will impact your budget is when you all determine you are going to move some of those funds into a budget line item for their specific purpose. Much like we fund our capital projects now. We may end up presenting a budget in the future where we are talking about setting specific dollar amounts on a transfer to capital reserves, instead of just budgeting but not spending on outlay items but right now we are in that transitioning process. Until we get a clear definition of council's intention as to whether we want to pursue this and I am pretty sure you all do want to pursue this. That is what I am proposing to set up.

Mayor Perry: So all these computers ... What is not used this year will come before us to transfer it into a reserve.

Eubank: Yes, those line items could sweep to capital reserves (IT) if council approves.

Mayor Perry: Then next year, if we put these in the budget next year, you do the same thing. What is not actually spent will be transferred into that fund and you will come to us to do that.

Eubank: Once that motion for capital reserves funding is set in place and the ordinance is adopted with those specific instructions, we will be able to sweep it prior to the year-end or even

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after the fiscal year, once we come up with a number. And that would be my recommendation for IT and certainly for large items like fire trucks.

Mayor Perry: *While you are here I want to ask another question. Financially we are not there yet, but we have one police officer position that is not filled right now. Is that correct?*

Eubank: *We are one short. The money is in the budget for him.*

Mayor Perry: *And that is going to be in the budget this year too? You probably did not budget it but it should be.*

Clopton: *It is in there.*

Mayor Perry: *It should be in there. This is going back a long ways but you put those things in there knowing that it probably will not be filled but it is there. Then if you decide to fill it you will not have to add money to the budget.*

Eubank: *Precisely. (The town budgets by function, not line item).*

Mayor Perry: *It does not cost you money and it gives you excess funds at the end of the year. It helps the whole situation.*

Eubank: *Correct and in a way it is nice to have this practice mainly because of the times we are in. I think these re-designations and assignment of funds and specifically allocating them has created, I will not say "an out," but it kind of creates an improved categorization that you can defend when it comes to discussing the possibility of raising additional revenues if things do not turn around. And there is no indication out there that they are going to. Not in the sense of what we have enjoyed in times past. And our revenues are shrinking, our fixed costs are remaining, there are some escalating costs and because we are a town we are expanding ... obligations and government mandates.*

Mayor Perry: *And we know ... (rules, mandates, cuts) are coming from the Federal and State governments and we do not know what they are.*

Eubank: *We do not. So GASB 54 will allow us to categorize and assign and commit funding and I think that will be a good thing for the future. I do not know whether that helped and I am willing to field questions if there are any.*

Mayor Perry: *It is just as clear as a "milky glass."*

Eubank: *It sort of is, but the direction we are moving is, and I want to be clear, when council sees these motions assigning funds, they generally come across on the consent agenda, if you have questions ask me. You will begin to see them reflected in the financials in the future.*

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Mayor Perry: *I am big on these funds that are set aside for future purposes and you do not have to all of a sudden come up with the money.*

Eubank: *I know that you have asked that question in the past. When I first came here we thought we had money, it was not there all of a sudden and the reason is because without assigning and committing these funds to reserves they are not reserved. They are undesignated, so if a subsequent council needed to appropriate a million dollars for legal fees they could do it, simply because it was available. Which is where that big pile of money is sitting right now. That rainy day fund, that 70% reserve of \$4 million. It is only there in the cloud of money available, nobody understands what that is for except the five people sitting here and maybe a few of us but it can currently be spent by council for any purpose.*

Mayor Perry: *I noticed the State looking at the counties and it may make a big difference when these funds are sitting somewhere that are designated, it would not count against you. If they decide to say "hey you've got too much money we want some of it for the State." That may be what they are looking at for the counties. But if you designated ...*

Eubank: *It is hard to say but future eligibility for funds may have different thresholds if you have too much money in available spendable fund balance you may be ineligible for a particular entitlement or program. Who can say?*

Klutz: *The two that you are doing right now, one is for IT and one is for what we would call our emergency fund?*

Eubank: *Currently the one for the emergency fund is only stated in our fund balance policy as something to the effect "we would strive to maintain 70% of prior year expenditures." And as a reserve fund, at a minimum, that is what we are trying to do, but it is all available for any spending purpose.*

Klutz: *That is still in the general fund and you have no plan to assign that to a special category. Is that what you are saying?*

Eubank: *Right, at present we have not, but I would like to. We have talked about it. Remember I suggested putting a cap on it at \$3 million and council did not like that and so we are back to the 70%. If we do that the problem is when you do not set a specific amount in reserve, as the fund is right now, the way that policy is set up, it fluctuates. One year it is \$3.7 million one year it is \$3.2 million. Once you move money into a capital reserve fund and you set it up it cannot fluctuate and you cannot take it out unless council takes it out to use for the specific purpose reserved. You could not just take it out of rainy day and put it into a fire truck appropriation or storm water or whatever might come down the pike.*

Klutz: *I do not see that as a bad thing.*

MPT Perry: *No, I do not either and I want to discuss it. That is coming next.*

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Eubank: *If you want to put a specific amount for emergency funds in there all I need is the direction and we will have it in the capital reserve.*

Mayor Perry: *In the budget this year (FY 10-11) we had approximately \$470,000 for a fire truck and we did not spend it. You are not putting it in there, right?*

Eubank: *No, not the \$470,000 in the proposed (FY 11-12) budget.*

Mayor Perry: *That is going to make the whole budget look different but we may put in \$150,000. It will make the whole budget look like it is less but it is not. That obligation is still out there in the future for the \$470,000 truck.*

Eubank: *Right. And when you look back a couple of years when we had the fire station note and we pre-paid it one year, it reduced our fund balance. It was not really expenditure; it was an appropriation to reduce debt.*

Originally when we started that capital reserve program it was for the VIPER system and the fire truck. We were to put \$150,000 a year in for the fire truck and \$120,000 in for the VIPER system and the revenue source stipulation was based on funds availability and yearly council approval. Now again we are sitting on \$4.7 million so one would think that we had the funds available; however we did not designate it and approve a transfer so it did not get done. It stayed in the general fund. Then one year we did and that was the year that it shows with the \$270,000 transfer appropriation. At the end of that budget year it reduced our available spendable income down to \$130,000 instead of \$400,000. Again it shows in our financials but transfers are how we move that money around between funds and that impacts the amount of available ending fund balance.

Stockton: *Are there any more questions on the Capital Improvement Plan?*

Klutz: *Do we have to make a motion to approve this?*

Stockton: *You could do that now or you could do it as part of the approval of the budget. Whichever you would like to do.*

Klutz: *I would like to wait.*

6. FY 2011-12 BUDGET

General Fund Revenues for FY 11-12

Stockton: *The next item is the budget. General fund revenues for FY 11-12 are estimated to be \$5,297,055. Our estimated for FY 10-11 was \$5,352,345 so it is a reduction of \$55,290. We are estimating a reduced amount of revenue.*

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Expenditures for FY 11-12

Stockton: *As you see in this chart we have several categories where we have reductions: council, planning board, board of adjustment, non-departmental, public works, police department, and fire department. Overall we are looking at about a 13.4% reduction in expenditures from FY 10-11 to the proposed FY 11-12.*

Mayor Perry: *And the fire department reduction is because the \$470,000 for the fire truck is not in there.*

Stockton: *Right.*

MPT Perry: *That is what was asked, to buy the fire truck. We had some capital money set aside that we had been building towards.*

Mayor Perry: *We still have around \$300,000.*

Eubank: *More or less, \$325,000 is reserved for purchase of a \$470,000 fire truck.*

MPT Perry: *I just wanted to make sure because what Mike was talking about a while ago had me a little confused. It sounded like that was gone.*

Mayor Perry: *No, buying the fire truck is just not in the budget this year. What may be in the budget is whether we are going to put some money in there to put with that \$325,000.*

MPT Perry: *I understand but we still have the money that we set aside?*

Mayor Perry: *That is still set aside for ... just not in the budget as buying the fire truck. We had it in there as buying it last year knowing we were probably not going to. I think that was one long-time thing we did not do.*

MPT Perry: *It is really a kind of slight-of-hand.*

Mayor Perry: *It is.*

Do Nothing Budget

Stockton: *What I have done is come up with different scenarios for the budget. We can go through these and you can tell me if you like it or do not like it.*

The first one is what I call a "Do Nothing" budget. This was basically because of the proposal from the fire department. The fire department had originally requested three additional personnel and monies for future purchase of the engine. That \$150,000 would be capital reserve we were talking about. Without the additional personnel in the fire department and the engine

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we are looking at a difference of about \$245,000 to \$246,000. Basically the difference is what we would need to balance the budget.

Budget with 3 Firefighters Added

Stockton: This budget is with the three firefighters added. Under this particular scenario we included three firefighters and we included \$150,000 for the future purchase of the engine. That gives us a difference, or deficit, of roughly \$558,000 which would have to be made up either by fund balance transfer or some other means.

Budget with Part-Time Firefighters

Stockton: To give you an idea for this one we included part-time firefighters in the fire department budget. We took that and included 8,760 hours for additional part-time firefighters, plus \$150,000 for future purchase of an engine, and the difference is \$497,459. There again, it would have to be either transferred from fund balance or some other means of funding.

Budget with Assistant Chief

Stockton: Another idea that was suggested was to hire an assistant chief and include \$150,000 for a future purchase of an engine. If you did that the difference would be \$482,573.

How do we make up the difference between expenditures and revenue?

Stockton: The question is how do we make up the difference between the expenditures and the revenues? We have roughly \$558,000 available for transfer. Just to review, we need \$245,686 for the first proposal, the "Do Nothing" budget, \$558,051 for the engine replacement and the addition of three firefighters. Why that is the same as what we have in the fund balance I do not know. An anomaly. We would need \$497,459 for the budget with part-time firefighters and engine replacement and \$482,573 for a budget with hiring an assistant chief and engine replacement.

Where can we obtain additional revenue?

Stockton: I know there has been a lot of discussion about tax increases. To give everyone an idea of the value of a 1 cent tax increase it would generate about \$140,000 from the ad valorem. And we could possibly get another \$96,500 from the revenue sharing which would give us about \$236,500. If you went with 2 cents that could possibly generate about \$473,000.

How does shared revenue change with tax increases?

Stockton: I also wanted to mention the shared revenue. It fluctuates depending upon what the other towns do. It is confusing sometimes about what exactly happens and to give you an idea on the shared revenue, if we increased our tax rate by 1 cent and no other towns increase then we would realize about \$96,523. If Kitty Hawk increased by 1 cent and Nags Head increased

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their tax by 2 cents then the revenue sharing would change to \$51,000. So you see the difference there, the fluctuation. And then the other comparison would be if we do not increase our tax rate and Nags Head increases their rate by 2 cents which I think they are proposing we realize a reduction of shared revenue by \$43,401. That is the down side of that particular situation.

What is included for personnel?

Stockton: *For personnel a 2% step increase, retirement fund continues as proposed, group insurance, 2% 401k contribution for all employees and we have the additional 5% 401k contribution for police and the longevity payments.*

Mayor Perry: *The additional 5% for police I understand we have to do that. Is that plus the 2%?*

Stockton: *Yes.*

What capital outlay is included in the proposed budget?

Stockton: *Capital outlay for the proposed budget includes computers, in-car cameras, vehicles in the police department, breathing apparatus for the fire department and the water tank for the engine in the fire department. Then we also have included \$150,000 for future engine replacement. We talked about that for capital reserve.*

Needed consensus

Stockton: *I guess the question remains do we want to add positions to the fire department? That would probably be my first question.*

Mayor Perry: *My recommendation is to put the money in the budget for the fire truck. My next question is part-time firefighters. Can you explain how it is done now and how you are going to do that for part-time firefighters?*

Spivey: *Yes sir. Right now, currently, we have approved in the budget 8,760 hours and we use a total of 6 firefighters to cover those hours. Some work more hours than others. One of the alternatives we talked about this year was adding another 8,760 hours. Those 8,760 hours really places one part-time person on duty 365 days a year.*

Mayor Perry: *One part-time.*

Spivey: *One person.*

Mayor Perry: *Then how many people do you have on duty?*

Spivey: *That gives us three.*

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Mayor Perry: *That gives you three on duty.*

Spivey: *Yes sir. Right now.*

Mayor Perry: *And what do they get paid?*

Spivey: *The maximum they can get paid is \$10.68 an hour and it based on their qualifications. We currently have one part-time person that is not receiving the maximum and he is receiving around \$9.50 because he is not an EMT.*

Mayor Perry: *And the 1000 hours?*

Spivey: *The figures that were presented, and the Manager can correct me, includes putting those people in the retirement system because we expect to work them more than 1,000 hours ... we have 8,760 hours and we have a couple that did not reach the 1000 hours last year. One that did not, will this year for sure because he started last year. We anticipate working them a 1000 hours.*

MPT Perry: *Or more.*

Spivey: *Or more, yes sir.*

Mayor Perry: *And the cost to the town is the retirement system pay. Is that all that is required?*

MPT Perry: *Workers' comp.*

Klutz: *Workers' comp, social security.*

Mayor Perry: *And that is included in this figure?*

Stockton: *Yes.*

Klutz: *That gives us three people to put on a fire truck and we need four. I have a question about the incentive pay for the volunteers which went up substantially I think. Can the incentive pay be varied so that a fire call incentive is higher than just an overall incentive to show up?*

Spivey: *In the past we have tried certain things. We tried paying per call. We have put percentages on the calls and the number of hours of training and we have always had a number of hours of training attached to it except when we went to the pay per call. We have people who do not want to train, they do not come out for training, and they just respond to fire calls. A person untrained is not doing us a lot of good and that is the reason we have always tied that training in with the incentive. When the incentive started, prior to my return around '90 or '91, Kitty Hawk started providing an incentive. When I got here in '94, basically everybody received incentive, regardless, and there were no requirements. You just received \$100 a month. Basically every member in the department was getting it. And as the fire department board*

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discussed it, this was before we merged with the town; we wanted these individuals to train. Come to training and participate. We revamped that incentive program and added fire calls and training together. Like I said we have fluctuated and have gone to a pay per call for fire calls trying to boost that and it did not work. For some reason we were paying \$10 and we checked other places and they were paying \$20 to \$25 per call. It was still looking at basically the same amount of money and some of these other places we called were having problems with training that did not tie training to the pay per call. We bumped it from \$100 to \$150. Very little ...

Klutz: *Now that is the incentive pay.*

Spivey: *Yes.*

Klutz: *Explain to me how that works. All of them get \$150 a month if they do their requisite amount of training, is that correct?*

Spivey: *If they also respond to 10% of the fire calls.*

Klutz: *Just the fire calls.*

Spivey: *Just the fire calls, not EMS. Fire calls and 3 hours of training a month and they were entitled to \$150. That did not really work. Then we went to \$200, and added for all new members recently, just before the beginning of this year, we put 24 trying to boost our numbers up since Mr. Daniels was here, and hours on duty because it does not matter ... we can count a person as being on duty whether they are being paid or not. So new members coming in, volunteers coming into the department, we require them to spend 24 hours in the station on duty a month. In addition to the 10% fire call and 3 hours of training and we allow them to get their 10% fire calls and training while they are on duty during that 24 hours. That has worked and we require it in a minimum of 6 hour blocks, so they can spend four 6 hour blocks a month to get to 24. And if any fire calls come in while they are on duty and they can get their training, and we do train them while they are there, they get their training and that seems to have been working. That is the reason for the increase in the incentive pay in the coming year.*

When I got here in the early '90's I looked at the past budgets and they were budgeting around \$33,000 for incentive pay in the fire department at that time. And there was nothing tied to it. Over the years, every year we have looked at it and brought it down trying to make a realistic figure as to what we were spending.

Mayor Perry: *If you get an EMT call during the night do you ask other people to come or do just the people at the station go?*

Spivey: *All of our first responder emergencies on an EMT call are handled by the three people that are on duty. We send two people in a smaller vehicle to reduce wear and tear on a fire truck. I noticed about a year ago wherein the fire chief in Winston-Salem received accolades for starting to use a smaller vehicle for emergency responses. And two weeks ago a department in*

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Texas did it and they think that is the best thing. Kitty Hawk has been doing it since we started the first responder program.

Mayor Perry: *How about a fender bender or accident. What happens then?*

Spivey: *We are dispatched to a traffic accident if there is unknown injury, a roadway is blocked, or vehicles are overturned. That is when we get dispatched. If it is a fender bender in the parking lot at Wal-Mart or on the road and both cars move off to the side, we do not get dispatched and do not go. There are other duties that we have to attend to such as vehicle extrication, gasoline and hazardous material spills ...*

Mayor Perry: *I understand that.*

Spivey: *Electrical emergencies ...*

Mayor Perry: *Other people are called in for those?*

Spivey: *Yes sir. We have had that as a fire call.*

Mayor Perry: *That is if you have a crash out there on the highway.*

Spivey: *Yes sir.*

Mayor Perry: *Is dispatch working well with that so you are not getting called when it is not necessary?*

Spivey: *Yes sir.*

Mayor Perry: *I remember we had trouble with that for a while.*

Spivey: *The only problem I have with that is because currently I am the only one with a radio ... it can monitor police and there seems to be a lag time in getting us slowed down or turned around. The new radio system that is going into effect is going to assist us because as long as they work on the dispatched channel we will be able to monitor some of it.*

Mayor Perry: *I was thinking that would help some. All right, I am finished with this portion of the budget.*

Michael: *Mr. Mayor I have another meeting at 11:00 and do not think I have much more to add to your budget discussion.*

Mayor Perry: *You do not have anything in closed session?*

Michael: *I looked at your closed session and am okay with it.*

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Mayor Perry: *Thank you for coming and for the input.*

Attorney Michael left the meeting at this time. (11 AM)

MPT Perry: *Tell me again what you label as a fire call.*

Spivey: *We will label traffic accidents as a fire call. Of course any structure fire is a fire call, and a brush fire is a fire call, anything that we need a fire apparatus, a larger truck for.*

MPT Perry: *When Mr. Daniels was here he was emphasizing response to fire alarms and fire structure calls. If you are logging traffic accidents as a fire call because you are using the fire engine, are you not skewing the record?*

Spivey: *No sir, because the only thing we turn in to him are those type calls that he mentioned. And I log that per individual, per volunteer, per on duty person. And I log a paid return category for those calls for them because the numbers are calculated different. If they are on duty we basically get one for one. If we are coming from home it does not matter who it is, it takes three to get one.*

MPT Perry: *I understand that. I just wanted to make clear that what you are logging as a fire call is not being sent to the State as a fire call unless it deals with a structure fire or a fire alarm.*

Spivey: *No sir. It has nothing to do with what Mr. Daniels talked about. What we are talking about then is them being able to qualify for the incentive program. In other words, when that pager goes off, I would like to see everybody come and I know that is not going to happen but that gives them the opportunity to come and meet their 10% and participate in the call to help out.*

Klutz: *You said when the pager goes off it is only for the volunteers when there is a fire call.*

Spivey: *It is for all people at home. That is the way we notify them. It is for full-time, part-time ...*

Klutz: *But for fire calls.*

Spivey: *Yes.*

Klutz: *Does the pager go off for the volunteers for anything other than a fire?*

Spivey: *It can be and some of them ask that it be. We have one volunteer captain who is a paramedic with Dare County EMS. He lives in town and likes to respond to medical calls. We allow him to do that because he can step up the program if it is something very serious. But he is not required. We do not count that for him or against him as far as the incentive pay goes. The pagers we have now are able to have a two tone page. That is getting ready to change here this week because we will not be able to do that anymore with the new system. But we had one tone*

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for fire and one for EMS. With volunteers coming in we stop adding that tone for the EMS calls. You can set it to where it will go off for either or both and we just took the EMS call or the first responder call right out of the pager. The only way they will know that is if they had it in an open position to monitor everything. Like I told you if it goes off I need you to come. We had a couple that said "well, I wasn't sure." Well, now if it goes off, you are sure, I need you, come on in, no excuse.

MPT Perry: On the part-time, and the rest of council may not realize this because I got some information at my request from Melody. Last year one of the part-timers was within 70 hours of coming very close to being classed full-time and there was a second one that basically was not far behind. Council was very clear we do not want that to happen so you need to monitor it closely. If I understand it correctly the reason that happens is because you were looking at it on a fiscal year but the LGERS is actually done on a calendar year and that messed the first group of numbers up. Yes, no?

Spivey: No sir. We monitor that though very closely. We knew exactly where the individual was. We actually sat down and talked to him. We had cleared up as to whether it was a fiscal year or a calendar year and we were watching that on both sides. We do not monitor on the fiscal year anymore, it is just on a calendar year. The individual in question is going to be right there again this year.

MPT Perry: I just wanted the rest of council to understand that. That it happened.

Bateman: Chief, I have a question. We are here with the additional three part-timers, one full-time assistant chief, or three full-time firefighters because of two calls last year where we had less than four respond to a structure fire?

Spivey: Yes sir and just to make it clear again: as of to date, since Mr. Daniels was here, we have not had another one of those calls.

Bateman: I appreciate what you, the police chief, and everybody do for the town. The mayor brought up something and from a non-governmental business, as far as allocating labor and employment and so forth, could the scenario be as the mayor brought up. For instance designate four people to be on standby for all structure fire calls or assign crews to be on standby for calls. Would that save money?

Spivey: We have tried that. Not in the recent past but we have tried assigning people in groups. We have assigned them different days to respond different hours. Trying to set them up where they are going to respond to a specific call. I do not know when the calls come in. If I knew when the calls were coming in, then we would not have a problem.

Mayor Perry: You would be sitting there waiting.

Spivey: Yes sir, we could be at the address but like I said we tried setting up schedules. Other than having a person we have control over like the full-time, and the part-time somewhat, trying

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to have somebody on duty for a particular type call whenever it comes in just does not work. Are you going to say they cannot go to the grocery store, to Norfolk, or go to visit parents? It just is not going to work. It does not work.

Then we run into the situation of someone not responding. What are you going to do? You need to kick him out of the department. Well I am caught between a rock and a hard place. I can enforce the rule and put them out of the department. Then I do not have them at all anymore because he did not respond on the day that he said he was going to be available because something came up. It is just a hard thing to do.

If I can get them in the station though, and that was the reason for the 24 hours, then I will let them do it at their leisure ... such as your man who has come back in and he has explained that this summer he is going to be very limited on time so he is picking one day where he is going to come in and spend those 24 hours.. That puts him in the station on duty if we get the call. If the call does not come in then it does not come in. Like I said I cannot predict when the calls are coming in. We have looked at daytime/nighttime versus calls. We have looked at day of the week versus calls. There is not enough fluctuation in any of it and to make sure that I am clear when I say daytime/nighttime we are talking from eight in the morning to five in the evening. Then we looked at 7 AM to 6 PM one year and then the next was night after those hours. There is not enough fluctuation to say when those calls are coming in or what day of the week.

Bateman: *If I am at home and my buzzer goes off, it takes four of me to count as one when I arrive?*

Spivey: *Three.*

Bateman: *You would have to have four volunteers at home to respond. You have three at the station and you would have to have four volunteers to respond in order to justify the four that you are supposed to have there.*

Spivey: *Yes sir.*

Bateman: *So you have seven people?*

Spivey: *Correction. Like I said, and Mr. Daniels said, it is hard to explain. First off the General Statute requirement on that four is four physical bodies. Does not matter whether we put them on a fire truck or in a car or what we do as long as we get them there. Then if you are going to put them in the engine like he was talking about, I need a staffing of four. The way that counts, if I get one volunteer to come in I have met the four. But for the grading purposes I need two more to count for four. In his grading for our response and that takes it into consideration and the reason it takes it into consideration is the lag time of getting people on scene. The longer it takes for us to get on scene, the bigger the incident, the more problems we have, the more personnel it takes, and that is the way that ... I know it is hard to explain but physically I have to have four.*

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Klutz: *When you say two more, does that mean two more actually responding to the call or two more on the roster?*

Spivey: *Two more coming to the call. They get on the incident sheet and they have to sign the incident sheet saying they are there.*

Mayor Perry: *But they do not have to be in the fire truck when it leaves.*

Spivey: *That is correct. One thing we do to get that physical fourth person is when Ben is working. Ben gets on the radio and checks en-route and those three leave. Then the rest of them we have coming in get on another apparatus and start ... that is what starts building our points in the rating system.*

Mayor Perry: *You can have people go from home to the incident.*

Spivey: *Yes sir, for the physical four. Then for the staffing that is required on the apparatus, if he is coming from home, then I need three. It is hard to explain and I know I am not doing a good job of it and I do not think he did a good job of it but that is the way the rating system grades us. In other words, Kitty Hawk, based off the needed fire flow, has to have two engines and a ladder for every structure fire type call. If I get three on duty and three more coming, I am not going to get any credit for the ladder, the engine, because I did not have enough people although I had a total of six people that responded. I only got credit for having four on that engine with those six. Does that make sense?*

Bateman: *Not much*

Spivey: *I know it does not.*

Mayor Perry: *Let me tell you where I am. I am in favor of having part-time firefighters, funding the 8,760 hours and putting the \$150,000 in for the fire truck. That is where I am and that is stretching it.*

MPT Perry: *The only thing I was going to say was you are getting too hung up in numbers and rating systems and all those sorts of things. The best we can hope to do is to get a fire engine out with four people on it and deal with the rest of it. Any of these scenarios, any of them that has been presented to you today, it only gets one engine out and four people on it. And you have two other engines sitting there needing volunteers. End of story.*

Bateman: *Now on this I can pretty well tell I am not going to win so I am going to back off on it, but I just feel that ... I have a hard time inside justifying adding employees and adding fire trucks in a situation where the average person in the Town of Kitty Hawk cannot afford to have health insurance. The average person cannot afford to buy what they need to help their families. How am I going to justify raising taxes and we are going to have to. I am, with all due respect to you (turning toward Mayor Perry) you are going to have to raise taxes. Nags Head is going to come up with 2 cents and we are going to be \$40,000 short.*

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Mayor Perry: *I will vote no on taxes. I am sorry.*

Bateman: *I respect that and I am with you Cliff but I also know basic economics. You cannot keep putting the money out there and have it keep going and going. And you keep borrowing from the reserve fund.*

Klutz: *One of the things I think we should take into consideration is so far we have not had a problem. The chief seems to have put in some changes on how the volunteers are working and having them in the fire house more often. So let those changes run long enough to determine if we really do have to add part-time or full-time employees. With the part-time firefighters does that get us four going out on the fire truck? Does that get us where we could put the four physical bodies on a truck?*

Spivey: *Yes ma'am.*

Mayor Perry: *I thought this would give you three.*

Spivey: *No sir. That would give us four. It would give us two full-time and two part-time. And that takes into consideration coverage of vacation and sick time and it may be able to reduce some more of the overtime ...*

Klutz: *How many volunteers do we wind up losing who become part-time firefighters if we do this. I am assuming that you are going to try to take them from your ... if they need a part-time job.*

Spivey: *One or two would meet the qualifications. I have one that is in the Wilson Fire Academy right now that will graduate next month. He would certainly be one.*

MPT Perry: *The only thing I am going to tell you is I have been doing a lot of research and put a lot of effort into understanding historically what happened. How we got to where we are, what the potential risks are, all that information. Now it is time for you to make a decision and pretty much I am going to stay out of it because I have articulated where you are eventually going to wind up whether it is this year or some year down the road.*

Klutz: *I am good with the part-timers.*

Reid: *I can go along with the part-time.*

Klutz: *I went back and looked at some of the projections made in 2003 or 2004 that were made about where Kitty Hawk was going to be. The last census figures show us with a population increase from ten years ago but our population has decreased from three or four years ago. That of course does not mean that structures have not increased because they have but much of what was planned in the past, much of the growth that was projected for the town, has not come to pass. We seem to be on a different trend now so I think hiring part-timers will probably last and be viable for us for some years to come.*

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Mayor Perry: *But we need extra, extra work to try to get volunteers. There needs to be a push for volunteers for structure fires.*

Klutz: *Doing this should not interfere with that.*

Mayor Perry: *That is right. This could go away.*

Spivey: *We are pushing hard for volunteers. Due to a couple of days of bad weather and training some of the new volunteers, we have not started it, but as soon as possible you will see a flyer. We will be coming by door to door soliciting volunteers in the town.*

Klutz: *I know you need qualifications for us to solve the problems we have but I do not know if you have considered soliciting volunteers for things that might free up some of the firefighters. I do not know if it would be a benefit to the fire station but it seems to me if you can get volunteers to do some of those things it would help keep everything running and be a benefit.*

Spivey: *I totally agree and we have explored that. It has worked on an intermittent basis.*

Bateman: *Chief, I am supportive of you. I look at this as being long range, just like a business, and when you see revenues decreasing and you see expenditures constantly increasing and getting further and further apart and it is going to continue to get further and further apart, that is why I asked the questions of you. That is why you increase the revenue which is going to be from taxes or you are going to continue to take from the reserve fund or undesignated fund until there is nothing left and we are in trouble. I do support you. Having said all that I am not going to stop the boat or be negative on this situation.*

Mayor Perry: *I am just one vote.*

Bateman: *I know and I understand. I also understand Gary.*

MPT Perry: *Basically for six months I have been saying what I think but if you want to go with part-time firefighters that is fine. The only thing I would ask you to look at now and in the future is the difference between part-time and full-time. Even the full-time staffing that was originally proposed, which I gave all of you on the spreadsheet, there is not that much difference between the costs. Over time, yes, there would be some additional cost. I mean you are almost paying it right now but we will go with part-time firefighters, see how it goes. It is certainly easier to lay off a part-time firefighter than it is a full-time.*

The question then is what revenue sources are you going to use to pay for the part-time firefighters? I do not know if I am jumping ahead of you or not but we are talking firefighters and it is time to talk whether or not we are going to take this out of the unreserved fund or what Ervin has been alluding to and that is increasing your tax rate.

Mayor Perry: *Well there are some funds that were over the 70%.*

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Eubank: *If everything were the same on June 30th as it is now, and we end up on budget or a little below, we would end up with \$504,896 available. The fund balance to carry forward in next year's budget. That would still allow us to have \$3,760,685 in the rainy day fund. It would still allow us to have \$327,563 in our capital reserve fund for the fire truck and it would also allow us to have \$130,000 in the capital reserve for parks and recreation along with another \$14,000 that is floating around that might have been used for Lillian Street and might still be. That pretty much would cover it. We also have the separation allowance which we have set aside as a reserve for those retirees.*

Mayor Perry: *By doing this we are not going into our 70% reserve at this point.*

Eubank: *We are not. The year is not over.*

Mayor Perry: *I understand.*

Eubank: *And again, like the budgeting of the police officer but not filling it and the budgeting of \$477,000 but only using some or maybe even none of it, that is another question. We have budgeted \$477,000 this year. Do we want to put \$150,000 of that \$477,000 in the current budget year? Not talking about future.*

Klutz: *Put it into the capital reserve for the fire truck?*

Eubank: *We were going to buy it for \$477,000 and that is not going to happen this year. However the line item remains with \$477,000 in there.*

Mayor Perry: *For what?*

Eubank: *For a truck that we are not buying. Do we want to move \$150,000 of that towards the truck and budget in the proposed budget \$150,000 next year? Or do we just want to deal with it next year?*

Mayor Perry: *Move it at this end of the year or budget and move it next year. If we put the \$150,000 in the budget and it goes in this reserve we do not have to put it in the reserve until the end of the year if we do not want to.*

Eubank: *Right.*

Mayor Perry: *Consequently it would be there if there was not enough.*

Klutz: *If you put it in there do you still have \$504,000 that would be made available to pay for these part-time firefighters?*

Eubank: *If the \$150,000 were put in this current fiscal year that we are talking about, yes, all of this is net of \$504,000. We have a \$477,000 line item for the truck, of which, if purchased we would use all \$325,000 in reserves plus available fund balance.*

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Mayor Perry: *It is the same difference. If we want to put it in out of this budget we will have less reserves over the 70% at the end so we can do either one. It is the same amount of money.*

Klutz: *We came up with the number that you said was enough. In fact a little more than enough to cover the \$477,000 that was required. It would cover the expenditure for the part-time firefighters and now my question is, was that number developed because we knew we were not going to spend that \$477,000 for the fire truck or is that taking into account that this past year's budget actually had that expenditure in it and it was not counted in the money that you just mentioned.*

Eubank: *I am not sure I understand the question.*

Klutz: *We are going to have above that 70% that we like to put aside in the amount of about \$504,000 is that correct?*

Eubank: *No. You are going to have \$504,000 regardless if we land the budget this year of \$6.4 million. That is our budget right now and I think we actually appropriated more than that this year. We would still have approximately half a million dollars and the \$3.7 million in reserves. We would still have that. What I did was confuse you by jump starting into the current fiscal year (FY 10-11) rather than the proposed (FY 11-12) budget year.*

Mayor Perry: *The fire truck in this fiscal year budget is \$477,000. At the end of the year we are going to have approximately \$504,000 left over if everything works out. That is including not buying the fire truck and that is why we have that much left over basically. If we had bought the fire truck we would not have almost anything left over.*

Eubank: *Until we are done with this fiscal year I cannot answer that question. There is a lot more to remaining budget appropriations than the fire truck purchase.*

Mayor Perry: *I know, I understand. She is saying why not put the \$150,000 out of this year's budget. Is that what you were saying and not put it in the budget for next year?*

Eubank: *No, I am saying you can do a "both/and" not an "either/or" without impacting the \$504,000. If the existing \$325,000 in reserves is not spent then \$150,000 remains in that line item and is appropriated but not spent in this year's budget (FY 10-11) We could move it into capital reserves for the fire truck for this year if you wish. In next year's budget (FY 11-12) that \$504,000 will change because it is a floating figure. We are proposing to budget \$150,000 for fire truck reserves in the upcoming budget for FY 11-12 since we knew we would not purchase a fire truck this year.*

Mayor Perry: *That is right. It will probably be flushed out next year if your predictions of revenues work out. We will probably wind up with just the 70% and no extra.*

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MPT Perry: *The bottom line is this: what you are asking is if there is enough money in surplus right now, forget unreserved fund balance, is there going to be enough money in surplus to pay for the part-time firefighters next year and you have said yes.*

Eubank: *Right now. June 30th, maybe not.*

Bateman: *There will not be \$43,000 because of Nags Head's 2 cent tax increase.*

Eubank: *That could be the reflection and impact of the reduced revenues.*

Mayor Perry: *What they did last year is what is reflected in this year's budget and what they do this year reflects on next year's budget figures.*

Klutz: *That is why our revenues went down for this year or the year that we are looking at the budget for. That is one of the big reasons.*

Mayor Perry: *We already know what those tax increases last year has done to us for this fiscal budget we are working on now. Whatever they do this year we will have to look at for next year's budget coming up.*

Bateman: *Are you still back pedaling from the Nags Head increase last year?*

Eubank: *That is already affecting us. If it occurred then it is impacting us now.*

Mayor Perry: *I think I am clear on the fire truck now because it is going to be in the reserve and we are going to have this left over if everything works right. So I am clear. Does everybody agree with where we are going?*

MPT Perry: *You are going to pay for part-time firefighters and you are going to pay for the truck out of surplus for the upcoming budget year.*

Stockton: *That includes a fire truck.*

Mayor Perry: *It includes a fire truck.*

Eubank: *In next year's budget.*

Stockton: *We talked about capital reserves for computers and took care of that. The last question for council is: are there any other reductions that you want to be made to off-set the fund balance transfer? The personnel benefits, capital outlay. There was a suggestion before to look at those. I want to make sure you all are in agreement.*

Mayor Perry: *I am okay with personnel right now. I would say personnel in the future may have to change in my opinion, but right now I am okay with going forward with what we have.*

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Klutz: *I am for this year with what we are budgeting.*

MPT Perry: *Leave it be. I made suggestions that dealt with the fire department that basically are moot so I am not ... this year leave it be.*

Mayor Perry: *And I am not obligated to that for next year I will be honest with you.*

Reid: *No changes here.*

MPT Perry: *I have a question. Is council going to direct management to set up this capital account for the emergency, rainy day fund, separate from the unreserved fund balance? We have talked about it, have worked around it, and have tried to understand it. Are we going to tell him for example to set up \$3.5 million or \$4 million dollars in an emergency operating fund so we can separate it out and know we have \$200,000 above that each year to work with? And the public will understand that all we have is not \$4 million dollars plus but we have \$200,000 in excess we have managed to save and use for other things.*

Bateman: *If it would make us operate more efficient and operate as a business, yes, because right now we are just transferring because we can.*

MPT Perry: *Exactly.*

Bateman: *It worries me. If an average business in the United States operated like this we would all be trillions of dollars in debt like the federal government.*

MPT Perry: *This town, like all the others, has been living beyond its means for a very long time. Our ad valorem does not support this town. Our revenue stream from other sources is diminishing yearly. That means in spite of what you do not want to do, and I do not want to raise taxes, I came with that in mind. But I deal in reality and in some future time you are going to have to raise something or cut something really serious. One or the other of those two things has to happen. If it is in this capital reserve for emergency funds and people can see it there, should we have the big storm or whatever, then the money we may need to raise for Lillian Street and other nice projects would be easier to say we need a 1 cent tax increase. Rather than say we need a 1cent increase and hear somebody tell us "well you have 4 million dollars, why don't you spend it?"*

Here is one other thing the mayor alluded to. In The Coastland Times it was talking about Governor Perdue going to the counties and saying "you only have to have an 8% fund balance therefore you can pay for everything else." That is ludicrous. And everybody in finance knows it is ludicrous. But if we have it in a capital reserve in a way that says, well no, we have that set aside for something, then we also have a built in protection.

My question again is do we want to direct management to set this up and present it to us so we can vote on it?

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Mayor Perry: *I am fine with it.*

Klutz: *I say yes. I think it is a healthy thing for us to do.*

MPT Perry: *Mr. Manager, do you have a sense of direction?*

Stockton: *Yes sir.*

Klutz: *I have one more comment. We were looking today at the impact of the 1 cent tax increase in terms of revenues. When the reassessment occurs, our tax base is going to go down. One penny will not bring in as much as it used to. If we are at the point, not this year, but next year, where a penny increase looks necessary, rather than grab it from the emergency fund, I suggest take it during the year when at least you get about the same amount of revenue from that much of an increase.*

Mayor Perry: *You have people out there paying a mortgage and if you do that and they are barely scraping by, every penny counts. They may lose their house. It does not take much in some cases.*

Klutz: *I agree. I do not want to raise taxes.*

Stockton: *There is nothing else that you want to consider? That is my understanding.*

Mayor Perry: *I think so. Can we have a motion to go into closed session?*

MPT Perry: **So move.**

At this time Mayor Perry recognized Finance Officer Eubank.

Eubank: *You directed management to come up with setting the rainy day money aside. What amount do you want or what percentage do you want me to use to calculate the amount we would be setting aside in this capital reserve?*

MPT Perry: *Once it is set in place then that amount stays the same not based on a percentage, correct?*

Eubank: *Well it is definitely set aside and you can raise it, lower it, or you can leave it alone. I made the suggestion one time of three million dollars. I do not know how you all feel about that. It is six months of operating funds which is what most governments use.*

MPT Perry: *That is six months operating today but at least three and a half million should be set aside.*

Bateman and Klutz agreed.

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Eubank: *When we craft this resolution for council it will begin with \$3.5 million as reserved for emergency appropriation.*

Mayor Perry: *And I just want the chief to understand from my perspective, if things do not get better, he might not get this part-time staff. I would definitely work towards trying to get enough volunteers. Before I raise taxes I am going to deal with other things. Now whatever council wants to do is fine.*

Klutz: *I move to go into closed session in accordance with North Carolina General Statute 143-318.11(a)(1) to prevent the disclosure of information that is privileged or confidential pursuant to the laws of this State or of the United States, or not considered a public record within the meaning of Chapter 132 of the General Statutes. And to approve closed session minutes of December 3, 2007, April 7, 2008, April 28, 2008, April 9, 2009, and May 5, 2010.*

And North Carolina General Statute 143-318.11(a)(6) to consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee this is for the town manager annual review. Bateman seconded. The vote was unanimous, 5-0.

Time was 11:44 AM.

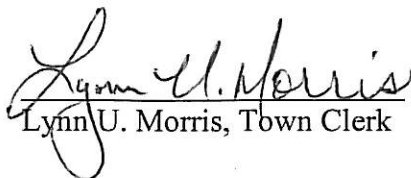
8. RETURN TO REGULAR SESSION

A motion was made by Councilman Bateman and seconded by Mayor Pro Tem Perry to adjourn. Vote was unanimous, 5-0. Time was 12:10 PM.

9. ADJOURN

A motion was made by Councilman Bateman and seconded by Mayor Pro Tem Perry to adjourn. Vote was unanimous, 5-0. Time was 12:10 PM.

These minutes were approved at the June 6, 2011 council meeting.


Lynn U. Morris, Town Clerk


Clifton G. Perry, Mayor