

**MINUTES
KITTY HAWK TOWN COUNCIL
Recessed Meeting
Monday, June 25, 2012
Kitty Hawk Town Hall, 6:00 PM**

Agenda

1. Call to Order from June 11, 2012 Council Meeting
2. Approval of Agenda
3. Consent Agenda:
 - a.) Tax Pick Ups and Releases
 - b.) FY 11-12 Budget Amendment #13. This budget amendment appropriates federal and state grant funding for town costs for flooding caused by Hurricane Irene to public safety equipment and vehicles. The total amount is \$9,701.
 - c.) FY 11-12 Budget Amendment #14. This budget amendment appropriates fund balance for costs for solid waste collection and disposal charges. The amount is \$40,000.
 - d.) FY 11-12 Budget Amendment #15. This budget amendment appropriates additional non-matching grant funds for the Governor's Highway Regional 1A Liaison Grant to replace the radar trailer for the police department. The additional amount is \$14,500. The original grant was \$10,000 and this revision brings the total to \$24,500 as of 6/30/12.
4. Agreement between the Town of Kitty Hawk and the Gallagher's for a Dune Walkover
5. Public Hearing:
 - a.) Fiscal Year 2012-13 Budget
6. Return to Regular Session
7. Public Comment
8. 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, Town Attorney Steve Michael, Planning Director Joe Heard, Finance Officer Mike Eubank, Police Chief David Ward, Fire Chief Lowell Spivey, and Public Works Director Willie Midgett

1. CALL TO ORDER

Mayor Perry called this recessed meeting to order at 6:00 p.m.

2. APPROVAL OF AGENDA

Councilwoman Klutz moved to approve the agenda. MPT Perry seconded the motion and it passed unanimously, 5-0.

3. CONSENT AGENDA

- a.) Tax Pick Ups and Releases. *(Approval of the consent agenda will acknowledge this report.)*
- b.) FY 11-12 Budget Amendment #13. This budget amendment appropriates federal and state grant funding for town costs for flooding caused by Hurricane Irene to public safety equipment and vehicles. The total amount is \$9,701. *(Approval of the consent agenda will approve this amendment.)*
- c.) FY 11-12 Budget Amendment #14. This budget amendment appropriates fund balance for costs for solid waste collection and disposal charges. The amount is \$40,000. *(Approval of the consent agenda will approve this amendment.)*
- d.) FY 11-12 Budget Amendment #15. This budget amendment appropriates additional non-matching grant funds for the Governor's Highway Regional 1A Liaison Grant to replace the radar trailer for the police department. The additional amount is \$14,500. The original grant was \$10,000 and this revision brings the total to \$24,500 as of 6/30/12. *(Approval of the consent agenda will approve this amendment.)*

MPT Perry made a motion to approve the consent agenda as promulgated. Councilwoman Klutz seconded and the motion passed unanimously, 5-0.

4. AGREEMENT BETWEEN THE TOWN OF KITTY HAWK AND THE GALLAGHER'S FOR A DUNE WALKOVER

MPT Perry moved that Mr. Gerry Gallagher be allowed to construct a beach crossover on the town owned property across from 4408 Virginia Dare Trail with the condition that all permits and inspections from the town are obtained and that a license agreement between the town of Kitty Hawk and Gerry and Shelly Gallagher is signed. The motion was seconded by Councilwoman Klutz and passed unanimously, 5-0.

5. PUBLIC HEARING

- a.) Fiscal Year 2012-13 Budget

Councilman Bateman made a motion to go into public hearing and it was seconded by MPT Perry. The motion passed unanimously, 5-0.

Mayor Perry noted there was no public in attendance and asked if council needed to hear the manager's presentation. Councilmembers replied no. Mayor Perry stated the news media is in attendance and asked him if that was satisfactory with him. He replied it was and if he had any questions he would call the manager.

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Mayor Perry asked if anyone wished to speak during the public hearing. No one came forward and he asked for the record to reflect such.

6. RETURN TO REGULAR SESSION

MPT Perry made a motion to go back in regular session and Councilwoman Klutz seconded the motion. It passed unanimously, 5-0.

Mayor Perry: *We have a budget before us with a 2 cent tax increase.*

Klutz: *Now that we know what some of the other town's have done, some of the figures we have are different. Previously we were almost wiping out the fund balance if everybody else just kept their taxes where they were. Now that situation is worse is it not?*

Mayor Perry: *That situation is somewhat worse.*

Bateman: *Mike could you come up and share with them what you shared with me. I asked Mike today ...*

MPT Perry: *Steve should we make a motion first or is this discussion okay?*

Michael: *This discussion is fine. You can discuss now and then when you make your motion you can further discuss it if you want.*

Eubank: *I do not know how detailed you want me to go to answer Councilwoman Klutz's question. It is going to impact us. I did a spreadsheet for him and I will read it. I also have budget spreadsheets that you have seen. Essentially what they do is recap our process for revenue projections. The original budget proposal at 18 cents per hundred, and no increases figured in the neighboring towns for revenues, required a fund balance appropriation of \$756,838. We were sent back and revised the budget to which is now before you. It has a 2 cent tax increase and if no other town raises their tax rate it would require a budget appropriation from fund balance of \$294,651. That is what you are considering tonight. There are anticipated increases based on what we now know or pretty sure know what is going to happen; an increase of 2 cents per hundred for the towns of Manteo, Southern Shores, Nags Head, and Kill Devil Hills.*

Klutz: *Nags Head?*

Eubank: *That is not a fact but we can pretty much assume it is going to happen. If all that goes down and you vote for the budget as proposed right now it will impact us negatively approximately a hundred thousand dollars.*

Mayor Perry: *So that would be \$394, 651 basically.*

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Eubank: *Correct, more or less. To summarize, if the current revised budget of 2 cents per hundred is approved, a future amendment may be required to offset these revenues into the next fiscal year. If our departments do not spend a hundred thousand cumulatively, we will not need that amendment. Or if our revenues are better than we project we would not need it but if worse case scenario occurred then we might need a hundred thousand dollars based on estimates and projections.*

A consideration of an additional penny, 3 cents per hundred, would compensate for the expected increases of all these towns and would eliminate the additional fund balance appropriation and would probably provide us with a slight surplus. I would revise the budget only for the ad valorem taxes and leave all of the impacts because there are still question marks on any of those. If we ended up with a surplus it would probably eliminate the need for additional fund balance appropriation.

Mayor Perry: *With a transfer of additional fund balance.*

Eubank: *If we went to 3 cents but we could also wait it out and possibly have to face a hundred thousand dollar budget amendment in the next fiscal year to balance it. Right now we will be balanced because if we adopt this budget we are not going to change any of those numbers at 2 cents per hundred.*

Mayor Perry: *But this year we are fortunate enough not to have to use the entire fund balance transfer.*

Eubank: *Right. On the report I will be giving you for May, the commentary looking into the future, I am anticipating out of the fund balance appropriations that we currently have in this fiscal year we had \$510,000 as a possible appropriation needed to balance the budget. We have increased that to a little over \$600,000 in appropriations. I anticipate everything is on track and I anticipate possibly having to use \$200,000, which of the \$510,000 or \$200,000 of the \$610,000. So we are not going to be completely bare boned on our budget fund balance depletion. It will be a little better but it will not be the \$756,000 that you were looking at the end of last year.*

Klutz: *After we have done all of that and taken what we need out to balance this year's budget, I am interpreting what you are saying, with a 2 cent tax increase we may be a hundred thousand dollars short. If all of the other towns do what they say they are going to do but that is something we could deal with next year if that is the case.*

Eubank: *Deal with it next year as long as you all are aware that what we are appropriating in this year's budget is \$200,000 and some change, \$294,000, and it could be \$394,000 if we had to do it. We would not be considering it until probably the last quarter of next fiscal year.*

Mayor Perry: *And if we come out next year like we did this year we may not have to do that.*

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Eubank: *We may not have to do that. If you would like I can bring up a spreadsheet and show you the impacts. Basically our shared revenues are going to decline. Currently we are projecting \$186,000 to \$196,000 based on no increases by anybody else. With the projections of the four towns that I am talking about, the 2 cent increase will drop the shortfall to \$87,590, shorting us approximately a hundred thousand dollars.*

Klutz: *And that is with 2 cents.*

Eubank: *With 2 cents. If we go to 3 cents it will put a \$175,000 of that \$186,000 shortfall back, plus we would pick up another \$142,000 more in ad valorem taxes because a penny is worth that much on our tax base.*

Klutz: *We advertised 2 cents and we have no one here. If we had advertised 3 cents would we have people here?*

Mayor Perry: *Not until they get their bill.*

MPT Perry: *Are we ready for a motion?*

Bateman: *No. I want to talk about this because ...*

MPT Perry: *I know you want 3 cents.*

Bateman: *Well no ... but I want to talk about ... and I want you guys to talk me out of wanting 3 cents. I am serious. I mean the bottom line is ... and Cliff you made a good point last night. You made a comment that the Town of Kitty Hawk needed 4 cents but for the people we only need 2 cents. That makes a lot of sense, it really does. I appreciate that but the people of Kitty Hawk also deserve to get their share of the revenue and they are not getting it because other towns are taking that money. Just this week we have lost a hundred thousand dollars because of not anything the Town of Kitty Hawk has done, nor what the department heads have done, but because other towns, for whatever reason, raise taxes 2 cents. That is what the issue is. So do we sit back and let other people be in charge of our destiny or do we go ahead and do 3 cents? I will compromise with 3 instead of the 4 that I was pushing before.*

Klutz: *But the problem is, yes, they will get cheated out of shared revenues but it is going to cost them an extra penny on their property taxes. I was agonizing over 2 cents because of everything the people have been through this year between the hurricane and the economy still being bad. If you are looking at an additional 1 cent per hundred on property valuations they are going to have to pay more to get that additional portion of the shared revenues. I feel if the people were asked they would say balance the budget and keep things bare bones and if we have to go back and get some more at the end of the year then that is what we should do. Out of our pocket we are going to lose but out of their pockets they are going to pay more in property taxes.*

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Bateman: *That is a good point and I do not want to raise taxes. I am just trying to look at it from a business point of view. That is how you operate a business. When revenues decrease you have to raise revenue.*

Mayor Perry: *I understand and that is a business where people have an option of whether or not to take part in that business. If we were trying to build a town, had our focus on just building a town and ... that would be a 4 cent thing but if you are trying to provide a service for people we can do it out of the 2 cents and still maintain what we are doing. I do not want to do anything but I think we almost need to raise it 2 cents.*

Klutz: *And that is the question. Is it needed to balance the budget? I think the answer is yes.*

Mayor Perry: *Without taking all of our unrestricted reserve spending money to do it, yes, I think we do. We can cut back on what we have put away for disasters and that type of thing and we can take some out of it, but at some point if that keeps going downhill ... if we do that ... and what really concerns me is the revaluation next year. I do not know what people are going to get hit with and that really concerns me. I am okay with the 2 cents because I think it is probably the sensible thing to do but I cannot push any more than that. I know there are a lot of people hurting and I do not want to do it and we could make it without doing it but I think ... because it is pushed upon us from other towns doing what they are doing and we kind of need to. I do not want to do it for that purpose but that is where our shortfall has come from. Other towns raising ad valorem taxes and we have not for 10 or 12 years.*

MPT Perry: *First off I am not going with 3 cents for the simple reason we did not advertise it and we have a public hearing with no public here. I did not get a single peep. I got one email which I shared with all of you and it said raise taxes, they understood, but that was all I received. We are also holding this hearing at an "odd duck" time as far as not being during a regular televised meeting night so the public really does not know what is going on and that bothers me.*

Mayor: *We probably should have had it on television however there are so many people now that do not have the government channel because they have Dish or something else.*

MPT Perry: *Well we have a news reporter here and he is going to do a good job of reporting. The other towns are taking some of the money, there is no question, but Manteo has problems. Southern Shores also. I do not agree with some of their issues but they still have problems and they are trying to budget for it. We can make this with the 2 cents and see what happens next year and if we have to go into our emergency fund that is what it is there for. At that point we can further justify what we need to do at that time. But this is the wrong time to do it for the reasons that have been stated. The hurricane, people are hurting, the economy is down and may go further down before it is over with. With that said, **I move for approval of the Fiscal Year 2012-2013 proposed budget as submitted and described under discussion by the town manager and authorize the mayor to sign the Budget Ordinance (Ord. No.12-06), the Town Council***

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Goals, Work Objectives, and Financial Policies for Fiscal Year 2012-2013, Board and Committee Work Plans, Town of Kitty Hawk Position Classification Plan and Salary Scale for Fiscal Year 2012-2013, and Schedule of Fees. I further move that the tax rate for Fiscal Year 2012-2013 shall be 20 cents per \$100 of valuation of taxable property. Councilwoman Klutz seconded the motion.

MPT Perry: *Before we approve this I would like for council to sign off on the fact that given all we are dealing with it seems appropriate to me that council should sign off on all capital purchases before they are bought. In other words we are putting money in the budget to do certain things ...*

Mayor Perry: *As we have in the previous two years.*

MPT Perry: *As we have but I think we need it stipulated that that is what we want to happen. And if someone were to leave the town, for whatever reason, I think council should be privy. No new hires without council approval, even if it is an assigned billet, so we do not get into one of the problems we had once in the past. Does that make sense to the rest of you? (Councilmembers replied yes.) All right, I am ready for a vote.*

Bateman: *Listen, I hope you understand I am not out here ... just trying to present another opinion from a business point of view is all I am doing. I do not want to raise taxes on people. Cliff you know me. I have to look at it from all aspects and I know how tough it is to be in business and I know how things are coming up so ...*

Mayor Perry: *I understand where you are coming from.*

Bateman: *And I want to show unity on the board. I am going to vote for the 2 cents.*

Mayor Perry: *I understand where you are coming from and I know what really, probably, just for town purposes should be done, but also you have to look at the ...*

Bateman: *I respect that.*

Mayor Perry: *I have to look at the people who are paying the bills. They do not have a choice.*

Bateman: *I agree.*

Mayor Perry: *Anybody else? All those in favor?*

Vote was 5-0.

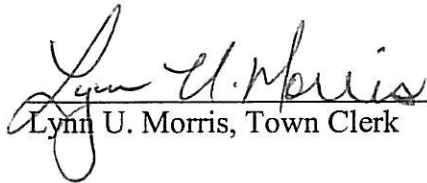
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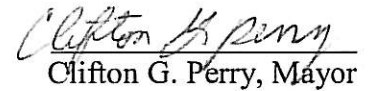
7. PUBLIC COMMENT

There was no public comment.

8. ADJOURN

Councilman Bateman moved to adjourn and MPT Perry seconded the motion. It passed unanimously, 5-0. Time was 6:23 p.m.


Lynn U. Morris, Town Clerk


Clifton G. Perry, Mayor

These minutes were approved at the *August 6, 2012* council meeting.