

**MINUTES
KITTY HAWK TOWN COUNCIL
Recessed Meeting
March 17, 2014
Kitty Hawk Town Hall, 9:00 AM**

Agenda

1. Call to Order Recessed Meeting from March 3, 2014
2. Approval of Agenda
3. Resolution Declaring March 16-22, 2014 as Flood Safety Awareness Week
4. Overview of High Deductible Insurance Plan and Health Savings Account
5. Revenue Projections
 - Beach Nourishment/Possible Tax Increase
6. Fiscal Year 2014-15 Budget Discussion:
 - Format
 - Departmental Budgets
 - Affordable Care Act
 - Fire Department Staffing
7. Adjourn

COUNCIL MEMBERS PRESENT:

Mayor Gary Perry, Mayor Pro Tem Ervin Bateman, Councilman Craig Garriss, and Councilman Jeff Pruitt

COUNCIL MEMBERS ABSENT:

Councilwoman Emilie Klutz

STAFF MEMBERS PRESENT:

Town Manager John Stockton, Town Clerk Lynn Morris, Town Attorney Steve Michael, Finance Officer Charlene Allen, Management Assistant Melody Clopton, Planning Director Joe Heard, Police Chief Joel Johnson, Fire Chief Lowell Spivey and Public Works Director Willie Midgett

1. Call to Order Recessed Meeting from March 3, 2014

Mayor Perry called this recessed meeting to order at 9 a.m.

2. Approval of Agenda

Councilman Pruitt made a motion to approve the agenda. MPT Bateman seconded the motion and it passed unanimously, 4-0.

3. Resolution Declaring March 16-22, 2014 as Flood Safety Awareness Week

Mayor Perry noted adopting this resolution helps property owners with a discount on flood insurance.

Councilman Garriss made a motion to adopt the resolution declaring March 16 through the 22nd, 2014 as "Flood Safety Awareness Week." MPT Bateman seconded the motion and it passed unanimously, 4-0.

4. Overview of High Deductible Insurance Plan and Health Savings Account

Mayor Perry explained he has asked for a couple of things that council does not normally get into but health insurance and the Affordable Care Act the town is butting up against makes it necessary. There is a reprieve on the ACA but it will still help everyone to understand what is out there, how it works and then later how it might impact the town. It is also important for staff to understand what they have as a benefit.

Clopton: *The town currently offers a High Deductible Health Plan and the acronym for it is HDHP. Our particular plan is administered through Blue Cross/Blue Shield. We offer 4 tiers of coverage to staff: employee only, employee child or children, employee/spouse and employee/family. Our plan has an annual deductible of \$1,500 for employee only coverage and \$2,500 for all other tiers of coverage. The plan works basically in two stages. Before the deductible is reached an employee pays out of pocket for all medical expenses including prescriptions. All out of pocket expenses incurred are applied to the deductible. In stage two, after the deductible is reached, covered services are paid 100% by Blue Cross/Blue Shield. The deductible resets annually at the end of each plan year and the town's plan year runs from July 1st to June 30th.*

Perry: *Emilie had a question on this. Will the Affordable Care Act affect us in 2016?*

Clopton: *At this point it does not seem it will with the particular plan we are offering. The advantages of an HDHP typically are that it has a lower monthly premium, it encourages participants to analyze health care decisions and expenses and it provides eligibility to participate in a Health Savings Account which is called an HSA. The town currently pays a premium of \$521.13 per employee and 50% of dependent coverage. Employee/children costs the town \$202.20, employee/spouse \$350.74 and employee/family \$672.74. Those are monthly totals. On this slide is a comparison of the town's premium for each tier of coverage compared to other localities in the area. The town is the darker blue bar all the way to the left on each tier. The employee cost by town for health benefits is also in the darker blue compared to other localities.*

A Health Savings Account (HSA) is a tax free account that can only be acquired if you have a high deductible health plan. All money put into the HSA, whether it is from the employee or the employer can be used to pay for most medical expenses including doctor visits, prescription

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drugs, dental and vision care. The tax benefit of an HSA is that every dollar contributed to the account earns interest and can be withdrawn tax free as long as the money is used for qualified medical expenses. This is not like a Flexible Spending Account which is a "use it or lose it" option. HSA accounts roll over from year to year and they are portable. They are employee owned and an employee can take it with them should they leave. Annual contributions change, generally per IRS regulations, each year. In 2014 single HSA holders can contribute up to \$3,300 annually tax free and families up to \$6,550 annually. There is a catchup for anybody over the age of 55 and they can contribute an additional \$1,000.

Perry: *If somebody needed the HSA money and they paid the taxes on it could they use it for anything else?*

Clopton: *Yes. I believe it might be like making a withdrawal from a 401k. It has a higher ...*

Perry: *... a penalty. I'll tell you the flex spending account is what the Tourist Bureau has and it is nowhere near as good as this one. Plus it is more expensive so there are two disadvantages. This has a real advantage.*

Clopton: *The town currently makes contributions to each employee HSA account. For employee only coverage the town contributes \$104.17 per month or \$1,250 annually and for every other tier of coverage \$156.25 per month or \$1,875 annually.*

Perry: *Concerning the employee only, if an employee uses what the town provides, and the town is not obligated to do that, if he uses that annually he is effectively only paying out of pocket \$250 per year for full coverage. And the family is in a similar situation only paying \$625 out of pocket. That is as close to 100% coverage as anybody in today's world can ever find.*

Clopton: *If you add the cost of the HSA contribution to the cost of the monthly premium you can see the town's contribution as compared to other entities. Does anyone have any questions?*

Perry: *I think maybe a comment is appropriate. In the amount that the town is paying compared to others that can be misleading because some other towns are smaller and have a smaller number of employees. It is important to understand that their plans might be different and a smaller number of employees may mean they are actually paying more per employee so be very careful looking at that graph. It can be misleading as far as what we are giving to employees versus what other towns would appear to be giving to theirs. That graph is not really where we want to go in trying to show what we are giving versus others. Thank you. Did anyone on council understand this before she made the presentation?*

Bateman: *I did not and I am glad it was brought up.*

Pruitt: *I understand it a lot better.*

5. Revenue Projections

• **Beach Nourishment/Possible Tax Increase**

Allen: *Good morning mayor, council. I would like to introduce Marlene Meyer who is in attendance today. She is the other member of our finance team and is very productive in reviewing the expenditures and payroll for the town. I really appreciate her being here.*

I put in your packet a couple of different handouts. There is the PowerPoint slide and there is also a handout about revenues. An overview of what revenue the town has and revenue sources. I also included Sales Tax Reform information.

This is a budget guidance meeting and we hope to get direction from you as far as revenues in preparing the budget. Currently we are going to talk about ad valorem taxes, Storm Damage Reduction and the distribution of shared tax revenue, fund balance and our capital reserve funds.

This slide shows Fiscal Year 12-13 and is based on actual audited figures not what was budgeted. Fiscal Year 13-14 is what is budgeted and also shows any adjustment in our ad valorem taxes based on appeals and increases. We have had a slight increase in our valuation. The Fiscal Year 14-15 shows preliminary revenue projections so we can have a number to move forward with. This may change slightly between now and when the budget is adopted. The projected revenue for 2014-15 is \$6,723,891 and it does not include fund balance.

Perry: *Question. I am going from some comments that Emilie provided me on the budget which I don't think you have yet. She is asking what are the numbers depicted in the 14-15 graph slide.*

Allen: *I have a chart that I can give you with more detail.*

Perry: *We will have another workshop. Would you provide those at the next one?*

Allen: *You will get details on each line item. This is a pie chart to show where we get our revenue. Ad valorem taxes are 56%, Occupancy tax 16% and 14% is Sales tax. The rest is Land Transfer tax and other taxes from the state. Those other taxes include the Beer and Wine alcohol tax and the Franchise tax.*

The shared revenues are distributed to the town based on a formula. This is a review of a 30 cent ad valorem tax. The Sales tax percentage is 3.7 and our Occupancy tax percentage is 12.69. This has increased from the previous year and is looking at it as if all the other towns stay where they are with regards to property taxes.

The next slide is if there is an increase in Kitty Hawk to 32 cents and it shows the 2 cents is for Storm Damage Reduction. We have had conversations about setting aside funds specifically for that and this shows the increase in Sales Tax and Occupancy Tax.

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Perry: *Assuming all other towns remain the same.*

Allen: *Exactly. If other towns decide they are going to do a project and they need a 3 cent increase then that will affect our shared revenue formula. When we come back in May this may change based on what other towns are doing.*

Our levy valuation currently is around \$1,067,861,945. This includes all appeal adjustments, real property, personal property and utilities. Last fiscal year we had a revaluation for the town and there were some adjustments made. I have been working with Dare County and this is a good number to move forward with. At 30 cents, our current tax rate, and with a 98.93% collection rate it would bring in around \$3,169,307. The way that is calculated is multiply the valuation by the collection rate and divide by 100. Then multiply it by the tax rate. One penny generates approximately \$105,643.

In Fiscal Year 13-14 we budgeted at a 98.93% collection rate. That is where we were when we adopted the budget. However at June 30th the rate was actually 99.3%. If you do the calculations it is about an \$11,000 increase on the total moving forward as of June 30th last year. According to the general statutes the town cannot adopt a collection rate percentage greater than the collection rate at June 30th. If we are closer to 99% when we adopt the budget this year we can increase that figure for the collection rate.

We have talked about what we would do if we proposed an increase for the Storm Damage Reduction, which would be a Capital Project Ordinance, and council would adopt. The levy based on 2 cents would bring in around \$211,387.

Perry: *Council understands this proposed increase would be set aside in a capital fund versus a municipal district. Even though we as a council dedicate the funds to this project some future council, if it is still there, could do something else with it as opposed to a municipal district that would dedicate it. It could only be used for beach nourishment or whatever it was dedicated to. So if we do this there is nothing to say it cannot be used for an outfall or given back or whatever the case may be. We decide what to do with it.*

Allen: *Everybody is wondering what it costs the taxpayer if you increase the rate 2 cents to put in that fund or a penny for the capital reserve fund or a penny for the cost of doing business in the town. If a home is valued at \$300,000 and the rate is increased 2 cents it would cost the taxpayer around \$60 a year or \$5 a month. A \$750,000 home would be around \$150 a year or \$12.50 a month.*

The fund balance remaining in FY 13-14 is \$444,342. This is what we had as of June 30, 2013 and any additional appropriations we have done this current year. The council has also adopted a working fund balance policy to set aside \$3.5 million in reserve for a working capital fund balance policy. It is for cash flow purposes should there be a significant, catastrophic event in town. Unassigned fund balance is around \$3,944,342. Our fund balance percentage of

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expenditures for current year 13-14 is around 59%. The general statutes require a much less percentage however most coastal towns have a high amount set aside.

Bateman: *What is the lowest point you can have?*

Allen: *8%*

Bateman: *And the county is at 13% is that right?*

Allen: *Yes and when you look at places like Raleigh and Wake County their fund balance, percentage wise, is much less than ours. However they are not on the coast and it makes a huge difference.*

Looking at the remaining fund balance of \$444,342 that is what you have to work with moving forward for the Fiscal Year 14-15 budget. Any increase in shared revenue and ad valorem taxes will increase this number also.

Perry: *An increase that is not offset by an expenditure. I mean we could raise taxes and just build a fund in addition to the fund we have set aside but we have to keep in mind if we raise taxes to pay for something then this fund balance, unassigned, it does not stay static. Whatever we spend starts to offset as long as we don't get into the \$3.5 million which we are keeping aside. Let's not lose sight of that.*

Allen: *This is what we have in Capital Reserves currently moving forward. The town has in the past set aside funds for example to buy fire apparatus. Currently we have Information Technology Reserves at \$68,299, Powell Bill Reserve funds of \$318,089 and Parks and Trails Reserves of \$136,093. The total reserve balance is \$522,481.*

Perry: *What about the projects we are doing on Goosander and Ridge Road.*

Allen: *The projects already appropriated in the budget this year does not include the Poseidon and Goosander project.*

Governor Pat McCrory introduced the 2013 Sales Tax Reform and there are some great increases as far as bringing revenue to the State of North Carolina. However a lot of those implementations were not effective until January 2014 and July 2014 and we will not see the benefits of that until another year. When we are budgeting for 2015-16 we may see a slight increase in Sales tax based on what the Department of Revenue has told us. I have budgeted a 1% increase in Sales tax. There is a handout that will help explain this reform and it includes taxing movies, concert tickets, repair and maintenance contracts. They have never had to charge it until this past January 2014.

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July 2014 is the next item. It is a franchise fee reduction. Currently the electricity and natural gas and other franchise fees have been distributed to the municipalities based on taxes. The state is taking over the collections and they are going to give back to the municipalities 44% of those collections. They are going to distribute to us what we have currently been allocated. They are going to distribute the same amount to us in Fiscal Year 14-15. However if their forecasting does not bring in what they thought and there are any adjustments they will realign those to the municipalities. We are talking about \$200,000 in our budget. In the proposed preliminary revenues I have proposed the same amount we have this year. Dave Baker with the Department of Revenue stated at a conference in Raleigh I attended two weeks ago there may be minor adjustments.

Potential tax rate increases in other towns will also impact our shared revenues.

Perry: *Thank you. That is very illuminating. I read through the tax reform information and it looks to me like at least this year, like you said, it is going to be status quo but the future years we are only getting 44% of what we have been used to.*

Allen: *The state will distribute 44%, which they estimate to be close to the current distribution. It is going to be an increase from 3% to 7% taxation on electricity and natural gas.*

Perry: *Because it is a sales tax on the consumption of electricity and so forth.*

Allen: *It is. Exactly.*

Perry: *All right we will see what happens.*

Allen: *I would like to add that if anyone has questions please email me or come in and we can discuss them.*

6. Fiscal Year 2014-15 Budget Discussion

- **Format**

Stockton: As Charlene mentioned, and I cannot help but reiterate the point, these are preliminary revenue projections. We should know more in May.

This is the contents we have used in the past for our budgets and I wanted to see if there is any comment or any questions. There is the budget message, budget ordinance which is required by statute, general fund revenue and expenditure summaries, individual departmental budgets, calendar for budget development, the goals, work objectives and financial policies, board and committee work plans, a section for position classification and salary scale, a schedule of

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fees, capital expenditures, approved positions, longevity awards, retiree health insurances, separation allowances and the retiree life insurances.

- **Departmental Budgets**

Stockton: *For the Town Council there is a reduction from last year because of the elections. There are no town elections this year and it was taken out.*

Under Administrative Services, for personnel, and under all personnel we have included a 2% step increase for salaries. All of the departments will reflect that. We have a 4.2% overall increase in personnel costs under administrative services. That includes an increase in hours requested for the IT person. We are finding he has more work than what we were budgeting and have bumped that up a little to allow him to work more. We have an increase for telephones because the payment was moved from non-departmental over into the administrative services.

For Finance there again is a 2% step increase and a decrease in audit actuaries by \$2,600. It has to do with the study done every 3 years and the last one was done in FY 13-14. They have asked for an office chair and a fire proof file cabinet. There is actually a decrease there of \$1,459 from this year.

Planning and Inspections has a 2% step increase and there is a slight increase in vehicle supplies for fuel. The cost of gas keeps going up. There is an increase for postage and that is due to the Land Use Plan update the department is budgeting for next year.

Perry: *An increase for the Land Use Plan?*

Stockton: *The postage is increasing and goes from \$1,800 this year to \$3,400 requested.*

Perry: *That is presuming there is going to be an update to the Land Use Plan and requires a survey or something. Is that what you are projecting?*

Heard: *We presumed the council and planning board would be seeking some citizen input as part of the process. If that is the case we put an increase for postage and printing for that purpose.*

Perry: *But you do not have permission from council yet to do the Land Use update.*

Heard: *That is correct. It is our understanding you would be discussing it as part of the budget process.*

Perry: *CAMA never did have a meeting. They were postponed twice and now it is scheduled for May 22nd?*

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Heard: *That is correct.*

Perry: *We are not really going to know any benefit from that particular convention until well after our budget is established will we?*

Heard: *Not at this point that is correct.*

Perry: *We have been told not to do a Land Use Plan without them bringing their regulations up to date and we have held off because there is no extra money to do it. Right now you are planning to do one based solely on town funds. Is that what I am hearing?*

Heard: *That is correct.*

Perry: *I want you folks to mark that because I am not sure that is going to happen. Set that aside in your mind to decide whether or not we proceed with it. I don't want to do an update until we know we have new regulations and rules to follow.*

I noticed under legal services there is \$600 that we did not have before. What is that increase for?

Heard: *The firm our town attorney is a member of has started charging some things that they have determined to be outside the box of their contract. Things they have typically, for many years, done for us and not charged, this past year they have been a little more diligent in looking at exactly what duties and they ... it is not a large amount but from time to time there will be things we need to seek their advice about.*

Perry: *I am actually surprised it is just now coming. And you are asking more questions than you used to because of the environment we are in legally. All right I understand. That is justified. Thank you.*

Bateman: *Joe when was the last time we had a CAMA Land Use update?*

Heard: *The town adopted it in 2004 and then the CRC did not technically adopt it until 2005. Prior to that we had done updates on a five year cycle.*

Stockton: *On the funding for the Land Use Plan we could take it out of the budget and then if it does come to be I think we could make a budget amendment. Am I right Charlene?*

Allen: *Yes.*

Perry: *Jeff and Craig are you familiar enough with it to give direction to proceed or not? Do you feel comfortable at this point in our budget to nix it? Give us your input.*

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Bateman: *Find out what CAMA comes back with before we start allocating money or say we are going to spend money. I would rather hold off.*

Garriss: *I would too.*

Pruitt: *I would hate to see us come up with a plan and then it not fit the guidelines.*

Perry: *And spend the money too. Put that on the back burner and take it out. It will happen we just need to have our ducks in row.*

Pruitt: *Why did the engineering increase so much this year? From \$0 to \$5,000.*

Stockton: *Under professional services? It actually had a decrease.*

Pruitt: *I'm on the planning board.*

Perry: *I had the same question so when we get to the board we will ask.*

Stockton: **Public Works** *has the same with the 2% step increase.*

Perry: *On the salaries, and this holds true for public works, police department maybe, but I am not sure, fire department most assuredly. That figure for salaries and wages includes part time. Is that correct? If somebody who sees we have four full time employees and doesn't realize there are part time in there they are thinking we are paying an awful lot of money to the full time employees. They won't know any better. I want that in a line item.*

Stockton: *You would like to break that out.*

Perry: *Part time goes in a line item. You agree with that? (Council agreed.) The public will understand what you are doing and that is what I really want. Does the police department have part time?*

Johnson: *Some*

Perry: *Just like overtime is pulled out in a separate line. Volunteers in the fire department we will get to that but basically we have to pull this out and dissect it enough that it is understandable and it doesn't look skewed. That is what I am after. Anybody else?*

Stockton: *Looking at operations in **Public Works** we have had some slight increases overall in our request. Solid waste is pretty much about the same under environmental services.*

Garriss: *Why the huge increase in Icarus?*

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Stockton: *There is some maintenance work that needs to be done. Willie you want to explain that?*

Midgett: *The pylons and the dome at the monument are stainless steel. They are coated with a sealant the artists put on when they were originally developed due to our environment. The sealant comes off usually between four and six years and it is time to be done again.*

Perry: *Isn't there a fund set up for maintenance?*

Midgett: *There is money that will come from the Icarus trust.*

Perry: *So there are some funds in here that look like we are paying for them directly but we are not.*

Allen: *We will budget the \$18,000 in revenue because they send us the money. It shows up as a revenue line item and is also shown on the expenditure side.*

Perry: *But here it looks like it is being paid out of his budget. That was a good question thank you.*

Garriss: *Willie since it has been erected has it been treated just once and this will be the second treatment?*

Midgett: *Since I've been here correct.*

Perry: *There are a couple of other things I think in the budget that are similar.*

Stockton: *I want to mention the request from public works on a replacement of a service truck, paving of the bath house and capital reserve for a broom tractor.*

Perry: *On capital requests that deal with vehicles. We issued a policy about two or three years ago that vehicles need to operate for ten years or a hundred thousand miles and council needs to see mileage and years. It would be helpful if we also had an attachment that showed whatever maintenance history you have on the vehicle you are trying to replace. In the future I would like to see council get, anytime a vehicle is being expended, what are the miles, what are the years and some sort of a history on it.*

Stockton: *Be glad to do that.*

Perry: *I have a question on paving the bath house and the broom tractor. First off Willie, I thought you had a broom that attached to the Kubota.*

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Midgett: *There is a broom that was originally bought for the Kubota but the Kubota does not have the volume capacity and hydraulic pump to turn it like it is supposed to be operated. It barely turns and not enough to actually sweep.*

Perry: *When you say a broom tractor you are talking the whole nine yards? Self-contained ...*

Midgett: *Yes. A self-contained broom however instead of doing that we can also work it into the replacement of the Kubota tractor. The Kubota is in the CIP to be replaced at a later date. The replacement of the Kubota will have a broom attachment which would suffice and have grader attachments.*

Perry: *If I read this right you are asking for a self-propelled broom tractor.*

Midgett: *Similar to what the state has and they allow us to borrow at times.*

Perry: *The road that you are trying to keep sand free is a state road.*

Midgett: *Plus our sections of road on that side get sandy at times. When they allow us to use it we use it for our roads as well and I sweep theirs when I have it.*

Perry: *So councilmembers how important is it to have a broom truck to sweep sand off of what? Two beach roads? Is that what we are talking about? Lindbergh and ...*

Midgett: *Our east/west streets and between the highways.*

Perry: *You can scrape them with your backhoe.*

Midgett: *Correct but the roads are more slippery after it has been scraped than it is with just the sand on the road.*

Bateman: *Are we also using this to sweep Highway 12?*

Perry: *Yes.*

Bateman: *I think the tractor at many times would be very beneficial because we have so many people using the beach road. They are running and riding bicycles and the sand is continuously on the road so I am open minded about it.*

Garriss: *It would be nice to have. I know what you are referring to about it being a state maintained road and sometimes it is hard to get them quickly when you need them.*

Bateman: *Where else would you use it besides Lindbergh and Highway 12?*

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Midgett: *Kitty Hawk Road, Bob Perry Road where they come out with the stone from Earth Resources. We usually end up sweeping that. And coming out of the RPC area is usually pretty gravelly.*

Garriss: *In other words the Kubota just didn't have enough power. It is too small to operate what you have in place now?*

Midgett: *Correct.*

Pruitt: *And when did you say it is up for replacement?*

Midgett: *The Kubota is three years out I believe.*

Stockton: *We are proposing to set up a capital reserve fund for this particular item for three years. This coming fiscal year and two years following before he could purchase it.*

Perry: *Basically we are setting up \$27,000 this year and what will be needed next year and the year following?*

Bateman: *Let me think about it.*

Perry: *All right. Everybody has it in their minds. I wondered at the price but I did not know it was a three year capital project.*

Bateman: *I have heard so many people talking about going on the beach road and the state does not do it the way they need to be doing it because they are busy also. That is the only reason I see a need for it. I don't see a need to spend a lot of money but ...*

Pruitt: *I think there is going to be a need even more if we go through with the nourishment and we get the sand that Nags Head is getting right now. Seems to be a lot of sand moving westward.*

Perry: *Hopefully we will have learned a lesson to put up sand fences. One more question on this department and that is paving the bath house lot. How do you feel about it?*

Pruitt: *I haven't paid that much attention to it.*

Perry: *Let's think about it. We will leave it in for now and move on down the line.*

Stockton: *On to the Planning Board. They are requesting additional funds for personnel and engineering for the Land Use Plan. There again that is the Land Use Plan so we will go ahead and adjust that according to council's direction.*

Perry: *Why is member compensation is up?*

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Stockton: *They thought they would have more meetings because of the Land Use Plan.*

*The **Board of Adjustment** has a small increase for advertising. Joe requested \$30 more but that is the only thing we have changed.*

Pruitt: *Have I passed my chance to ask about the \$5,000 for the engineering under planning board?*

Perry: *That was because of the Land Use Plan.*

Heard: *Yes. The \$5,000 was related to engineering. Really map making for the Land Use Plan.*

Stockton: *Moving on the **Recreation Committee**. The only thing the committee requests are for additional bike racks to be placed at the beach accesses. I talked with Willie and added \$2,000 to the budget to cover it. It can be taken out of Parks and Trail capital reserve.*

Perry: *Is there any reason it cannot come out of there?*

Allen: *No. We can do that.*

Perry: *Everybody agree? Willie I understand two racks were stolen and one was recovered at the junk yard.*

Midgett: *That's news to me. One we lost due to a storm. We only lost one that*

Pruitt: *There is a rumor out there. I also heard the one at the skate park lasted a couple of days and then it was gone and found over in the junk yard.*

Midgett: *That belongs to the county so I'm not sure.*

Johnson: *If somebody would contact me when things get stolen we'll take care of it.*

Perry: *I thought it was a done deal and you knew about it.*

Pruitt: *I thought they had already caught the person.*

Johnson: *We have stepped up patrol in the skateboard park because of incidences you have mentioned and other issues we are having.*

Pruitt: *Willie is the bike rack over by the Black Pelican Restaurant secured in any way to that retaining wall?*

Midgett: *Yes it is but they can get it with the right tools.*

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Pruitt: Right. But it is not going to be as easy as throwing it in the back of a truck even if we do put them alongside the highway. If we can anchor them some way.

Midgett: We use sand anchors and chains and chain them down.

Stockton: In Non-Departmental we have a \$20,270 increase in our flood, liability, property and vehicle insurance. That figure is estimated. We had an increase of \$6,525 for the county collection fee which they charge to collect the town's taxes and a \$14,352 increase in PEG channel fees. That is a pass through item and I am going to talk to Charlene and see if there is some way we can try to show that better.

Pruitt: Maybe you could highlight them in a different color so we would know they were different.

Perry: PEG channel is what paid for the cameras and lights here in the council room.

Stockton: The Police Department is also proposing a 2% step increase and they requested an \$8,000 increase in vehicle maintenance. The chief tells me we have some cars getting a little age on them so he feels like he needs to increase it.

Perry: But when we come back I want miles and years.

Johnson: Yes sir. The information I gave to the town manager shows one has 89,000 miles and one has 92,000. We spent \$4,898 for maintenance on the one with 89,000 and \$4,020 in maintenance on the other one.

Perry: When we get the next budget just have that information attached to it.

Johnson: The reason for the increase is due to the ten year hundred thousand miles policy. It is starting to affect us and in my current budget 70% has already been spent and we have several months left.

Perry: I went back to the '06 budget which is when I came on council. You replaced three vehicles in '06-07, three in '07-08, '08-09 we replaced two, '09-10 we replaced three, '10-11 one, '11-12 three, '12-13 two. That is seventeen vehicles in eight years. Plus you're asking for two this year which would be nineteen vehicles in nine years. Do we have sixteen police officers?

Johnson: Yes and we have twenty-two vehicles in the fleet right now. Adding in the military vehicles.

Perry: But what you are replacing are patrol cars. You have sixteen actual patrol vehicles. The rest of them are the trucks and the ...

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Johnson: *Travel car.*

Perry: *Okay but I'm not counting those. At some point in that time period the ten year hundred thousand miles has got to start taking effect does it not?*

Johnson: *I would say.*

Perry: *All right. Anyway the extra information if you would please.*

Stockton: *Under capital the requests are \$8,400 for in-car camera maintenance, new vests, the two vehicles mentioned and the replacement of a copier.*

Garriss: *Chief Johnson how old are the vests now?*

Johnson: *We are on a 5 year rotation. The League of Municipalities and the federal government reimburse us for most of the costs. We pay \$42 for the actual vest which is over \$500.*

I would also like to mention about where the money comes from. The \$20,000 is actually money we get every year. It cuts down on the cost of the vehicle rotation tremendously by about \$5,000 a car by putting the equipment from the GHSP grant into the car.

Garriss: *Thank you chief.*

Perry: *I have a couple more questions. One is on the 401k. There are two separate funds. One is required at 5% and then there's the matching fund the town does voluntarily. I would like to see you pull that out and in a separate line item. Show one as required and one as volunteered. The 2% is matching. They have to put in 2% before we match 2%. Separate those two out so we can show there are two separate things going on. In point of fact there are four different retirement accounts the town puts into for the police.*

Then medical physicals, and not so much the police department as the fire department, caught my eye on this. I am going to jump ahead just a little and ask this question. Do we have some sort of a contract for physicals that both departments use? I don't know how many police officers get physicals so I just took the number 16 and looking at that \$7,000 divided it by 16 and it would be \$438 per person for a physical. Is that correct? Is it costing that much?

Johnson: *No sir. We use Dr. Wilkinson and I believe our contracted price is a little of \$250 each this year. Also, the newly hired have to have a psychological test and a drug screen and a full physical before they can be hired. Some years you don't have to hire anybody and some years you have to hire two like I have done this year.*

Perry: *And you chief?*

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Spivey: *We contract with Dr. Keenan and it is \$350 per member. Every member that comes in to the fire department is required to have a physical to make sure they are physically fit to do the job. The doctor has to sign off stating they can wear breathing apparatus, drive vehicles, things like that. That does not include any hepatitis B shots or other ...*

Perry: *The basic question is, are you, like the police department, going out and seeking a low bid contract for this service?*

Spivey: *Yes sir we are. Some of the departments around here use a company out of South Carolina. They actually come in and perform their physicals and when you first look at it, it appears to be cheaper but you don't have any follow ups. And if you have some situation with a member there is no doctor patient relationship that is established. So we can do cheaper but we really wouldn't be meeting exactly what is required for our members.*

Perry: *I just wanted to know what we were doing as far as a contract basis and how we were working that out.*

Bateman: *Why don't we use the police department doctor? He is a hundred dollars cheaper.*

Spivey: *If our doctor recommends a stress test on an individual then we have to get that done and that is in addition to what we budget. It happens with maybe two or three members maybe every two years. People get old like me and he recommends a stress test or there is a condition he sees ... like I say with the patient doctor relationship he will recommend that that individual go a little further.*

Perry: *But every member gets a yearly physical?*

Spivey: *Every member gets a physical every year. Some part time employees get physicals in other departments and as long as their doctor signs off and we can get that we don't have to pay for those. Some of the other departments don't have physicals, choose not to do it, and those individuals that work for us are required to have one. OSHA requires a physical every year.*

Perry: *Thank you. Any more questions?*

- **Affordable Care Act**

Clopton: *The Affordable Care Act and how it affects the Town of Kitty Hawk. It is actually named the Patient Protection and Affordable Care Act. The PPACA. Many people call it health care reform, or O'Bama Care and it is also sometimes referred to as Play or Pay. The mid-size employer mandate now begins on January 1, 2016. When this came on our radar it actually was January 1, 2014, then it was changed to 2015 and now it is 2016 so we have some time to determine what we want to do. The law states that if your plan renewal is not on January 1st then*

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the mandate will begin at the beginning of the plan renewal date so for us we would have to determine what we are going to do as of July 1, 2016 because our plan renews on July 1st each year.

Perry: *So that answers Emilie's question of are we stable until January of 2016?*

Clopton: *Correct. The mid-size employer mandate applies to employers with 50 to 99 full time employees, including full time equivalents, also known as FTE's. For the purposes of the ACA standard a full time employee is defined as any employee who consistently works 30 hours per week or 120 hours per month. We have to calculate the number of hours that our part time employees work based on that 30 hour week or 120 hour a month rule and we have 41 employees that are considered full time through the town. But according to the mandate we have 13.9 FTE's and these are primarily fire department part time employees for a total of 54.9. What that means is we are considered a mid-size employer and ACA mandate applies to us so that is the first test. The mandate does apply to us because we are over the 50 employee threshold.*

What does the mandate say? The mandate says that all mid-size employers must offer medical insurance coverage to all full time employees or equivalents it must provide minimal essential coverage that is affordable. There are two separate criteria. Minimal essential coverage is a medical plan that pays an average of 60% of the employees covered medical expenses. There is an actuarial formula that determines this and currently the plan that the town offers does provide minimal essential coverage.

Perry: *If, and I am not proposing this, but if the town did not contribute to the HSA ... only offered the policy itself, would this still apply? In other words would we still be providing under the ACA?*

Clopton: *Yes. We would still be providing minimal essential coverage. If the town did not offer minimal essential coverage there could be a penalty assessed by the federal government and the penalty is \$2,000 times the total number of full time employees and then they give you a discount basically of 30 employees. We would take our 54.9 employees minus 30 which equals 24.9 times the \$2,000 penalty for a total of \$49,800. This particular penalty is assessed on the group as a whole.*

There is a separate penalty based on affordability that is assessed based on the number of people that go into the federal exchange and get assistance. The first criteria is minimal essential coverage and the second is affordable coverage. The law says if the employee plan costs more than 9.5% of the employees' taxable wages then it is considered not affordable. The mandate does not apply to dependent coverage it only addresses what the employer offers the employee. The town's plan is currently considered affordable. Potential penalties for not offering affordable coverage is separate than the first penalty we just talked about. That penalty is \$3,000 for each employee receiving assistance from the federal government. That means they go out onto the federal exchange, get insurance, it costs more than 9.5% of their taxable wages and the

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federal government offers them assistance, credit towards that insurance. The penalty is capped at an amount equal to \$2,000 times the total number of full time employees less 30. There is a cap to this particular penalty. You will see later on that in doing the town's calculations we have six employees that would qualify for medical coverage based on the hours worked criteria. I used that number to assess a potential penalty. If we did not offer insurance to those employees, if they went out on the exchange and got assistance from the federal government it would be \$3,000 times six which is an \$18,000 penalty in addition to the \$49,800 penalty. That is \$67,800 in the first year that we could potentially have to pay to the federal government.

Perry: *And those people, with all that penalty, unless they went on an exchange would still not have insurance?*

Clopton: *Correct.*

Perry: *We pay the penalty and they still wouldn't have insurance.*

Clopton: *If they did not go on the exchange to get insurance we would not have this particular penalty we would only have the \$49,800.*

Perry: *But if any one of those went out on the exchange then all six would be credited?*

Clopton: *No. For this penalty just the one. The other penalty is assessed on the total number of employees. The next question is now that we know the mandate applies to us, we know the potential penalties, who is eligible for coverage? They throw a little monkey wrench in there. This is not a typo. You are eligible for coverage if you work 30 hours per week or 130 hours per month. The criteria for figuring out FTE's is 120 but determining if you are eligible is 130. The town has to start tracking hours and that is called the measurement period. It is a period of time that is at least 3 months but no longer than 12 months. We must track the hours worked of all of our part time employees. Based on the 2013 data and using a 12 month measurement period we would have six additional individuals that would qualify for health insurance based on the hours they worked. If you used a 6 month measurement period you would have seven additional individuals that would qualify. The administrative period is the time frame when you figure out who qualifies and you enroll them and get ready to offer them insurance and that can last 30 to 90 days.*

The stability period is the time frame in which you have to offer coverage to those that qualified. The thing about the stability period is it does correlate to the measurement period. It must be at least 6 months or the length of the measurement period so if you pick a 12 month measurement period you have to have a 12 month stability period.

In summary the town is currently considered a mid-size employer, the mandate applies, penalties could be assessed, the way that things are today we have six to seven employees that could

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qualify for medical coverage according to the Affordable Care Act and the deadline for our action is July 2016. Are there any questions?

Perry: *A measurement period lasts 12 months. Are you required to provide insurance for the following 12 months?*

Clopton: *You keep measuring.*

Perry: *And keep measuring but say the employee goes away would you still be required like COBRA to ...*

Clopton: *They would qualify for COBRA yes. But that doesn't cost the town anything.*

Perry: *That is out of their pocket. The measurement period would terminate basically as far as this Affordable Care Act and they would go on COBRA.*

Clopton: *They would be on their own at that point.*

Perry: *Melody my hat is off to you. This is very confusing and you have made it at least somewhat, to my mind, understandable. None of it makes a lot of sense to me. We either give insurance or we don't. How are you dealing with it in your restaurant Ervin?*

Bateman: *To be completely honest with you we fall below the 50 guidelines. But I tell you for our restaurant if we were over I would probably have to bag lunch. I mean I would have to get rid of a meal in order to cut down on employees to fall below the 50 because there is not enough revenue coming in to sustain the business.*

Clopton: *And seasonal employees have a 120 day time frame. You do not have to count them if they are there less than 120 days.*

Perry: *Thank you. We are lucky to have you to keep us all straight.*

Clopton: *Thank you. Would you like me to go on to the fire department?*

Stockton: *Yes.*

- **Fire Department Staffing**

Clopton: *Since the Affordable Care Act directly affects the part time employees at the fire department Lowell, Charlene and I have started talking about possibilities and want to bring you up to date as far as action you may want to consider. Current staffing levels at the fire*

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department are affected by two factors: the North Carolina Response Rating System and the Public Protection Classification survey. Many times they call that the ISO survey.

The North Carolina Response Rating Public Protection Classification Survey is a state required survey. Fire department ratings affect homeowner insurance rates and on a scale of one to ten one is the best and ten is the worst. Kitty Hawk is a five and currently what that means is a Kitty Hawk homeowner receives a discounted premium because of this rating.

I took this from the state insurance office material and is a survey of the different insurance rates. This is a valuation of a \$100,000 house in Wake County. You will see that for levels one through six the rates stay consistent. You do not get any better deal because you go down to a one. But as you go to a seven, eight, nine or ten there are price increases in the homeowners insurance.

We were asked to include an assistant chief position in the budget and as always I put in the worst case scenario by estimating high. The estimated salary is \$62,801 and estimated benefits are \$26,302 for an estimated first year cost of \$89,103. Having additional staffing at any point helps the insurance rating for the town. It provides the opportunity to have additional apparatus at the scene. This person is also going to serve as the department's training officer. When they survey the fire department they look at training records and documentation.

We also have in the budget a promotion of two current firefighters to captain positions. That cost, including benefits, is \$5,894.59. We currently have three shifts at the fire department and there is one captain in charge of one shift but we believe there should be a captain in charge of each shift. They are kind of doing the job now but it is hard to hold people accountable and we feel we need to pay them for performing those duties. It will also help with consistency and provide better emergency scene command. There seems to be some difficulty especially when other departments are involved. Our firefighter will take control of a scene and then a captain from another department comes along and thinks they are in charge. There seems to be some confusion about that.

Last, but not least, and this is directly related to the Affordable Care Act. We are showing six new full time firefighter positions. The estimated salary is \$224,380. Benefits are shown with everybody at family health insurance level, which is the highest, and is \$154,597. The estimated total cost is \$378,978.

We currently budget \$215,049.66 for our part time employees and the part time employees are there because we want to maintain our ISO rating. There is a potential penalty as we know from the Affordable Care Act of \$63,800. The difference, without including the penalty, between the \$215,049 and the \$378,978 is a \$163,928 increase. Some of the advantages to this proposal are flexibility in staffing, additional people and equipment at the fire call and less of a revolving door.

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Our part timers are really a good group of people. They are all looking to make a living and many of them work in other departments. Some of them have other businesses, are self-employed, and we have lost several of our part time people that we have trained to other departments. The self-employed, when their business picks up, they leave.

We talked about how much it costs to outfit and train a firefighter. It is anywhere from \$6,000 to \$10,000. When you start looking at that money going out, we are not really capturing that loss. We have had a 58% turnover rate over the last several years in our part time staff. We also eliminated overtime. It wasn't necessarily a cost savings measure but by adding this staff and reducing the number of hours worked by part time employees we would try to eliminate that overtime.

Ironically if the town hired six full time firefighters, and reduced the hours worked by the part timers, the town would potentially be under 50 full time employees and the Affordable Care Act mandate would no longer apply to the town. Are there any questions?

Pruitt: *Is that just adding the six firefighters or is that including the assistant chief?*

Clopton: *We have 41 employees right now and if we added six we would be at 47. If we added the assistant chief we would be at 48.*

Perry: *Here is the problem. I have thought a lot about this and looked it over very carefully. As you know I have done some research on it. If you lose your rating or it goes to a worst case scenario for just the fire insurance, and we are not talking about the other kinds of insurance, it is well over a thousand dollars a year. And the fire department provides a lot of other services for less money for taxpayers. That is a fact. The problem is what is not being said here. We are still going to need part time help and volunteers.*

Clopton: *Yes.*

Perry: *Even with six new firefighters and an assistant.*

Clopton: *I think we budgeted 2,756 hours of part time service in this budget.*

Perry: *Which is why I want that separated into a line item so we can see the differences. The volunteer incentive pay is still needed and we are still going to need part time help, those and the regular salaried people.*

We have three shifts and one captain on one of those three shifts. We have a second captain with Cole Yeatts in the Ocean Rescue so if we had two captains and ten men authorized ... we will have four captains in a ten man department. Here is my recommendation based on research. We still need volunteers and part time help and we have a year reprieve. At a time when we are going into beach nourishment and all that entails I think we need to promote the two people even

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though that gives us a lot of chiefs and not too many Indians. I think we need to hold off at least another year on the full time to give us a chance to catch our breath and see where we go with beach nourishment and other factors in our economy. That's my input. Now I need for you folks to speak up.

Bateman: *I agree with you 100%.*

Pruitt: *I do too. I think we have a lot on our plate.*

Garriss: *Chief Spivey I guess you knew this was coming. I agree with what you gentlemen are saying. I remember years ago the police department was basically told they were top heavy, too much supervision, too much management at the top and they were required to do away with a top level position. With thirty-five years in law enforcement and fourteen years in a fire department, I realize there are different needs for each department. Tell me why, if you were given the assistant chief and the promotions, why that wouldn't apply to the fire department also. Wouldn't that make you top heavy?*

Spivey: *I thank Melody for all of her work and it is a captain position on each shift I need. Today my captain happens to be in Disney Land for the week. This morning we were lacking in leadership ability on an accident scene so I went. My other captain called in because his daughter is sick. We need those captains on those shifts especially on the weekends. Right now there is nobody but the chief. We are a medium sized department. I have the best job in the world no question and I've got the best staff. I basically handpicked them but I cannot be there every day and every minute. We need somebody that we can build in succession to take over the fire department. I'm not getting any younger. I need somebody that I can work with to train so when I do step out they can take over the fire department and keep it going. Our department's mission is to the community.*

Garriss: *I follow what you are saying. Thank you chief.*

Perry: *I do have one thing to add for the benefit of those that haven't been here. I went back through the budgets. This was the '05-'06 budget and I am going to read from this and ask you a question. It says the addition of an assistant chief will increase the efficiency of the Kitty Hawk Fire Department. The position will be responsible for overseeing the daily operations of the fire and ocean rescue divisions, developing training for department personnel, aiding the fire chief at emergency scenes, conducting new member orientations, assisting with daily administrative activities, developing and updating standard operating guidelines, assisting with budget preparation and serving as the fire chief in the absence of the chief. The transition to this position began with the reassignment of duties to fire captain ocean rescue director in November of 2004. Since that time the ocean rescue director has been performing many of the duties and responsibilities outlined above. It sounds like the captain of the ocean rescue never got there. You still need someone in addition to him which you had apparently planned to use in that kind of position. What happened?*

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Spivey: *We tried but in the summer it is not possible. In the summer his duties are on the beach and a lot of his time is consumed in the winter getting prepared for next summer such as dealing with interviews. It did not pan out as we had planned. Also, ISO will not allow me to count him as being on duty during the summer so we lose his count as staffing levels. As I explained the other day it is like pennies making dollars. We lose a couple of pennies is what that amounts to and it is not catastrophic but it doesn't help us. And because of his duties and his responsibilities there he is not able to drop what he is doing and come to a fire call so we lose him. It just did not pan out like we had envisioned.*

Perry: *So right now Askew is doing the administrative paperwork in concert with Carol Ferry?*

Spivey: *He is the training officer but he works every third day. Like I tried to explain in those questions from Councilwoman Klutz it is hard ... you have so many people involved trying to accomplish the same goal for the continuity but it is just not there. This person can pull things together and do it on a daily basis.*

Perry: *Okay. You have my recommendation and what do the rest of you say? Promote the two captains and hold off on the rest of it for at least another year.*

Councilmembers concurred.

Perry: *You have your sense of direction.*

Spivey: *Thank you sir.*

Perry: *I almost wished we were televising this because there is a lot here the public can benefit from and I know they watch the meetings. But they will read the minutes. You have your hands full Lynn.*

Stockton: *Let's talk a little about the request for capital that was submitted by the chief. It includes breathing apparatus, replacement of a F-350 in a capital reserve account, replacement of an air compressor and also another capital reserve for replacement of the 1991 pumper.*

Perry: *I asked the manager how many miles the F-350 and was told 44,000. And it is a diesel?*

Spivey: *Yes sir.*

Perry: *What is wrong with it?*

Spivey: *Right now nothing.*

Perry: *You anticipate something being wrong with it?*

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Spivey: *It is going to wear out. We are going to keep putting miles on it and running it and I was recommending we start a capital reserve fund for replacement just like we did with the last fire engine and for the '91 Grumman.*

Perry: *So the money we are seeing here at \$20,000 is not a direct replacement. It is a capital reserve fund?*

Spivey: *That is correct. It is going to cost us about \$50,000 to replace that vehicle so it is going to put it three more years.*

Perry: *Somehow we have to get that figured out because we are not seeing what is capital replacement in the budget John. I do not know if you are replacing it with just a pickup truck or what you were doing. So that is a capital replacement fund over three or four years. A diesel should run a couple of hundred thousand miles unless the body is worn out. I am not opposed to letting that thing run until the rubber runs off of it and then replacing the rubber. Forty-four thousand miles is not very long especially on a diesel. The other thing I will point out on government operated vehicles the maintenance is far better than most people in a civilian setting so they tend to run longer if they are not run to death. In this case it is obviously not run to death so even though this is a capital project at this time I am not in favor of starting it at this time. That is my comment on it. Before I move on to a couple of other things does anybody else have comment?*

Garriss: *I agree with you but it is similar to police cars. With fire vehicles you have to look at more than just the miles on it. You have to look at the hours being operated because a fire truck at a scene of a fire can sit there for four to six hours idling, not putting miles on it. And the same goes for a police car.*

Perry: *Good point.*

Bateman: *I would agree too if it were not a diesel. Diesels run forever.*

Pruitt: *I agree the mileage is low. I think we could maybe wait a year on this one.*

Spivey: *I would like to add this is the second engine we have put in that truck since we have had it.*

Perry: *You have put an engine in the truck? Why?*

Spivey: *Because the other one blew.*

Pruitt: *What year is this truck chief?*

Spivey: *It is a 2005.*

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Bateman: *How many miles did the other have? The one that blew?*

Spivey: *I would have to go back and look. We replaced it probably 3 years ago 4 years ago. The warranty would not replace it, because of what we use it for. We use it for an emergency response truck and Ford would not stand behind it. Another reason to try and get something started. I would also like to add to what Councilman Garriss said because he is right. The difference though between the fire vehicle and a law enforcement vehicle is generally a law enforcement officer is out in the vehicle and he is at operating temperature and things are good when he has to floor it. Ours are sitting cold. We crank it up and we are giving it all she's got and that is terrible on any type of engine. So that adds to the wear and tear on our vehicles. That was also part of the explanation we got from Ford, which we already knew.*

Pruitt: *Is the overall shape of the body on this vehicle in good shape chief?*

Spivey: *It is in good shape.*

Bateman: *I am with Jeff I think we need to hold off at least another year.*

Perry: *All right that one is pulled out. What kind of air compressor? Is it your SCBA?*

Spivey: *Yes sir and we have replaced the compressor in it once before. We have had this compressor probably 20 years and it creates problems every now and then.*

Perry: *You have to have quality air.*

Pruitt: *Is this a one-time \$20,000?*

Spivey: *No sir. We are looking at about \$60,000 to replace it and that is another capital reserve item I am recommending we get started.*

Perry: *The pumper truck I am going to take out. We haven't even gotten the new one in the barn yet and you're trying to replace another one. You can't realistically, even if we give you the manpower you want, we cannot man all the trucks you have. I would not ever vote for that at this time. That is going to have to come at some later date and maybe ... well I don't think I'll be here when that comes so you folks make your mind up but that is mine. So in all of this you are getting two promotions, no six firefighters, no F-350 capital fund and no '91 pumper truck. Have I missed anything?*

Pruitt: *The assistant chief position.*

Perry: *And no assistant chief. At least not at this time. Now when the economy comes back come see us again. We will try and give you what you want.*

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Spivey: *Thank you sir.*

Stockton: *The only other thing on the fire department was the continuation of the debt service.*

Perry: *Emilie had asked the question how many more years and I think it is 12. It is a 20 year note.*

Allen: *I can check and get back with you. She had also asked what we owe and it is around \$2.3 million.*

Stockton: *We have a category for Storm Damage Reduction for this fiscal year continuing that on and we have it based on figures from Coastal Planning and Engineering. That is where the engineering figures come from that \$437,564. That is county money, a pass through, and \$45,000 is once we have a contract with our financial consultant that is the figure we need to have. We did not have a figure for a financial consultant so that is why we show the increase and pretty much operations, postage, advertising, printing is the same. I don't see any increase there. Then we put in the capital reserve fund \$211,287 and that is reflected by the additional proposed 2 cent tax.*

Perry: *And everything above that line at this point is dealing with kind of a pass through situation?*

Stockton: *Yes.*

Perry: *Everybody understand? When we set municipal districts it is no longer a pass through but right now everything above there is. The only thing we are really doing here is a approving the 2 cent additional tax.*

Stockton: *That is correct.*

Perry: *Anybody have objections to that?*

Bateman: *No, I'm fine.*

Stockton: *This is a General Fund Expenditure Summary. The requests total approximately \$7.4 million and next I will show the recommended \$6.9 million.*

Perry: *Under Storm Damage Reduction how can we show that? It is a misleading figure. We are not going to tax the people \$700,000 this coming year. We are only going to raise it 2 cents but we are showing \$700,000 which is mostly pass through.*

Stockton: *We have the budget highlights and line item expenditures and we could try to explain it there.*

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Perry: *Does everyone understand what I'm trying to do? Somehow, like where we had the capital and we didn't understand ... and now most of the figure is a pass through.*

Allen: *When you get your budget it is going to show all revenues line item by line item and it will say Dare County and the figure coming in for this project. That shows up in your budget ordinance as part of your revenue and I think in the highlights, in every department, we could put this is pass through money. You will see it there and also in the revenue.*

Perry: *I'm good with that.*

Stockton: *The preliminary revenues are \$6,723,891 and requested expenditures are \$7,433,884 making a \$709,993 difference. As Charlene mentioned there is \$444,342 in unappropriated fund balance and we could use that to help balance the budget. Other proposed adjustments include deferring the public works service truck, the assistant fire chief and six full time firefighters, capital reserve for a pumper and the capital reserve for the F-350 bringing the total recommended expenditures to \$6,991,366. Subtracting the revenues from the recommended expenditures leaves \$267,475 needed to balance the budget. Solutions include transferring \$267,475 from the fund balance or increase the tax rate by 2.5 cents. This is in addition to the 2 cents mentioned earlier for Storm Damage Reduction.*

Perry: *Plus, if we gave everybody everything they wanted, that would be another 4 cents. We would have to raise taxes 8.5 cents in order to accommodate everybody's request and does anybody in this room think that is going to happen? (Councilmembers said no.)*

My recommendation, and we have also cut a few things as you went through so this number is going to be a little different, is to transfer from the fund balance. I do so without any hesitation because we are keeping \$3.5 million aside for emergencies. That still leaves us some cushion for pumping if we have a storm or something like that and will not make us have to raise taxes on the people.

Let me take this minute to say something for the benefit of staff and department heads. Take this back to your staff. We are a small town. We have limited revenue and the town and county are faced with insurance costs, homeowners, flood, health that are just going up through the roof. We don't know where we are going to wind up. I know from personal experience and everyone in this room who lives here knows that. The pressures on our public are enormous. It boils down to this very simple fact. Council wants to give you what you feel you need. Council wants to give you modest raises where appropriate and whenever possible. You want nice, new capital equipment but in a small town with limited revenue, and no chance of that changing any time soon, you simply cannot have both. It is that simple. So we have to decide can we give you modest raises, which I have heard nobody object to a 2% step, or give you all this capital equipment and we can't do it. We are going to give you the best we can and meet somewhere in the middle. I intentionally asked staff to put out here what it takes to run this town. It is expensive.

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Let me add for the record a couple of things. I asked for the average percent per person the town pays for employee benefits in addition to basic salary. The answer is there are many variables but the current overall average is 40% for general employees, 42% for firefighter employees and 52% for law enforcement. This includes FICA, retirement, and town paid insurances. Putting me on the Tourist Bureau might have been a dangerous thing because I learned that people in entrepreneurial business relationships do not realize what percentages go into benefits in addition to salary. A lot of those folks were just dumbfounded and staff needs to understand that is part of the compensation and it is pretty generous. I know. I have been in a union and I've been in the military and this is not slacking. Not trying to take it away from you but I want you to understand that and appreciate what the town is paying for you.

I don't have anything else. Did we give you direction on where you need to go?

Stockton: *Yes sir. I just want to mention we have another workshop scheduled for Monday, May 12th if that is agreeable with everyone. Or do we need to have one sooner?*

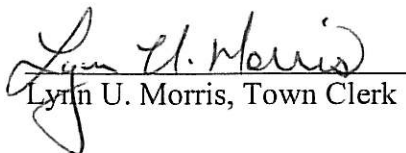
Perry: *When I first looked at all of this I thought we might need another one before May but I don't see it now.*

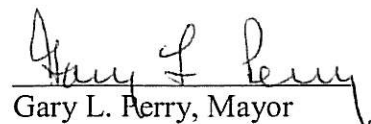
Council concurred.

7. Adjourn

Councilman Garriss made a motion to adjourn. MPT Bateman seconded and the motion passed unanimously, 4-0. Time was 11:10 a.m.

These minutes were approved at the May 12, 2014 council meeting.


Lynn U. Morris, Town Clerk


Gary L. Perry, Mayor