

**MINUTES  
KITTY HAWK TOWN COUNCIL  
Recessed Meeting  
May 12, 2014  
Kitty Hawk Town Hall, 9:00 AM**

**Agenda**

1. Call to Order from May 5, 2014 regular meeting
2. Approval of Agenda
3. Approval of March 17, 2014 Recessed Meeting Minutes
4. Obtaining Easements for Storm Damage Reduction Project
5. Recommended Personnel Policy Changes
6. Capital Improvement Plan/Fiscal Years 2015 to 2019
7. Health Insurance Plan Recommendation
8. Fiscal Year 2014-15 Budget Discussion
9. Schedule Fiscal Year 2014-15 Budget Public Hearing
10. Adjourn

**COUNCIL MEMBERS PRESENT:**

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

**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 from May 5, 2014 Regular Meeting**

Mayor Perry called this meeting to order at 9:02 a.m.

**2. Approval of Agenda**

Councilwoman Klutz made a motion, seconded by MPT Bateman, to approve the agenda. The vote was unanimous, 5 to 0.

**3. Approval of March 17, 2014 Recessed Meeting Minutes**

MPT Bateman made a motion to approve the March 17, 2014 minutes. Councilman Garriss seconded the motion and it was unanimously approved, 5-0.

**4. Obtaining Easements for Storm Damage Reduction Project**

**Perry:** *We have some questions that deal with what the engineers have suggested versus what we can possibly do. It boils down to whether or not the easements start behind the houses or somewhere in front of the houses and whether you can pump sand with public money under the houses. Can you give us some input?*

**Michael:** *This came up last week. I have not been involved in any of the planning process so I am not sure exactly what is planned. We have been focusing on getting the easements that are required. Discussion came up of where should the easements start and the engineer suggested to us the easement should start at the eastern edge of the right-of-way of Highway 12. In Kitty Hawk the right-of-way of Highway 12 may be on the beach in some places and that would be a convenient spot. You have maps that already exist and could be used to get those easements. He also mentioned pumping sand under houses which was something different than I had understood.*

*He also mentioned we were going to use the federal easements that they have from 2004. I guess we may have to expand some of those easements because in ten years things have changed. The contours of the land have changed and the line that is on those maps may be different than what it was ten years ago. There may have to be some different easements in Kill Devil Hills as well.*

*What I was trying to find out is how to do this so as not to incur big expenses for surveying. I was looking for an easy way to do it and at the same time accommodate whatever the plan is. I am not a real estate lawyer but I talked with my partner who is and at least for now, absent something unique in the plan ... and we have looked at the Nags Head easements they had when they did beach nourishment. It was the toe of the frontal dune, the vegetation line, or the escarpment if there was a drop off as the line that you would look at. Your easement would run from there and those are things that can be identified and they should be able to be identified by the maps they are going to prepare.*

*That is where we are right now absent some plan by council to do something different that would require an easement going all the way to the edge of Highway 12's right-of-way. That caught me and I said that is news to me. I thought we were just out on the beach.*

**Perry:** *I think most, if not all, council felt the same way. Yes the beach has changed. Basically you could start at the house and be at the toe of whatever beach there is. It was never envisioned by me, and the rest of council I am going to ask to chime in, to go to the edge of NC 12 in the first place or go in front of houses. I don't see how we can use public money to pump under a house. Now if it washed under like it did in South Nags Head that is a whole different issue but that is not using public money. What I envisioned, and am still envisioning, is their line will follow a path very similar to what the Corps of Engineers sheet shows us now but extend it all the way north behind the houses. And that includes if they have to come out and make a jig like they did at Pelicans Perch. The rest of them would do the same and it is very possible that will*

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*happen. Jeff what are your feelings on this?*

**Pruitt:** *I have been watching in Nags Head and I am not sure if our beach is going to do very similar to theirs but ... first of all I think we should stay with the Corps of Engineers line. The eastern side and not ... you have people that don't go to the beach, they are not going to be too keen on us filling people's private property out front of their house. I see where that is going to cause a problem. By watching the migration of the sand in South Nags Head I think in time it is going to level it out and I believe it is going to blow around the houses and blow west. It is the way it migrates and I think by doing that I think the fronts of the houses will gain as well as underneath eventually by the migration.*

**Garriss:** *My thinking from the very beginning was just the eastern side of the house. I never envisioned anything in front of the house but I will ask the question. Are there a couple of houses to accomplish our mission that we have to fill in?*

**Perry:** *There is the problem we have had all along. We don't know what line they envisioned and they keep coming to us with all these "if you do this" and nice little pictures that show it in several different locations. That is not what we are after. What we really want from them is where they propose the line and then we could decide something. We don't have that yet and I am going to ask for it at the June meeting. They have to give us something to work with. Until they establish it can or cannot be done we cannot really answer that question. We are not the engineers. That is the way I see it.*

**Bateman:** *I agree. I was at a function recently at a house in South Nags Head. The pool was full of sand and the hot tub was full of sand. The owner has to hire a guy with a Kubota and take the pool out and put it on the other side of the dune. I think we are going to have the same thing here. I never, as mentioned, envisioned we were ever going to put sand in front of or under a house. It was always east of the house.*

**Klutz:** *My feeling is we go with the Corps of Engineers survey where we have it in Kitty Hawk. Then be very cognizant of what Nags Head did just for the purpose of having some historical data that can be presented to the people who start asking what it means in terms of public property in front of houses. I don't think they are fighting many battles like that if any. I know they have this problem with the sand but that is totally different. I feel like the more precedent we have for a job that has already been done on the Outer Banks, and that seems to be working, not only in terms of the success of the project itself ... and knowing the complaints from people or unanswered questions or lawsuits or anything like that will help. If there is something relatively clean that is what we ought to go with. That would be my recommendation. Go with what has been done already and certainly the feds would have looked into whatever kinds of legalities were involved.*

*There are some things I have questions about because the beach in Kitty Hawk, if we are looking at a toe of a dune as a place for the line, about half of the oceanfront properties do sand pushes.*

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*You can go down just about every block in Kitty Hawk and there are one or two houses that have huge piles of sand in front of them. They may call it a dune and the people try to sprig it and then right next door is somebody that does not and you can see where the water has come up under their houses because it makes a little island of the one that has the push. You wonder if oceanfront property owners, just before the project gets started, are going to start trying to get pushes done in front of their houses so they protect them because once a project is done it will protect them. They might be able to vegetate it and it would be a positive thing for the beach if that strategy worked.*

*I think there are so many individual cases that are going to come up that we should do whatever we can to avoid the things we already know about in terms of what was done in Nags Head. Something else with regards to the NC 12 right-of-way. Some people have only that right-of-way space in front of their houses to park their cars. They use it as driveways. If they are looking at putting something in the right-of-way what is going to happen to that? I know when the state clears the sand off the roads there is plenty of sand that goes into driveways and most of the oceanfront property owners have a tendency to take it out and use it around their house. It is still in the right-of-way but I know some of it goes along the side, probably still in the right-of-way as well. This whole business of trying to manipulate the sand and the beach profile ... there are a whole lot of wild cards and moving parts that I don't think anybody can anticipate all of it.*

**Perry:** *We are here today to try to simplify that. At least four of us are saying keep the line east of the houses.*

**Klutz:** *Absolutely and we have plenty of accesses along the highway.*

**Michael:** *The town has plenty of access points. I just wanted to ... because they are not far enough along in the planning process and we don't have a comprehensive plan it sort of threw me.*

**Perry:** *And I assure you we were not driving that.*

**Michael:** *And maybe I misread what they were saying.*

**Perry:** *I am going to ask this question and get a consensus. Does the council wish to provide easements solely for the construction of the storm damage reduction project and for this purpose only and not to provide sand under any structure or behind a structure? Behind meaning somewhere west of the houses. Do we have a consensus?*

Councilmen Garriss, Pruitt and Bateman said yes.

**Klutz:** *Yes as long as we do not include the right-of-way behind the house because that is basically our sand. You are talking the west side of the house?*

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**Perry:** *East. In other words we are trying to keep the line of any sand pumped on the east side of any house.*

**Klutz:** *I agree with that.*

**Michael:** *We are a ways from getting these easements until we get more of a definition of a plan. Emilie is correct in that the Nags Head easements they used will work and give you all the easement you need to get this project done and pretty easily identify where those easements begin and end.*

**Perry:** *We have a unanimous consent. Is that what you needed?*

**Michael:** *That is what I needed.*

**Stockton:** *The question is whether or not the easements established by the Corps of Engineers will work with the proposal from Coastal Planning & Engineering.*

**Perry:** *That is a question they have to answer.*

**Michael:** *That is the other reason it came up. They indicated we and Kill Devil Hills had some. We were using those easements and they said we may have to move the easements. We may have to but until we get further along in the process it is hard to tell. Duck is a clean sweep. They are starting without any so we will ...*

**Klutz:** *We are still going to have to get all new easements beyond the taper area.*

**Michael:** *Correct. Where they didn't get the federal easements we certainly have to get all new easements. Even with some of the federal easements we may need to go back and change how we define it because they drew a line out on the beach with those maps and that line may not work anymore given what has happened in ten years.*

**5. Recommended Personnel Policy Changes**

**Perry:** *For the record, council has had a chance to review this before the meeting.*

**Clopton:** *Good morning. Before we go into a brief overview of the changes I want to say for the most part these are just a cleanup. We are not really changing too many of the fundamentals of the policy. You will see grammatical and some wording changes for the most part.*

*The first article with proposed changes was the pay plan. In Section 4, in the Starting and Ending Salaries we removed the word classification. Article II was called the Position Classification Plan and we felt it was redundant to have the Classification Pay Plan.*



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*In Section 6, Step Increases in Pay Plan and Section 8, Consequences for Unsatisfactory Performance, we included the terminology approved and budgeted which is consistent with the current practice. Throughout this section the policy kind of implied that step increases were automatic at certain points and really they are not automatic. They have to be budgeted and approved by council for an employee to get that increase.*

*Section 15 is Overtime. We put some wording in to clarify that accountability of working within the scheduled hours is the employee's responsibility as well as the department head's for making sure the employee is working in their scheduled hours. Also in Section 15 we clarified how gap and overtime pay is paid for the firefighters and police officers and again it is consistent with our practice. We also specified that accrued compensatory time must be used before vacation time.*

*In Section 17 we clarified that partial day absences for exempt employees can be deducted. In recent years there have been clarifications from the Department of Labor about exempt employees. It used to be you could not make any deductions for absences and they have issued clarifications and guidelines in which you can deduct leave from exempt employees.*

**Klutz:** *In Section 17, number 3 does not really complete the heading and I also wondered if reduction of pay would be a better way to say it than deductions from pay. Most people when they hear the word deductions think of health insurance, FICA taxes and that kind of thing.*

**Clopton:** *Sure and I think that is probably more clear.*

**Klutz:** *Also in number 3 it says see Company Policy on penalties and I think maybe Town Policy should be used.*

**Clopton:** *In Article IV, Recruitment and Employment, we added in Section 6, Probationary Period of Employment, the terminology budgeted in relationship to pay increases. In Article V, Conditions of Employment, Section 8, Evaluations, we changed the due date for evaluations to July 1<sup>st</sup>. It was April 1<sup>st</sup> and there is no compelling reason to have it then. Article VI, Leaves of Absences, in Section 2, Vacation, we added the word leave to vacation to make it more consistent. We updated leave accrual to reflect our current process and we updated the process for requesting leave to match our practice. In Section 3, Sick Leave, we updated the process for requesting leave. We substituted the general term medical for all the different things that were listed for the use of sick leave and we also removed an item allowing supplemental use of sick leave while on workers compensation disability leave. Section 4, Leave without Pay, we changed to Leave of Absence and stipulated that if leave is available leave can be taken. We also incorporated the Family Medical Leave so that once Family Medical Leave limits have expired then you would go into a leave of absence status as opposed to a leave without pay. The leave of absence continues to be at the discretion of the town manager and it can be up to a year. If vacation or sick leave is available an employee can take it and use it to pay for benefits. If leave is not available the employee must self-pay for their benefits.*

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*Section 5, Workers' Compensation, again we clarified the use of sick leave during workers' compensation disability leave. Article 9, Grievance Procedure and Adverse Action Appeal we made a grammatical change to Section 12. We changed their to his or her.*

**Klutz:** *Since you changed it to his/her I recommend you say "with any complaint determined to be improper" rather than "that they determine to be improper."*

**Clopton:** *In Article X, Drug and Alcohol Policy, we updated our list of safety sensitive positions to reflect our current list of positions. We deleted the police administrative lieutenant and added police administrative sergeant. In Article 13, Travel, was amended to reflect our current practices. Section 4, Credit Cards, was amended to reflect our current practice of not using credit cards to pay for meals. We use a per diem schedule. In Section 5, Automotive Travel, we clarified using a town vehicle when traveling but an employee's private vehicle may be used when a town vehicle is unavailable with the town manager's approval. Section 7, Meals, we updated our current per diem schedule in use and Section 8, Lodging, we added the IRS stipulation regarding trips that do not require an overnight stay are actually taxable to the employee. Section 13, Submission of Travel Expense Report, we included that documentation must be included with expense reports.*

**Klutz:** *I have a couple more suggestions and I will give them to her later.*

**Perry:** *I appreciate your noting the changes by the labor department and things of that nature because those are items none of us would ever be aware of. I was surprised when you told me non-overnight stays were taxable. Do we want to approve all of these changes?*

**Klutz:** *I recommend we apply the changes to the Personnel Manual that have been discussed today and we review it for approval at our next regularly scheduled council meeting.*

## **6. Capital Improvement Plan/Fiscal Years 2015 to 2019**

**Stockton:** *We have a CIP to allow the department heads to think about what their capital expenditures may be for the next five years. A five year period works well. It also gives council a better idea of what they might see in the future when budgeting for capital improvements. As far as the financial obligations of the council for the CIP I want to make sure everybody understands it does not obligate council to provide for the proposed projects or purchases. It is basically a planning tool for staff and council. The council may at any time during the budgetary process change things that are presented to them.*

*We have broken things down to different types of funding over the next five years in the summary. For example the **police department** is under the regular operating revenue and has in-car cameras, vehicles, copier, and phone system. In the **fire department** there is breathing apparatus, a thermal camera, copier, jet ski in 2016-17, generator on Engine 13, replacement of*

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some gym equipment in 2016-17 and 2017-18 and then replace an F-350. **Planning and Inspections** is projecting a copier in 2016-17. **Public Works** has a copier in 2015-16, replacement of a service truck in 2015-16, painting of the public works building in 2017-18, replacement of riding mowers in 2015-16 and 2016-17. There is a pump station for the town hall building in 2015-16, painting of the fire house in 2018-19, police department roof replacement in 2017-18 and in 2014-15 paving of the bath house parking lot. Under **administrative services** there is codification of ordinances and in **non-departmental** there is a copier in 2014-15. A new area we have created is for **storm damage reduction** and staff has projected in 2014-15 \$30,000 for legal fees, engineering in 2014-15 and 2015-16, financial in 2014-15, operations 2014-15 and 2015-16 and construction services start in 2015-16 and 2016-17.

We plan on doing more with our capital reserve funding in the future, putting money aside for purchases. There are police vehicle lap tops, police desk top computers, the police video server, computers for the fire, finance, planning and zoning, public works and administration departments. This is so we can keep everything in line with the updates in software technology that we are dealing with in the different departments. Also in the fire department is capital reserve for an air compressor and replacement of the 1991 Grumman in 2017-18 and 2018-19. As I mentioned, these are adjustable and are just projections. In public works we are trying to set up a capital reserve for a broom tractor. The Powell Bill fund has to do with the annual resurfacing projects and we have included that also in the CIP.

**Perry:** I am going to have some comment on the '91 Grumman. Emilie you had a question on the computers?

**Klutz:** The amount of money that gets set aside for IT. In the budget the police department tells how many computers and breaks it down and results in the total we see in the Capital Improvements Plan. Is that something all of the departments could do? I think it is useful information when we see it in the budget.

**Stockton:** We can do that.

**Perry:** I want to talk about the '91 Grumman. I moved that date to where it is so if any of you are unhappy you can jump in. Here is my problem. I want to get into this for a couple of reasons. People versus capital equipment. In this case the '91 Grumman. Which is more important? Another fire truck or people to man a truck? With the purchase of the latest truck there will be five trucks in the firehouse. Two will be older but still useable models. We will need at least four members and one engine to all fires and fire alarm structures.

I pulled some notes from a meeting we had on 10-18-2010 and the reason I make that statement is the North Carolina Fire Suppression Rating System requires that each fire department assure the response of at least four members and one engine to all fires and fire alarm structures. That is the reason I ask that particular question of us. Mr. A.C. Daniels, Senior Field Inspector for Ratings and Inspections, Department of Insurance, made a statement that personnel has a direct



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*bearing on grading. The whole discussion can be summarized in this quote from the minutes of 4-4-2011. "Mr. Daniels reiterated identifying Kitty Hawk's need for a second station and a third engine. However, the biggest issue of concern in the grading process, the one which is going to have a direct bearing on grading, is personnel."*

*New budget figures show that using part time help plus volunteers is getting close to what is needed to pay for a core staff necessary to meet one engine, staff and response. To that I note the estimated cost of six firefighters, and I am not talking the assistant at this point, was \$378,978. In other words close to \$400,000. If you go back to today's budget, basically for part time we budgeted \$190,856, plus \$12,000 for volunteer incentive pay. We are at two hundred and some thousand already. If you make a subtraction from that we are only a hundred and seventy-six, let's say two hundred thousand from having the minimum core staffing we need to get an engine and four people out of the house whenever needed. The proposed set aside money for the '91 Grumman was \$150,000 and that would have gone on for five or six years so you are talking a lot of money for a truck that could be used as a back up. We already have three good trucks. We cannot man more than one of them anyway unless we have volunteers.*

*Another thing that has come up since all of that research was done is the ACA. The Affordable Care Act has been shown to impact staffing versus possible penalty. In other words if you have part time, but you are not doing certain things with them, we could incur penalties that could amount to nearly the \$200,000. Minimum staff avoids ACA entirely. In other words we do not have to ... we would not even have to give insurance. I am not going there. That is not what I am talking about. I am just saying the Affordable Care Act would negate having to do that should push come to shove I suppose. Minimum core staffing helps maintain cheaper homeowners and commercial insurance costs plus provides improved service for all the other things. Firefighting is not the only thing they do. In fact it may be third down the line to what the fire department does for the community. They respond to all wrecks and they are first response for medical emergencies and a host of other things but fire is what we are working towards keeping our points up for homeowners insurance to be the minimum it can be. Firefighting is certainly far from the only thing the fire department does and a core group of people are there 24/7 to promote that.*

*What I am asking council to do, and not for this year, I am asking should we start thinking core, full time staffing, or buying more trucks? The \$150k not in this budget allows us to provide a more modest pay increase and other capital purchases. The telesquirt '91 Grumman can be a back up for a long time. At least in my personal thinking.*

*Talk of proposed response time versus hydrant count with regards to an extra station ... when I went out and talked to the chief about the '91 Grumman he brought up the stop light, an Opticon. He brought to my attention a thought process in motion, and if I understood it correctly, he said the hydrant count to determine another station is being rethought in lieu of response time and that makes sense to me. And it has always made sense. If we have the people and we buy the stop light system and we can keep our response times up then it is cheaper in the long run. At least to*

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*my thinking. We are not going there this year but I want you to start thinking about it for next year. And we don't have to do it all at one time.*

*Will we eventually have to raise taxes to cover those people? That may be. I don't know. Inflation is what it is, people are what they are, and they are our biggest expense no question but what is the best service for our people at the lowest cost to their insurance rates? Right now it is beginning to look like we need to start thinking of at least a core group of people. We will never get away from part time help perhaps and we will never get away from volunteers but we don't need five trucks. We cannot man five trucks but we can use the other two trucks to back us up during maintenance periods and things of that nature. I know Emilie has stated in the past we are worried about increasing personnel numbers and the costs for retirement and things of that nature but you know the chicken laid that egg a long time ago. You can see that in the retired section, separation pay and so forth. It is already there. We are going to have to live with it.*

**Klutz:** *When going into this I think it would be useful for us to understand just how much part time employment would be reduced because a big part of that analysis for how we pay for the full time people is the almost \$200,000 that is being spent on part time. I can see where it would be reduced but I don't know how much. One way to look at it would be if you had the full time people maybe you could go to the volunteers for the remainder of what is needed. If that is doable it would be a savings. When we are looking at this next year have a lot of these alternatives so we get a better feel for what the long range sustainable costs of this would be.*

**Perry:** *And on that, all departments keep in mind that you can have capital equipment or you can have people, but there is no way this town can produce both in the quantities that you really want. As much as I would like to be able to do that it is just not possible unless the people of this town change their mind and want high rises or something of that nature that would bring in the revenue stream. We do not have it and I do not foresee getting it. I don't see it in my lifetime unless something significant changes so we need a mindset change on your part as well. I am trying to change council's mind to a degree and your thinking about what you are purchasing and how often you are making those purchases and how it affects your staff. Can we give a raise or not give a raise. I mean it impacts all of that so change your mind set to kind of get in sync with what we are able to do.*

**Pruitt:** *I agree exactly with what you were talking about. I had a great discussion with the chief and we talked about the same issues you brought up. I asked how much it would be to staff a core group versus the part time. What is the difference going to be? I also asked about the stop light controls. I feel like it is much needed here. In the tourist season on a Saturday or a Sunday we have some problems and we know seconds or minutes when dealing with certain medical situations ... he explained to me they have systems where the second the trucks roll out of the firehouse the lights are blinking up ahead to clear the way and I think it is a good thing to look into. Also, if we can get by without buying a truck and using the ones we have and try to get the personnel and some of the things that would help the personnel and our citizens ... Gary I think you are on the right track. Well done.*

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**Garriss:** *Chief, I would like to hear some comments from you about personnel versus the '91 Grumman.*

**Spivey:** *I have to go along with what the mayor and we have discussed. We are very close to the scale balancing the people and that was the reason I wanted Melody to talk with you about it at the last workshop so we could get the information out and we can all make a decision and plan for what we need to do in the future.*

*Right this minute, with the part time people we have, we are meeting the four people and getting the one engine out. And we are doing it I am saying a hundred percent of the time. So we are meeting that right now. But we have to compare the cost of reducing the part time staff and bringing full time in.*

*The '91 Grumman is 23 years old. I am not saying because NFPA says it is over 20 years old it ought not to be in front line status. We have put a lot of money into that truck over the years and we should get sufficient use out of it but I've got it in the CIP and talked to the manager about it because we eventually have to replace it. I don't know whether \$150,000 for those five years that it is in there is what we need to be budgeting or not but I think we should start planning for the day we do have to replace it. It is going to happen and there is nothing we can do about it. It is going to wear out and become so obsolete we cannot get parts for it. I can't put one above the other. I think it is something we all need to plan for and look at both.*

*Getting back to the Opticon system. Like the mayor says the ISO has changed. We are going to get some other alternatives to look at engine company placement. To be honest I have not had the time to get involved in that yet but we are going to have the option to look at actual road miles or a percentage of the area of our district of our town being covered by our response times and we are going to be allowed to take the best option that is to our best advantage. I have not looked but I am going to step out on a limb and say we are probably not going to be able to eliminate the need for the second station with either one but the Opticon system is certainly going to get us the best response time versus the mile and a half road miles. That is my opinion.*

**Garriss:** *Thank you chief. I appreciate your honesty and your hard work and I have to say I agree with the comments that have been made so far. Maybe we can push that '91 Grumman back a bit and look at personnel.*

**Perry:** *If you replace a '91 Grumman you still have three new trucks but two of them will be engine trucks. Why do you need five trucks?*

**Spivey:** *Based off our needed fire flow we need three engine pumper trucks on front line duty.*

**Perry:** *Here is another reality. We know from the history of several fires around here your frontline, based on that fifth largest building, water flow might be some generic number but in*

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*practical you put two or three trucks on there you are going to pull your lines dry because we don't have enough water volume.*

**Spivey:** *You are exactly right and operationally we are working on that now. We are thinking about going back to the drop tank scenarios. We have got to find some way to get more water on scene. Something I am going to bring up in the future is going to be a sprinkler ordinance. We could lead the challenge in that because a building with sprinklers is not counted in the needed fire flow. I don't know what our needed fire flow is going to be and when they come back they have what is referred to as a batch list from the insurance companies. That is going to show us what our fifth largest building for needed fire flow is and that is what is going to determine what we need on front line. But if we start in the future, for the larger construction in town, if you would pass an ordinance and require them to sprinkler those buildings then they do not get counted into that equation. That could eventually reduce the number of front line engine pumpers we need in Kitty Hawk.*

**Klutz:** *What I just heard is we are eventually going to need a second fire station anyway.*

**Perry:** *And the second fire engine regardless of what we do with people.*

**Bateman:** *I would have to look at it really, really hard to vote for an ordinance to increase sprinkler systems. For instance in my own situation at the Creek we have a sprinkler system and it cost us \$69,000 to put in. We are very fortunate not to have had an issue where we need it yet. Just the average maintenance on it is \$5,000 a year because the pipes are inadequate. Now if the place does not burn down tonight because of it I will be touting the fact it is there and the best thing since sliced bread. But there is a lot of hassle with those sprinkler systems.*

**Spivey:** *Your system was a retrofit correct?*

**Bateman:** *Half of it was. We also had to put a fire hydrant across the road and it cost \$22,000.*

**Spivey:** *And that comes from the fire code today. If you build a building here you are going to have to put those hydrants out there. In a way it is almost contradictory. The waterline is six inches and we only have so much water available but yet you have to put the number of hydrants based off their flow in for your commercial buildings and that really has no effect on that sprinkler system or what it cost new. That is going to be required anyway.*

**Perry:** *Thank you chief. And now health insurance plan recommendation.*

**7. Health Insurance Plan Recommendation**

**Clopton:** *I want to talk with you about our health insurance and make a recommendation to you for the upcoming budget. Our health plan renews each year on July 1<sup>st</sup> and every year we try to*

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*do our due diligence and look at other plans. This year we looked at our current plan and asked for a renewal. We also looked into six different plan options. Some of them high deductible health plans, some of them the more traditional PPO plans. We also looked at two different providers.*

*Per the town's policy the town pays 100% for employee coverage and 50% for dependent coverage. In the proposed budget we put in \$414,988.02 for health insurance. Our current plan, as you heard at our last budget workshop, is a high deductible health plan with a \$1,500 deductible for individuals and a \$2,500 deductible for families. The town also contributes to each employee's Health Savings Account in the amount of \$1,250 for individuals and \$1,875 for families.*

*Unfortunately the plan we have currently came back with an average 19.5% increase for each tier of coverage. This was an increase for the town and it also passed along a 20% premium increase for the employees. In addition, the proposed total for the plan exceeded the budgeted amount we had in the current budget so we obviously needed to look at other options.*

*The plan that John and I are recommending is to remain with the high deductible health plan. It continues to be with Blue Cross Blue Shield and is extremely similar to what we have currently. It presents a 9% increase to the town and to staff. The individual deductible remains at \$1,500 but the family deductible increases from \$2,500 to \$3,000. If we stayed with the \$2,500 plan they would actually be paying more than an extra \$500 in premiums. The total cost of this plan falls well within our 2014-15 proposed budget figure.*

*In accordance with the town policy we are also recommending that we increase the amount to the health savings account for the people with family tiers of coverage from \$1,875 to \$2,125. In total this would increase the overall town HSA contributions by \$5,250. Even with the HSA contribution increase and the premium increase we are still well within the 2014-15 budget. We are actually \$29,000 under what we proposed.*

*In conclusion the recommended plan has a lower premium increase to the town and the employee, it offers a continued high level of coverage and it continues to minimize the employee out of pocket maximum. Some of the plans we looked into were \$12,700 for out of pocket expenses and they were only \$14 cheaper. It doesn't make any sense. Even with the deductible increases it offers most tiers an overall savings due to the small premium increase.*

**Klutz:** *Is the policy still with the insurer we had last year?*

**Clopton:** *Yes it is with Blue Cross Blue Shield.*

**Klutz:** *You look at the premium increases for people who have families and you look at the 2% raise. People that are in the lower tiers are just going to give up that raise or more if they have a spouse and children.*



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**Clopton:** *It is of extreme concern to me. I feel like I am in the middle balancing town interests and employee interests and it is hard to look at someone making \$35,000 a year and ... but we are fortunate to have what we have as well. It is a lot of money.*

**Klutz:** *The HSA deposits that we have been making in the past. Do you get feedback from the employees on how that is actually covering their out of pocket expenses? Are a majority of them still okay with the amounts we have been giving and with this increased amount do you think ... because it builds up year to year.*

**Clopton:** *I think there are employees that really do like it.*

**Klutz:** *And then once they have that out of pocket done everything gets covered correct?*

**Clopton:** *There are no co-pays, there is no co-insurance.*

**Klutz:** *I think you all do a great job in getting the best coverage for the dollar amount. It is just that everything is going up so much and it is hard to keep up with pay raises when the economy has not been doing so good.*

**Clopton:** *There are extra taxes associated with the Affordable Care Act and 3.48% of this increase is taxes.*

**Perry:** *It is a pretty good deal. Ervin, do your people get this kind of deal?*

**Bateman:** *No.*

**Perry:** *I have helped my granddaughter with the Affordable Care Act. She works at Walgreens and they have their plan and her deductible is \$5,000 and there is nobody out there covering that \$5,000. And we are actually increasing the town contribution so you are maintaining basically at no cost out of pocket and that is almost unheard of. The Tourist Bureau has a Flexible Spending Account which terminates at the end of a year. You either spend it or lose it which is nonsense. This way at least you can accumulate if you are diligent and especially if you are healthy. If you are not using it then you can accumulate money.*

*Council we have a recommendation. Either keep the current or go with the recommended course of action.*

**Klutz:** *I move we go with the recommended course of action.*

**Clopton:** *And when you look at the PPO that has the co-pays and the traditional co-insurance it is as expensive, if not more expensive, and you do not have the same level of coverage. In my opinion this is the best option.*

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**Klutz:** *The ACA. If we remain subject to it is it going to make us not have this kind of policy?*

**Clopton:** *We are fine and this particular policy is a mid-size employer policy so it is ACA compliant.*

**Councilwoman Klutz made a motion to approve the recommended option. MPT Bateman seconded the motion.**

**Perry:** *Did raising the deductible for employees make a difference?*

**Clopton:** *They have certain options but you cannot say I want the deductible to be a certain amount. The plan specifies ... and there is a certain ratio between the deductible ...*

**Perry:** *In other words take this or leave it.*

**Clopton:** *We could look into \$3,000 and \$5,000 but ...*

**Perry:** *I just wanted the record to show that at least it was looked into and the answer is basically it did not make any difference. All in favor?*

**Vote was unanimous, 5-0.**

**8. Fiscal Year 2014-15 Budget Discussion**

**Stockton:** *As a result of the last discussion on the budget we went back and made some adjustments. Hopefully this will take care of any concerns that council may have. In terms of budget revenues and expenditures I estimated them at \$6,985,633. The proposed budget includes a 2% step increase for employees who qualify and it also includes a 2 cent tax increase to provide funds for storm damage reduction. We removed the expenditures for the Land Use Plan update that council discussed last time and the part time salaries have been put into a line item. The pass through funds are indicated in the budget highlights, the line item explanations and under expenditures by type. We have tried to include that information so it is clear to everyone. The capital reserve expenditures have also been noted in the budget. We removed funding for a service truck for the public works and there was a request last time for the 401(k) to be broken out in 2% and a 5% for the police department. The mileage, make, model and maintenance costs are included for the vehicle replacements and the fire department includes salaries for two captains to be promoted from within. Also in the fire department the F-350 truck was removed from the budget and lastly we removed the replacement of the 1991 pumper for the fire department. That is pretty much everything that was requested.*

**Perry:** *There were the computers for all of the departments.*

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**Klutz:** *On page 15 is a transfer from Powell Bill. At the very bottom of the page it has zero and when I went back into the budget there was a transfer from the Powell Bill of \$100,000. Please check on that. And I have a question for Charlene about the statute information on sales tax. It said Article 40 sales tax is distributed on population and the same for Article 42. It seems to me that sales tax always came under the shared revenue funds the county distributes and those two specify it is based on population. Is that a separate category?*

**Allen:** *They are all separate categories and it is up to the county and the municipalities to decide whether they want that distribution to be done by tax levy or per capita.*

**Klutz:** *In Article 39 it says they are distributed on the basis of either the ad valorem tax levy or population within the county at the option of the board of the county commissioners which is what you are talking about. The other two specify from the state. I think you said this is in the statute and it is done by population.*

**Allen:** *A county decides on the distribution based on the articles and the state decides what options we can have. That was informational just to let you know what the taxes are. That is not part of the budget.*

**Klutz:** *I am asking because one of them, Article 39, described what you just said. The other two specified based on population. I am asking because I think when Kitty Hawk bases on population we do a little better than we do with ad valorem taxes.*

**Allen:** *We cannot choose individually.*

**Klutz:** *So this is not quoted from the statute, only a summary you put together?*

**Allen:** *Exactly.*

**Klutz:** *Thank you. There was a change made on the public works department budget where it lists service and maintenance contracts, pest control services, plumbing services, porta-potty, and general maintenance for sewer and reclamation inspections. There is a highlight on mine that would indicate there was a change but I did not see anything in the minutes about it and I wondered what that was.*

**Midgett:** *If I remember correctly we had it in two places and we pulled it out of one.*

**Klutz:** *About some of the goals I might just come over and talk to you about those John. The only other thing I was interested in was getting the number and type of computers identified.*

**Stockton:** *We can add that.*

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**Klutz:** *One other thing. The budget has the wrong fiscal year written down for capital expenditures. It says capital expenditures for 2013-14 and this is on page 73, 74 and 75. I think it should be '14-15.*

**Stockton:** *That has been revised.*

**Perry:** *I noticed the police department is asking to add a fee for in-car camera videos and the fee is only \$15. It prompts two questions. Is that a sufficient amount of money and do you get a lot of requests for it?*

**Johnson:** *It seems to be increasing with requests mostly from attorneys. I have checked with other agencies and they are starting to charge a fee because it takes time to burn the disk. Only one person in the department can do it because it is considered evidence and sometimes we have to call him in early or we have to make other arrangements to have this made.*

**Perry:** *Is \$15 sufficient?*

**Johnson:** *Yes sir. That is about the standard. We are talking about a dozen. Not a huge amount.*

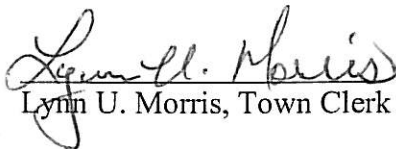
**9. Schedule Fiscal Year 2014-15 Budget Public Hearing**

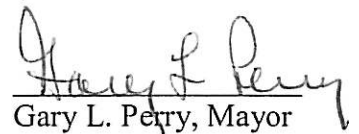
**MPT Bateman** made a motion to hold a public hearing on the Fiscal Year 14-15 budget at the June 2, 2014 meeting at 6 P.M. Councilman Garriss provided a second and the motion was unanimously approved, 5-0.

**10. Adjourn**

**Councilman Pruitt** made a motion to adjourn. Councilwoman Klutz seconded the motion and it passed unanimously, 5-0. Time was 10:22 a.m.

These minutes were approved at the July 7, 2014 council meeting.

  
Lynn U. Morris, Town Clerk

  
Gary L. Perry, Mayor