

MINUTES
OAK ISLAND TOWN COUNCIL
SPECIAL MEETING – BUDGET WORKSHOP
April 28, 2020 – 10 A.M.
COUNCIL CHAMBERS - OAK ISLAND TOWN HALL

Present: Mayor Ken Thomas, Council members John W. Bach, Shelia M. Bell, Charlie K. Blalock and Loman Scott, Town Manager David Kelly, Finance Director David Hatten and Town Clerk Lisa P. Stites, MMC. Mayor Pro Tempore Jeff Winecoff was unable to attend due to work commitments.

Mayor Thomas called the meeting to order at 10 a.m. and said the first item for discussion for discussion was the proposed FY 2020-2021 budget.

Parks and Recreation Director Rebecca Squires reviewed highlights from the proposed budget. She said the concert series had been completely paid for with sponsorships, though she wasn't sure what would happen with the concerts. The Friends of the Parks Foundation would be doing fundraisers to help pay for equipment at the splash pad. Mr. Kelly said that one of the things staff was asking Council to consider was moving the playground equipment from Middleton Park to an area near the splash pad. He said there was money in the recent PARTF grant to purchase some handicapped-accessible equipment, and the current equipment needs to be replaced as well. Councilor Bach said that the money budgeted for increasing spending on cleaning supplies was not enough, especially for when the weight room opens. He also said he thought the repairs line item would need to be higher, since it wasn't likely a new facility would be built soon. Mr. Kelly said that they had two engineers lined up to do structural analysis on the current building, but that had not been done yet. Councilor Bach reiterated his concern that the cleaning line item was not taking into account how expensive it is to clean mats and other equipment. Returning to the discussion about the playground, Mr. Kelly said that that is something that could be accomplished in this fiscal year, with consensus of Council; a Budget Ordinance Amendment would be presented at a future meeting. Council consensus was to move forward with the recommendation. Mr. Kelly said that staff recommended buying additional cameras and more up-to-date equipment to improve the security system at the Rec Center; he said there was money in the current budget to do that. Mayor Thomas and Councilor Bach said they agreed that was important; Council consensus was the same. Councilor Scott asked if the system was something they could add onto later, and Ms. Squires said it was. Ms. Squires next reviewed operational expenses in the proposed budget. Mayor Thomas asked if Brunswick Senior Resources Inc. would be adding Fridays to the schedule for senior lunches. Ms. Squires said that staff was discussing that with BSRI staff. Councilor Bach asked if the Community Center could be used as a location for vaccines; Mr. Kelly said that it was already used for blood drives, so that it probably could.

Pier/801 Ocean Event Center: Pier Complex Manager Lisa Mattiace reviewed the proposed budget. Ms. Mattiace said the budget included money for advertising and merchandise for the tackle shop. Ms. Mattiace explained that after an event, a cleaning service does a thorough cleaning of the 801 Event Center, and they know that they will have to follow the new guidelines. There are back-to-back events in September, so that cleaning will be done overnight between events. Answering a question from Councilor Bach, Mr. Hatten said a reduction in the budget was due to an expensive insurance policy that was in place during Pier construction. Ms. Mattiace said there was also a reduction in full-time employees, from two to one. Councilor Bach asked how many events had been cancelled due to the pandemic. Ms. Mattiace said that only one event had been cancelled at this point, and that others had been or would be rescheduled. She said that she was working with couples on weddings, suggesting using another day than Saturday. She said that she reminds people that every year, the anniversary will be on a different day of the week anyway and that using another day of the week is a more affordable option. Councilor Bach

asked about the status of having a business plan drafted. Ms. Mattiace said she had reached out to three entities. She had two proposals and was waiting to see if she would receive a third. She said one of the proposals was more comprehensive and the other more practical. Councilor Bach said that having a plan in place would be critical as things start to open up again. Councilor Scott said that though they had decided to give the Center two years before re-evaluating it, he thought that should be extended given the current circumstances. Councilor Bach agreed, and said that it should be given a fair opportunity. Councilor Blalock agreed. Councilor Scott asked if a review date had actually been selected, and Mr. Kelly said the two years would have started in July, but changing that was something they could discuss when they reviewed the proposals for drafting a business plan. Regarding the Pier, and re-opening it, Mr. Kelly said there are a lot of items to consider, such as installing Plexiglas shields by the register, implementing a cleaning regimen for the restrooms, bringing back the porta-johns for the beach, how to maintain social distancing on the Pier with benches, etc. He said in the meantime, there were some maintenance items staff could be doing. He said staff was looking at the logistics for re-opening for all facilities/departments. Mr. Kelly said that he had drafted a calendar, based on the Governor's tentative phases for re-opening and easing restrictions.

Administration: Mr. Hatten reviewed the proposed budget for the Administration. He said that staff had not included any COVID-19 expenses in this department, as those expenses had been in with the other departments, though they should probably reconsider that. Councilor Bach agreed. He also asked about the funding included for replacing technology. He said given the recommendations from the Town's outside IT company, they don't want to be in a position of system failure. He said that technology upgrades were not optional. He said if there are identified technology improvement issues, then they need to be moving in the direction of replacing equipment. Mr. Hatten said that he anticipated a 5 percent increase in the Town's liability insurance premiums, and the proposed budget reflects that. Councilor Bell asked if professional services included any of the technology items Councilor Bach mentioned. Mr. Hatten said it did not, that professional services was for the IT support, not hardware. Mr. Kelly said the proposed budget did include a new server and that they could ask the firm what other items could be included in the upcoming year. Councilor Bach said since it would be a tight budget year, he'd suggest asking them to spread the costs out over time. Mr. Hatten said the capital outlay was for the new telephone system, at a cost of \$69,100. He said that new Christmas decorations were also included in the Admin budget. Mr. Kelly said that would be a feel good item that could wait if necessary. Mr. Hatten said they could also consider putting off the phone system purchase until the following fiscal year. Councilor Bach said that the past couple of years, they had heard repeatedly about equipment that had to be replaced at the taxpayers' expense because of a failure to plan, and that he didn't want to do that with technology. He said that even if it is modest at this point, it's an investment they need to make and they can spread out the technology needs over a few years. Resuming discussion about the proposed budget for Admin, Mr. Hatten said that the General Fund debt (for the Town Hall, police station and two fire stations) would be paid off in the 2020-2021 fiscal year; that yearly debt service amount was \$601,000. Mr. Kelly said they were still reviewing staffing, trying to combine duties and not replace retiring employees, etc. Councilor Bach said that they were taking a very systematic approach to the budget, covering costs without compromising programs, while trying to maintain services and staff. He said he would want to retain trained employees, and he certainly hoped they would be able to get there. Councilor Blalock asked if they could lease new hardware for the Town's technology needs, instead of purchasing it; Mr. Hatten said he thought probably so and said they could look into that.

Fire Fees: Mr. Kelly said that there is an annual meeting with the County regarding fire fees, and that Councilor Scott has been the Town's representative. Mr. Kelly said that the fire fees are given to the Town, and that the Town uses them toward the Fire Department budget. He said that the budget currently

reflected no increase to the fire fees. He said that if the fire fees increased, there would be more money in the General Fund, and they could put that toward reserves or look at the tax rate. Councilor Scott asked how much the tax rate could be lowered if they increase the fire fees. Mr. Hatten said that it would depend on how much revenue was increased with the fire fees. Councilor Bell asked if what they were talking about was lowering taxes but raising the fire fees; Mayor Thomas said that was correct. Mayor Thomas said that would more directly show the cost for the fire department, and that down the road, they'd need to consider the need for a new fire station on the mainland. He said that the Town had the best fire department, but that the fire fees should represent the department. He said if they raised the fee 30 percent, it would not cost the taxpayers because they could trim the tax rate.

Fire Chief Chris Anselmo gave a history of the fire fees, saying the fee was established for Brunswick County in 1999 by the NC General Assembly. He said the fees were maxed out years ago and that fire departments were underfunded. In 2017, the County asked the General Assembly to double the maximum amount allowed to be collected. The Chief said that in addition to the resulting 25 percent increase then, all of the departments in the County except for Oak Island and Navassa had asked for increases. He said that currently, it takes \$1.2 million from the General Fund to support the Department's budget; the budget is \$2.7 million and the fire fees are \$1.5 million. He said that increasing the fire fees would be another option for funding the fire department without using money from the General Fund. Chief Anselmo also read from the General Statute regarding providing emergency services and the collection of fire fees. The Chief also reviewed projected revenues he'd put together, as well as the cost of increase for the fee for homes, as the fee is based on square footage. He also said there are a lot of needs coming up for the fire department, and that there should be a plan to fund all of that. Mayor Thomas proposed a 2-year plan, paying off the \$600,000 owed, which would bring next year's budget below \$2 million. With a 30 percent increase in fire fees, the Town would collect approximately \$2 million. He said that the tax rate could be lowered slightly to make up for that increase. He said that they need to get in line in the next two years before the need to spend money on the mainland. Councilor Bell asked why they would want to do it this year, with all the uncertainty there is. She said it would give people a false sense that the tax rate was being lowered, but then they would be paying more for the fire fee. Mayor Thomas said that lowering the tax rate and raising the fire fee made it a neutral change. He said that it would really help the following year's budget, since the debt would be paid off. Councilor Bell said the debt was already being paid off anyway, out of the General Fund. Mr. Kelly said that was correct, and Councilor Bell said then it was just a matter of taking it out of the General Fund or the fire fees fund. Councilor Bell said that the County collects the fire fees and disburses it to the Town, and that money goes into the General Fund, as does money collected from property taxes. Councilor Bach said he wasn't sure the residents even understood this fee or how it works. Councilor Bach said he understood the needs of the department, but he echoed Councilor Bell's question as to why consider it now. Mayor Thomas said that the fire fees should truly represent the cost of the service. Answering a question from Councilor Bach, Chief Anselmo explained his sheet showing the amount that would be charged to various size homes. Councilor Bell said that meant that since the fee is based on square footage, as it has always been, the people who are losing rental income with the larger houses would end up paying higher fire fees; Mr. Kelly said that was correct. Mr. Kelly asked if the extra funds received through the fee could be saved for future capital needs; Chief Anselmo said they could. Mr. Kelly said that they could increase fees by 60 percent then to start saving for a mainland fire station; Chief Anselmo said that was correct. He also said that if the department's expenditures are lower than the budgeted amount, the balance would go back into the General Fund, but unspent fire fees would have to remain in the Fire Department and could not be transferred to the General Fund. Mr. Kelly said that even with the debt paid off, the fees would still have to be raised more, or the Fire Department budget would have to be cut. He said if Council chooses to increase the fire fees, he

would recommend that the Fire Department be made to operate solely with that revenue, and not rely on transfers from the General Fund. He said that if they want to look at the Fire Department on its own, then they should charge the fees needed to support it. He said they can't have the best of both worlds; if they raise the fees then that amount of revenue should support the Department. Mr. Kelly said that if they want to establish reserves with the fees, then people would know that their fees are going toward building a new fire station, buying a new fire truck, etc. Councilor Blalock said so then you're not trying to pad the process. Mr. Kelly said that either way, they were not trying to pad the process. Mr. Kelly said that if they were going to consider raising the fee, he'd like that billing to be done by the Town then. Mayor Thomas said he would like that even better, and not even have to deal with Brunswick County about it. He said that they needed to get fire fees up 30 percent so that in two years, the Fire Department would have what it needs because we know what is coming. Councilor Scott asked staff for a recommendation. Mr. Kelly said that by reducing taxes, it would hurt other departments, not just reduce the amount of revenue needed from the General Fund for the Fire Department. Councilor Bach said that he would not be looking at reducing the tax rate in a recession, and that he saw the Manager's point that if the rate is reduced, there would have to be cuts somewhere. He said that he doesn't know that he wants to vote for \$600,000 relief in taxes when they have IT and capital needs as he thought that would be irresponsible. He also said they owe the citizens an explanation about how their money is being spent. He said that he was not opposed to raising the fire fee, but that they needed to be honest with the public; he didn't want to promise that they could raise the fee and lower taxes on the other side, since that would mean cuts in other departments to get there when they were struggling to keep their departments alive. Councilor Blalock asked what the original intent of the fire fee was. Chief Anselmo said that it was to provide fire service without using property tax funding. He said that towns could opt out of charging a fire fee; St. James and Bald Head do not charge a fire fee, funding their departments through property taxes. Councilor Bell asked the Chief if, based on his explanation of how the fee originated, that meant his Department should be operating on \$1.5 million. Chief Anselmo said that would be true for a volunteer department, not a municipal department. Councilor Blalock asked how the Town got so far behind. Mr. Kelly said that it is not behind, that it has been a choice of Council for how to fund the Department. Councilor Blalock asked why they would change the system. Mayor Thomas said it would better reflect the Department's costs. He said there was not a perfect number, and that some years the General Fund may still have to help the Department's budget. Answering a question, Chief Anselmo said the Sunset Beach department was charging the maximum fee. He said that Oak Island was different though, in that it is the only department in the County solely within the corporate limits of its town. Councilor Scott said he liked to support the Mayor when he could, but he asked Mr. Hatten what advantage it would be to go with the Mayor's proposal. Mr. Hatten said if he was taking \$100,000 out of General Fund for a particular department, what difference would taking only \$50,000 make? It is still coming from the same fund, unless they would make the Fire Department self-sufficient and have it rely on fire fee funding. Councilor Scott asked if that would be advantageous to the Town; Mr. Hatten said that if they do that, then the Fire Department would have to live with the fees collected. There would be no extra funding for the Department if a large emergency expense arose. Councilor Bach said if they increased the fees 30 percent, it would be approximately \$2 million in revenue, and the remaining \$700,000 for the Department's budget would have to come from the General Fund. He said he could support that as long as it didn't come with a tax reduction on the other side. Mayor Thomas said the fee was intended to support the Fire Department, that they hadn't had any increases, and that they needed to get the revenue closer to the expenses. Councilor Bach said residents would likely question why they were changing from this hybrid system. Councilor Bell said that she didn't think this was the year to change it, with all the uncertainty. She said that all the departments have been running efficiently and made cuts, and that they should leave it like it is. Mayor Thomas said that by doing nothing, they would just be increasing the amount needed to be transferred

from the General Fund. Councilor Scott said that if they had this much trouble among themselves trying to figure it out, he wondered how the public is going to understand it if they get slapped with a new fire fee increase. Councilor Bell suggested doing a Town Hall meeting about it ahead of the following year's budget cycle. Mayor Thomas asked about the process for changing the fee. Chief Anselmo said the County fire fee committee would meet the next week. Councilor Bell said her recommendation was to not consider a change until the following budget year, not the coming fiscal year. Mr. Kelly said if the Town planned to ask for an increase, a Resolution was needed, but if they were not going to ask for a change, they did not need to adopt a Resolution. Councilor Bach said he agreed with Councilor Bell, and that his prime objective was to not have a tax increase, and to preserve the staff and programs. He said that closing the gap between fire fees and the Department's budget would take strategic messaging. **Councilor Bell made a motion to leave the fire fees as they were for right now, subject to review next year.**

Councilor Bach seconded and the motion passed unanimously.

Outside Agencies: Mr. Hatten said that staff had reached out to agencies the Town has funded in the past. He also said that guidance from the State regarding funding outside agencies is that only those who provide a service the Town would otherwise provide should be considered. Councilor Scott asked if Council could review this at a future workshop; Mr. Kelly said they could.

Town's response to COVID-19 pandemic: Mr. Kelly reviewed a draft calendar for a proposed re-opening schedule. He asked Council to review it so they could discuss it at Thursday's meeting. Councilor Bach said he thought they needed to consider providing end dates for rentals, etc., and also looking at a conservative schedule they could accelerate if needed.

Councilor Scott made a motion to adjourn at 11:59 p.m. Councilor Bell seconded and the motion passed unanimously.

Ken Thomas, Mayor

Attested: _____

Lisa P. Stites, MMC
Town Clerk

Clerk's Statement: Minutes are in compliance with the open meetings laws. The purpose of minutes per the open meetings laws is to provide a record of the actions taken by a Council or a Board and evidence that the actions were taken according to proper procedures. All actions of the Council are recorded in the official minutes. Not all portions of Town of Oak Island meetings are recorded verbatim in the official minutes, with general discussion items, reports, presentations, and public comments being paraphrased or summarized in many instances. Public comments in writing should be submitted to the clerk via hard copy, electronic mail, or other means so as to ensure an exact verbatim account. The Town of Oak Island provides full coverage of meetings on Government Channel 8 so that the Citizens and the Public may view and listen to the meetings in their entirety.