



COUNCIL WORKSHOP  
March 16, 2021

**MARCH 16, 2021, MINUTES:** Council Workshop

**LOCATION:** Pitts Center- 5377 N. Virginia Dare Trail, Southern Shores NC 27949

**COUNCIL MEMBERS PRESENT:** Mayor Bennett, Mayor pro tem Elizabeth Morey, and Council Members Jim Conners, Leo Holland, and Matt Neal

**COUNCIL MEMBERS PARTICIPATING ELECTRONICALLY:** None

**OTHERS PRESENT:** Town Manager Cliff Ogburn, Finance Officer Bonnie Swain, and Town Clerk Sheila Kane.

**CALL TO ORDER / PLEDGE OF ALLEGIANCE / MOMENT OF SILENCE**

Mayor Bennett called the meeting to order at 9:00 A.M., led the Pledge of Allegiance, and held a moment of silence.

**ADOPTION OF AGENDA**

Councilman Neal moved to approve the agenda with an amendment to include consideration of the flood development protection ordinance to comply with ISO standards for the AO flood zone. The motion was seconded by Mayor pro tem Morey. The motion passed unanimously (5-0).

**PUBLIC COMMENT**

Mayor called for public comment and hearing no citizen wishing to speak, he closed public comment.

**BUSINESS ITEMS**

**Consideration of the flood development protection ordinance to comply with ISO standards for the AO flood zone.**

Councilman Neal stated the Town would lose its community insurance rating to the detriment of almost 15 percent reduction in insurance rates if we do not include the language and would like to direct staff to make that inclusion.

Deputy Town Manager/Planning Director Wes Haskett stated his department is currently in the process of preparing for its 5-year CRS cycle visit. The representative had reviewed the Town's flood damage prevention ordinance and reported there is one section in the flood zone language that does not work well with the new CRS requirements that became effective in January of this year. To be eligible to have a class eight rating or better you must have a minimum one-foot free board in all your flood zones. It was a simple fix and will need to go to the Planning Board first.

**MOTION:** Councilman Neal moved to direct staff to modify the flood protection development ordinance, specifically the AO flood zone standard language to include a free board to bring us in compliance with the ISO standard. The motion was seconded by Councilman Holland. The motion passed unanimously (5-0).

**Consideration of Bids-Sea Oats Trail Road Improvement**

Town Manager Ogburn stated staff was directed to get bids for approximately 2000 feet of road improvement on Sea Oats Trail from 11<sup>th</sup> avenue to NC12. Two Bids were received on March 9, Barnhill Construction in the amount of \$449,000 and Fred Smith Company in the amount of \$452,000. Staff is recommending awarding the bid to the lowest bidder.

Town Manager Ogburn also stated the accompanying budget amendment is for the contract amount, plus 10% contingency, and an amount to include engineering for a small section of Hillcrest Drive.

**MOTION:** Councilman Neal moved to authorize the Town Manager to enter a contract with Barnhill Construction Company, plus a 10% contingency and approval of the associated budget amendment which includes the engineering design for a portion of Hillcrest Drive. The motion was seconded by Councilman Conners. The motion passed unanimously (5-0).

Councilman Conners asked Town Manager Ogburn if he thought the Town was receiving competitive bids with the two companies, Barnhill and Fred Smith. Mr. Ogburn replied he felt they were competitive, and the bids were very close in final bid amounts.

**Planning Direction for the Town Manager’s FY 2021-2022**

The agenda summary read as follows, Town staff is continuing to work on presenting a balanced budget and currently revisions to department requests and revenue projections are ongoing.

Budget figures presented at this workshop are meant to give the Council an approximation of the Town’s financial position at this time. There is still much work to be done and the Town Council is asked to provide input and direction to town staff regarding its priorities. While there are many areas that Council may want to focus, staff asks for direction on the following items:

Use of fund balance - Through several years of careful and deliberate conservative budgeting, the Town has accumulated a large fund balance. These funds can be used to balance the budget, pay for large capital items next fiscal year, and possibly be transferred to the Capital Reserve Fund for future project needs.

Capital Planning – A Capital Improvements Plan is also attached. This is a working document that continues to serve as a plan and as a tool for forecasting future budget needs. The CIP represents a balance between maintaining the town’s existing assets and investing in new assets to support the town’s growth, as well as ensuring that investments are made in accordance with the priorities of the Town. Some of these capital expenses can be funded from our current revenues and are appropriated in the annual operating budget. Larger capital projects and acquisitions typically cannot be financed this way. Therefore, the Town needs to accumulate funds over time, identify additional revenue sources, or borrow money to pay for these capital expenses.

Street Improvements – The Town is currently beginning the process of a pavement condition study. Those results are not expected until sometime in June. The timing of the results makes it difficult, if not impossible to budget for specific projects. However, staff recommends that the Council adopt a budget that allows for a significant amount of street improvements over the next several budget years.

Pay Study Implementation – The Council directed a Pay and Classification Study that was presented in February of 2020. Due to the study coinciding with the beginning of the pandemic and the desire to receive input from the new Town Manager, implementation of the study was put on pause. Staff would like to receive feedback on their proposal which includes salary adjustments, and a Salary/Benefits Philosophy Statement moving forward. Also included in the plan are job reclassifications, adoption of new job descriptions, and a pay plan.

Beach Nourishment Municipal Service Tax Rates - While these rates will be set with the adoption of the FY 22 budget in June, the impacts of a town wide tax increase towards repayment of borrowed funds to perform the project will influence next year's budget. Raising taxes is never an easy decision, but in addition to the need to generate revenue to pay for the nourishment project, the Town has other needs to plan and budget for soon.

Seasonal cut thru traffic – Staff will seek direction on budgeting for this summer's traffic impacts. Most anything that the Town undertakes to mitigate the impacts of traffic congestion will have a budget impact. Some measures may require the purchase of new equipment that might come from the current year's budget as well as next year's budget.

Staff would like to also share with the Council the status of service contracts presently in place that will need to be renewed in the following budget years.

- Ocean rescue
- Town Auditor
- Trash
- Recycle

Staff Recommendation: Staff recommends the following schedule in moving the FY 2021-2022 Budget adoption process forward:

May 4, 2021 - 5:30 PM Regular Meeting – Presentation of Manager's recommended Budget and recommended Capital Improvement Plan.

May 5, Clerk makes recommended budget document available for public inspection, and publishes notice of June 1, 2021, Public Hearing

Council schedules Budgets Workshops TBA (May 5 – June 14)

June 1, 2021 - 5:30 PM Regular meeting - Public Hearing (possible adoption)

June 15, 2021 – potential adoption of the FY 2021-2022 Budget must be adopted by end of June.

Town Manager Ogburn stated the use of fund balance to balance the budget cannot be sustained. Next year a tax increase will be needed to manage the gap.

#### COUNCIL DISCUSSION / DIRECTIVES

Councilman Neal stated if we use our unassigned fund balance to both seed our capital improvements and balance our budget as we edge towards tax increases in the future, we are reapplying taxes we have already taken from people not expended in that fiscal year. It is not a subsidy of a tax increase; it is

reapplying money that we have already collected that was not expended. He stated It is unsustainable, but I am comfortable moving forward as we tiptoe to readjust our budget to realities on the ground. There is fire station debt, larger capital improvement needs, cost of living increases for staff, there are hard increases into a municipal budget that the current tax rate does not consider paying. A plan needs to be made to pay for these. He stated for now use fund balance, excess taxes to pay for it.

Mayor pro tem Morey stated she would like to clarify the wording "excess taxes". It should be clarified as, expected or projected revenues exceeded projected expenditures. You could argue that you were insufficiently funding the expenditure side, or insufficiently spending on capital improvements. Councilman Neal stated insufficiently funding our expenditures would be a fair statement.

Councilman Neal stated if the Town Manager feels the budget can be balanced without a tax increase this year, aside from potential beach nourishment, and we can also contribute to our capital reserve fund, that would be his suggestion for Council to use fund balance. The second part of that is to make sure all our priorities for this year are included.

Councilman Neal stated he is comfortable with implementing the pay study over one year or two, he is okay with the Town Manager's recommendation. Councilman Holland stated as far as perception, spreading out over two years will ease the dollar amount. Councilman Neal stated the dollar amount is not that large.

Councilman Connors stated he would agree with taking the excess (amount over three million) and using it for street projects, culvert, amongst other things. It is inevitable that a tax increase beyond an increase for beach renourishment is needed in the future. If the fund gets an excess, it should be spent, we have road projects that need to be completed.

Councilman Neal stated to think expenses can be static at 2011 rates is just unrealistic. He would like to see incremental change, over monumental change.

Mayor pro tem Morey stated the Town Manager is looking for direction for the upcoming budget, she would like to propose that Council adds to Town's contribution to the beach nourishment project, as a portion of capital reserve. The Town placed \$250,000 in the capital reserve for beach nourishment, and she would like to increase that number, thus reducing the amount needed to be raised by MSD's. The contribution would come from the from the unassigned fund balance.

Councilman Connors objected to Mayor pro tem Morey's suggestion. He felt that the beach nourishment should be self-sustaining and generate its own money. The excess unassigned fund balance could be used for other Town projects.

Councilman Holland reminded Council that what ever is placed in the capital reserve fund for beach nourishment specifically, then that money is designated for beach nourishment only, and cannot be spent on other capital reserve projects.

Councilman Neal stated the \$250,000 in the capital reserve fund, designated for beach nourishment was for getting bonds. Town Manager Ogburn stated that it was established as a requirement with the LGC for funding. He also stated that the \$250,000 could be used for the beach nourishment project and that the Town's contribution would have to be large number to see a reduction of revenues needing to be generated from the MSD's.

Councilman Neal stated to put an asterisk next to use of unassigned fund balance and move ahead and knock out some of the Town Manager's requested direction. He asked for consensus on the following:

**Pay Study Implementation**-It was consensus of Council to give the Town Manager leeway to recommend as he sees fit. Either implement the pay study in one year, at approximately \$92,393 (salaries and benefits) which would adjust positions and salaries to bring them in line or over two years 71,694 salaries (salaries, benefits, and small cost of living for those salaries not adjusted by the pay study).

**Increase Contribution to Capital Reserve Fund**-Consensus of Council to contribute money from the unassigned fund balance to the capital reserve fund. 1 million from the unassigned fund balance to the capital reserve fund is the number suggested by Councilman Neal and was implied to be a starting point.

**Summer Traffic Mitigation Planning**-Consensus of Council to budget and implement eight "no left turn weekends, end of June through mid-August.

**MOTION:** Mayor pro tem Morey moved to direct the Town Manager to purchase additional traffic counters (5) costing \$14,600; budget amendment funding to come from the unassigned fund balance and purchased in the current budget year.

Councilman Connors stated he has received emails about church service times at All Saints Church on Sunday mornings, and would like for that to be considered when scheduling the barrels on Sundays, if possible.

Councilman Connors stated the Council also received the Cut thru Traffic Committee's final report late last night and he has not gotten a chance yet to read it thoroughly.

**MOTION:** Councilman Connors thanked the Cut Thru Traffic Committee for their work and submission of their final report and moved to disband the committee. The motion died for a lack of a second.

**Pavement Study**-Council agreed with the Town Manager's plan to allocate one million dollars a year to street improvement projects.

**Debt Service**-Fire Department debt service is roughly is .02 cents.

Councilman Neal stated the big question is if Council is raising taxes this fiscal year or if we can achieve what is needed by a skilled use of our unassigned fund balance, he would prefer using unassigned fund balance this year.

Councilman Holland stated that can be achieved this year without a tax increase because of where we are at, and it would put us ahead public relations wise. He further stated we will need to presale the notion that taxes are not increasing this year but next year they will need to be.

Councilman Connors stated this may not be the year to raise taxes, but the discussion should be held. The politics about raising taxes needs to be removed and Council needs to do what is right for the Town and for the future, put politics aside.

Councilman Neal stated he thinks this approach navigates both, we are setting priorities for the Town with a more aggressive capital improvement schedule, we are tackling some of the debt that is brought into the Town via the fire station. But we are using the unassigned fund balance that has been built to forestall an immediate tax increase. These new funding obligations will create a tax increase, cost of living increases. You must pay people more year to year and that is a fact of life, and it is amazing that they have gone so long without one. Tax increases are on the horizon by the nature of the value of a dollar. We are serving our constituents by not forcing it on them in this fiscal year and we are meeting

our new funding obligations. What amount of a tax increase is needed should be discussed after Council reviews the Town Manager's recommended budget.

Mayor Bennett stated as long as we recognize our decision not to increase taxes is going to impact our ability to do something we would like to do, and it is going to also keep us where we are as far as the County's money that would come to us if our tax rate was slightly higher. The Town is giving up a certain dollar amount a year because we kept our tax rate low. We are essentially being punished for doing a good job. Mayor Bennett further stated he would not be averse to a two-cent or so tax increase this year but would yield to the majority.

Mayor pro tem Morey stated after going so many years without a tax increase to our general fund she would be supportive of a small increase to our general fund, as well as what we know is going to happen which is an increase for beach nourishment. She stated she would support a penny or so since expenses are increasing, as well as putting money into our wide range of capital funding.

Councilman Conners agreed with Mayor pro tem Morey. He stated one cent may be a middle ground for now, and then do it in increments.

Councilman Holland stated that some of the other municipalities increase taxes one penny a year.

Councilman Neal stated there will a beach nourishment tax increase this year and then we need to see what operating costs will require. Until we know those numbers, we will not know what ultimate tax increase number we need to be at and then move towards it.

Mayor Bennett called for a five-minute recess at 10:58 a.m.

Session reconvened at 11:05 a.m.

Councilman Neal stated the Town Manager has been given line-item guidance without a tax increase to the general fund. Consensus of Council seems to be a one to two cent increase to the general fund, absent of beach nourishment, if necessary to balance the budget. He stated he would prefer to see if the budget could be balanced this year without the increase by use of the unassigned fund balance.

Councilman Holland stated he supported that, as he is hesitant to increase taxes this fiscal year for the general fund.

#### **PUBLIC COMMENT**

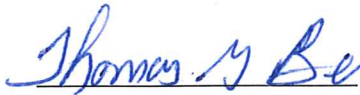
Public Comment (via email)-Ann Sjoerdsma-69 Hickory Trail-Ms. Sjoerdsma thanked Mr. Ogburn for the opportunity to participate in the early preparation of the fiscal year 2021-22 budget and for his leadership, hard work, and skill in moving forward with a capital improvement plan and other financial management of the town. She also thanked the Town Council for working together to support a capital improvement plan and other progressive initiatives, such as the cut-thru traffic study and the pavement study. She is very pleased with the direction the town is going in. She is invested financially and emotionally in Southern Shores and would like her tax dollars to go to street improvements (first and foremost), payment of the debt service for the fire station, mitigation of the cut-thru traffic, payment of competitive salaries to our first-class town staff, and whatever equipment the police and fire departments need to protect the citizenry. She does not support paying taxes for beach nourishment in 2022, except for the southern area of town where maintenance of the 2017 project is required.

Hearing no other business, Mayor Bennett thanked all the residents for their emails, and called for a motion to adjourn.

**ADJOURN**

**MOTION:** Councilman Holland moved to adjourn the meeting. The motion was seconded by Councilman Connors. The motion passed unanimously (5-0). The time was 11:13 a.m.

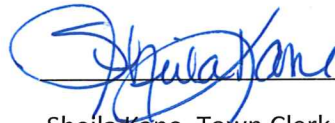
ATTEST:



Thomas G. Bennett, Mayor



Respectfully submitted,



Sheila Kane, Town Clerk