

Joann M. McDermon, Mayor
Mike Benson, Mayor Pro Tem



Alice Derian, ICMA-CM
Town Manager

Aldermen:
Fred Fontana
Richard Grant
Tom Leonard
Connie Pletl

Nancy Avery
Interim Town Clerk

Board of Aldermen
Budget Workshop Minutes
Tuesday, March 15, 2023, at 8:30 am
North Topsail Beach Town Hall

The Town of North Topsail Beach Board of Aldermen held a budget workshop on Wednesday, March 15, 2023. There was a quorum of the Board present.

Board members present: Mayor Joann McDermon, Mayor Pro Tem Mike Benson
Aldermen: Fred Fontana, Tom Leonard, Richard Grant, Connie Pletl

Board members absent: None

Staff present: Finance Officer Caitlin Elliott (via telephone), Fire Chief Chad Soward, Police Chief William Younginer, IT Director Ricky Schwisow, Public Works Director Scott Poelhitz, Interim Town Clerk Nancy Avery, and Town Manager Alice Derian.

Call to order

Mayor McDermon called the workshop to order at 8:30 am.

Approval of the agenda

Motion – Alderman Leonard motioned to approve the agenda as presented; seconded by Alderman Fontana; unanimously approved.

Presentation on Five Year Projections

Mr. Doug Carter of Doug Carter and Associates explained how the forecast process works stating his hoped for outcomes for today are to set the process for forecast development along with initial expectations and obtain the Board's input and expectations.

Small jurisdictions do not often request an Operating Forecast. Generally, people use a five-year standard though three years is usually more accurate.

Last year we had the General Fund looked at. What about the Beach Fund? There are some costs within the Beach Fund that will be falling off in upcoming years. Ultimately looking at the Beach Fund and how to invest for future projects, we have to know what the beach plan is. We need to look at the needs for new nourishment and set aside funds for ongoing maintenance. We will need to look at how we will build reserves for that. You might want to look further than five years on the beach plan. We just did Nags Head and it was for eight years. It is important to

separate operating and capital which is difficult with one General Fund. The Town has done a good job at separating this and looking at Capital Projects.

It is a good idea to separately plan for capital maintenance of existing assets as opposed to new facility needs. There should be consistency in moving funds from the General Fund to the Capital Improvement Projects Fund.

Mr. Carter asked the Board if there is a need for sensitivity analysis and if so, how much do you think is needed.

Mayor McDermon stated she thinks there is a consensus to not raise taxes this year. The Board's focus right now is on finishing the current projects and developing a beach plan for the future and budgeting funds for it. We have a forecast model now for the General Fund that Mr. Carter did for us and she thinks this conversation is to build or update that. She said she is not opposed to sensitivity analysis and thinks it should be done only on the General Fund side. We need to be aware of the staff time that sensitivity analysis would require.

Mr. Carter said we did do a General Fund forecast last year. The Capital model will force you to borrow at times rather than to pay as you go. His concern is within the operating budget. At what point will the operating expenses outweigh the revenue. This is heavily based on personnel costs. What will future costs of employment be to retain employees. The guidance he needs is the expectation of employee costs in the future. Do we assume average wage increase or assume three or four percent and forecast what that will cost you.

Alderman Grant said he would like to understand inflation impact and whether there is a need to raise taxes this year or next along with a forecast for the cost of a terminal groin and other projects. He is concerned that if the Town starts making commitments of so many cents to the Capital Improvement Project Fund or the Beach Fund, he does not want to end up short in the General Fund. The Town has failed to plan in the past. He is not talking about doing this by department. He is looking at a higher level such as costs today are this amount and with a projected inflation rate of a certain percentage, costs will be a certain amount over time.

Alderman Fontana stated if it was true that the Town did not plan in the past then we would be short on the money to build the Fire Station.

Note: Alderman Leonard left the meeting at 9:12 am.

Mayor Pro Tem Benson said he is hearing that if the sensitivity analysis could show us trends up and down that would be nice, but he is also hearing that we do not have the extra staff time to do a sensitivity analysis.

Mr. Carter said maybe the Board should move this discussion to the fall to allow you to finish this budget. The challenge on the Fire Station will be getting the bids in. He recommends 120 day bid process to allow time to get a loan, have a public hearing, etc. because this will be happening in the middle of the budget process.

Mayor McDermon called for a break at 9:39 am.
Mayor McDermon resumed the workshop at 9:50 am

Recap of Draft FY 2024 budget

The Board reviewed the amount budgeted for Recreation and whether that was enough for events, the bike path and DOT plans and how to proceed.

Finance Officer Elliott stated the tax valuation for Fiscal Year 2022-23 was \$1,589,800 and is projected at \$1,612,500,000 for Fiscal Year 2023. One cent tax rate value is \$161,250 for 1 cent at a 100% collection rate and \$153,187.50 for 1 cent at a 95% collection rate. She reviewed tax rate comparisons with the Board.

Consensus items:

1. Get through the budget process and work on an analysis forecast in the fall.
2. Order of priority for Doug Carter and Associates is
 - A. Capital Improvement Project Fund
 - B. Beach Fund
 - C. General Fund contributions to Capital Improvement Project Fund and/or Beach Fund.
3. Recreation Budget – increase draft budget expenditure amount from \$7,000 to \$10,000
4. Bike Lane – add to April agenda for formal vote
5. Draft budget decisions to be made:
 - a) Add salary increase numbers
 - b) Budget for contingency fund.

Motion – Alderman Leonard motioned to adjourn at 10:23 am; seconded by Mayor Pro Tem Benson; unanimously approved.

Budget presentation herein incorporated as part of these minutes.

Joann McDermon, Mayor

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Nancy Avery, Interim Town Clerk