

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 14, 2023, at 8:30 am

The Town of North Topsail Beach Board of Aldermen held a budget workshop on Tuesday, March 14, 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  
Board members absent: Connie Pletl

Staff present: Finance Officer Caitlin Elliott, Fire Chief Chad Soward, Police Chief William Younginer, Planning Director Deborah J. Hill, IT Director Ricky Schwisow, Public Works Director Scott Poelhitz, Building Inspector Ralph Allen, Interim Town Clerk Nancy Avery, and Town Manager Alice Derian.

Approval of the Agenda

**Motion** – Alderman Leonard motioned to approve the agenda as presented; seconded by Mayor Pro Tem Benson; unanimously approved.

Manager Budget Overview and Economic Outlook

Manager Derian said the draft budget we are presenting today has been prepared with a conservative approach to revenues and expenses which will allow us to continue to deliver high quality services to residents and visitors alike. Expenses have been compiled by meeting with Department Heads, who will be presenting their department requests through today, reviewing historical budget data (last three-year actuals) and recognizing the external economic conditions that are prevalent.

The priorities established for the preparation of the FY 2023-2024 budget are as follows:

- Remain fiscally sound with a healthy Fund Balance.
- Continue to provide and enhance public safety for residents and visitors.
- Maintain a high level of preparedness in order to respond to and recover from emergencies.
- Continue to support and balance the demands of new residential development.
- Continue to provide high service levels and quality of life amenities (Our Beach!).
- Employ technology to engage, improve and expand service and public safety opportunities.

In early March we received initial tax estimates from Onslow County and North Topsail Beach which shows a 2.59% increase from last year. The projected levy is \$1,630,900,000 and with motor vehicle tax levy included, this equates to \$6,933,750 in revenue at the same tax rate. The slides presented represent the existing tax rate of \$.43 per hundred-dollar valuation and assume a 95% collection rate.

Highlights include General Fund Revenues have been drafted without the use of prior year reserves and with conservative assumptions such as not accounting for grants other than what is currently awarded, accounting for a conservative 10% increase in occupancy tax, and no built-in increase for local sales and use tax. The total General Fund Revenue draft budget is \$7,298,870.

General Fund Expenses have been drafted in the amount of \$6,504,759 based on current needs and recognizing inflation. Personnel costs account for over half of the General Fund and Planning is requesting one new position, Planner I. Fire is proposing an internal restructure that will promote three (3) current FF/EMT positions to Master Fire Fighter and renaming FF/EMT's to Fire Fighter I and Fire Fighter II based on qualifications. Please be aware that the salary figures overall are still in the process of being calculated, and while these large changes mentioned are represented in the draft financials, the proposed salary increases will be reflected prior to the April budget workshop.

The draft FY 2023-2024 budget reflects an overall decrease of 7.86%, or \$794,111 under FY 2022-2023 total operating budget.

Similar to last year, we also wanted to take a strategic budgeting approach for this series of budget workshops by providing a five-year projection that provides a long-term perspective of what our knowns and established priorities look like. While last year, we provided all of the calculations; I have asked Mr. Doug Carter, who will be joining us tomorrow morning, to delve into the process that we have engaged him to work on.

#### Budget highlights

Finance Officer Elliott stated:

- Property tax is \$0.43 per hundred-dollar valuation with \$0.26 assigned to the General Fund, \$0.7 assigned to the Capital Improvement Fund and \$0.10 assigned to the Beach Fund
- Local sales and use taxes are allocated 74.5% to the General Fund and the remainder into the Beach Fund
- Occupancy Tax is 100% towards the Beach Fund
- Paid Parking fees are split between General Fund (75%) and Beach Fund (25%)
- Health Reimbursement Account budget is \$1,000 per employee.
- 12.9% is budgeted as the requirement for town's contribution towards retirement for general employees and 14.4% for police personnel.
- 401k contribution is budgeted at 3% per employee.
- \$5,000 is budgeted in elections as there is an election next year.
- Governing Body largest expense fee is professional services which is for the Town Attorney.

*Discussion/Questions*

Alderman Fontana asked what a consumable is and what is employee engagement. Finance Officer Elliot replied it is food for parties, retreats, employee appreciation events. Manager Derian stated employee engagement is for employee recognition such as group outings, events.

Mayor Pro Tem Benson asked if the Board training line item is for attending conferences or different events.

Finance Officer Elliott stated beach conference costs are budgeted in the Beach Fund, not Governing Body.

Department reports

*IT Department*

Director Schwisow stated:

- We rolled out a new website.
- We put together an Emergency Operations Center event mobile box .
- Working on implementing town key fob system on all doors for employees to improve safety and accountability.
- Working on better email security.
- He is developing a new app for reporting citizen raised issues such as potholes. There will be a tracked ticketing system to show when completed and response time. We could also put hurricane pass information in this app.
- We are adding fiber internet this next year.

*Discussion/questions:*

Mayor Pro Tem Benson asked if town files are in the cloud. He also asked if the water level sensor can be in the app he is developing.

Director Schwisow responded some are in the cloud but not all of them. We are in the process of getting all files into the cloud and anything on the website can be tracked by this app.

Alderman Fontana asked is leasing IT equipment cheaper.

IT Director Schwisow said no, we are ending leases this year. We will go for a year with no payments and then look at purchasing new equipment.

Alderman Grant asked what the philosophy on equipment is.

IT Director Schwisow stated if you cycle equipment among departments it will be ten years before one department gets new equipment. He prefers to replace computers every five years and has budgeted for that.

Mayor McDermon asked if the workstation that is onsite has been used by anyone.

Director Schwisow said no.

*Inspections Department*

Inspector Allen said his presentation is straightforward and asked if there were questions.

We are looking at the fee schedule for a fee when the contractor changes and staff has to go back and redo.

*Discussion/Questions*

Mayor McDermon asked if there is a way to simplify the permit process. Could permits be listed online to provide realtors or folks selling homes to cut down on the public records requests. Inspector Allen said this is the second year we have used this software. With all the different state agencies we deal with here, I do not see a simpler software program than what we have. I think we could make certain types of permits easier such as for a fence. We can revisit the current system to make it more user friendly than re-inventing the wheel. Most of our public records requests are due to one neighbor being unhappy with another neighbor.

Alderman Grant asked what the debt service amount was for.

Finance Officer Elliott said it is for this current year and is a loan from BB&T for vehicles.

*Planning Department*

Director Hill stated:

- A new position for a planning assistant has been added. It is a good investment and an opportunity to train a planner for succession planning.
- She inherited a police vehicle for planning.
- The new software is much better.

*Public Works Department*

Director Poehiltz said:

- The roof on the Public Works building needs replacement. He received quotes in the range of \$9,000 to \$12,000. The skylights will be removed. He will try to get another five to six years out of the building.
- Landscaping line item was increased.
- Budget includes exterior improvements for the north end fire station.

Mayor McDermon called for a break at 9:59 am.

Mayor McDermon resumed the workshop at 10:11 am.

Budget highlights continued

Finance Officer Elliott stated:

- We are working on getting estimates for property and liability insurance.
- The League of Municipalities said we have a great rate with Wells Insurance
- Fire insurance is separate.
- We cannot insure the Town Hall facility for flood insurance.

*Discussion/Questions*

Alderman Fontana asked if the Board of Aldermen is insured.

Finance Officer Elliot said they are for Workers Compensation and Public Official insurance.

Alderman Grant asked deductible amounts.

Finance Officer Elliot said she will get them for him.

*Police Department*

Chief Younginer said:

- There are thirteen officers and two civilian personnel one of whom will retire this year.
- Salary is comparable with surrounding areas.
- We are busy in the summer and use the wintertime to train. We are ahead of other towns in training.
- We have two interns in college to do beach patrol.
- Budget is steady this year.
- The IT Director is very responsive and is a great asset. It used to take three days to get something fixed but not now.

*Fire Department*

Chief Soward said:

- The budget did not shift a lot a lot from last year.
- He increased the training line item.
- He is not replacing the CASCADE system until the new South Fire Station facility is built.
- He included restructuring personnel classification to ensure someone is always on charge per shift.

*Discussion/Questions*

Mayor McDermon asked if the department is in good shape for summer.

Chief Soward said they had some turnover and are training new personnel. This is a nationwide problem. We are trying to think outside the box for benefits to help with retention.

Capital Improvements Projects budget highlights

Finance Officer Elliot stated the future projected and requested needs are:

- Town wide computer replacement
- Offsite Emergency Operations Center (EOC) location
- New fire truck
- Police Department expansion
- Possible NCDOT project for bike pedestrian path

Consensus – add discussion on bike pedestrian path to April agenda.

Beach Fund highlights

Finance Officer Elliot said:

*Revenue*

- 10% conservative increase in accommodation tax.
- Increased ad valorem tax.
- Increased interest.
- Left in sea oats.
- Budgeted worst case scenario for paid parking.

*Expenditures*

Budgeted for leases for parking lots, lobbyists, beach crossover repairs, conference attendance, sea oats program, a hardened structure (terminal groin) for EIS project, TI Coastal, Vitex removal costs estimated at \$216,000 first year then ongoing maintenance.

*Discussion/Questions*

The Board discussed if there would be a need to plant sea oats once Vitex is removed, is the Town responsible for removal costs of Vitex in front of private HOA areas and whether \$30,000 is enough to budget for the thirty-year beach plan.

Wrap up

Mayor McDermon said there needs to be consideration for bike path costs, a placeholder for recreational events, incorporation of salary items and insurance and a decision on contingency amount.

Alderman Grant stated the inflation assumption needs to be considered as it will be more expensive to borrow in the future.

Alderman Leonard said the budget presentation was well done, clear cut and easy to follow. A lot of work went into finding ways to cut or control expenses.

Mayor Pro Tem Benson stated the initial cost for Environmental Impact Study was \$500,000 which was to be split with the County who pulled out. He thinks \$280,000 is a good estimate.

Mayor McDermon called for a lunch break at 11:44 pm.

Mayor McDermon resumed the workshop at 12:26 pm.

Motion – Alderman Leonard motioned to adjourn at 12:28 pm; seconded by Mayor Pro Tem Benson; unanimously approved.

*Budget presentation herein incorporated as part of these minutes.*

*Reference below requested to be added to the minutes by Alderman Grant:*

*“References in changes to revenue and expenses, relate to amounts included in the prior years Boar of Alderman approved budget not to actuals.”*

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Joann McDermon, Mayor

ATTEST

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Nancy Avery, Interim Town Clerk