
MEMORANDUM

TO: THE HONORABLE MAYOR AND TOWN COUNCIL
FROM: ANNE-MARIE KNIGHTON, TOWN MANAGER
SUBJECT: FOLLOW UP, BUDGET QUESTIONS
DATE: JUNE 14, 2013
CC: DEPARTMENT HEADS

Below please find information in response to questions asked at the Finance Committee meeting this past Monday. Also, attached is the updated proposed budget with May 31, 2013 expenditures. Randy also has made another series of very minor changes pertaining to the position classification adjustment line item in each fund. We budgeted the equivalent of 2% across the board increase for all employees and put those funds in the position classification adjustment line item in each fund to fund the anticipated reclassifications. In reviewing the proposed budget this week, we realized that 1% was in each department's salary & wage account and 1% was in the position classification adjustment line items. So, Randy has reduced each salary & wage line item by 1% and transferred those funds to the position classification adjustment line items. You will see the changes he has made by reviewing the figures in the salary & wage "requested" line item and then the "recommended" budget line item for each department. This does not impact the funds budgeted for the Flat Dollar and 1% cost of living increases.

1. ***Legal Fees Account (10-420-42): Year-to-date expenditures are \$53,453, why are we recommending only \$30,000 for FY 2013/14?*** Almost half of the year to date expenses for legal fees was for the defense of the Evergreen appeal (\$25,600). We did recommend increasing legal fees from \$26,000 to \$30,000. This week Evergreen withdrew its appeal from the NC Court of Appeals, but prior to that our thinking was that the appeal was based on the record, a review of the NC Superior Court judge's ruling, and there would very little additional legal research on Hood's part. That is all moot with the withdrawal of the appeal.

2. ***Police Overtime Account (10-510-22) Year-to-date expenditures are \$63,826, why are recommending only \$46,359 for the FY 2013/14?*** As reported in an email earlier this week, staff has re-evaluated the recommended overtime line item for FY 2013/14 and recommends an additional \$6,158 be added to the line item bringing the total to \$52,517. We were able to reduce the amount of funds budgeted in health insurance due to a retiree reaching age 65 in October, and coming off our benefit plan. Those funds, plus a \$1,000 reduction in the mosquito control program equal the additional funds recommended for the overtime budget. The overtime budget estimate is based on every officer receiving 24 hours per year of state-mandated training, 40 hours per year of additional training and 48 hours of court time per year at the maximum 1.5 hourly rate as well as other shift coverage overtime. Other overtime occurs for special events (Parades, Fourth of July etc.), implementation of action plans (North Edenton, Downtown /waterfront patrol etc.) and shift coverage (officer away at training, vacations or sickness). This fiscal year we had a number of one-time non-reoccurring special duty events that required additional officers and consequently additional overtime. Of all of our special events, more than 30% were one-time events which contributed to increase in expenditures. The Mayor asked what would we save in overtime if we created another full-time police officer position? A police officer position, with salary & fringe costs approximately \$45,000. We estimate we would see a \$10,000 reduction in overtime expenses.

3. ***Public Works /Parks, Cemetery and Beautification Utilities Account (10-640-130)*** ***Year to date expenditures are \$1,300 higher than budgeted, why?*** A utility bill from another Public Works Department (Garage) was posted incorrectly to this line item. The May 31, 2013 budget actuals reflects the correction. The increase in expenditure this year is attributable to increased lighting in the park. We know the State is adding exterior lighting around the Lighthouse and anticipate this will reduce our lighting requirements, slightly, so therefore we did not request budget increase for FY 2013/14.

4. ***Electric Fund/ Administration Health Insurance Account (20-720-60)*** Next year's budget recommendation (\$45,408) is lower than this year's actual, why? The Finance Officer inadvertently had budgeted payment for retiree's health care premium in two budgets, the Admin Health Insurance Account and the Power Department Health Insurance Account. The May 31, 2013 budget worksheets correct this error.

5. ***Water & Sewer Fund/ Sewage Collection Utilities Account (30-820-130)***: This year's actual is \$20,000 higher than budget, yet next year's recommended budget is still the same as this year's recommended budget. The Finance Officer had over-estimated year end projections. A review of the line item finds that the year-end actual will be approximately \$10,000 higher than budgeted. I asked all department heads to make a concerted effort to reduce utilities and fuel (gasoline) costs as part of the upcoming budget. Those are line items that we have some influence over in the ways we operate equipment, vehicles, pumps and other machinery. I did not make adjustments in the recommended utilities budgets for this reason.

6. ***Cost-of-Living Increase***: The budget as proposed includes a flat-dollar increase that benefits employees earning less than \$33,000. The budget includes a 1% increase for employees earning more than \$33,000. This "holds harmless" those employees earning more than \$33,000. The budget also includes funds for reclassifications that are anticipated as a result of the position classification and salary survey that will be presented to Council in July.

7. ***Airport Fund, Fuel Sales and Purchases***: Why is actual revenue so much lower than what was budgeted and why are we budgeting for an increase over what we sold this year? This has been one of our worst years for fuel sales in some time. The recession has hit the general aviation community in a big way. Based on the question, we have reviewed the data again, and can make adjustments downward, we would reduce fuel purchases and fuel sales accordingly.

8. ***How many municipalities our size have a full-time Human Resources position?*** Would a full-time person be able to provide additional benefits for our employees? We will include a review of this position as part of the position classification study.