

TOWN OF OCEAN VIEW
Long Range Financial Planning Committee
Minutes of the Initial Meeting on the FY10 Budget
December 4, 2008

1. Pursuant to notice duly given, a meeting of the Long Range Financial Planning Committee of the Town of Ocean View (the "Committee") was held at the Ocean View Town Hall on Thursday, December 4, 2008 beginning at 5:30 PM.
2. **CHAIRMAN:** Town Manager, Conway Gregory, presided and Lee Brubaker acted as secretary of the meeting.
3. **MEMBERS PRESENT:** The following Committee members, representing a quorum, were present: Marc Grimes, Gary Meredith, Cliff Mitchell, Fred Nunley, Kathy Vengazo, and Vicki York. Also in attendance were Town staff members Lee Brubaker, Ken McLaughlin, and Charles McMullen.
4. **CALL THE MEETING TO ORDER AND AGENDA APPROVAL:** Chairman Gregory called the meeting to order and the Pledge of Allegiance was recited. He next distributed a revised Agenda for the meeting and upon motion made, duly seconded, and unanimously carried, the Agenda was approved.
5. **MINUTES:** The minutes of the Long Range Financial Planning Committee meeting held on March 4, 2008, were presented and approved.
6. **INTRODUCTIONS:** This was the first meeting of the Committee that was appointed by Town Council to participate in the preparation of the FY10 Budget and Mr. Gregory introduced the Committee members and Town staff members present. He thanked the Committee members for their participation in this important effort.
7. **TOWN COUNCIL CHARGE TO THE COMMITTEE:** Gregory reported that this Committee must have its FY10 Budget work completed and recommendations finalized so that a proposed budget can be delivered to Council at its February 10, 2009 meeting. Council has determined that its members will then review that proposal during the month of February so that a final budget can be considered at its March 10 meeting. Based on the Town's Charter, the Town Manager is to deliver a proposed operating and capital budget to Town Council between the tenth (10th) and fifteenth (15th) days of March.

Gregory noted that Town Council is responsible for the final approval of the Town's budget and this Committee is an advisory body intended to provide independent and objective guidance to Town Council. Because of the nature of the Town's business, he suggested that three subcommittees be formed to focus on specific areas. After further discussion, it was agreed that these subcommittees and members would be as follows:

- Real Estate (particularly transfer tax) – Marc Grimes and Vicki York
- Personnel (human resources and benefits) – Gary Meredith and Kathy Vengazo
- Business and infrastructure – Cliff Mitchell and Fred Nunley

Gregory offered the support of Town staff to the subcommittees and suggested that they contact him with their requests for information and background documents.

The Chairman next listed and discussed three specific charges by Town Council for this Committee:

1. Review the Town's five-year financial plan (FY10 through FY14) and identify specific options regarding revenue and expenditures for Council to consider.
2. Provide a recommendation as to when, if ever, the Town's financial situation will allow the construction of a Public Works building.
3. Consider the employment of a part-time Emergency Management Consultant and suggest funding sources for such a position.

Gregory then led a brief discussion of each of these topics.

8. **MEETING SCHEDULE:** Gregory next proposed the following meeting schedule for the Committee:

- Wednesday, January 7
- Tuesday, January 20
- Wednesday, February 4

Several Committee members had conflicts with certain of these dates and in some cases will need to participate via telephone. Phone conference arrangements will be coordinated with the Chairman. If needed, additional Committee meetings will be called.

9. **PRESENTATION BY DEPARTMENT HEADS:** Each of the three department heads (Brubaker, McLaughlin, and McMullen) provided the Committee with a brief overview and orientation as to the duties and responsibilities of each of their departments. A brief discussion followed including questions relative to staffing, the adequacy of staffing levels, and the possibility of outsourcing. Gregory emphasized the many and varied activities involved in running a small municipal government and noted that the Town staff put in many long days taking care of Town business and responding to citizens' needs, wants, and requests for information and services. Tours of Town facilities and a more detailed orientation to Town departments were offered to the Committee members.

10. **TOWN MANAGER'S REPORT:** Gregory next referred to the advance material that had been distributed for the meeting "Town Manager's Perspective of the Financial Status of Ocean View to the Long Range Financial Planning Committee". He noted that this material was intended as background documentation – particularly for the new Committee members – to show the current and projected state of Town finances and asked the members to contact him if they had questions as they reviewed the material.

His presentation focused on the "story of the evaporating transfer tax" and he opined that Ocean View, like many other local municipalities, had become "addicted" to high transfer tax collections and had relied too heavily on this single revenue source. He reviewed several schedules that showed the steep decline in annual transfer tax collections between the peak year (\$2,351,000 in FY05) and the present time (\$480,000 budgeted for FY09). He also recapped how much had been removed from the budget for transfer taxes in the latest five year plan – a total of \$2,786,000 between the FY07 and FY09 budgets. This reduction and decline has had a major, negative impact on the viability of the Town's reserves and the sustainability of a solid financial future.

He also used a slide "State of Town Finances" to show other financial data such as:

- In the FY09 budget, revenues and operating expenditures are basically a breakeven. However, in the out years (without a tax increase), the departmental operating budgets outstrip the Town's projected revenue by an alarming amount – in FY14, approximately \$370,000. This fact demonstrates that as currently structured, the Town's revenues do not pay for the operating expenses of its departments and there is nothing left over for capital improvements.
- Based on the Town's current cash position and assuming that an operating "cushion" of approximately \$800,000 should be maintained, the Town will have a \$2.2 million cash "problem" at the end of FY14.
- The current budget shows that during the five-year period ending FY14, the Town will, be spending approximately \$1.30 for each \$1.00 it takes in.

Gregory noted that the ink had barely dried on the original FY09 Budget when Council asked that he propose a revised budget and this revision was adopted on August 12, 2008. This revised FY09 Budget cut departmental/operational expenditures by approximately \$250,000 for the period FY09 through FY13, reduced transfer tax revenue assumptions even further, and reduced capital improvement projections by an additional \$619,000. He recapped this presentation by stating that Ocean View (like many other municipalities and businesses) was faced with serious financial challenges and needed to make some very difficult decisions. There is still time, and the Town is fortunate that it still has reserves on hand from the "good days", but it must begin to address these issues now.

In summarizing his comments, Gregory stated that in developing the Town's FY10 to FY14 Budgets two objectives must be resolved;

1. The operating budget for each fiscal year must be brought into structural balance – i.e., create a sustainable budget in which annual revenues exceed total operating budgets; and
2. The \$2.2 million shortage in funds at the end of FY14 must be eliminated.

Gregory said that he and the Town staff were looking forward to working with the Committee to ensure a viable financial future for the Town of Ocean View.

11. **OTHER MATTERS:** Gregory asked if there were any other matters to be brought before the Committee. Mr. Mitchell reminded the participants that the assumption regarding the inflation rate would, in this economy's unusual financial condition, require additional attention. He also pointed out that this FY10 Budget is a five-year plan and it must be realized that over this time period things will change.
12. **NEXT MEETING:** The Chairman thanked Committee members for their participation and reminded them that the next full Committee meeting was scheduled for Wednesday, January 7, 2009, beginning at 5:30 PM.
13. **ADJOURNMENT:** There being no further business to come before the Committee, upon motion made, duly seconded, and unanimously carried, the meeting was adjourned at 7:05 PM.

Lee Brubaker, Secretary

(Minutes approved at the January 7, 2009 meeting)