



**SURFSIDE BEACH TOWN COUNCIL  
BUDGET WORKSHOP MINUTES  
June 5, 2014 AT 5:00 P.M.  
TOWN COUNCIL CHAMBERS**

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**CALL TO ORDER.** Mayor Samples called the budget workshop to order at 5:00 p.m. Mayor Samples said for the record, "Mr. Johnson will be here. He'll be a few minutes late." Mayor Samples, Mayor Pro Tempore Pellegrino, and Councilmembers Childs, Johnson (arrived at 5:10), Mabry, Magliette, and Stevens were in attendance. A quorum was present. Others present: Administrator Fellner; Town Clerk Herrmann, Finance Director King, and Public Works Director Adair.

Ms. Fellner presented the proposed budget with the changes made in the general fund by Town Council during the two previous workshops.

Action	Cost	Date of Change
<b>Original Budget Presented</b>	\$ (274,240)	As of April 30, 2014
<b>Workshop Approved Changes to Fund Balance</b>		
Planning, Building & Zoning		
CRS Increase to \$10,000	(7,015)	
Façade Grant	(10,000)	
Administration		
Per Diem for Town Council Overnight Travel	(6,010)	
Transfers		
Decrease Sanitation Transfer	(100,000)	
<b>Adjusted Net Change in Fund Balance</b>	\$ (397,265)	As of May 1, 2014

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**Changes from June 2<sup>nd</sup> Workshop** ("Reserved" means funds on hand that have been saved for the proposed use.)

Funding	Approved Item	Cost	Notes
	Fire Inspector Salary and Benefits	(19,400)	
	CRS Part Time Employee	(25,000)	
	Welcome Signs each end of town	(50,000)	
	Business License change to NAICS	(5,000)	
Reserved	Road Paving per Schedule	(240,000)	
Reserved	Road Paving not covered by CTC	(25,000)	
	Reception Update, Marketing Brochures. Buy Local Campaign, Open for Business, Informational Brochures	(5,000)	
	Town Council Vision Retreat	(5,000)	
	Town Council Budget Workshop	(1,300)	
	Civic Center Upkeep	(6,500)	
	Civic Center Fees	7,300	
	Fire Inspection Fees	50,000	
	Parking Special Events – Guy Daniels	(1,400)	
	Parking Special Events – Town Sponsored	(2,500)	
Reserved	Dump Truck	125,000	
	Fund Balance	\$ (601,065)	
	Reassessment Decrease	(12,400)	Per Horry County Estimate
	Subtotal	\$ (216,200)	
	Net Change in Fund Balance	\$ (613,465)	= \$397,265 + \$216,200

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**The Bottom Line**

<b>Estimated without a Tax Increase</b>		<b>Estimated with a 6.22 mil Tax Increase</b>	
	<b>\$(613,465)</b>		<b>\$(613,465)</b>
<b>Reserved Funds</b>	<b>\$465,000</b>	<b>Revenue from millage</b>	<b>\$363,725</b>
<b>Capital Replacements</b>	<b>\$80,000</b>	<b>Subtotal</b>	<b>\$(249,740)</b>
<b>Use of Fund Balance</b>	<b>\$(68,465)</b>	<b>Reserved Funds</b>	<b>\$465,000</b>
		<b>Capital Replacements</b>	<b>\$80,000</b>
		<b>Increase in Fund Balance</b>	<b>\$295,260</b>

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Ms. Fellner said the allowable millage increase based on the millage bank is 6.22 mills, which would generate revenue of \$363,725. If Town Council chooses to maintain 40 mills, it would require using \$68,465 of the current fund balance to support the general fund. On the other hand, if Town Council chooses to adopt the allowable 6.22 mills, there would be an increase to fund balance in the amount of \$295,260.

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Mr. Pellegrino asked for an explanation of the \$465,000 reserve funds: \$240,000, \$25,000, and \$125,000. Ms. Fellner said there was also \$200,000 more in street funds, and \$8,000 in capital replacement for the backhoe. Money has been saved to buy the equipment and this is the year during which the equipment should be purchased.

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Mayor Samples asked if new members received copies of the audit. Ms. Fellner said she would ensure that all members received a copy at the June 9<sup>th</sup> regular meeting. Mayor Samples explained that audits were performed annually. The audit provided information on pages 17 and 18 about the reserved funds. Members reading the audit would also help putting the budget information in context.

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Ms. Fellner noted that the proposed budget includes a total of \$497,818 for beach renourishment by June 30, 2015.

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Mr. Magliette asked when renourishment would be done again. Mr. Adair said renourishment definitely would not occur next year; perhaps the year after or two to three years out.

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Ms. Fellner said the dump truck, \$125,000, was removed from the budget; but she asked Town Council to reconsider that purchase because the funds were reserved and was on the vehicle replacement plan. Mr. Adair said neither parts nor tires are available for the 1998 Mack truck; any breakdown involves an extended time period to find replacement parts and/or tires. This particular truck has a large 35-yard capacity and is used to pick up debris from weather events, which reduces the number of trips to the landfill.

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Mayor Samples asked if it was appropriate to charge 100-percent of the dump truck expense to the general fund. Mr. Adair said the cost could be split between funds, because the truck is used for some overlapping duties. Ms. Fellner reiterated that funds were reserved for this purchase in capital replacement, which has about a \$700,000 balance. Mayor Samples asked if council wished to restore the \$125,000 dump truck expenditure. Mayor Samples asked again whether over time the general fund has carried the full expenses for items would be more appropriately, or some portion thereof, be charged to other funds. Ms. Fellner said perhaps. Mayor Samples said the current balance is about \$700,000; the ladder truck was \$800,000, which is the most expensive equipment the town has. The ladder truck should not need to be replaced for 15- to 20-years.

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Mayor Samples asked how Ms. Fellner wanted to proceed. Ms. Fellner said she wanted to know what Town Council wants to do; consider a tax increase or continue using up reserve funds. There are very strict codes regarding tax millage increases. The town attorney, who conferred with attorneys that specialize in tax accounting, explained that a super majority (2/3 of the council) can adopt millage higher than the approved millage bank, but that is mainly used to offset indebtedness. Mayor Samples said at the last meeting, council asked for three millage proposals: the existing rate; the millage bank rate that is allowed by simple majority (4:3); and the rate to fix the budget for a long time (5:2). Ms. Fellner said the attorney's opinion is that the super majority option is not allowable. Mayor Samples said since the town has no debt, it did not meet the South Carolina statutory requirements to adopt a millage larger than the millage bank by super majority.

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70 Mr. Magliette asked if the loan repayment monies from the pier enterprise fund to the general fund would  
71 be available to use once the loan is repaid. Mayor Samples said those funds would remain in the pier fund once  
72 the loan was paid in full. The long term fix will involve adjustments over multiple years.  
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74 Mayor Samples asked if any information was obtained about the sanitation service to Caropines. Ms.  
75 Fellner said nothing was ready to present; but, generally there were about 800 homes in the development, about  
76 400 were in a homeowners association. Responses to rate inquiries have not been received. Mayor Samples  
77 said revenue from Caropines service would be new revenue when the pier loan was paid. He questioned again  
78 whether the sanitation fund was paying an appropriate share of the 9 full time employees in sanitation. He asked  
79 how many full time permanent employees were on payroll. Ms. Fellner said 76. Mayor Samples said it was  
80 imperative that sanitation work was paid by the sanitation fund. He believed staff should perform an analysis and  
81 that Town Council should consider a policy to be crafted by staff to address the matter. Over the past few years,  
82 transfers from sanitation funds to general funds were from a low of \$45,000 two years ago to a high last year of  
83 \$100,000. Town Council needs long term consistency in terms of fair share on which it can plan future budgets.  
84 Ms. Fellner said she would get the data and recommendation, but it would not be in the first reading package.  
85 She would have the information on the dais at the June 9<sup>th</sup> meeting.  
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87 Mayor Samples asked if a response was received from the Horry County engineer regarding the  
88 allowable use of County Transportation Committee (CTC) funds. Ms. Fellner said that county officials told her  
89 they use the CTC funds for engineering, beautification and other purposes. However, the information has not  
90 been received in writing, and staff preferred written confirmation prior to making any adjustments.  
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92 Mr. Pellegrino asked how the CTC funds would affect the general fund. Ms. Fellner explained that if CTC  
93 funds could be used for engineering designs for Highway 17, then the general fund would not be charged with the  
94 expenditure.  
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96 Mr. Johnson agreed that staff should wait to receive the written confirmation.  
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98 Mr. Stevens asked for an explanation about Exhibit 1 in the proposed ordinance. He did not understand  
99 how the fund balance was applied. Mayor Samples explained that Mr. Stevens was comparing Exhibits 1 for the  
100 40 mils and the 46.22 mils proposed ordinances. Ms. Fellner said the fund balance was the *use of fund balance*.  
101 She referred back to **The Bottom Line** chart (shown herein on page 2) and explained again that without a tax  
102 increase the town would *use* existing fund balances in the amount of \$68,465; with the proposed 6.22 tax millage  
103 increase, there would be *an increase to fund balance* of \$295,260. Mayor Samples said less fund balance would  
104 be used, if a tax increase was adopted. The estimated unrestricted fund balance today is about \$1.2 million.  
105 Under the 40 mil scenario, Exhibit 1 shows \$1.2 million less \$613,456 would create a smaller balance than was  
106 being used.  
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108 Mr. Pellegrino asked why the ordinance exhibits did not identify reserve funds. Ms. King explained that  
109 the budget ordinance addresses revenue and expenditures; it does not include fund balances. **The Bottom Line**  
110 chart shows how much money is being taken out of fund balance to use as revenue without a tax increase; or with  
111 an increase, how much money would be put back into fund balance. Mr. Pellegrino said those are true numbers  
112 for the budget. Ms. Fellner said yes, but to please note they were "estimated," numbers, subject to the dump  
113 truck.  
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115 Mr. Magliette suggested deferring the residential \$280,000 side loading sanitation truck for one year.  
116 Mayor Samples said it takes about eight months for delivery once the order was placed. The sanitation fund pays  
117 for its equipment so it would not affect the general fund balance. Sanitation service is the only utility the town has,  
118 and if the Caropines service is added, it would be necessary to have good equipment. Last year, the town had to  
119 call on the City of Myrtle Beach to borrow one of its trucks, because of breakdowns. Based on his comments,  
120 Mayor Samples supported the truck purchase. Mr. Magliette asked if delaying one year would decrease the truck  
121 value. Mr. Adair said the existing truck is an International cab and chassis, which would normally work about two  
122 more years. This particular truck was not designed to idle while going from house to house. The replacement  
123 truck should last about ten years. The sanitation fund replaces a heavy truck every two years to keep its trucks  
124 up to date and maintain the 10-year cycle of rotation on its equipment. Mr. Stevens said there are three trucks.  
125 Mr. Adair said that was correct; there is a 2011, a 2008, and the 2006, which was kept for back-up, and will be  
126 disposed of when the new truck arrives. Mayor Samples said the capital equipment list was in the budget books,  
127 which items every piece of equipment, its condition, number of hours used, and the grade assigned to each piece

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128 by the mechanic. Mr. Pellegrino asked if the sanitation budget had the same level on capital purchases to be able  
129 to afford the truck. Mayor Samples said the Sanitation 2 Exhibit showed a \$250,000 incremental change in that  
130 year. Ms. King said yes, \$250,000 adopted to purchase the front end loader this year. Mayor Samples said the  
131 estimated change in unrestricted funds is \$888,000 in equipment (invested in capital assets), and unrestricted  
132 reserves of \$573,000, presumably cash. Mr. Pellegrino asked if money was available to make this purchase. Ms.  
133 King said yes.  
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135 Mayor Samples said it was clear to him that another special meeting would be necessary. He believed  
136 that personnel cost and tax millage were the bigger issues. The proposed budget includes a total of 3-percent for  
137 salaries; 1-percent cost of living (COLA) and 2-percent merit. Ms. Mabry was not a fan of merit raises, because  
138 staff did not receive a raise last year; the year before staff received a \$1,000 across the board increase. She said  
139 a 1-percent COLA in three years was not fair or equitable. She proposed a 2.5-percent COLA with the remainder  
140 of .5-percent being used for one time bonuses for exemplary employees. Mr. Magliette said times were not good;  
141 he preferred keeping the 1-percent COLA and change the merit amount to 1-percent, because of the additional  
142 contribution to the retirement plan. The South Carolina Pension fund is requiring the town to increase its  
143 contribution to 11-percent; employee contributions also are increase, which impacts take-home pay, but staff has  
144 as very good benefit plan that needs to be considered. Companies no longer give defined pensions and  
145 retirement health benefits. Mr. Stevens agreed with Mr. Magliette. Mr. Johnson had never supported merit  
146 raises, especially in small towns like Surfside Beach, because staff members talk. He supported giving a 2-  
147 percent COLA and no merit. Mr. Pellegrino was an extreme proponent of merit raises; there were people in every  
148 organization that excelled and others that just did the minimum. He supported 2-percent COLA and 1-percent for  
149 true merit. Mayor Samples, Mr. Childs, and Mr. Pellegrino agreed with Ms. Mabry said that her proposal was for a  
150 2.5-percent COLA for all employees and .5-percent one-time bonus for exemplary employees. Mayor Samples  
151 said real merit performance had to be funded, otherwise there would be no incentive for the employees.  
152 Employee retirement is increasing July 1 by 2-percent; a 2-percent COLA would zero out the additional retirement  
153 contribution. One-percent of the total amount, about \$10,000, would give the administrator money to fund merit  
154 increases. She would need to delineate amounts for the various departments and provide explanations to Town  
155 Council. Mr. Pellegrino agreed, but personally believed it should be a 3-percent COLA and 3-percent merit;  
156 however, he believed Town Council should defer its decision until the millage was decided. Mayor Samples  
157 appreciated his comment, and deferred the decision on payroll until the millage was addressed.  
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159 Mayor Samples asked if Town Council was prepared to address the millage rate. He asked if any  
160 members were prepared to support increasing the millage by 6.22 mils. Mr. Childs, Mr. Johnson, Ms. Mabry, and  
161 Mayor Samples supporting adopting the 6.22 mils increase. Mayor Samples said that constituted a majority and  
162 directed staff to bring the ordinance for first reading with a 6.22 millage increase. He hoped that all members  
163 would support the increase or at least voice an understanding of why it is necessary.  
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165 Mayor Samples said now that millage was addressed would council like to address the payroll question.  
166 Mr. Pellegrino said although he would not support the millage increase, if the increase were to be adopted, more  
167 than 3-percent should be set aside for payroll increase. Mayor Samples appreciated his comment. The town has  
168 great staff. If unlimited resources were available, council would certainly pay more. Ms. Mabry spoke about the  
169 past two year's history when wages were frozen and an across the board increase was made. The town has an  
170 excellent benefit system. He could think of nowhere in the private sector that could match the town's benefits.  
171 Mayor Samples said salary is a recurring cost. Mr. Magliette said the town pays 93-percent of the employee's  
172 health insurance premiums, and a good portion of the employee's family coverage. Ms. Fellner said the City of  
173 Myrtle Beach pays 100-percent of its employees' premiums, but the employee was responsible for any additional  
174 family coverage. Mayor Samples said a merit fund of 1-percent was not worthwhile. Different proposals were  
175 mentioned: Mr. Magliette, 1-percent COLA, 1-percent merit; Ms. Mabry, 2.5-percent COLA, .5-merit with merit  
176 paid as a one-time bonus; staff proposed 1-percent COLA, 2-percent merit. Mr. Pellegrino appreciated the  
177 comments clarifying the situation. He still supported 3-percent divided between COLA and merit, because pay  
178 increases were a direct communication to the employee of the level of appreciation the town has for them. A  
179 minimal pay increase would make staff feel unappreciated, which leads to discontent, and poor performance. Ms.  
180 Mabry understands the town has a wonderful benefit packages, but the pay scale was not all that great. Staff  
181 members were trying to raise a family of four on \$25,000 a year. Not every employee was a director level or  
182 working their way up. There were many, many jobs in town. All the benefits in the world did not pay rent or buy  
183 groceries. Employees come to work to get a paycheck to support their families. Benefits were nice, but did not  
184 pay the light bill. She believes the town has an obligation to reward its employees with a minimum of a 2-percent  
185 COLA, which still will not have any great increase in their take-home pay. Mr. Stevens understood Ms. Mabry's



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186 comments, but paying health insurance was a huge benefit to employees. Mr. Pellegrino proposed a 2-percent  
187 COLA and 1-percent merit. **COUNCIL CONCURRED.** Ms. Fellner said 1-percent merit would not be enough to  
188 make a difference.

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190 Mayor Samples said first reading will be held at the meeting on Monday. There was simple majority  
191 consensus to propose a 6.22 millage increase at first reading. The pay increase should also be included. Town  
192 Council can work on the budget throughout the month; amendments can be introduced formally and will be voted  
193 on. Mayor Samples hoped that there would be agreement among the members that even if the increase was not  
194 supported, that the members would recognize that the town either had to stop replacing equipment or cut  
195 services, as was noted by Mr. Magliette earlier in the meeting, the town does have some benefit from the advance  
196 a past council gave to purchase the pier by way of the refund, which has a definite end date. State Law requires  
197 that the town adopt the budget ordinance by June 30<sup>th</sup>, since the fiscal year began on July 1<sup>st</sup>.

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199 Ms. Mabry said it took her a long time to understand that the budget was a living document that changed  
200 all year. She thought when the budget was adopted that was it; but, she now understands that amendments were  
201 made as the town's needs arose.

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203 Mr. Magliette asked about the \$10,000 for CRS. Ms. Fellner said that was for materials and supplies to  
204 create brochures and send mailings to educate the public, and training. Mr. Magliette said thank you, he  
205 understood. The other question was the \$6,500 to upkeep the civic center. He knows people that use the civic  
206 center and he was told they would stop using it, if they had to pay a fee. He asked if the cleaning could be  
207 deferred for six months to see how it worked. He saw no value if the usage of the civic center reduced because  
208 of fees.

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210 Mayor Samples felt the civic center recommendations received short shrift at the last meeting, because  
211 bigger issues were being discussed. The increase in fees was not making any significant amount of money after  
212 the cleaning expense was deducted from revenue. Ms. Fellner reiterated the problems with cleaning the civic  
213 center. Mayor Samples said Ms. Fellner's point that the civic center was just remodeled and it is a service to the  
214 community was valid. Town Council can revisit the issue, if use does decline. Mayor Samples asked if there was  
215 consensus to keep the \$6,500 cleaning fee in the budget. **COUNCIL CONCURRED**

216  
217 **ADJOURNMENT.**

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219 Mayor Samples declared the workshop adjourned at 6:24 p.m.

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221 Prepared and submitted by,

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223 Approved: June 23, 2014

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Debra E. Herrmann, CMC, Town Clerk

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Douglas F. Samples, Mayor

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David L. Pellegrino, Mayor Pro Tempore

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Robert F. Childs, Town Council

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Mark L. Johnson, Town Council

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Mary Beth Mabry, Town Council

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Ralph J. Magliette, Town Council

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Randle M. Stevens, Town Council

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238 Clerk's Note: This document constitutes summary minutes of the meeting that was digitally recorded.  
239 Appointments to hear recordings may be scheduled with the town clerk, or you may bring a flash drive to obtain a  
240 copy of the audio recording. In accordance with FOIA, meeting notice and the agenda were distributed to local  
241 media and interested parties. The agenda was posted on the town website, the entry door at Town Council  
242 Chambers, and in the Town Hall reception area. Meeting notice was also posted on the Town marquee.