



**TOWN OF HOLDEN BEACH
BOARD OF COMMISSIONERS
SPECIAL MEETING
WEDNESDAY, MARCH 15, 2017 – 9:00 A.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting on Wednesday, March 15, 2017 at 9:00 a.m. in the Town Hall Public Assembly. Present were Mayor J. Alan Holden; Mayor Pro Tem John Fletcher; Commissioners H. Ashley Royal, Peter Freer, Kim Isenhour and Ken Kyser; Town Manager David W. Hewett; Town Clerk Heather Finnell; Public Works Director Chris Clemmons; Building Official Tim Evans; Fiscal Operations Clerks Margaret Lancaster and Mandy Lockner; and Detective Jeremy Dixon.

Town Manager Hewett asked to add the budget amendment ordinance that will provide for FEMA Hurricane Matthew grant reimbursements.

Motion by Commissioner Royal to amend the agenda; second by Mayor Pro Tem Fletcher; approved by unanimous vote.

Town Manager Hewett explained the Town's grant for FEMA assistance regarding reimbursements for damages incurred from Hurricane Matthew has been approved in the amount of \$5,996,227. Those reimbursements will pay for approximately 131,571 cubic yards of sand, 20 acres of dune vegetation, sand fence and assorted engineering design and permitting expenses. Those expenses will be limited to 75% of the total grant until all of the permanent work is completed and then the residual will be released. We do have ongoing monitoring expenses for a period of time after the project is done. He is not sure if it will be construed as part of the work. Based on working with FEMA in the past, it can take a year or more to get the funds reimbursed to the Town. Town Manager Hewett recommended that the Board approve the FEMA Matthew Budget Amendment.

Motion by Commissioner Royal to approve the amendment; second by Commissioner Isenhour.

Commissioner Freer asked if this includes overtime. Town Manager Hewett replied this is for Category G expenses, expense strictly related to the strand damages. There are other categories of work that we will also get reimbursements for. Commissioner Freer asked if it includes repairs to the Town's walkways to the beach. Town Manager Hewett said that is one of the categories that is separate. Mayor Pro Tem Fletcher asked when to anticipate the reimbursement of any funds. Town Manager Hewett replied we actually already received some of the reimbursements for the Irene damages. He assumes the timeframe should be about the same. We send a report each month. The size of this grant is going to drive the requirement for a single audit. There will be another level of scrutiny from the federal level. Commissioner Royal asked how expenditures are impacted until we are reimbursed. Town Manager Hewett said the

good thing is we have spent the bulk of it already and/ or we have the funds escrowed with the special obligation bonds in the bank. We are probably about halfway paid on the project. He is hoping it will be ships passing in the night in terms of cash flow. It is a good thing there is Fund Balance in the BPART Fund that can handle this. He said we just put the first reimbursement request in, but it is taking about two months. Commissioner Royal said he understands these are Category G. He asked if the Town will be restricted on how they can use the funds in BPART. Town Manager Hewett answered it would be as the Board decides. He said all the permanent work has to be completed in 18 months. The monitoring is the only thing that would concern him. There is an option to get an extension after the 18 months.

The motion passed by unanimous vote.

BUDGET WORKSHOP

Fiscal Operations Clerk Lockner said the purpose of the workshop is to explore the revenue streams for the upcoming budget year. She reviewed the budget schedule the Board adopted. Town Manager Hewett said the Coastal Local Governments Meeting is being held in Nags Head on April 3rd. He asked to change the date of the Revenues Workshop. The Board agreed to change the Revenues Workshop to April 24th at 9:00 a.m.

Fiscal Operations Clerk Lockner said in the General Fund there are state distributed revenues and Town generated. She reviewed the major state revenues. The numbers projected are loosely estimated because we have not received guidance from the League yet. They are based on past projections. Fiscal Operations Clerk Lockner explained what the Town generated revenues include. She reviewed the budget formula. The numbers are based on the current 22 cents tax rate. She mentioned building fees and recycling fees. Rents and concessions are approximately \$100,000 yearly.

Town Manager Hewett stated there are a couple of legislative things in play that the Board will see on the March agenda. There is an initiative to change the distribution for the sales and use tax. We didn't know how to include that in here. Fiscal Operations Clerk Lockner added that they are trying to change the law and it would benefit rural communities, more than beach communities. Mayor Holden said that Representative Frank Iler is heavily involved in that. Town Manager Hewett said Frank Rush from Emerald Isle and Representative McElraft came up with a seasonal adjustment that in his mind is very logical. It is to apply a seasonal factor of two times the number of housing units you have. For us it would mean our populations would be 6,000, instead of the 500 it is based on now. It syncs up with our water system that is rated at 6,500 people.

Mayor Pro Tem Fletcher asked if there is a reason the fees on page 2 are all significantly lower. Building Official Evans said this year there is new legislation that raised the value of when a permit is required. It is a tremendous impact to the budget. It now has to be over \$15,000 and structural to require a permit. The proposed amount is how he thinks it will impact us. Town Manager Hewett said what we don't know is how the new, wide beach will impact construction overall.

Commissioner Freer asked about the item on page 1, line 3. Fiscal Operations Clerk Lockner said that is tax related. A couple of people with outstanding balances paid their back taxes. Commissioner Royal asked about the transfers on page 2. Town Manager Hewett said those are always dependent on the expense

side. Commissioner Freer asked about page 3 being down from \$3.5 million. Town Manager Hewett said we don't have some of the unknowns or fund balance appropriations in there. Mayor Pro Tem Fletcher asked if we are expecting \$200,000 less in revenue and if there is a reason to be concerned. Town Manager Hewett said you will see a positive influence resulting from the fact that our bond interest rate was brought in at a lower amount. You should see an offset there. Plus there will be a residual that the county will return from the Escrow Fund to the BPART Fund. He said we will have to do the other side of the equation before we can see how that will come into play.

Mayor Pro Tem Fletcher asked if we have a feel for how much new construction will drive up ad valorem taxes. Fiscal Operations Clerk Lockner said the numbers received from the county includes all new infrastructure. Town Manager Hewett said you need to remember the tax base is predicated on the tax base from January 1st. Our collection rate inched up a little bit last year, so that is the number we can use.

Fiscal Operations Clerk Lockner said the revenue generated in the Enterprise Fund is usually from water billings, capital sewer charges and water tap fees. We have noticed there have been no major conservation efforts from the increase in rates. Public Works Director Clemmons said we are holding steady with usage. He thinks we will hit the mark projected and over. He said the sewer side has gone down some because lots of people are signing up for irrigation meters. Commissioner Freer asked about the permit fee for a pool. Building Official Evans said it is based off the value. The value does get picked up by the tax office. Commissioner Royal commented that the more people that install a second meter, that equates to a loss for sewer. He asked if we are jeopardizing funding for the sewer because of that. Public Works Director Clemmons thinks we are good for right now. It will be interesting to see the usage over the next couple of months. Mayor Pro Tem Fletcher asked about the cost of the water. Public Works Director Clemmons said it has held steady, but it could go up a little. It won't be etched in stone until a few more months. Town Manager Hewett added that the wholesale rate is directly tied to the Producers Price Index. He doesn't anticipate it moving much this year.

Fiscal Operations Clerk Lockner reviewed the estimated revenue in the BPART Fund as of December 31st. There are some grant obligated monies and there are some local recreation programs that bring in revenue to the BPART Fund.

Fiscal Operations Clerk Lockner explained the dredging group just met and set their assessments. She reviewed their assessment rates and their working capital.

Town Manager Hewett explained in response to Lou Cutajar's question on ad valorem versus occupancy tax that the Town increased the ad valorem tax by 1/3 in this current budget year; that is the lion's share of the difference from previous years. Mike Sullivan asked if the Hurricane Matthew money will be used to reimburse for things that were done for the Central Reach Project. Town Manager Hewett replied yes. Commissioner Royal added we can't prepay the bond. Mayor Pro Tem Fletcher said the projection is we might end up having a net increase in the BPART Fund a year from now because we have already spent a lot of the money we will get reimbursed for.

Town Manager Hewett said the dredging effort is spinning up for a 2018/2019 full dredging of Holden Beach Harbor and Heritage Harbor and a partial dredge of Harbor Acres (entrance canals). There are two budget cycles left before that is done, but some of the work has to be done in the upcoming budget.

ADJOURNMENT

Motion by Commissioner Isenhour to adjourn at 9:41 a.m.; second by Mayor Pro Tem Fletcher; approved by unanimous vote.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk