



**TOWN OF HOLDEN BEACH  
BOARD OF COMMISSIONERS  
SPECIAL MEETING  
FRIDAY, JUNE 9, 2017 – 9:00 A.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting on Friday, June 9, 2017 at 9:00 a.m. in the Town Hall Public Assembly. Present were Mayor J. Alan Holden; Mayor Pro Tem John Fletcher; Commissioners Ashley Royal, Peter Freer and Kim Isenhour; Town Manager David W. Hewett; Town Clerk Heather Finnell; Fiscal Operations Clerks Margaret Lancaster and Mandy Lockner, Shoreline Protection and Recreation Manager Christy Ferguson; Public Works Director Chris Clemmons; and Police Chief Wally Layne. Commissioner Ken Kyser was unable to attend the meeting.

**PUBLIC HEARING – PROPOSED BUDGET FOR FISCAL YEAR 2017 - 2018**

Town Manager Hewett reviewed the process to this point. The budget as presented maintains a 22 cent tax rate; appropriates by law all of our debt services and equivalent long term obligations; and amends the Capital Improvement Plan (CIP). The estimated General Fund Balance is approximately 50%, of that the unassigned amount is approximately 30%. The budget retains the current benefit package; provides for a 3% merit increase; includes an increase for sanitation contract work; and perpetuates canal dredging. FEMA Matthew reimbursements are included as the budget was amended this year. The new beach ranger program has been stood up. The budget includes money for the Shallow Draft Inlet Five easements. He reviewed the amount in the budget by fund. The Water/ Sewer Fund includes the first phase of the sewer vulnerability project. The BPART Fund includes the FEMA grant reimbursement program. Town Manager Hewett said he rolled the program forward as it has been approved by FEMA. Some of those reimbursements will be captured this fiscal year and some next fiscal year. The total of all funds is about \$19.5 million. The CIP is projected at about \$12 million. This is the third year of the street resurfacing program. The CIP provides for \$1.5 million of water and sewer improvements, which includes the first lift station retooling. It also provides for next year's payment of the water tower rehab and the possible construction of a second water tower in year five. There are funds for engineering services that would scope what those requirements are. The budget provides for construction of the terminal groin in year two and canal dredging in the 2018/ 2019 timeframe and also in year 6.

Mark Fleischhauer said he served on the Audit Committee for the past two tenures of the committee. One subject that comes up and seems to be lagging is our existing cash balance. He thinks the main concern the Town has is hurricanes. He would like the Board to consider adopting a resolution that establishes a minimum cash balance. Mr. Fleischhauer thinks it should be at least 40%. He recognizes it may take a couple of years to get to that.

Vicki Myers asked for an explanation on the criteria for putting items in the capital plan. Town Manager Hewett responded that last year was the first year we developed a CIP. This year is a further refinement of that. We tried to use a thumbnail sketch of what we think is big. There is no type of dollar threshold that has been used. We try to keep operational things in the current budget. Ms. Myers asked what PARTF 797 is. Shoreline Protection

and Recreation Manager Ferguson responded it is the number the state assigns. The amount is for the remaining part of the PARTF grant that needs to be finished.

Mike Sullivan said taxes were raised and we are being reimbursed for Matthew at almost \$6 million. He asked if there is a plan for next year's budget to take the reimbursement and use it to modify taxes. Commissioner Royal said he had asked if the Town could use the reimbursement to reduce the terms of the debt. He inquired if that is what Mr. Sullivan was asking about. Mr. Sullivan said there is a transfer to help pay the expenses of \$800,000. He asked if we can use the reimbursement from Matthew to offset the amount transferred. Town Manager Hewett responded yes, the reimbursements will be returned to the BPART Fund for allocation as the Board sees fit. He said you can't pay the debt down earlier, but the debt can be paid from the BPART Fund. He said the funds can be appropriated from the BPART Fund to pay for the Central Reach Project. Mayor Pro Tem Fletcher said you could reduce taxes, but then you wouldn't have money built up in the BPART Fund for future storms. Commissioner Freer said there is a General Fund Balance, a BPART Fund Balance and taxes. We have a Fund Balance Reserve goal of 40% – 70%. We are at 30% and were at about 19% last year. He talked about shuffling balances. Commissioner Freer thinks the goal was to keep it as pure as possible and not shift monies from one fund to another. Mayor Holden said the BPART money does have limitations on what it can be used for.

Town Manager Hewett explained that this year there are no Fund Balance appropriations from the General Fund and no transfers from the Water Fund to the General Fund. There are only transfers for the Central Reach Project that represent the tax levy from the General Fund to the BPART Fund. Commissioner Freer asked about the Emergency Operations Center being paid from the Water Fund. Town Manager Hewett responded that in the past it was paid out of the General Fund, then there was a transfer from the Water/ Sewer Fund. He explained why it was done that way in the past.

The public hearing was closed at 9:24 a.m.

#### **DISCUSSION AND POSSIBLE ACTION ON ORDINANCE 17-08, FISCAL YEAR 2017 – 2018 BUDGET ORDINANCE**

Commissioner Freer said he spoke with Town Manager Hewett about the east end beach nourishment, Lockwood Folly Inlet dredging budget item. He said every once in a while, we do some dredging and he hopes the focus would be on east end beach nourishment like we did with the \$76,000 with the Corps. We also appropriated \$35,000 that doesn't do beach nourishment. He understands we need to do that to get to the next step of dredging to capture the sand. It has not been in the budget; it has been requested throughout the year. Commissioner Freer said he would like to put \$100,000 in the budget to recognize that expense and to show the county and state we intend to participate in those programs. Town Manager Hewett asked if what he is talking about is to in the upcoming year provide funding for the outer bar for the sidecaster operations. The effort that puts sand on the beach from the inlet crossing only happens every two years. If it is primarily for the outer bar, the sidecaster operations, we have some dialogue we want to share on that. We don't know how deep that hole is, as far as continually going to the well on the sidecaster as being the end all. We are trying to get to putting sand on the beach with whatever kind of navigation effort that happens there. Town Manager Hewett said we are not sure how expensive it will be over the long haul. We hope we will get to a point where that function will be performed by industry and not the Corps' plant that doesn't put sand on the beach. He said the inlet crossing project that puts sand on the beach currently uses the least cost method of disposal. It is transportation driven and he thinks that over the years we have relied on the Corps to provide the transportation aspect of inlet maintenance. Transportation is outside the corporate limits of the beach and is a function of the county. He thinks that is something that has been missing in a lot of the transportation planning organizations. Water highways in the county have not been recognized as a mode of transportation. He said he thinks for the state's

shallow draft inlet maintenance requirements that it is about \$1 million apiece to maintain the state's inlets to their designed depth and width. Commissioner Freer said the Town has been providing money for both the inlet and the waterway as needed. He said instead of doing that on the fly, let's put it in the budget. Town Manager Hewett said the outer bar dredging doesn't provide a commodity. He asked if the opinion of the Board is that they want this counted as a 3% tourism related expense since it doesn't put sand on the beach. Commissioner Royal stated he thinks there is an element of tourism because there are people that would be chartering boats. He said we heard from the captains that it is worse than it has ever been and it has a potential detriment to tourism. If other beaches have navigable inlets, he thinks people would factor that in. Town Manager Hewett said we did research on the tax base relating to boats. For those boats that are registered at Holden Beach it is less than \$1.5 million in valuation. At the current tax rate, that is less than \$4,000. Commissioner Freer said the first step is the sidescaster, the second is to hopefully recover the sand. He said in the budget there is \$50,000 item related to the same point, legal fees. Town Manager Hewett said that is to acquire the easements. Commissioner Freer said that is in the same function as putting sand on the east end so he thinks we should budget \$100,000 to show we are planning on participating in those shared expenses in the future. Commissioner Royal said they were at the county meeting where they discussed allocating funding for shallow draft inlet dredging and he thought he heard that they had an interest in what we would be doing. He thinks the Town needs to demonstrate that we are committing finances to the same end. Commissioner Freer said the actual goal is putting sand on the east end. Mayor Pro Tem Fletcher asked if Town Manager Hewett has a feel for the cost for having a dredge that would pump the sand on the beach. Town Manager Hewett said they are highly volatile, you really need to go to bid. Mayor Holden explained there are so many variables involved with that. Mayor Pro Tem Fletcher asked if the state and county would still participate with the Town. Town Manager Hewett responded that the Shallow Draft Inlet Fund is law now, but he can't speak for the county's definite commitment. They have piggybacked each time we proposed a project in the past. Mayor Holden asked if they are talking about setting aside the \$100,000 from the BPART Fund or from raising taxes. The commissioners replied the BPART Fund.

Mayor Pro Tem Fletcher asked if there are ways to increase the General Fund Balance ratio. Town Manager Hewett replied you raise revenues or cut expenses. He thinks the Town runs a bare bones operation. He said we may end up with \$1,000 scattered across line items, but that just falls back into Fund Balance. He is more concerned about protecting existing revenue streams than getting new ones. He explained why. He said the Town is getting outplayed at the state level. The Board has talked about a lobbyist. This budget doesn't include a lobbyist. That is probably something the Town needs to consider. Mayor Pro Tem Fletcher asked if we have a handle on how much of the expenses that could have been in of the General Fund are coming out of the BPART Fund or other funds. Town Manager Hewett said it is the other way around and provided some examples.

Commissioner Freer talked about the BPART Fund Balance. He asked what the balance was last year. Town Manager Hewett said he believes the audit ending amount was right at \$6 million. Commissioner Freer said in the past budget, we did not replenish the BPART Fund Balance, but we did better on the General Fund Balance. He added it is important to start replenishing the BPART Fund Balance. Town Manager Hewett said there is a brand new beach and rentals are full.

Mayor Holden asked the difference between the budgeted amount versus the amount under contract for trash services. Town Manager Hewett said it is a wash. Mayor Holden said we have major problems with how we are operating the trash collections. He said he is having to pay the expenses to empty trash at the rental houses since Waste Industries is coming before renters leave. He thinks there should be consideration to see if the Town can amend the contract or hire additional help. He said it is a health issue as much as anything else.

Commissioner Royal agrees. He said Saturdays are not the best day to advertise the beach to the public because trash is clearly a problem. He said the Town needs to do something. He is also concerned that the pickup truck used for rollbacks is a safety hazard. They are obstructing traffic. Mayor Pro Tem Fletcher said a major issue is with recyclables. He said if everyone who rented was required to have a recycling bin the Town would mitigate some of those issues. Mayor Holden stated it boils down to that the amount in the budget will only take care of the contract. Town Manager Hewett said he could discuss the issues with Waste Industries to see if there is any margin for the timing on the pickup schedule. Mayor Holden stated it is not unusual for the traffic to be backed up for half a mile behind the trash truck. Pickup time and day were discussed. Town Manager Hewett said he could engage in a dialogue to see if Waste Industries can change the pickup time. He said trash is complicated. Town Manager Hewett said we need to be careful before we make a knee jerk reaction. The reason we have trash pickup on the scheduled days is because that has evolved to what works for the Town. It has distilled down to the solution that works for us. Commissioner Isenhour said maybe it is a matter of leaving it as it is and then having a crew to check after. Public Works Director Clemmons said we would need to have conversation with Waste Industries to see if that is a service they provide. The Town doesn't have a truck to provide that service. Commissioner Freer asked if staff could have that discussion before the next meeting.

Commissioner Freer asked about the Administration/ Legal fees on canals. Town Manager Hewett said those are programmatic placeholder budgets. They only come into play when we execute a dredging project. Commissioner Freer asked about the Transfer from Canal Dredging on page 2. Town Manager Hewett replied it is the total of all three of those line items in the canal subdivision that reflects back into General Fund revenue. Normally that transfer is not made because there is not any effort expended other than some marginal housekeeping efforts.

Commissioner Freer said on the last page of the CIP, he would like to see an asterisk near the terminal groin. He understands there is a significant expense related to the terminal groin in the following years. He would like an asterisk saying there will be a significant expense related to the \$2.5 million. Commissioner Freer's request was discussed. Town Manager Hewett said he will find a quote using the Environmental Impact Statement as a source.

Commissioner Royal said the Board discussed establishing 5% for a sand fund at the workshops. He knows we are talking about fund balances and trying to increase those and he is hearing the budget is bare bones. Fortunately we are realizing growth in revenues. He thinks the Town needs to establish a firm goal for replenishing our sand nourishment fund and strategically we need to plan for that by setting a goal of 5% so we can avoid as best we can having to raise taxes again if we have a major storm that wipes out the benefits of the Central Reach Project. He would like to address it strategically, for every increase in revenue, against an increase in expenses, we allocate that to a sand fund. He thinks the Board needs to establish it as priority for the difference to be allocated as a sand fund. Town Manager Hewett asked if what he is saying it taking the leftover money from the end of year and dedicating it to beach nourishment. Commissioner Royal said he is proposing an increase of revenue realized in the current fiscal year, minus the increase of expenses, the balance of that be allocated to beach nourishment. He is talking about in the General Fund and the BPART Fund. Commissioner Freer asked if he wants a line item in the BPART Fund that says beach nourishment. Commissioner Royal replied yes. He wants this to be a constant goal. He understands the current budget doesn't accomplish that, but he is anxious to get a strategy in place. Mayor Holden asked about the revenue increase based on new construction. Town Manager Hewett said the tax base is a January 1<sup>st</sup> number. Mayor Holden asked if this could be addressed by policy, instead of actual numbers. Commissioner Isenhour suggested this could be part of the stated goals for

the budget. Commissioner Freer said it was and it wasn't met. Mayor Holden said the money didn't improve, but beach conditions did.

Mark Fleischhauer said this is in conflict with what he proposed earlier. He agrees there are policies and strategic ways that can be followed.

Commissioner Royal would like to institutionalize intent.

*Motion by Commissioner Royal to establish a policy as discussed that would establish a long term goal of replenishing the fund for beach nourishment, equal to 5% of the fiscal budget.*

Town Manager Hewett explained the Water/ Sewer Fund is off limits. Mayor Holden asked staff to bring something forth to a future meeting for consideration.

The consensus of the Board is for staff to present something for the Board's consideration.

#### **ADJOURNMENT**

*Motion to adjourn at 10:28 a.m. by Commissioner Royal; second by Commissioner Freer.*

Town Manager Hewett asked if the Board is talking about crafting something to include in this budget. Mayor Holden replied no, it is an ongoing working policy.

Mayor Holden said Commissioner Kyser isn't in attendance because of a medical issue.

*The motion to adjourn was passed unanimously at 10:29 a.m.*

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J. Alan Holden, Mayor

ATTEST:

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Heather Finnell, Town Clerk