



**TOWN OF HOLDEN BEACH
BOARD OF COMMISSIONERS
RECONVENED SPECIAL MEETING OF APRIL 8, 2016
TUESDAY, MAY 17, 2016 – 9:00 A.M.**

The Board of Commissioners of the Town of Holden Beach reconvened their Special Meeting of April 8, 2016 on Tuesday, May 17, 2016 at 9:00 a.m. in the Town Hall Public Assembly. Present were Mayor J. Alan Holden; Mayor Pro Tem H. Ashley Royal, Commissioners Peter Freer, Kim Isenhour, John Fletcher and Ken Kyser; Town Manager David W. Hewett; Town Clerk Heather Finnell; Building Official Tim Evans, Shoreline Protection and Recreation Manager Christy Ferguson; Public Works Director Chris Clemmons; Fiscal Operations Clerks Margaret Lancaster, Mandy Lockner and Carey Redwine; and Chief Wally Layne.

Town Manager Hewett presented a slideshow. The objectives for today are to present the revenue projections and to have the Board approve/ revise the proposed water and sewer rates and inspection fee schedule.

In the General Fund there are three basic revenues: state distributed revenues, town levied fees and taxes and interfund transfers and fund balance. He reviewed the sales and use tax, franchise utilities and Powell Bill funds. The Board discussed the current paving project and Powell Bill funds.

Town Manager Hewett showed an ad valorem tax calculation example based on the current tax rate and the soft projected number of \$0.095 for the beach project. He reviewed how the example would affect different priced homes. He reviewed North Carolina coastal tax rates.

The interlocal agreement for the Central Reach Project was briefed to the county commissioners last night. Shoreline Protection and Recreation Manager Ferguson explained that the county seemed receptive to the agreement, but they wanted until the end of the month to review it. They want to make sure the county is covered in the event the Town defaults on the loan, which the Local Government Commission (LGC) will not let the Town do. Town Manager Hewett added that the first requirement in the Local Government and Fiscal Control Act is that you have to accommodate your debt service. If you do not, the LGC would take over. Assuming we work out the agreement, we are looking at going to the LGC in July. He will set the tax rate assuming the agreement will be approved.

The Inspections Department has always run in the red. We haven't budgeted revenues sufficient to cover the budgeted expenses. He provided an example from the current budget. Recent legislation says you can't charge more than it takes to run the department. Building Official Evans has come up with a proposal to increase fees. He reviewed the proposed changes. Building Official Evans stated his department reviewed fee schedules from the coast and brought the proposed fees up to match other municipalities. Town Manager Hewett stated the additional funds from the increased fees will be available to allocate as the Board chooses. It is a revenue that can be pledged against the debt service for the Special Obligation Bond. As a result of that, we could get a better interest rate. Town Manager Hewett provided information on Fund Balance Ratio.

Town Manager Hewett explained that curbside recycling is projected at about \$11,000 annually. That amount is paid out after we collect it. The Board discussed curbside recycling and our contract with Waste Industries. Our contract with Waste Industries will be renegotiated in January.

The Town no longer receives privilege license fees anymore, which accounts for a loss of about \$7,500. Senate Bill 846 was introduced this past week. It proposes changing the local option sales tax per capita based on Tier 3 ranking. It is projecting a loss of \$1,200. This is the type of legislation the Town needs to monitor as it works its way through the General Assembly.

Town Manager Hewett explained that Fund Balance is the amount at the end of the fiscal year that is available for appropriation in the next fiscal year. He explained interfund transfers from the Water, BPART and Canal Dredging funds. These are reimbursements for expenses in these funds that are paid for from the General Fund.

In the Enterprise Fund, the proposed increases focus strictly on the variable part of the fee schedule. No consideration was given to the capital side of the equation. Staff did perform some exploratory what ifs. Town Manager Hewett reviewed his charts. 86% of the water bills are for 6,000 gallons or less. The other 14% of users on the consumption side accounts for 42% of the water usage. He reviewed the Town's current fees. We are proposing adding an extra \$1 to the base charge. It is projected to generate an extra \$21,322. Fiscal Operations Clerk Redwine explained how other local communities charge. On the sewer side - 14% of the bills equal 45% of consumption. The proposed rate is to add \$1 for over 6,000 gallons of consumption. The projected revenue increase is \$27,367. 25% of irrigation bills account for 68% of the usage. We added an additional \$1 for consumption over 6,000 gallons.

This increasing block rate structure charges equally more for all customers above a defined level. It does not recognize the difference between commercial and residential consumption. The dollar increase in total revenue on the consumption value for water/ sewer and irrigation are offset by loss in cell phone rents. The consumption variables total increase is about \$70,508. The cell tower decrease decline is about \$28,659. The Board discussed the proposed rates.

In the BPART Fund contains the 6% occupancy tax allowed by legislation. Town Manager Hewett showed a slide of occupancy tax versus property tax collected. The Town actually collected about 10% more of occupancy tax than what is collected in the ad valorem side over the past several years. Occupancy tax is projected at \$1,759,359. Local programs revenue is projected at \$15,000. We also run federal and state grants through that fund.

The Canal Dredging Fund has enabling legislation and is self-funded. The districts are established by subdivision. The working group annually coordinates their assessments. The assessments they are requesting this year are \$375 per lot for Holden Beach Harbor, \$250 per lot for Heritage Harbor \$320 per lot for Harbor Acres.

Town Manager Hewett needs to get a budget message to the Board by May 31st. Mayor Holden would like to set the next budget meeting tonight.

The Board discussed the interlocal agreement.

Town Manager Hewett explained the fee schedule will be set when the Board adopts the budget.

Commissioner Freer asked about sewer vulnerability. Town Manager Hewett recommended that any decisions made related to capital improvement be done as a function of fund balance appropriation from the accrued water funds, rather than trying to work it into the rates at this time. Public Works Director Clemmons is going to ask for the purchase of two generators. Town Manager Hewett stated the sewer vulnerability report is being taken off the agenda. He will proceed like it was approved. The Board can take it out if they do not approve it.

Commissioner Freer stated it was a great job getting creative with the proposed increase in revenues. He is anxious to see where we can get equally as creative on the other side of the equation. He is looking at beach patrol, which could affect the Police overtime.

Dolly Mitchell stated that New Hanover put out notice that they have lost over half sales tax.

Sheila Young would like to commend the Board members who have concerns about recycling. It was her concern for years. She is pleased it is going to be looked at again.

ADJOURNMENT

Motion by Commissioner Fletcher to adjourn at 10:43 a.m.; second by Mayor Pro Tem Royal; approved by unanimous vote.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk