



**TOWN OF HOLDEN BEACH
BOARD OF COMMISSIONERS
SPECIAL MEETING
TUESDAY, JUNE 9, 2016 – 3:00 P.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting on Thursday, June 9, 2016 at 3:00 p.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; Shoreline Protection and Recreation Manager Christy Ferguson; Public Works Director Chris Clemmons; Police Chief Wally Layne; and Fiscal Operations Clerk Margaret Lancaster and Mandy Lockner.

BUDGET WORKSHOP

Town Manager Hewett recapped the budget schedule and today's objective. The proposed budget appropriates current debt services; establishes a Capital Improvement Plan; and decreases our Fund Balance Available to 19%. There are some consequences and concerns about taking the Fund Balance down to 19%. He reviewed other municipalities' fund balances. The budget also establishes a Central Reach Project by Capital Project Fund; escrows the projected debt service payment per the Interlocal Agreement with the County; makes a projected interest only payment for the debt service appropriation for the Central Reach Project; keeps about \$2 million in the BPART fund balance; incorporates the previously proposed inspections fees and water/ sewer rate increases; increases the tax rate by 7 cents; and reconditions/ paves streets in accordance with the Street Plan. The budget retains current employee benefits; rolls over the PARTF project; increases the solid waste budget; appropriates money for gensets from the pending Sewer Advisory Committee study; accommodates the canal dredging program; finishes the Terminal Groin Project permitting; provides refurbishing of the water tower; rolls over the residual funding for the water meter upgrades; and procures a small excavator, Kubota and shoring system from the Water Fund.

The budget does not include COLA or merit raises. There are no Lockwood Folly Inlet navigation maintenance funds; and no funds for the Lockwood Folly Inlet Atlantic Intracoastal Crossing. Town Manager Hewett stated the Board will need to choose which projects they want to do. We just received a request from the Corps. Shoreline Protection and Recreation Manager Ferguson stated it looks like the Corps will get \$3 million to do the Atlantic Intracoastal crossings in North Carolina. They reached out to see if anyone is interested in piggybacking. She provided information on the upcoming project. Town Manager Hewett explained how the opportunity could impact the Town. Town Manager Hewett explained he pulled \$210,000 for the two gensets and the four electrical connections and moved that into the current budget year. He left the other fixes in year two of the Capital Improvement Plan, knowing that even if the Board appropriated money, we couldn't get the project done before this time next year. The engineering money has not been pulled over. The Board would need to do that if they desire to move forward with the project. That can be done as a supplemental appropriation. The Board discussed the gensets.

Town Manager Hewett reviewed some of his concerns with the budget. He stated he thinks he has been overly optimistic with some of the revenue projections. The expenses have been conservatively estimated. He has some worries about our ability to continue at the operational pace we have with the proposed funding levels. The Available Fund Balance will not provide an adequate cushion acceptable by the Local Government Commission (LGC) and the market. The Board discussed Fund Balance. All towns don't have the same type of revenue streams. Town Manager Hewett provided examples of municipalities who have ABC stores. The Board discussed tax and BPART revenues. Mayor Pro Tem Royal asked how the Town is tracking this year against the budget estimates for 2015. Town Manager Hewett explained where we are at on the General Fund level. Commissioner Fletcher asked if there is a concern that there will be a slowdown in building. Town Manager Hewett replied he is always concerned about that.

Town Manager Hewett explained that the Interlocal Agreement was approved unanimously by the county board and is on the Town's agenda for June. We are looking at getting the package together for LGC approval in July. The tax rate is set assuming the LGC approves the project. The funding strategy template we are using has been approved for other local NC beach communities. We still need to go to market if the LGC approves it. Staff has already been contacted with exploratory inquiries from a couple of lending institutions.

Public Works Director Clemmons said he has some equipment not incorporated in the proposed budget. Town Manager Hewett stated he missed adding those in. Public Works Director Clemmons stated it is about \$10,000.

Commissioner Fletcher said this budget has different amounts than in the past. He asked if there is some amounts that are built in for safety. Town Manager Hewett gave an example of communications where we budgeted to procure a computer in Administration, but didn't spend the money. When a computer goes down in Administration you need to be able to get one quick. Some might be rollover expenses because the money wasn't spent in the current year. He said if expenses are increased it could be a direct requirement of the operational budget going up. He provided a solid waste example.

Commissioner Fletcher stated that Town Manager Hewett said there are no raises, but the Police Department budget went up. Town Manager Hewett replied you need to keep in mind that the current year's budget is the entry from the proposed budget from last year, but the Board appropriated money to adjust the salaries. He hasn't moved the amount appropriated by the previous Board from the Wellness line item yet. The increase reflects the salary equalization. He added that when salaries go up, overtime does too. He said in Public Works we have had some emergency situations we needed to deal with and those items have been busted since March. Commissioner Fletcher asked about the Capital Outlay in Police Expenses. Town Manager Hewett explained that is the equivalent of 1 1/3 cars because of the current purchase installment program.

Commissioner Isenhour asked about the Communications line item. Town Manager Hewett stated that includes telephones, computers, software support and everything IT. Copier expenses also come out of there. Hosting services and software are also included. Those costs are allocated per department. The new water meter reading system is included.

Commissioner Freer is surprised that \$100 is estimated for traffic tickets. Town Manager Hewett explained we need to have a place keeper for that. State citations are not reflected in our revenue stream.

Mayor Pro Tem Royal asked about the Interfund Transfer on page 24. Town Manager Hewett responded that the Emergency Operations Center building debt is \$93,000 and the insurance is an additional charge. It is an approximation charge to the Water Fund for the support rendered to the General Fund.

Commissioner Fletcher asked if there should be a plan to have a second inspector available in light of what just happened with Building Official Evans and because of the increase of building activity. Town Manager Hewett answered that he upped the amount for Contracted Services. We were lucky to get a capable interim substitute. We are working on having an apprentice who can help out as needed. They would be paid on a contracted basis. The Board discussed having a backup available.

Mayor Pro Tem Royal asked how the Town is managing vacations. Staff explained how they are managing time off. The Board discussed how this affects overtime. Commissioner Freer thinks the Town needs to look into options to help alleviate overtime and would like to add that item to the next agenda.

Mayor Pro Tem Royal asked the staff's view of proposed budget. Staff members responded with their opinions. Town Manager Hewett added the Town has some long lived staff and department heads who are notorious for just budgeting for the requirement. The challenge is determining the expectation of service delivery.

Commissioner Isenhour said as the year goes by, it would be good to get updates on where the Town is with the budget. Town Manager Hewett stated that two months ago staff started posting budget versus actual to the website. If the Board would like a summary he could put that in the agenda packets.

Commissioner Freer asked if we still have Police admins. Chief Layne replied yes, it started last year.

Commissioner Freer inquired if the Town has found replacements for the trash rollback service. Public Works Director Clemmons responded yes.

Chief Layne stated the Police admin earn their pay and save the Police Department money. Commissioner Fletcher asked if an officer was going to retire and how fast the Town could have a replacement. Chief Layne said it takes about three months for a replacement, depending on how fast the state can approve the paperwork.

Mayor Pro Tem Royal asked Town Manager Hewett's biggest risk in the proposed budget. Town Manager Hewett replied a hurricane hitting and taking out the tax base and occupancy tax. Mayor Pro Tem Royal referred to the concerns in the slideshow and mentioned Fund Balance. The Board discussed Fund Balance.

Town Manager Hewett stated the budget message was posted on the website. He hasn't received feedback from the message. Commissioner Fletcher stated he had received lots of input. People are very supportive of the Central Reach Project.

Commissioner Freer asked about Travel/ Training. Town Manager Hewett explained why that line item is critical.

Mayor Pro Tem Royal asked for confirmation that dredging is self-sufficient. Town Manager Hewett responded that it is 100% funded by the canal property owners.

Mayor Holden asked for an executive summary in regard to special projects funding. Town Manager Hewett explained any land purchases are not addressed in the budget. The current budget includes the end of the permitting phase for the terminal groin. The \$2.5 million terminal groin cost is included in year two of the Capital Improvement Plan. That is for initial construction. He explained how the sewer is included in the budget and the Capital Improvement Plan. The Board discussed the Water and Sewer Fund and the potential fix to the sewer system. Mayor Pro Tem Royal asked the Town's financing options if the Board decides to purchase properties. Town Manager Hewett said he thinks the Town could start with the amount in the Fund Balance of the BPART Fund. You also would have the option of installment financing. There also may be grant opportunities available.

Town Manager Hewett asked if the 10 year Capital Improvement Plan is worth the effort. The Board agreed it is. The best time to update it is concurrent with the budget. Commissioner Fletcher mentioned a similar one with the Town's debt service would be helpful as well.

Commissioner Fletcher asked if VRBO rentals are taxed. Town Manager Hewett said they are obligated just as everyone else. We have been through several exercises to track people down to make sure they are paying.

Motion by Commissioner Fletcher to hold the public hearing at the next regular meeting at 7:00 p.m.; second by Commissioner Isenhour.

Town Manager Hewett stated it is a formal presentation. You can receive feedback. The budget just has to be adopted by the end of the fiscal year.

The motion passed by unanimous vote.

ADJOURNMENT

The Board adjourned at 4:55 p.m.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk