



**TOWN OF HOLDEN BEACH
BOARD OF COMMISSIONERS
SPECIAL MEETING
MONDAY, JANUARY 23, 2017 – 9:00 A.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting on Monday, January 23, 2017 at 9:00 a.m. in the Town Hall Public Assembly. Present were Mayor J. Alan Holden; Mayor Pro Tem John Fletcher; Commissioners Peter Freer, Kim Isenhour and Ken Kyser; Town Manager David W. Hewett; Town Clerk Heather Finnell; Shoreline Protection and Recreation Manager Christy Ferguson; Public Works Director Chris Clemmons; Building Official Tim Evans; Detective Jeremy Dixon; and Fiscal Operations Clerks Margaret Lancaster and Mandy Lockner. Commissioner H. Ashley Royal was unable to attend the meeting.

BUDGET WORKSHOP

Mayor Holden called the meeting to order.

Town Manager Hewett provided a copy of the draft meeting schedule he presented in December. He wasn't sure based on the discussion at the last meeting if the Board approved the schedule. The Board discussed the schedule and decided to make the following amendments:

April 3rd - Board Workshop (Expenses), 9:00 a.m.
NLT May 15th - Budget Message Due
June 9th - Public Hearing, 9:00 a.m.
June 20th - Consideration of Budget at Regular Meeting

Town Manager Hewett explained that on the handout he attempted to group the Board's goals that seemed to be related.

Plan to operate without a tax increase – Town Manager Hewett stated that in general that is something the Town always tries to do. Any tax increase he proposed in the past has been tied to a specific programmatic cost. He provided an example of the increase for the Streets Plan.

Revenue neutral budget – Town Manager Hewett explained revenue neutral is normally a term used when there is a revaluation. We will have some tax base increases due to new construction. Those aren't tremendous. By advancing the budget schedule we won't have the benefit of the completely updated tax scroll. We are restricted by law on what we can project based on last year's tax collection rate. He stated there will be some movement in the ad valorem tax rate, but there will probably be more movement on the personal property side. The schedule for revaluation is every four years. Mayor Pro Tem Fletcher asked

if the Town has a forecast on how much the tax revenue base will increase based on construction. Town Manager Hewett said he normally tries to get a grasp on that when working on the budget. He hasn't done that yet. He wants to make sure the Board understands the Town doesn't have a liquor store, so we can't really compare our revenue to other communities. It is a big revenue maker. The Board talked about ABC Stores and regulations pertaining to them.

Increase Fund Balance reserves – Town Manager Hewett stated staff met with the Local Government Commission Coach Team to look at the Town's books. Through discussions with them, they are suggesting that our Fund Balance Policy is a bit dated. With the Budget Message, he will include a proposed Fund Balance Policy. That can be rolled into the budget ordinance. Commissioner Freer asked how Town Manager Hewett would describe the Town's current position. Town Manager Hewett responded when you attempt to establish a peer group, it will show that other beach communities have better than 100% fund balance, however he is not sure that their books separate their occupancy tax from the General Fund. The Town does it as a separate fund. Commissioner Freer stated he agrees with the range of 40% - 70%, especially with the nature of the island. Town Manager Hewett stated the Unassigned Fund Balance is what we are talking about. That is the money that is totally within the Board's control to program for whatever services and purposes they desire. Fund Balance is the number the treasurer looks at to evaluate stability and liquidity and what the banks look at. It is not the end all on if you can borrow. We not only have the General Fund, we have other funds. We have strong cash position in the Water Fund. 8% Fund Balance is what is required, which is a month. Commissioner Freer stated he likes Town Manager Hewett's approach, 40% - 70%. He thinks it should be a top priority. Commissioner Isehour added and a designation of overage.

BPART – Beach Strand Centric. Yearly funding of next round of nourishment - Town Manager Hewett reminded the Board that the first thing you have to do is pay your debt service down. If the Town wants to be ready to repair the beach from future storm damage, the Town will need to get a new permit. For a large scale project, if you want to get ready for the next round, he thinks the Board should initiate the permit process. He is not sure what the cost will be. Commissioner Freer said we just went through the funding of the Central Reach Project. If we look back 10 years, he thinks the Town would have set aside more money. He said there is the possibility of funding another project. He stated that is where this goal is coming from. Town Manager Hewett said the Board needs to recognize there is maintenance of the strand that needs to happen. He said if what you are saying is setting aside \$1 million out of the \$1.6 of revenue of occupancy tax he doesn't think you can get there. He believes the Town has set aside funds in the past, however it probably is not visible as a discreet pot of money. He talked about the occupancy tax law and how a separate fund would affect that. Commissioner Freer thinks it is time to focus on sand. Mayor Pro Tem Fletcher thinks the Town needs to reduce reliance on the BPART Fund for operations. Town Manager Hewett stated over the past few years he looked through the fund line by line and tried to make an adjudication on what is sand and what is tourism related. The Town is not spending 2% on tourism related functions.

Establish a 5% operating expense reduction plan – Town Manager Hewett stated expenses are going up. One of the specific items that is an example of expenses going up is this building. It is eight years old. He provided examples of upcoming expenses. Mayor Pro Tem Fletcher inquired how much was saved beyond the budget as of June 30th last year. Town Manager Hewett responded in terms of the measure of actual revenues that came in it was probably about \$100,000. That includes all of the transfers. Mayor Pro Tem

Fletcher said in every action, Town Manager Hewett saved money versus the budget. He would like to see him continue to do that.

Reduce or maintain current debt level – Town Manager Hewett said he is assuming that item is the Board does not want to finance any more capital improvements. Mayor Pro Tem Fletcher said he thinks people are concerned about not adding more debt.

Review and update Capital Improvement Plan (CIP) – Town Manager Hewett stated that last year the establishment of the CIP was a great step forward for the Town. With the sewer vulnerability assessment, that is a logical change in the plan. He doesn't think we need to update the streets survey until we get about five years in. Commissioner Freer stated he has been traveling Highway 211 a lot. There is a section that was like Brunswick Avenue and they repaved it. He is curious how they fixed it. Mayor Pro Tem Fletcher asked if we could just asphalt the low spots. Town Manager Hewett stated they don't have a vacuum sewer under their road.

Improve budget clarity and transparency – Town Manager Hewett doesn't anticipate a whole lot of budget line item transfers. He said he thinks this is about the wellness money that was put in the previous budget to accommodate the pay plan. With the Central Reach Project and the way we are funding it with FEMA, there are a lot of square pegs and round holes on how those line items are budgeted. Commissioner Freer said transparency is the point. Commissioner Isenhour thinks when you get the current status like at the last meeting it is extremely helpful.

Roads priority program and execution as established for upcoming year – Town Manager Hewett said that seems self-explanatory.

Establish a capital line item to fund a second water tower – Town Manager Hewett recommended that the Town get a professional engineer's report first. The line item would be in the Water and Sewer Fund. It's not an overnight process. The Town would solicit for engineering services. He thinks the Board should take this next year budget to assess and accommodate what the Town's needs are and then move forward based on that.

Sewer study – Town Manager Hewett said the study is underway. When the results come in we will make those decisions.

Finish what we have on the table – Town Manager Hewett stated there are several things we have on the table that we need to finish. They will go over into the next year.

Establish a sand fund equivalent to 5% of the budget – Town Manager Hewett stated that is a direct correlation of getting a permit.

Reduce reliance on the BPART Fund to pay for Town operation expenses – Town Manager Hewett said he thinks we talked about that. A new permit might affect this.

Town Manager Hewett stated it is a lot easier to start crafting a budget with the Board setting up a schedule and communicating their perspectives.

Commissioner Isenhour stated she thinks the questions about the BPART Fund might be about saving money. She is not even sure if it is prudent to think about it that way. She thinks there is a question why we are not saving more money. Commissioner Freer thinks the Town needs to have a balance. He wants more discipline on the sand side in the BPART Fund. Town Manager Hewett said one of the things that the Town has benefited from is 30 years of the Corps putting dredged material on the beach from the inlet. He is not sure if that will go completely away, but the President's budget hasn't had any money in it for about three years. It is something we will need to deal with. To some extent we have gotten ahead of that by working with the General Assembly to establish the Shallow Draft Inlet Maintenance Dredging Fund. Oak Island's upcoming beach nourishment plan may have implications for the east end of Holden Beach if their source is the Lockwood Folly Inlet. Our offshore sand source is also targeted as a sand source for that.

Commissioner Isenhour said her message is that she appreciates conservative funding and the focus on that.

Mayor Pro Tem Fletcher asked if the Town plans to nourish west of the 800 block. Town Manager Hewett replied that it doesn't need to be nourished and it would be frowned upon by the regulators to do it. He talked about the sand migrating west.

ADJOURNMENT

Motion by Commissioner Isenhour to adjourn at 10:08 a.m.; second by Mayor Pro Tem Fletcher; approved by unanimous vote.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk