



**TOWN OF HOLDEN BEACH  
BOARD OF COMMISSIONERS  
SPECIAL MEETING  
MONDAY, APRIL 24, 2017 – 9:00 A.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting on Monday, April 24, 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, Kim Isenhour and Ken Kyser; Town Manager David W. Hewett; Town Clerk Heather Finnell, Police Chief Wally Layne, Public Works Director Chris Clemmons; Shoreline Protection and Recreation Manager Christy Ferguson; Building Official Tim Evans; and Fiscal Operations Clerks Margaret Lancaster and Mandy Lockner.

**BUDGET WORKSHOP - EXPENSES**

Fiscal Operations Clerk Lockner reviewed the budget schedule and explained she will go through the expenses by each fund. Commissioner Freer asked to start with the BPART Fund.

BPART Fund - Fiscal Operations Clerk Lockner explained the easements for the east end are included in the numbers. The line item for Professional Services has increased due to monitoring requirements for the Central Reach Project. The Beautification line item has increased significantly for project requests, excluding their five year plan. Vegetation expenses have been placed back in this year's budget. Commissioner Freer said he is not comfortable adding a budget item for easements for the Lockwood Folly area since we do not have a plan in place yet. Town Manager Hewett explained we have the SDI-5 permit. A requirement to execute that is that we need to have easements to put sand on the beach. He said without the easements the permit is invalid. He said the permit goes from the LWF crossing out to basically the sea buoy. He provided an example of not being able to do the piggyback effort on the last project if the Corps wasn't able to do it under their authorization. Shoreline Protection and Recreation Manager Ferguson explained why it seems best to get the easements if the Town plans on putting any sand down in that area. Town Manager Hewett said the SDI-5 permit is a federal and state issued permit to the Town. The environmental piece utilizes SARBO and is a portion of the federal permit. He confirmed if we use the Corps' federal authorization, the Town doesn't need easements. Mayor Pro Tem Fletcher asked if the Town can get the Corps to get an independent contractor. Town Manager Hewett said they did the inlet crossing with a separate contractor, but his advice is to not put all our eggs in the Corps' basket. The Board discussed modifying the language in the Central Reach easement to reflect the narrow purpose of the Lockwood Folly project. Town Manager Hewett said that is an attorney product and we can't put her to work to craft an easement without funding. Mayor Pro Tem Fletcher asked if the Town is budgeting for the inlet. Town Manager Hewett replied he doesn't know what to budget for. He said they put the \$50,000 in the Lockwood Folly Dredging line item for convenience, but it is for easement procurement that is tied directly to the Lockwood Folly Shallow Draft Inlet Permit. Town Manager Hewett

confirmed the \$76,000 for the line item this year was for the actual crossing project that was completed through the Corps' authorization.

Shoreline Protection and Recreation Manager Ferguson stated that in the previous year's budget the Beautification line item said \$500, which was a donation to them. If this proposed expense goes forward, they would still only get \$500. In the past their other projects were scattered throughout the budget. Now their projects are focused in that line item. Commissioner Freer inquired if the bulkhead in the budget was the one on Beautification's list. Public Works Director Clemmons said no, he budgets one per year to replace as needed. Shoreline Protection and Recreation Manager Ferguson listed what Beautification's line item consists of.

Fiscal Operations Clerk Lockner stated the increase in Professional Services is due to the Central Reach Project. Shoreline Protection and Recreation Manager Ferguson added that is for the required monitoring. Jordan Blvd Ops, Maintenance and Repair is increased because the Town needs to take over maintenance this year for the DOT bridge project. The East End Shore Protection line item is the remainder of the cost for Dial Cordy, the third party contractor for the terminal groin.

Commissioner Freer asked about line items that weren't spent this year, but the amount is still budgeted. He asked what happens to that money. Town Manager Hewett said the amount goes back into Fund Balance. Fiscal Operations Clerk Lockner explained we still have three months left in the budget, so the lines will hit closer to their mark. Staff answered questions on specific line items. Town Manager Hewett said in regard to Travel and Training, staff couldn't go this year because of the Central Reach Project and the hurricane. He said he hasn't given these numbers a hard scrub from the manager's prospective. These are department heads' inputs and he is not sure the amount proposed for that is enough. The FEMA money is not budgeted under expenses this year, but the Town will still seek reimbursements. Shoreline Protection and Recreation Manager Ferguson explained the Shoreline Monitoring is for the transacts where we survey the beach. Part of that was incorporated in to the CRP this year so we were able to save on that. Town Manager Hewett said \$2,500 - \$3,000 in the Debris Removal line item goes to things like tires that wash up on the beach. You have to pay tipping fees to dispose of it.

Commissioner Royal said he thinks the Board owes it to the public to show they are sensitive to the fact that taxes were raised significantly last year. He wants to make sure we can justify what is there and when we can't it should be cut back. He thinks it is in the best interest of the Town to set aside money for beach nourishment. Town Manager Hewett said the occupancy tax legislation lays out exactly how it is supposed to be apportioned. It is 3% tourism, 2% beach nourishment. He did a quick review and we are upside down on that ratio. Commissioner Royal said that doesn't prevent the Town from apportioning a portion of the General Fund for sand.

Mayor Holden stated he needed to meet with the County Manager and passed his gavel to Mayor Pro Tem Fletcher at 9:36 a.m.

The Board discussed the Budget Message. Mayor Pro Tem Fletcher asked why the Sanitation Salary is no longer budgeted from the BPART Fund. Town Manager Hewett said it is garbage collection on the beach and it has been moved to Contracted Services. Fiscal Operations Clerk Lockner said staff is proposing that that service be changed to Contracted Services and the employee be moved to the Water Fund. Public

Works Director Clemmons stated he has been utilizing Water and Sewer staff for trash collection on the strand and explained why he thinks it would be beneficial to contract that service out. He did solicit bids to perform this service. Commissioner Royal asked if this would be an example of what can be charged to tourism. Town Manager Hewett replied that is in his calculation. Public Works Director Clemmons said this would be filling in the gaps from Memorial Day – Labor Day. Town Manager Hewett explained the last three items on page 22 are the salary items for manpower for things like installing sand fence and working on accessways.

Fiscal Operations Clerk Lockner said the Chamber of Commerce line item is part of a program of giving donations to non-profits. Parks & Rec Utilities includes water, sewer and lights for the parks. Town Manager Hewett said he will double check to make sure we are not double billing for the bridge project area. Shoreline Protection and Recreation Manager Ferguson added she believes it also includes part of the port a Johns. She explained the Starfish Fire Station Upgrade line item is based on a quote for a new roof. Fiscal Operations Clerk Lockner explained the line item below it is the expenses of running the fire station. Town Manager Hewett stated they run a substation on the island during the summer. Last year the expense was run from the upgrade line item. Shoreline Protection & Recreation Ferguson said she will double check about the Public Restrooms line item. In the past, she believes part of the port a Johns was included in that line item. Commissioner Royal inquired if the Town was going to evaluate the fees for the park. Shoreline Protection and Recreation Manager Ferguson replied we can; the only one we cannot change is the \$5 for the sewer pump-out that is state mandated. She said we are keeping a spreadsheet on what people have paid. Shoreline Protection and Recreation Manager Ferguson said the Beach Vegetation line item would be representative of the area west of the CRP. If funding for the east end is not approved in the current budget and the Board elects to do it, that amount would go up. The Board discussed if it is a tourist or sand expense. We would need to get permission from the property owners in that area before sand fence and vegetation is placed in that area.

Commissioner Royal asked if a line item could be added that is a transfer from the General Fund to the BPART Fund as means of funding a line item for nourishment. Town Manager Hewett responded this is the expense side, if you transfer money it would be a revenue line item. He said that is already there. It is \$800,000 and represents about half of the debt service payment for the CRP. Commissioner Royal asked if you could have a line item that represents 5% of the operating budget being set aside for beach nourishment. He would like to set aside money each year to avoid having to raise taxes for a major project. Town Manager Hewett said that sounds like he is talking about setting up a capital reserve account. He said there is Undesignated Fund Balance in the BPART Fund. A way to do that would be to appropriate the Undesignated Fund Balance, equal to an amount and set it aside in the Capital Reserve Account. It would be subject to an annual appropriation. In the creation of the account, you have to specify what it is to be used for, how it is anticipated to be funded and how long it will be in existence. He asked what the 5% is representative of. He said 5% of occupancy taxes would be about \$90,000. 5% of the operating budget would be about \$1.8 million. Commissioner Royal read the goal from a previous workshop. He said he was thinking 5% of revenue would go to a sand, nourishment line item per year. He clarified the ad valorem revenue. Commissioner Kyser said the only problem he sees is that it would be competing with Fund Balance. The only way to put 5% more would be to raise taxes or cut services. Commissioner Freer added or cut expenses. Town Manager Hewett explained Fund Balance in the General Fund. He said the Board could appropriate a number certain from the BPART Fund Balance, instead of a percentage. Commissioner Freer said they want to make the BPART Fund and General Fund Balance healthier. Mayor Pro Tem

Fletcher asked if we have a handle on what percentage of occupancy taxes is being used for operating expenses. Town Manager Hewett said that would be hard to define without knowing what the Board is considering operating expenses. The Board talked about the occupancy tax law. Commissioner Freer said he thinks the goal is to move some of the expenses out of the BPART Fund so there is more of a sand reserve. Town Manager Hewett said some of the expenses are directly tourism related. He said if they are moved to the General Fund, they will still be expenses. Commissioner Kyser said what this boils down to is when the new Town Hall and Emergency Operations Center were put into service. It was the same time the economy tanked. They could have raised taxes then, but they chose not to and to take it out of the BPART Fund. He said the only way to do this is to raise taxes or cut expenses, which would cut services. He said if money is made so tight, Town Manager Hewett will need to come to the Board for all of the bills he needs to pay. Mayor Pro Tem Fletcher said \$100,000 of the budget wasn't spent last year. Commissioner Kyser said the Town is still not at where the Local Government Commission would like us to be with Fund Balance. Commissioner Freer said the Town needs to put a plan in place and address the problem. He added some of the items need to be looked at.

The Board took a recess from 10:24 a.m. – 10:30 a.m.

Shoreline Protection & Recreation Manager Ferguson explained that she shares the Access and Recreation line item with Public Works Director Clemmons. She explained what that line consists of.

Commissioner Freer said he knows we went through the revenue, but without the expenses you don't know what you need. He said this year there is no increases in the revenue. He thinks the Board needs to readdress revenue and look at ways of covering some of these costs. Commissioner Freer said Holden Beach is one of the only ones that doesn't charge for parking. Town Manager Hewett said we could work on that, but there wouldn't be anything definitive before the budget needs to be adopted. He said this is a huge endeavor. He said another initiative would be an ABC store. Town Manager Hewett said those are two initiatives that could be investigated for the upcoming year. Commissioner Royal said he likes the idea that it spreads the costs away from the property owners.

Fiscal Operations Clerk Lockner advised the Board that the HB Promotion line item is where the Beach Ranger will come out of. Shoreline Protection & Recreation Manager Ferguson explained she cut her line item to accommodate that.

Governing Body/ Admin – Fiscal Operations Clerk Lockner explained the highlights of this section are that there is a decrease in debt service; the budgeted salaries include a 5% merit increase and 2.5% COLA; and funding for a new computer software program. The Board discussed the administration of increases, the recent salary equalization and past raises. Fiscal Operations Clerk Lockner said she also has information on other percentages. How the proposed percentages will affect the other line items was discussed. There was discussion on turnover rates. After discussion, the Board agreed to a 3% merit pool to be awarded based on performance. The Board talked about excluding the manager's salary from the calculations. Commissioner Royal asked about the Rewards and Wellness line item. Town Clerk Finnell explained that line item has not been used for that in a while and provided examples of what it is being used for. Commissioner Royal encouraged the Town to use this line item by looking at rewards for targeted accomplishments that deserve a reward.

Town Clerk Finnell explained the increased cost of insurance was due to a rate increase. In the past, the increase was managed by altering services. The Town pays for the full employee and a portion of family coverage. The Board talked about insurance costs and what the Town pays for. Commissioner Freer said he would like to know where the Town falls with other communities in terms of compensation and benefits. Town Manager Hewett replied the Town is at about midpoint for compensation and in line with people with benefits.

Town Manager Hewett said the Retirement line item is a fractional relationship with the salary line item. Also, the mandatory contribution went up a couple of basis points. Unemployment Compensation is now based on claims made.

Police – Mayor Pro Tem Fletcher asked about the line items that aren't spent in the Police budget. Chief Layne said he didn't ask for anything, he kept his numbers the same. Chief Layne said he sees items that can be cut. Town Manager Hewett used bullets needed for training not being purchased yet as an unused expense.

Commissioner Freer said the expectation is to make a realistic budget based on the budget that is three quarters spent. Commissioner Royal said the best way to manage a budget is to allocate what you need month by month, plan your expenses out so you can spend safely and efficiently.

Building & Inspections – Building Official Evans said Contracted Services was cut in half. He explained what it has been used for in the past. He budgeted for what specific items he knows are upcoming. It may be more than that. Town Manager Hewett said in Inspections there are specific legal expenses that we incur. When we consult with our attorney on specific items related to Inspections, those items are billed to the Inspections line item. Building Official Evans said the Advertising line item is for lots of things, including the flood program, the contractor's informational meeting and when they post a piece of property. His budget is based on a five year trend. He said right now they are trending up. Travel and Training is higher. Building Official Evans explained that in the past he always volunteered to teach and a portion of his expenses was paid for. He is not doing that this year. He said Zoning Official Wooten didn't do as much training as he would have liked because she couldn't go since he was sick last summer. M&R Vehicles – the average age of vehicles in his department is nine years. That item will be pretty close, there was just a major repair to a vehicle. Gas, Oil and Tires is based on trends. The Equipment Purchase line item is because he has been planning on getting a plotter.

Public Works, Street, Buildings and Ground Expenses – Public Works Director Clemmons explained the street paving project in the upcoming year costs less than this year, which accounts for some of the difference in his current versus projected amounts. Commissioner Royal asked if the Pointe West flooding issue was coming out of his department. Public Works Director Clemmons replied not as far as he knows. Mayor Pro Tem Fletcher said it is a \$365,000 budget and only \$140,000 is spent. He asked if the difference is anticipated to be spent. Public Works Director Clemons used bulkhead repair as an example of work that still needs to be done. Commissioner Kyser added that the street paving project still needs to be done. Town Manager Hewett said we will end up spending about \$100,000 when you add engineering services and contract administration to the cost of the work. Public Works Director Clemmons said he still has some patching to do which will fall under Maintenance and Repair Streets. Town Manager Hewett said Street Drainage Projects will probably pay for a couple of culverts. Travel is in Public Works and Sanitation

because it is for different employees. Commissioner Freer questioned where Ranger falls on the priority listing of the Street Paving Conditions Assessment. Town Manager Hewett said it is included on the Powell Bill map. We have be going right down the list for the Capital Improvement Plan. Mayor Pro Tem Fletcher explained the condition of Boyd. Town Manager Hewett said it looks like Boyd is scheduled for about three years from now. Commissioner Freer would like to move Ranger down the list. Public Works Director Clemmons said he can look at it to see if he can find something that is comparable to replace it with. The Board agrees. Town Manager Hewett talked about the Town's Powell Bill appropriation.

Sanitation- Public Works Director Clemmons thinks the Contracted Services line item was recycling. He will get back to the Board to confirm what the line item consists of. The Board talked about blue can recycling. Town Manager Hewett said the mosquito control program is also run out of sanitation. Commissioner Royal would like to look at the overall collection. He said we are paying for one service (yard debris) that is far less utilized than recycling. Town Manager Hewett said he intends to bring that back once we have a year's worth of data on the recycling bin being removed. He wants to get stakeholders involved. Commissioner Royal said recycling reduces waste, but Waste Industries doesn't factor that in. He asked if we can find out if they are charged on a tonnage basis for the waste they dump. Town Manager Hewett said we can ask, but he is not sure if they are willing to answer. The Board further discussed recycling and yard debris collection.

Operations –Town Manager Hewett said after discussion that he believes the Professional Services line item in the current year budget is for McGill and Associates. Public Works Director Clemmons said we need to figure out if the Town wants to make appropriations for the sewer in the upcoming year. He said in about two years, \$673,000 of debt will be paid off. That is for the sewer transmission lines. We will still have the loan for the treatment plant. The Board talked about the pipe testing program. This would be year three of a three year program. Commissioner Freer asked what the intent of the transfer to the General Fund is. Fiscal Operations Clerk Lockner answered that the number listed is not a completely accurate number at this moment. She used it as a placeholder until we had this workshop. She was trying to see what it will take to balance the fund. Town Manager Hewett added for sure there is a cost for the Emergency Operations Center that is funded out of the General Fund, but it is a Water and Sewer building. He said it is an expense to the Water/ Sewer Fund and it will show in the General Fund as a revenue.

Commissioner Freer said the direction is that he would like the Town to be really cognizant of the Water and Sewer Fund because of what we know is in front of us. He said the same with the BPART Fund.

Town Manager Hewett said the one thing that is not in the budget is the Capital Improvement Plan, specifically the lift station upgrades. The workshop won't be until after the Budget Message. He plans to take the results of the study, working west to east and use the programming factors for the lift stations on a year by year basis and put an appropriation from Fund Balance from the Water and Sewer Fund that equals the cost to do the first station. He will then update the Capital Improvement Plan. The Board can make changes as they please. He needs to put something in as a placeholder. Commissioner Royal asked if his recommendation is for Recommendation 2 from the study. Town Manager Hewett replied yes.

Shoreline Protection and Recreation Manager Ferguson said there is not funding for a lobbyist currently included in the proposed numbers.

The Board agreed May 19<sup>th</sup> at 9:00 a.m. is preferable for a Sewer Vulnerability Workshop.

**ADJOURNMENT**

*Motion by Commissioner Royal to adjourn at 12:26 p.m.; second by Commissioner Isenhour; approved by unanimous vote.*

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J. Alan Holden, Mayor

ATTEST:

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Heather Finnell, Town Clerk