



**TOWN OF HOLDEN BEACH  
BOARD OF COMMISSIONERS  
SPECIAL MEETING  
THURSDAY, MAY 3, 2018 – 10:00 A.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting on Thursday, May 3, 2018 at 10:00 a.m. in the Town Hall Public Assembly. Present were Mayor Pro Tem Mike Sullivan; Commissioners Pat Kwiatkowski, Joe Butler, John Fletcher and Peter Freer; Town Manager David W. Hewett; Town Clerk Heather Finnell; Police Chief Wally Layne; Building Official Tim Evans; Public Works Director Chris Clemmons; Shoreline Protection and Recreation Manager Christy Ferguson; and Fiscal Operations Clerks Margaret Lancaster and Mandy Lockner. Mayor J. Alan Holden was unable to attend. Mayor Pro Tem Sullivan called the meeting to order.

**BUDGET WORKSHOP – REVENUE AND EXPENSE**

Commissioner Butler suggested starting the budget process earlier next year. He is recommending a budget summary draft that the Board has before them. He is accustomed to looking at a management summary report. He explained how he feels starting that type of process would benefit the Town. Town Manager Hewett asked if page 2 is just a further evolution of page 1. Commissioner Butler replied yes, his preference would be page 2. He said the forms could be broken down into the individual operating areas as well. The intent is to provide a top level management summary for both revenues and expenses. Commissioner Freer added that you could expand on this and suggested using it for employees. The employees are currently spread out throughout the budget. Commissioner Butler said another suggestion is pertaining to debt service. Commissioner Freer said the data is all there, but it is spread out. He said this is a good start, but thinks there are other places where you could roll up the numbers and get a summary view. Commissioner Kwiatkowski stated there is a treasury policy suggestion manual that talks about how you can show a summary of what is going on. It seems appropriate to do that at Budget Message time. There are appropriations for continuing expenses, versus appropriations for expansion expenditures. Continuing expenses are things like personnel costs, salary benefits and overtime all wrapped up, then things like multiyear contracts and debt services. They also include supplies and operating expenses, replacement of existing capital items that are already in your capital budget and repairs and maintenance. That ideally should be less than your collected revenues so you have money for your expansion expenditures, but if you don't, it focuses you on that we don't have enough to service the continuing expenses and you can look at where to bring costs under control. These are good ways to show where the money is going and to focus attention on if cuts need to be made because there is not enough money coming in.

Mayor Pro Tem Sullivan asked when the Board would like the information if they use example 2. He also inquired if Town Manager Hewett would be able to produce it at the time they are asking for it. Town Manager Hewett replied that is a function of the Budget Message. It would be fairly easy to rack that information up in this year's Budget Message in the form the Board is talking about. Commissioner Butler asked if we have the actual roll up for revenues and expenses. Town Manager Hewett said the information the Board has is as of March 15. Commissioner Butler wants to know if the information can be put in that format by Tuesday. Town Manager Hewett said the Board is talking about developing a whole new series of spreadsheets and he couldn't attest to the accuracy of it by Tuesday. Commissioner Butler said he is looking for the revenues and expenses for the upcoming budget. Mayor Pro Tem Sullivan said the Board is looking for this information early next budget and asked if we can come up with numbers that mean anything or if they would just be approximations at that point. Fiscal Operations Clerk Lockner stated it would be approximations if you start the process in January, the numbers will be inaccurate. Commissioner Butler stated when he is preparing a budget he needs to come up with revenues and expenses. He then has to explain the numbers, but that isn't the final document. That gives his boss the opportunity to assess and evaluate exactly what his expectations are and what he is planning to do to go forward. Commissioner Kwiatkowski said when she looks at the county's and other towns' meeting schedule, they have a meeting on revenues and one on expenses, then they have another before the Budget Message. That is where there is discussion on where we are in terms of balancing and seeing if all of the priorities are in there. That seems to be what the Town is lacking now, the pre-Budget Message meeting where any changes could be addressed. She thinks it should be a May meeting, closer to the Budget Message. Fiscal Operations Clerk Lockner stated we are not balanced at this point. Commissioner Kwiatkowski said the discussions on how to come into balance should be held as a group before the Budget Message is constructed. Town Manager Hewett said the budget officer's function is to reconcile the numbers in accordance with the guidance from the Board and deliver that in a form of a message to the Board. If it misses the mark, then you amend the proposed budget ordinance accordingly. He explained that staff still has some work to do to push the numbers around to come up with a deliverable for the end of the month. Commissioner Kwiatkowski stated in looking at other meetings there is a later May, pre-message meeting. She thinks there needs to be another discussion on where this is and how it will be brought into balance. She is concerned that cannot be done between May 31<sup>st</sup> and June 13<sup>th</sup>. Town Manager Hewett explained that you don't have to adopt the budget on the hearing date. He said the Board needs to work in a date to set the sewer fee schedule and award the contract for the sewer pump station project. Both items play into the budget process.

Mayor Pro Tem Sullivan said the question is if the spreadsheet Commissioner Butler is requesting can be prepared in time to start the budget process next year. Town Manager Hewett confirmed he was talking for January of 2019 and then answered yes for 2019, but the margin of error will be great. Mayor Pro Tem Sullivan suggested it could be ready for the revenue meeting next year. Commissioner Butler doesn't understand why the Board can't see those numbers for this year. Town Manager Hewett stated we are on a glide slope for a deliverable by the end of May. Commissioner Freer said he is asking for a roll up of everything and asked if he was delivering something similar to the 2017 -2018 Budget Message. He said he thinks the basic ask is to roll up these numbers into a summary that Commissioner Butler is proposing. Town Manager Hewett asked if he meant in an executive summary inside the Budget Message. Commissioner Freer said he thinks inside the Budget Message, but he thinks one of the points is he would like the roll up to be interactive and be presented in a workshop with the Board participating. He said he

thinks next year they would like to meet before the Budget Message. Town Manager Hewett stated the Budget Message is only a proposed ordinance. It can be refined. Commissioner Freer said the Board is looking to summarize it. Town Manager Hewett said he thinks the Board is asking for him to prepare the information, which is pretty much already contained in the existing message, but have it presented in the form of the summary management rollup. He said that is doable, but he needs the opportunity to put the information together as the Budget Message. Commissioner Kwiatkowski asked if there is possibility of holding a meeting a couple of days before the Budget Message goes out so they can be on the same page as much as possible. If there are changes that need to be made and can be made before it is finalized, they can be done interactively and not after the message goes out. She would hope the public meeting would not be for the Board to express concerns, but be for the citizens to express concerns. Commissioner Kwiatkowski said we had revenues and expenses, but we didn't discuss the two against each other and where they stand. She said they will make sure to have that meeting scheduled in advance for next year. Town Manager Hewett explained his perspective is that the staff needs to put this information together for the Board, do the math and make sure that everything comes out to zero. Commissioner Fletcher said he thinks two of the columns on the spreadsheet are already available. The only thing lacking is what the projections are for the end of the year. Town Manager Hewett stated we haven't done that before, it will take some time to do. Commissioner Butler said that is really a change, they used to called that the LE, the latest estimate against the budget. He explained how that worked in his previous job. He thinks they will end up looking for a quarterly LE, which he feels will help the Board and the public.

Fiscal Operations Clerk Lockner asked what the Board is looking for when there is a variance on the spreadsheet (graphs, charts). Commissioner Butler replied it could be a number or a percentage. It helps him understand that there is a variance. He said he would expect to see the supportive data within the document. Town Manager Hewett inquired if he is looking for a full blown budget to actual with projected variances, line by line item underneath the summary sheet. Commissioner Butler responded all he wants to know is if you have a variance, what is driving the variance. It can be put in the remarks column. Commissioner Freer asked if he wants it at page 2 level or within each line item and page 2 level. Commissioner Butler said if you represent it on page 2, it will be found somewhere within the document. He said if there is a variance it will be identified in the remarks column, whether it is favorable or not favorable. Commissioner Freer stated the Board already went through that exercise, but Commissioner Butler would also like it on paper. Commissioner Fletcher said he would like to have a feeling on how last year's budget worked out before adopting the new budget. He said then he can look at last year's projected budget and the new budget to see if something needs to be altered. Commissioner Freer said you can look at the last couple of years and identify if there is a trend. He said you could also schedule a meeting after the Budget Message comes out if you use the message to communicate the information.

Town Manager Hewett explained how he feels this information fits well with the Budget Message and said it has applicability for evolution next year. Commissioner Butler suggested if you are ever bored you can go to the State Treasurer's website. It has a lot of graphs and information where you can benchmark yourself against other communities. He would like to see some sort of a management tool that is similar to the documents he presented on pages 1 and 2 that outlines the debt service, the year, the debt item, the principle, the interest, the total and the balance. He said you would have a top level document that indicates exactly where we stand pertaining to debt. Commissioner Freer confirmed he was looking for a summary of debt.

Mayor Pro Tem Sullivan confirmed that Town Manager Hewett will deliver a copy of what Commissioner Butler submitted on pages 1 and 2 and also a synopsis on the current debt and future debt for the Town. Commissioner Kwiatkowski added it will be in the Budget Message. Town Clerk Finnell stated the Budget Message has to go out by May 31<sup>st</sup> and the next scheduled meeting is the Public Hearing. Commissioner Kwiatkowski said the Board does not have another meeting scheduled before the Budget Message this year and would like to have another meeting before the Budget Message next year. She stated the Board has the opportunity before the Public Hearing or after to get together and discuss in detail what is in the Budget Message and if there are some items that need to be prioritized differently. Town Manager Hewett explained the Budget Message is established based on the Board's priorities and guidance. The Board talked about the scheduling of the next meeting and the adoption process.

### **BUDGET GOALS STATUS**

Commissioner Freer would like the goals to be addressed in the Budget Message as a summary. Town Manager Hewett asked if he forecasted seeing those in the format Commissioner Kwiatkowski prepared or as part of the contents of the Budget Message within the different departments. Commissioner Freer replied he would envision it within the text of the departments.

Lou Cutajar inquired about the Town addressing the services that Waste Industries will provide. Commissioner Kwiatkowski said she thinks when the Board discussed it last, the largest change will come from the recycling program. Deciding how frequently the pickup will be throughout the season will alter the cost to the subscriber. They talked about meeting in the August/ September timeframe for the upcoming year since those bills are sent in January. This year's budget is already set, which takes us through the season. The Board is not proposing any changes to this coming season, it will be the 2019 season. She stated if the Board changes part of the regular already contracted pickup, the Town could do a budget amendment.

Commissioner Kwiatkowski questioned if the 3% increase would be proposed as a COLA or merit increase. Town Manager Hewett replied the proposal would be a 3% merit for the upcoming budget.

### **ADJOURNMENT**

*Motion by Commissioner Fletcher to adjourn at 10:49 a.m.; second by Commissioner Freer; approved by unanimous vote.*

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J. Alan Holden, Mayor

ATTEST:

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Heather Finnell, Town Clerk