



**TOWN OF HOLDEN BEACH
BOARD OF COMMISSIONERS
SPECIAL MEETING
FRIDAY, APRIL 19, 2019 – 10:00 A.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting on Friday, April 19, 2019 at 10:00 a.m. in the Town Hall Public Assembly. Present were Mayor J. Alan Holden; Mayor Pro Tem John Fletcher; Commissioners Mike Sullivan, Pat Kwiatkowski, Joe Butler and Peter Freer; Town Manager David W. Hewett; Town Clerk Heather Finnell; Assistant Town Manager Christy Ferguson; Public Works Director Chris Clemmons; Planning Director Tim Evans; Fiscal Operations Clerks Margaret Lancaster and Mandy Lockner; and Police Chief Jeremy Dixon.

Mayor Holden called the meeting to order.

PUBLIC COMMENT

Mayor Holden announced there was no public in attendance.

DISCUSSION AND POSSIBLE SELECTION OF ENGINEERING FIRM FOR ENGINEERING DESIGN AND CONSTRUCTION MANAGEMENT SERVICES FOR THE VACUUM SEWER STATION #3 UPGRADE

Public Works Director Clemmons explained we are at the point we need to make a selection for the upgrades to Station #3. We received three proposals, McGill and Associates, East Coast Engineering and Leo Green. A certificate of occupancy (CO) has been issued for the work on Station #4. Mayor Pro Tem Fletcher asked for a recommendation. Public Works Director Clemmons replied he prefers working with Mr. Green. He explained he is knowledgeable and has experience. He said even if the Board selects Green he doesn't know if we will end up with the same contractor as before when we go out to bid. Town Manager Hewett added even though we have a CO, we haven't processed the final bills, but it is appropriate if the Board desires to make a decision today.

Commissioner Butler asked about the possibility of eliminating the wet well on page 9. Public Works Director Clemmons said the contract says to investigate the possibility and costs associated. We do not know that is the direction we will definitely go. If it looks like something that can be done at a reasonable price and it benefits the project that is something that will need to be taken into consideration at the time. He added the only thing he doesn't have at Station #4 is the price for permanent gas monitoring. Mr. Green is working up the price. It looks like it is \$11,000 – \$12,000 in parts and he does not know the installation cost yet. Town Manager Hewett explained that is an example of a cost that is in addition to the existing contract.

Motion by Commissioner Freer to award Green Engineering the contract for the engineering design and construction management services for the Vacuum Sewer System Station #3 Upgrade; second by Mayor Pro Tem Fletcher; approved by unanimous vote.

BUDGET WORKSHOP

Fiscal Operations Clerk Lockner stated the next deliverable will be the Budget Message between May 6th and 10th. June 18th will be ordinance consideration and it has to be adopted no later than June 30th.

Fiscal Operations Clerk Lockner said that based on the Board's comments at the last meeting, in the General Fund staff took down the overtime in the Police budget from about \$58,000 to about \$30,000. We kept the transfers the same from the Governing Body. It is balanced at \$3,695,576.

Commissioner Freer asked about the \$38,915, Fund Balance Appropriated. Fiscal Operations Clerk Lockner explained that amount represents a vehicle. Commissioner Freer inquired about the General Fund Balance. Town Manager Hewett replied it is not at the 100% target, but they ran the calculation and they think it is at the 58% range. Commissioner Freer asked if the dollar amount is greater than last year. Fiscal Operations Clerk Lockner thinks the number last year was about 63%. Our working capital is \$1.4 million, last year it was \$1.6 million. The estimated Fund Balance as of June 30 is \$1.7 million, but you have to take some things out of that number. You have to take out government debt, Powell Bill and stabilization by statute so that brings you to \$1.4 million. Town Manager Hewett explained that Fund Balance is a measure at a point in time that is tied to the end of the year, whether it is actual or projected, as of June 30th. Mayor Pro Tem Fletcher said it is really just the money you have available to pay bills in the event something happens. Town Manager Hewett confirmed that and added it is a construct, as opposed to the actual cash balances in the different accounts. You can't always spend that freely because of cash flow dynamics. Commissioner Freer said it is less than last year, which is not the right direction. Town Manager Hewett stated it reflects the realities of the budget requirements that have been put forth and the goals of the Board. We put forward the things in the budget that are requirements. If the reality of that is it brings Fund Balance down, you need to cut things in order to bring the projected expenses down or come up with new revenues. We have been fairly liberal in the revenue projections this year. Commissioner Kwiatkowski said if we are going to add to staff, upgrade equipment, you want to stick to the amount that you want to transfer to the sand fund and you don't want to raise taxes it is rather remarkable it is just under \$40,000. Town Manager Hewett stated this is a revaluation year. The revenue generated increases values and the little bit of growth we had does offset any further degradation of the Fund Balance. That is already in there. Commissioner Freer stated there are a lot of things that we budget and never spend. He bets they equal \$38,000 easily. Town Manager Hewett stated his position is we budget for capability and the ability to accomplish, sometimes those things do or do not occur. He said \$38,000 in terms of a \$3.6 million budget is one tenth of one percent. If you ask Anne Hardy, she will tell you that you are lucky if you are accurate to a six percent degree on expense estimations, in terms of the delta in between expenses and revenues. In his opinion the \$38,000 is a small detail and it's administrative in nature.

Mayor Pro Tem Fletcher asked about Transfers for SRF Canal Dredging under General Fund revenues. Town Manager Hewett replied those are programmatic transfers and are only made when there is a project. This year we did execute a project and there will be a year-end transfer. It probably will not be the entire amount. They only make the transfer based on the actual total cost of the project.

Mayor Pro Tem Fletcher asked Town Manager Hewett if he anticipates coming in this year, June 30th, with a plus. Town Manager Hewett replied he forecasts it will be zero or better, we should be in the black. It will change Fund Balance Ratio because the cash available at the end of the year goes up. For the purpose of doing the calculation they forecast it at zero.

Mayor Pro Tem Fletcher asked about the \$59,400 in Contracted Services under Sanitation since the Board just approved a contract at \$50,000. Public Works Director Clemmons said the rollback is broken up into two different places. Part comes out of Sanitation and part out of BPART. He believes that item also includes yard debris pickup. Mayor Pro Tem Fletcher inquired about Blue Can Recycling. Town Manager Hewett explained that the number in the packet shows less because it is a February number. Fiscal Operations Clerk Lancaster thinks the amount of subscriptions stayed about the same. Fiscal Operations Clerk Lockner said the year-to-date number now is \$14,000.

Mayor Pro Tem Fletcher asked if it was correct that we bought capacity for the sewer and we are paying for that through a loan. Town Manager Hewett stated the county basically underwrote the three debt instruments that went into providing the capital to construct that. There are a couple of revenue bonds and those types of things. It is not so much a loan as it is we are paying for capacity. Mayor Pro Tem Fletcher asked what the Town needs to pay the county for in addition to the cost for sewerage. Town Manager Hewett replied that there are two components. The first one is the capital expense for the capacity in the plant and the transmission lines. The second piece is the treatment cost. There is an actuary table that has been contained in the last several Budget Messages and is on our website. He wants to say the lion's share of the payments are through 2024 then the big payment tails off in 2025/2026 because of some of the idiosyncrasies between the three debt service instruments that the county pays.

Commissioner Kwiatkowski said she still doesn't know exactly what the Board is doing on the second water tower. She said at the February meeting, the Board received the recommendation from Planning & Zoning (P&Z) that doesn't give a lot of details, but does say they recommend a phased approach. The first phase consists of a study being done by an engineer that specializes in water systems and has experience in water supply studies to determine at what point a second water tower may be needed. She doesn't believe we have anything in the budget to accomplish something like that if it should be the Board's consensus. She said this to her is getting a professional analysis on if the capacity we currently have is adequate or not. Commissioner Freer said he was told that the recommendation is that the Town doesn't need a second water tower, but if the Board wants to move forward, P&Z recommended that the Board look at a firm that is in that business. He said he sat through the meeting and the only inkling of needing one was through the Fire Department. His view was the minimum was X and they wanted 4X. He said everybody in the county is okay with X. Commissioner Kwiatkowski explained why she thought the P&Z information to the Board is not really a full recommendation. Commissioner Kwiatkowski read from the recommendation from P&Z. It is in our Capital Improvement Plan for after we finish the third lift station. Planning Director Evans stated there was a lot of questions asked by P&Z and those meetings went on for a while. They had a meeting with the engineer and Fire Department. He recalls that P&Z said they did not find evidence that a new water tower was needed, but if the Board decided to go forward they would take the steps outlined in the recommendation. He said from what he remembers the engineer said he was basing his recommendation on what the fire chief said he wanted to see. The fire chief was using a code section that if adopted by the Town would apply only to commercial construction. He was using that as a basis for what he wanted to see in the residential end of the Town.

Town Manager Hewett said on any given summer day in Brunswick County there are four hours of water available between having enough water countywide and spigots going dry if the water supply is interrupted. Something the commissioners and the public at large is probably not aware of is the water supply interruption during the hurricane was as large of a consideration for allowing people to come back onto the island as the sewer system. It is not just the sewer system that impacts the sanitation and public safety issues. Planning Director Evans said P&Z looked at all of that. Town Manager Hewett said that they were not standing at the foot of the bridge having to confront the irate public because they couldn't get back on the island. Mayor Holden asked what we will do if it happens when the houses are full of people; we have four hours. He thinks there is a lot of discussion left that needs to be had. He said the reality is four hours of water supply is what the county has. A lot of the county stuff is networked, we are a little more limited in our access than some of the other places in the county. Mayor Holden stated if you look at neighboring towns, it puts us as the only one that believes in not needing another. Commissioner Sullivan asked how having a second water tower would benefit the Town with the four hours. Town Manager Hewett explained on a high day, you use about one million gallons. If you bought a 300,000 gallon water tank, you would have six more hours. Mayor Holden added that you could limit what goes out. Town Manager Hewett said during the water supply interruption we were the first one cut off and the last one turned back on when the county reestablished water service. He confirmed that was because of the Town's population. Planning Director Evans said if you don't have water you can't stay in the houses, but that report was based on the fact there wasn't enough water getting to the houses for fire suppression. He said P&Z's main focus was not to see if we would have enough static pressure to maintain water supply.

Public Works Director Clemmons stated the current tower is 300,000 gallons. Adding another would give the Town 600,000 gallons of storage. He and Mayor Pro Tem Fletcher talked about how long that might provide water to the Town. Town Manager Hewett said perhaps that is one of the specifics that can be teased out as part of having an engineering services study performed. Commissioner Sullivan said in the budget the Board has done a couple of things to improve the safety of the community. He thinks it will be money well spent to see if both the capacity is adequate and if the safety of the people on the west end is protected. He thinks the Board should allocate the funds to do the study. Planning Director Evans said P&Z discussed why the Town would pick up the full cost of the tower when they are still taxpayers in the county. Town Manager Hewett said the point of this is to have an engineering services analysis, not a build decision. Mayor Pro Tem Fletcher agreed with doing a report. Commissioner Freer would also like to get an understanding because a lot of work and analysis has been done and the recommendation was not to build it. Commissioner Sullivan said the Board is just allocating money so it is there in case the Board decides it needs to be done.

Commissioner Freer said he thinks there is a little bit of urgency because the water tower number plays into the impact fees. Town Manager Hewett said by virtue of having the second water tower in the Capital Improvement Plan (CIP), you do have coverage on the logic behind the existing plan. You can't charge those fees without having a program or plan in place. Commissioner Freer questioned if it should be put in the plan. We have one analysis that says we don't need it. He is fine with having another analysis, but asked why it is in the CIP if we don't have an analysis that says do it. Town Manager Hewett stated P&Z's analysis doesn't qualify as expert opinion per HB 436. The analysis that McGill did does qualify. Mayor Pro Tem Fletcher said McGill didn't decide if the tower should be put in. Town Manager Hewett stated it is a

study they made an analysis on. He said a capital plan by definition is a projection of out year requirements. He agreed it was not based on an analysis. Commissioner Freer said he would argue to take it out. Commissioner Kwiatkowski said she likes data and information to make a decision. The Board didn't discuss anything technical. It was moved to P&Z. She expects to get a true report back on how P&Z came to the decision. All she has is a recommendation that if we move forward there should be an analysis done by a firm that specializes in this area. Commissioner Freer agreed with getting more information from P&Z and with budgeting for another report. He asked what data went into putting a second water tower into the CIP. Town Manager Hewett stated if you delete the second tower from the CIP you would need to rescind the capital reserve fund that established the holding pot for the Water Capital Reserve Fund. You would also need to delete the fee schedule that allows you to make those collections. The law reads if you have it in a capital plan it allows you to make an assessment. He said if the Board makes the decision to delete it from the CIP they would be invalidating the fees for the water fee schedule. They would need to delete the capital reserve fund and return the money back. We have collected the fees under the legal framework that established the provision that allows the Town to collect the fees. The Board would also need to amend the fee schedule. Commissioner Freer asked if that is the only thing that is justifying the water fee under HB 436. Mayor Pro Tem Fletcher said they included the cost of the existing water system. Town Manager Hewett said that doesn't total the fee. The cost of the system is not what the fee was predicated on when it was established. He thinks this is a decision that could be made later. Mayor Pro Tem Fletcher said we currently have about 2,400 people and inquired how much the population would increase if the Town was built out completely. Planning Director Evans said right now we estimate there are about 1,000 available lots, but that doesn't mean it will cover you with build out based on the type of construction you have. It is hard to determine. The 1,000 available lots could end up being duplexes. He said you could estimate it. The rate of growth was discussed. Planning Director Evans reviewed Fire Chief Todd's concerns.

Commissioner Freer asked if everyone agreed that the Board should get a better report back and put in the budget the recommendation to do a report with a firm that is familiar with water towers. Commissioner Butler said he doesn't have a problem with that. He thought the Board made the decision to move forward a while ago. Public Works Director Clemmons said you can guarantee that at some point the Town will need to add one. He doesn't know if that is in 10 or 15 years, but at least with the study you will know in advance. He said we are hanging our hat on what the county can supply us, but you don't know how they will keep up with the demand the way the county is growing. Town Manager Hewett said administratively we can scale an approximation on what it will take to provide those kinds of services and we will work that in through the Budget Message. Public Works Director Clemmons inquired if it would include replacing the existing tower due to its age. Town Manager Hewett said what we are talking about is an engineering cost associated with an engineering services consultant to provide a recommendation on whether a second water tower is warranted. As part of that, we can also work in there an evaluation of the existing services. Administratively, we will detail out an estimate, work it back through the Water Fund budget and include that as part of the Budget Message. The award of the contract would be brought back to the Board some time during the fiscal year.

Mayor Pro Tem Fletcher inquired about the FEMA Matthew item on the revenue side. Town Manager Hewett explained what you don't see is the previous year's budget. Matthew was a hurricane award that happened in 16/17. The 17/18 number is a roll forward budget and the \$700,000 is the portion of the \$6

million we received in 17/18. The lion's share of that money received was in the 16/17 budget. The \$5.9 million is the programmatic budget that was established by FEMA in terms of project worksheets. We were not comfortable with knowing exactly what to estimate on the reimbursements, since the reimbursements are made on actual revenues, we just rolled the gross program forward into the existing budget. There is a corresponding expense line.

Public Works Director Clemmons said on page 20, under the Capital Outlay Major Equipment it includes monies for Station #3 upgrades. The numbers are based off of the McGill study. He said when we put a contract in place last year the numbers came in high and we needed to do a \$283,000 amendment to cover the cost. He wouldn't be surprised if the same thing happens again. There are some access and design issues that Green identified that McGill didn't take into account. He said don't be shocked if when we go out for bids it comes in higher and we need to do an appropriation to cover the cost. Commissioner Kwiatkowski asked if it would be appropriate to reconsider and do it based on our experience with #4, rather than on the McGill Report. Public Works Director Clemmons feels that at this time it would be better to do it like in the past. He talked about the process and the pros and cons of leaving the amount as it is. Town Manager Hewett said the McGill report stands for capital budgeting. When you have the design services in hand is when the actual current year costs are ratcheted down tighter and ultimately the marketplace determines what that budget becomes.

Fiscal Operations Clerk Lockner explained staff moved some things in BPART, but the bottom line didn't change. Assistant Town Manager Ferguson said last week in the packet you saw the new sand source was in ATM Contract Fees, but it moved to Professional Services Beach because ATM will have subcontractors.

Commissioner Freer asked about Fund Balance Appropriated. Assistant Town Manager Ferguson said that includes the added sand source, the lobbyist, financial services for Doug Carter as far as the bridge loan, the walkway, the increased travel and the repairs at the Fire House. Most of the other lines went down because she tried to make cuts since we were incurring new costs. Commissioner Freer asked the status of the BPART Fund Balance compared to last fiscal year. Fiscal Operations Clerk Lockner replied as of March 30th, the total of Fund 50 is \$5.8 million, which includes the sand fund. She said to keep in mind these are not reconciled numbers. She said it was \$5 million when she did it in December. Town Manager Hewett said to remember fund balance is a measure at the end of the last year. What we are talking about now is a cash balance. Only the fund balance for the General Fund is in the Budget Message. Fiscal Operations Clerk Lockner explained they don't typically do fund balance calculations for Fund 50. Commissioner Freer said one of the Board's goals was to not lower the BPART Fund Balance. Town Manager Hewett said you can't run a sand search with \$170,000 expense, which is a new requirement and do those types of things without hitting that revenue, which is what it is for. He said you have competing interests. Commissioner Sullivan asked what the Fund Balance was at the end of the year. Fiscal Operations Clerk Lockner replied that she doesn't have that. Mayor Pro Tem Fletcher stated that when the Board said don't reduce the BPART Fund it is one thing to spend general expenses that will never be reimbursed, it's another to spend \$170,000 that will be reimbursed. He said borrowing against the fund for money that will be reimbursed is not the same as having new expenses. Commissioner Sullivan said the Board needs to be reasonable and understand that the money that comes into BPART, based on the occupancy tax is spent to provide services for the people who come here. The Board is going to hire another officer and they will provide services to everybody that comes. He doesn't see how you would

think it is incorrect to allocate some of the money for the officer's salary and benefits. Mayor Pro Tem Fletcher stated he doesn't think it is incorrect, it was intended that way. Commissioner Sullivan stated everything is predicated at building up the BPART Fund, almost at the exclusion of looking at the realities of running the Town. He said we got \$3.5 million that we didn't know we were going to get back and it has been put aside. Mayor Pro Tem Fletcher said 60% of the revenue we get in BPART is designed for taking care of the beach. Town Manager Hewett stated it is the other way around. In the enabling legislation, with the 3/2 split, 2% is dedicated to beach nourishment. Commissioner Sullivan asked how much actually goes to beach nourishment. Town Manager Hewett stated we have run that, depending how one wants to interpret it, it is upside down. Assistant Town Manager Ferguson said we are spending more money on sand related items, than tourism related items.

Commissioner Freer asked if we have a bottom line on how much business we do with ATM and other firms. Town Manager Hewett responded it is a separate run that staff can provide. Commissioner Freer said he is interested in attorney fees. Town Manager Hewett explained how Attorney Fox's bill is divided. He inquired if he was interested in a year's worth of data. Commissioner Freer replied yes, maybe on the top five contracted services.

Mayor Pro Tem Fletcher asked who organizes it when Lockwood Folly gets dredged. Assistant Town Manager Ferguson explained the county has taken a larger role in trying to schedule routine maintenance, but for the larger projects where we are trying to be a recipient of the sand with the piggyback project, the Town would be coordinating with the Corps and the contractor so it depends if you are talking a Murden/ Merritt type project or a large scale project. Mayor Pro Tem Fletcher asked if there are times when the Town doesn't have to pay at all. Assistant Town Manager Ferguson replied yes, if it is in the Corps' budget. Mayor Pro Tem Fletcher asked who organizes the 60/30 split. Assistant Town Manager Ferguson responded that is through the state. We would apply for a grant through the state if we were going to piggyback. Mayor Pro Tem Fletcher inquired if the county applied for the grants previously when we did a shared project. Assistant Town Manager Ferguson said it has worked two different ways. If it was under the Corps' authorization then grant funds may not have been used. If there were grant funds used it was probably the local municipality that the sand was going to. She is unsure if Oak Island applied for any grant funds on this last one. She said the Town would apply for grant funds if we are doing the piggyback portion. The federal portion should pay for the other section. Town Manager Hewett stated the Corps is responsible for maintaining the inlet. Normally, when they run out of money they approach the state and local government. Mayor Holden said there are no rules requiring certain payments by any entities. His observations over decades is federal, state, county and local governments all agree that the inlet, the waterway and the beach strand are all critically important. They all agree to band together as needed to get things done. What causes complications is you never know if there will be funds available because of hurricanes or budgets. These things are always moving. He provided examples. Mayor Holden said the bottom line is there is no set way of doing this, we all have to come together at any given time. We have to react as best we can, communicate and keep good relationships with all of the parties. Commissioner Butler said he just wants to get back on track, he is uncomfortable with the whole process.

Mayor Pro Tem Fletcher asked if he was correct that each group establishes their own payment into the dredging fund. Town Manager Hewett responded that technically the Board setting of the fee is a product of enabling legislation. It is set like the tax rate. The Board sets the rate by ordinance and assessment. The

assessment that is put forward to the Board is a product of the working group making a recommendation based on how they would like their canal subdivisions managed and permitted. This is a fee supported district. The Board talked about the current project.

Mayor Pro Tem Fletcher said the expenses match the revenues in the capital reserve funds. He asked if they do an income statement. Town Manager Hewett replied that is a budgetary requirement. It is strictly an administrative requirement that the budget equals zero.

Commissioner Sullivan asked about the amounts under the Operating Revenues for the Sewer Fund in the CIP. Fiscal Operations Clerk Lockner explained the amount in 20/ 21 is higher due to the vacuum truck payment and two trucks being requested.

ADJOURNMENT

Motion by Mayor Pro Tem Fletcher to adjourn at 11:33 a.m.; second by Commissioner Butler; approved by unanimous vote.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk