



**TOWN OF HOLDEN BEACH  
BOARD OF COMMISSIONERS  
REGULAR MEETING  
TUESDAY, JULY 16, 2019 – 7:00 P.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Regular Meeting on Tuesday, June 16, 2019 at 7:00 p.m. 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; Police Chief Jeremy Dixon; and Fiscal Operations Clerks Margaret Lancaster and Mandy Lockner.

Mayor Holden asked for a moment of silence and then called the meeting to order.

**PLEDGE OF ALLEGIANCE**

**AGENDA APPROVAL**

Town Manager Hewett said the Audit Committee deferred action on item 11, Discussion and Possible Action on the Recommended Financial Reporting Form from the Audit Committee, today. It is probably appropriate to remove it from tonight's consideration. Commissioner Freer said under Item 9c he would like to add and 2019 - 2020 Auditor.

*Motion by Mayor Pro Tem Fletcher to approve the amended agenda; second by Commissioner Freer; approved by unanimous vote.*

**APPROVAL OF MINUTES**

*Motion by Commissioner Kwiatkowski to approve both sets of minutes (Special Meeting of June 18, 2019 and Regular Meeting of June 18, 2019); second by Commissioner Freer; approved by unanimous vote.*

**PUBLIC COMMENTS ON AGENDA ITEMS**

Dolly Mitchell attended the Audit Committee meeting this afternoon. She said during the considerations from the Audit Committee tonight the Board should include the town manager/ finance officer. During the meeting she heard that the chair of the Audit Committee contacted the auditor two times during this process. She said there is no record of what was discussed Mrs. Mitchell's opinion is

that this should not be done without two people present and a record kept of the information exchanged.

### **POLICE REPORT – CHIEF DIXON**

- We are in the full swing of summer and have been busy. Reviewed the June report.
- There has been a lot of talk about fire trucks from the weekend. Had a house struck by lightning. Nobody was injured. There is damage to the house.

Commissioner Kwiatkowski stated she continues to see golf carts parking by a couple of beach accesses on Ocean Boulevard West, particularly the 880 site. She asked if the Police are ticketing these. Chief Dixon responded they are ticketing. Last month they issued 33 parking citations and nine warning citations. He is sure a lot are in that area. Commissioner Freer asked how often they patrol Ocean Boulevard. Chief Dixon replied that they are constantly patrolling. It is hard for one officer with seven miles and sides streets. When they see violations and are not on the way to a call they stop to address those.

### **RECEIPT OF INLET AND BEACH PROTECTION BOARD (IBPB) REPORT**

Commissioner Freer explained the Board received a June meeting update from the IBPB. In the third to last paragraph it says the Corps has confirmed that a project will happen this winter to place approximately 135,000 cubic yards of material from the bend widener on the east end and the bid packages are expected to go out soon. There is an update to that. He said we were told the crossing and bend widener would be combined. Now because of a requirement from Fish & Wildlife to have a biological assessment it is being separated from the base to an optional contract. That may not happen. He said Town Manager Hewett has been working vigilantly with the Corps. They are hoping it still will happen, but it is separate. There is 80,000 cubic yards in the crossing and an additional 125,000 – 145,000 cubic yards in the bend widener that we really want to put on the east end. This was published before the Corps' MOA meeting. Commissioner Butler explained why it is important to stay on top of this. Town Manager Hewett stated as of last week, Brendan Dooley said the Corps is trying to turn it quickly and received assurances from Fish & Wildlife that they might be able to issue the assessment within three – four weeks. They are on track to award the base contract in September and 60 days after is the timeframe for the award of the option.

### **PRESENTATION, DISCUSSION AND POSSIBLE ACTION ON 2017 – 2018 AUDIT REPORT**

Jay Sharpe from Rives and Associates provided information on the status of the audit. The audit has been submitted to the Local Government Commission (LGC) for their review. They have one requested change. The change has been made, but they have not yet resubmitted it to the LGC. They are waiting on final approval from the Town. He reviewed the roles and objectives of the auditor. A single audit was not required in 2018. Town Manager Hewett stated what is being presented tonight is for 2017 – 2018. The agenda is incorrect.

Mr. Sharpe stated the scope and timing of the audit was off track. Hurricane Florence hit the week before they were supposed to do their fieldwork and they had some issues with receivables and

payables. It was an unmodified opinion. That is the best opinion you can receive on your financial statements. The Town did have one finding this year, a material weakness. It relates to the accrual process for the Town's reporting. They had \$2.1 million worth of adjustments to the trial balance that they received originally. There was no new significant accounting policy changes for 2018. All of the estimates they looked at appear reasonable. They didn't have any disagreements with management.

Mr. Sharpe reviewed the graphs found in the Audit Presentation (hereby incorporated into the minutes). In the General Fund Summary chart the revenues outpaced expenses in both 2017 and 2018. In 2018, the revenues went up slightly and the expenses went down slightly. He explained the Governmental Funds Summary chart. In 2018, the Town showed a profit for governmental funds overall. In 2017, there was substantial loss, but that relates to a beach management project. Town Manager Hewett added that expenses outstripping revenues really is debt. Mr. Sharpe stated fund balance trended upwards. He talked about the breakdown of fund balance. He said there is a very healthy fund balance at the end of 2018. Town Manager Hewett talked about the restricted fund balance. He said that is a special revenue fund that is occupancy tax, it is a 3/2 split. Some of it is for beach nourishment and some is for tourism related expenses. There is special legislation that teases out the two different distinct pieces of that as subject to the Board's decision every year. Mr. Sharpe reviewed the Adequacy of Resources in the General Fund. It indicates the Town had a healthy cash balance at the end of the year. He reviewed graphs on property taxes and other taxes and licenses. He explained the expenditure breakdowns for 2018 and 2017. In 2017 and 2018, the Town showed a profit in the Water and Sewer Fund. Cash reserves for the Water & Sewer Fund are also very healthy.

Mr. Sharpe said there are some changes that will be coming forward. 2018/ 2019 will be pretty quiet. There is a new lease standard coming out in the next three to four years. There will be a report overhaul in the next few years. There is a new Yellow Book standard that became effective July 1, 2019 that will affect government audits for June 30, 2020. One of the key points is the CPA firm is going to need to look at its independence in regards to the preparation of the financial statements. You will have to reassess the skills and knowledge of the Town personnel to determine if they can prepare the financial statements on their own. Currently the audit firm prepares the financial statements for the Town.

Commissioner Kwiatkowski asked what the one change requested by the LGC is and if it is reflected in the document that they had at the Audit Committee meeting. Mr. Sharpe replied the change related to the budget versus actual report. The original audit submitted to the LGC had some over expenditures in a few of the lines items. They took another look and determined some of the ones in the BPART Fund were not over expenditures. One of the items in the General Fund is still an over expenditure. Commissioner Kwiatkowski asked if the final version was the one in front of them today. Town Clerk Finnell answered she only received the one so that is the one she provided to the Board. Commissioner Kwiatkowski said that goes to approving something the Board has not seen. She stated the Audit Committee recommended approval, but they don't have the final version. Mayor Pro Tem Fletcher asked Mr. Sharpe to explain the change. Mr. Sharpe said there is one line item in the BPART Fund that was showing an over expenditure. It was a grouping classification; they corrected that so there is no longer an over expenditure. There is an over expenditure in the General Fund in the debt service. Mayor Pro Tem Fletcher said he thought the Audit Committee was okay; they heard the minor changes that were made.

Commissioner Kwiatkowski said there was discussion at the Audit Committee meeting that because of the material weakness they would determine that going into next year would be a higher risk audit. She understands there was rework, but the Town has had this level of rework happen before with other smaller audit firms. She asked why it manifested so slowly in his firm. She stated in February she was with Town Manager Hewett when Mr. Sharpe called. Mr. Sharpe was assuring him that everything should be fine and handled within 10 days. Mr. Sharpe replied risk assessment can change. During the process it changed so that caused them to need to do more detailed testing. He said it was kind of a domino effect to make sure they had sufficient evidence to be comfortable to render an opinion on the financial statements. Commissioner Kwiatkowski asked roughly how long it took when they asked staff for more information and then how long it took his firm to go through it. Mr. Sharpe replied he would need to ask his staff, but he feels the Town responded adequately. There were some delays on a few items. He explained there were some software glitches. There were some issues that were slower in response and some that were quicker. Commissioner Kwiatkowski said he made the point that they would determine if a town can prepare its own statements. She asked how that is done. Mr. Sharpe explained they look at the qualifications of the staff. They look at accounting too.

Commissioner Kwiatkowski said Mr. Sharpe stated that he discussed the fact that there was significant additional work and there would be an overrun in January or February with the chair of the Audit Committee. She inquired if he also communicated that to the town manager/ finance officer. Mr. Sharpe responded no, just the Audit Committee chair. Commissioner Kwiatkowski asked if it is typical to not tell staff and the people who are in charge of the contract. Mr. Sharpe answered that it depends on the circumstances; most towns don't have audit committees to communicate to.

Commissioner Kwiatkowski stated she understands under NC law if there had been anything truly serious, he would have been required to communicate it promptly to the Board. The fact that the Board didn't receive anything through the process means there is nothing that is considered to be extremely serious under omission or commission. Mr. Sharpe explained there are different levels of findings. The Town had one material weakness this year and one significant deficiency. Commissioner Butler asked if he planned on going over the deficiencies. Mr. Sharpe stated most of the audit adjustments had to do with two key items, one was the accrual process and receivables and payables. They needed to make some adjustments to those accounts and test them in detail. The other had to do with the fund balance. One of the things they do is perform a roll forward reconciliation, examining prior year audited fund balance and comparing it to the beginning balance the Town provided. They did not match. Commissioner Free inquired if that is the \$21 million worth of adjustments. Mr. Sharpe responded that they didn't do the 2017 audit so he can't comment on the adjustments. Those adjustments once given to the Town need to be made so those financials agree with the 2017 audit. Some were not made so they needed to do some adjustments to the beginning fund balance to make it roll forward correctly with the 2018 financial reporting. He confirmed that was \$2.1 million in adjustments in 2018; some of those include the fund balance adjustments. Mayor Pro Tem Fletcher inquired what he expects in year-end adjustments. Mr. Sharpe would expect some adjustments on a material basis, but they expect them to be under materiality. Materiality is a calculation based on revenues and assets the Town has.

Mr. Sharpe explained they have seen other towns with a similar material weakness in the past. They received outside help to close the books on a monthly basis Then as the town develops a checklist or process for doing the closings maybe the CPA firm starts doing it quarterly and then annually until they

don't need to be around anymore. It could be a few year process. When they started doing the audit, there were a lot of accounts receivable/ payable balances that were the exact same as the last year. He stated those should be looked at and adjusted before the auditor comes to start auditing the books. Mayor Pro Tem Fletcher said the Town has already hired a professional to work with the staff and put the books together the way they should be. He asked if he would expect to not have that finding again based on that. Mr. Sharpe replied he would hope so. Commissioner Freer asked if it will address the significant deficiency as well. Mr. Sharpe answered he thinks having someone come in and get the checklists and processes in place should help address some of the significant deficiencies. The LGC and local colleges have classes. Commissioner Kwiatkowski stated as she recalls some of staff has been sent to CAFR training.

Commissioner Sullivan said there was a lot of discussion today about the delay in finishing and sending the audit to the LGC. There is a contract provision that says time is of an essence. If it isn't going to be done within the four months, a written explanation should be sent to the LGC. We have been put on the list and he thinks that could have been avoided if we asked for an extension or notified them that we were not prepared to do it on time. Mr. Sharpe said that part of the amended contract is to give a date of when you plan to submit the audit. He didn't feel comfortable giving that date at the time so they didn't submit the amended contract. The LGC sent an email out asking if they expected delays. He did notify them that the Town would be on that list. He doesn't think they responded, but he will check. Commissioner Sullivan said Mr. Sharpe mentioned that he spoke to the chair of the Audit Committee. He asked if he spoke to anyone besides him and staff concerning the audit. Mr. Sharpe replied no. He thinks Mayor Pro Tem Fletcher contacted him a couple of times throughout the audit proceedings. Mayor Pro Tem Fletcher said his role was to primarily find out what was going on. He asked when the contract was sent to the town manager. Mr. Sharpe replied he would need to check. Commissioner Sullivan stated he doesn't recall Mayor Pro Tem Fletcher giving the Board an update after he spoke with the auditor, which is one of the things the Board talked about the Audit Committee doing. Mayor Pro Tem Fletcher agreed there were not updates besides when he asked the town manager for them. Commissioner Kwiatkowski asked if Mr. Sharpe indicated to the chair of the Audit Committee that the reason this would be more costly was because the books were not being kept according to law. Mr. Sharpe responded that he doesn't think he phrased it that way. He said there was additional work because of accounts receivable/ payable issues.

Commissioner Butler said the responsibility of an audit is to review the various activities in the town and report their findings. It also provided the Board with recommendations to correct the deficiencies. He said he remembers at his first Board meeting, the Board was having trouble trying to obtain the 2017 annual financial results, which was made available at the January 2018 meeting. The audit results were available months earlier. He said we need to change. We have a lot of expertise on the Board and the Audit Committee. We need to find a way to best utilize the expertise. Commissioner Butler said if we are not adhering to the Town ordinance pertaining to the committee, let's change it. We need to have procedures and documents in place that will allow us to do the jobs effectively. He said we continue to go through audits and hear the same types of things. We need to resolve these issues. Commissioner Butler said we need a collaborative team environment. He said we have the expertise to do it. Let's get the job done. He doesn't want to talk about the same things over and over. He would like to have a program in place that will allow us to correct the deficiencies. He asked if the document

with the corrective actions was submitted. Mr. Sharpe replied it was done. Commissioner Butler said there is no collaboration and he thinks we can do a better job of communicating.

Commissioner Freer stated he thinks we are making a big turning point. Town Manager Hewett hired help to do the reports. He is getting education to address both of the issues. He thinks the meeting today was a good meeting because they looked at what the Audit Committee is directed to do. We started doing some of those and have a plan to address what needs to be done.

Mayor Pro Tem Fletcher stated when he talked with Mr. Sharpe and he said we had a severe overrun, he recommended he work with the town manager to decide how much of it might be covered in a revised contract. After that he had a conversation with the town manager saying he had received it and they had a long discussion if they thought it was appropriate. He shared with him that as an auditor, given what happened, some of that should be reimbursed. He said he didn't hear anything else about the amended contract until the last meeting.

Mayor Holden stated he heard Mr. Sharpe mention at the Audit Committee meeting that the hours spent on the audit would be an equivalent of \$44,000. He asked where that leaves us. Mr. Sharpe said the original contract was just below \$15,000 and they are asking for an additional \$10,000 so approximately \$25,000. Mayor Pro Tem Fletcher added they are asking for one third of the overrun. Mayor Holden asked what the Town did to encourage the auditor to do all of the extra work. He asked if the Town gave them a promise of payment or an indication that we wanted all of the extra work he did. In his business he would not add another room if he was building a house unless he thought he was going to get paid for it. Mr. Sharpe stated the work was required. If they didn't do the extra work to get comfortable with the balances they would have needed to give a different audit opinion and the Town would definitely hear from the LGC. The extra work is not dictated by the Town, it is dictated by the audit standards. Mayor Holden asked if the Town has any money missing. Mr. Sharpe confirmed that as far as he knows the Town has all of its money. Mayor Holden asked if it is a matter of getting paperwork in order. Mr. Sharpe said a material weakness is very significant. Mayor Holden asked if the Town has ever been this far down the trouble lane with any of the government agencies since Town Manager Hewett has been here. Town Manager Hewett answered we never received an advisory or letter from the LGC. We have never been put on the watch list.

Mayor Pro Tem Fletcher stated the Audit Committee brought the recommendation to the Board relative to the 2017 audit that the Board approve the audit as it has been amended and follow up with the contract being signed and submitted to the LGC for approval.

*Motion by Mayor Pro Tem Fletcher that the Board approve the 2017 – 2018 audit in accordance with the Audit Committee's recommendation; second by Commissioner Freer.*

Commissioner Kwiatkowski would like to see the full and final report. She thinks the Board should be approving what the document is. Commissioner Sullivan said the documents have been submitted to the LGC and they asked for a modification to one item. Town Manager Hewett confirmed that the final document will reflect the one change and otherwise be the same and that he approved the audit.

*The motion passed by a 4 – 1 vote, with Mayor Pro Tem Fletcher and Commissioners Sullivan, Butler and Freer voting for the motion and Commissioner Kwiatkowski voting in the negative.*

Mayor Pro Tem Fletcher said the second recommendation by the Audit Committee was that the amended contract that included the additional \$10,000 payment be approved by the Board.

*Motion by Mayor Pro Tem Fletcher to approve the amended contract; second by Commissioner Freer.*

Commissioner Kwiatkowski said this was not done appropriately. There was no notification to the Town that this was happening. There was no discussion, just suddenly a bill was presented. She doesn't deny that extra work was done, but they didn't follow the rules and the process. She doesn't reward people for not communicating and following process. Commissioner Butler asked if they communicated the extra time to anyone. Commissioner Kwiatkowski answered the chair of the Audit Committee. Mayor Pro Tem Fletcher said they submitted a request to Town Manager Hewett a while back. Town Manager Hewett said he received the amended contract when he received the draft. The work had already been done. Commissioner Sullivan said whether the work was necessary or not, the Board should have been notified that it was necessary and they should have been told there would be an increased expense. Under the circumstances he thinks it is in benefit to the Town so he would be in favor of paying. Commissioner Butler said there was communication, whether they like the communication or not. The process needs to be improved. The company did perform the activity. He is of the opinion they are responsible for it. Mayor Pro Tem Fletcher confirmed the Audit Committee approved the amended contract.

*The motion passed by a 4 - 1 vote with Mayor Pro Tem Fletcher and Commissioners Sullivan, Butler and Freer voting for the motion and Commissioner Kwiatkowski voting in the negative.*

Mayor Pro Tem Fletcher said the Audit Committee voted to retain the same audit firm as last year going forward for the 2018 - 2019 audit.

*Motion by Mayor Pro Tem Fletcher that the Board approve Rives as the auditor for the 2018 – 2019 audit; second by Commissioner Freer.*

Town Manager Hewett said we don't have a fee proposal or a contract in front of the Board to act on. There was a discussion at the Audit Committee meeting today as far as what it takes, but he is unable to ascertain the fee schedule or the contract. He is assuming the contract will be the same standard LGC one, but there is no document to take action on. Attorney Fox said there is no contract in the package and she didn't ask for a contract to review because it wasn't clear from the agenda item what was being discussed.

Commissioner Kwiatkowski said she went back into last year's notes from when the Board had three options. She said at the meeting today it was mentioned we didn't get a price quote until we picked someone and that's not true. Last year they had three proposals and they had prices for all three of them. She would like to see another quote. Mayor Holden stated that in the past he thought the Town solicited quotes. Commissioner Freer said we had our last auditor for five years. There was a long discussion about this from the Audit Committee and there was a 4 – 0 vote to retain the firm. They had

discussion that you usually have the same firm for at least two years. Commissioner Kwiatkowski said it was a good discussion, but we now have a firm that has said the Town will be a higher risk audit which is not what they priced us at last year. She said when falling into a different category you should seek multiple offers to see whether what you are being told is the price is a reasonable number. Commissioner Sullivan stated he thought a great deal of the conversation for retaining this firm was because we are behind the eight ball and we are on the watch list. To get off the watch list, we need to have the audit completed by the end of the year and we wouldn't be able to do that with another firm. He said that doesn't make him want to retain them. We are in a position that we have never been as a town. He said they didn't send a letter about needing extra time. He doesn't see that what they have done gives him the confidence to do it again. Commissioner Kwiatkowski said there was time given by the LGC to everyone. When it was clear that we would be beyond the extension the firm did not send a follow up. From her experience, when you know you are not going to make a deadline you send another letter.

Commissioner Sullivan said the Board doesn't have the benefit of the give and take that was given at the Audit Committee meeting today, but one of the members was able to rebut some of the timeframes that made it seem like the lateness of the audit was the Town's fault. Mayor Pro Tem Fletcher talked about the delay. Commissioner Sullivan asked Woody Tyner (Audit Committee member) about the timeframe. Mr. Tyner provided his recollection of the timeline, he didn't have his notes with him.

Commissioner Sullivan said there is not one good reason that there is no public comments during the Audit Committee meetings. It is the only advisory board that the Town has that doesn't have a comment period. He believes Commissioner Butler revised the Rules and Procedures a few months ago so there would be comment at all meetings. He said he wrote a letter requesting to have a public comment period at the Audit Committee meeting and it was declined. At the start of the meeting it was mentioned; someone asked if they could speak they were told that they couldn't. It would make things a lot clearer. It would give people who would be affected by the decisions being made an opportunity to express their opinion. We want more people to show up; they should be allowed to speak at all meetings.

Commissioner Butler stated he has been involved in auditing for a long time. One thing he was always concerned about in changing an auditor after the first audit is if they would view it as you didn't like the audit, so you went out looking for a different auditor. He said if we are going to do this we are more than likely going to receive a material weakness next year because of the timing. He asked how the LGC will evaluate and assess this once you do it twice. Commissioner Kwiatkowski said as she recalls nothing can happen before mid-August because new forms come out and that is about when we should have our books closed properly. The fieldwork would happen in early September. That would mean we would need to have a timely search for other options so they can weigh more than one offer and make a decision. She asked if it is impossible to have things in front of the Board in August. Town Manager Hewett replied no. Attorney Fox said the Board can publish a RFP for any time period you want; you could do it for seven days. Mayor Pro Tem Fletcher said in 2016 and 2017, we continued using the same auditor and didn't go out for bids. Town Manager Hewett said he is uncertain how long the Town had the previous auditor, but it was a period of time. He said the town clerk would need to check to see if there was a contract when the Board extended the services of the previous auditor. Attorney Fox said the question is what the price is. At some point the Board will need to approve the price and the

contract. She added the Board can vote to continue with the auditor, but you are writing a blank check because the Town doesn't know what amount the auditor will charge. That will need to come back to the Board. If you don't like the price and don't have a RFP, you are kicking the can down the road. Commissioner Butler would like to have a contract in front of him. Commissioner Kwiatkowski would like to have more than one option on the table in August. Commissioner Freer said we did discuss a price today, we have a preliminary price of \$25,000. Commissioner Sullivan said the auditor said he will start with that, but he wasn't guaranteeing that was the number. He suggested holding a special meeting in August. The Board discussed the next steps.

Town Manager Hewett stated from what he understands the Board desires a RFP on a quick turnaround for external audit services. He will check with the town clerk on scheduling a meeting. Town Clerk Finnell stated she understands that staff will put a RFP out as soon as possible and then call a special meeting based on the Board's availability to review the responses. Mayor Holden stated there currently is a motion on the floor.

*Mayor Pro Tem Fletcher, with Commissioner Freer in agreement, withdrew the motion.*

*The Board came to a consensus to send out a RFP as soon as possible and to call a special meeting to review the responses based on the Board's availability.*

Mayor Pro Tem Fletcher explained the Audit Committee is interested in the Board confirming the role of the Audit Committee. Commissioner Kwiatkowski said there was considerable discussion at the Audit Committee meeting. The ordinance has a dozen different points. She would prefer to wait until the Board sees the minutes that have more details. She thinks as a Board they should revisit the ordinance and make sure it is expressing what they want. Commissioner Butler said if the ordinance is not what the Board wants, let's make it what they want.

*The Board agreed to put it on the next agenda.*

## **DISCUSSION AND POSSIBLE ACTION ON AUDIT COMMITTEE'S ROLE IN MONITORING IMPLEMENTATION OF RSM INTERNAL CONTROL RECOMMENDATIONS**

Mayor Pro Tem Fletcher said at the last Audit Committee meeting it was on the agenda that they get an update on the changes and what controls were improved. He stated the finance director said the Board wanted it to go to them first and bypass the Audit Committee. Commissioner Kwiatkowski stated what was said is that the Board wanted a complete project plan of how the town manager/ finance officer will address the various internal control weaknesses. That was contingent partly on getting the final report. In June, Town Manager Hewett gave some details, but also said he is still waiting for the final report. The Board said once he presents it to the Board, any questions or help needed from the Audit Committee could be clearly defined and spelled out so something specific goes to the Audit Committee for them to then help with. She added it's not that the Audit Committee isn't in on this, but that the town manager/ finance officer owes the Board a complete plan that can then go to the Audit Committee for their assistance. Her understanding is that the Board will get a more complete plan when the RSM report is final. Town Manager Hewett said there will be a written response to the findings. Last week the report was still in draft. He is still waiting on a piece of paper; its arrival is

imminent. Commissioner Kwiatkowski said this was not to cut out the committee, it was for the Board to get the response from Town Manager Hewett. She said the Board needs to be very clear on the Board's asks of a committee. When this comes, the Board will have specific asks, not just that they want the help of the Audit Committee. Commissioner Freer agreed that the Board should ask for a deliverable and a task, but they don't want to micromanage. He said this subject is within the scope of the Audit Committee. Commissioner Kwiatkowski agreed it is fully appropriate for the Audit Committee to review and give an opinion back on new internal controls the town manager implements. It makes sense to see what is being proposed to be implemented before anything is started by the Audit Committee. Mayor Pro Tem Fletcher said controls are already in place and they aren't allowed to know about it. Commissioner Kwiatkowski stated Town Manager Hewett mentioned it at a meeting and communicated he hired someone. Mayor Pro Tem Fletcher said no action will be taken on this item.

### **DISCUSSION AND POSSIBLE ACTION ON THE AMENDED AUDIT CONTRACT FOR FISCAL YEAR 2017 - 2018**

Town Manager Hewett said this is the budget amendment that will pay Rives and Associates \$10,000 for the extra work on the audit ending June 30, 2018.

*Motion by Commissioner Freer to approve the budget amendment; second by Mayor Pro Tem Fletcher.*

Commissioner Kwiatkowski said she doesn't approve doing this, but she won't disapprove the ordinance because the ordinance has been done appropriately.

*The motion passed by unanimous vote.*

### **DISCUSSION AND POSSIBLE ACTION – CONSTRUCTION MANAGEMENT SERVICES OF THE VACUUM SEWER SYSTEM #3 UPGRADE STATUS REPORT**

Public Works Director Clemmons said we are in the beginning stages. He and Planning Director Evans have been working with Leo Green. They don't have a final design on paper yet. The goal is to have something by September 1<sup>st</sup> to be put out for bids. Commissioner Freer asked how far they are into the design and engineering. Public Works Director Clemmons answered they have been looking at ventilation, adequate cooling and sound proofing. He believes Mr. Green has done a pretty extensive study on the sound proofing. Town Manager Hewett added it is \$65,000 worth of work.

Public Works Director Clemmons reminded the Board that he told them last month that he was questioning if the cooling at Station #4 was adequate. He and Planning Director Evans were both skeptical from the beginning. Right now 100 degrees is about what you can hold it at. They are working towards coming up with a solution on keeping the building cool. He wants to make sure #3 is adequately cooled. There are no windows there. He has not lost service due to the cooling issues at #4, but there have been some days where he has needed to keep the windows open and run fans.

## **DISCUSSION AND POSSIBLE NOMINATION OF MEMBERS TO FILL VACANCIES ON THE PLANNING & ZONING BOARD, BOARD OF ADJUSTMENT AND PARKS & RECREATION ADVISORY BOARD**

Town Clerk Finnell provided information on the positions that needed to be filled. The Board voted by ballot and the results will be announced later in the meeting.

## **DISCUSSION AND POSSIBLE ACTION TO CREATE A POLICY FOR PROPOSING ACTION TO A COMMITTEE AND THE LEVEL OF REPORT EXPECTED**

Commissioner Kwiatkowski said when the Board decides they need to forward something to a committee for their work and their opinion back to the Board, they need to be more concise in exactly what they are asking for, a timeframe they are expecting to hear back and if they need a formal report. If they are asking for decisions, there should be a clear record because in a couple of years it could come back. If how the decision was reached hasn't been fully recorded, you could lose a lot of time trying to remember. She thinks there should be a short policy that defines the level of detail the Board would like. Commissioner Freer agreed. The Board discussed how to develop the policy. Commissioner Kwiatkowski will work with staff as appropriate to develop a policy.

## **DISCUSSION AND POSSIBLE ACTION TO REQUEST THE PLANNING & ZONING BOARD PROVIDE A FULL REPORT ON THEIR EVALUATION FOR A SECOND WATER TOWER TO THE BOARD OF COMMISSIONERS**

After discussion, the Board decided to wait for the policy from the previous agenda item to be created. The Board still agrees they will need a report.

## **DISCUSSION AND POSSIBLE ACTION TO REVISE CHAPTER 91: FIRE PREVENTION, SECTION 91.16 RECREATIONAL FIRES**

Commissioner Butler explained a number of people have brought to his attention that grilling is happening on the beach. People are digging holes to put the coals in and covering them with sand. Someone could burn their feet. We have a number of cabanas on the beach and he would hate to see a spark fly and start a fire on the beach. He would also hate to see the sand fences or vegetation go up in flames. He read from the current ordinance and said the recreational fires section is confusing. He thinks the intent is to identify allowable pieces of equipment you could use at home, but a lot of people are confusing that.

*Motion by Commissioner Butler to direct Town staff to revise either Section 91.6 or 91.5 to address the issue and present the results at the next Board meeting; second by Mayor Pro Tem Fletcher.*

Commissioner Butler clarified he meant fires on the beach strand. He stated it could end up being beach strand or the municipal/ public areas in the Town. He said public areas can be a term; he will leave it up to Town, but to include the beach. Commissioner Kwiatkowski suggested adding dunes. Commissioner Sullivan said you will need to be specific so it doesn't prohibit grilling at home. Planning Director Evans said there is an ordinance for grilling at your home in place. Commissioner Sullivan explained he wants to make sure it is specific to what the Board wants to make sure it won't need to be revised. Planning Director Evans understands what is being said; people are grilling on the beach

and we need to figure out how to distinguish between a grill, grilling on the beach and a recreational fire.

*The motion passed by unanimous vote.*

## **DISCUSSION AND POSSIBLE ACTION TO REVISE CHAPTER 72: PARKING REGULATIONS, SECTION 72.02(K)**

Commissioner Butler read the current verbiage concerning parking in Section 72.02(K). He believes the Board's intent last August was to prohibit parking in the nine municipal areas between the hours of 2:00 a.m. – 5:00 a.m. Commissioner Sullivan said it is specifically how the Board wanted it. The Board had the discussion whether it would be better to prohibit the parking somewhere like under the bridge, but then that person would go park by someone's home. He said the problem when the issue was raised was that people were complaining that people were parking overnight. After all of the discussions, the Board decided that the most effective way to accomplish the goal was to have a window when you couldn't leave your car parked. Commissioner Butler stated we have people who need to park in the rights-of-way (ROW) between the hours of 2:00 a.m. – 5:00 a.m. Commissioner Sullivan said this is an example of what he was talking about; the Board talks about something, passes a rule and then after it is put in place, we feel like we need to revise it. He said if we are going to allow people to parking in the ROW, we might as well just rescind the whole ordinance. Commissioner Butler said he is not in favor of that. Commissioner Sullivan said the police will not know if a car belongs to the person at a house. He asked what the Board would be accomplishing. He suggested if the Board is going to make a change, they should give more thought and decide what the ramifications of the change would be. The guy that would park under the bridge will now park in front of somebody's house and fisherman can't park at all. Commissioner Butler said the municipal parking areas are identified with signs that say the prohibited hours. He explained we are a family beach and want to retain that title.

Planning Director Evans clarified there is a distinction between the ROW and municipal areas. Any homeowner can stop people from parking in the ROW by putting up the legalized barriers. Commissioner Sullivan said if someone is renting a home, they won't put up a fence because people may need to park there. It would take the problem from someone staying under the bridge and possibly move it to someone's house. Commissioner Butler said he is glad the Board is discussing this. He had an officer bring it to his attention that it was hard to control this. Commissioner Freer stated he would leave it as it is and it is at the discretion of the Police Department to enforce it. Commissioners Sullivan and Butler agreed.

Mayor Holden stated he bet the others aren't getting the complaints he is getting. He provided information regarding a complaint concerning someone's grandson who received a \$75 ticket because there wasn't anywhere to park during the night and there wasn't enough parking at the family house. The man has owned property for approximately 40 years. A friend of his looked for no parking signs and they couldn't find any signs. Mayor Holden said this it isn't working and he will start sharing the complaints he receives. He asked how people are supposed to know there is no parking. He said people ask where they are supposed to park, there is nowhere to legally park. The citizen from the complaint

he described said if all of the public parking is shut down and the streets are shut down, he would need to take his grandson to Walmart or somewhere to leave his car overnight.

## **DISCUSSION AND POSSIBLE ACTION TO GRR**

Commissioner Freer said GRR is a General Reevaluation Report. The Board heard from Christine Brayman of the Wilmington office of the Corps on July 8<sup>th</sup> about inclusion in a coastal storm damage project. The Corps received \$35 million for studies and the same offer was pitched to other area beaches. He explained Ms. Brayman proposed that a project using a 1966 engineering study be considered. He said because we already completed the work to become an engineered beach, our situation is different from other neighboring beaches. While the project proposed would have been more attractive in the past before we did the Central Reach Project (CRP), it isn't now. If we took the money for construction, we would lose our FEMA eligibility for storm mitigation. We are looking at about \$25 million for Florence and Michael. Commissioner Freer stated some might argue that we should let the Corps do the study, then make a decision, however we are working on having a productive, mutually respectful, honest relationship and dialogue with the Corps because we count on the sand from the inlet to nourish the east end. The right thing to do is to tell the Corps that we appreciate the effort on our behalf, but we are not interested at the time.

*Motion by Commissioner Freer to inform the Corps that we are not interested in being included in the study or the 1966 project; second by Commissioner Butler.*

Commissioner Kwiatkowski said she thought the Board was going to have a discussion and try to arrive at some sort of agreement. To her, this is about do we rely on continuing to get FEMA over the next 25 – 50 years or do we rely on the Corps. Can the Town rely on anything over that term? She asked if the Corps does the project are they going to build something where they anticipate sea level rise so they engineer the beach for a three to five foot increase. She inquired if they would come in and give the Town a lot more than what we already engineered the beach to. She doesn't know, but those are questions she has. She would like to hear from the town manager and mayor. Commissioner Freer said he heard within the past 23 years only two fundings were approved for a new project. North Topsail Beach has been waiting for a very long time to have it approved. He said the other issue in his mind is that there are requirements. The project would not cover the east or west end. A requirement is we would need to have a public beach access every half mile, with at least 10 parking spaces. Commissioner Sullivan said Ms. Brayman indicated that the Town wouldn't have a problem. We wouldn't lose the ability to have FEMA unless the project commences. He said we can't be hurt to have the study done; we can only find out what is possible and then determine if the Town wants to participate. Commissioner Freer stated the study normally costs \$3 million, with shared costs between the Corps and the Town. There is a possibility of having the cost of the study covered by funding. Commissioner Sullivan stated if the Corps does the study, it will not cost the Town anything. Commissioner Kwiatkowski agrees that you wouldn't want to move forward if we think it doesn't have a snowball's chance. To her, this is weighing if there is a 50/50 chance that we can take this. The question becomes will it be significantly more than the central reach area and will they engineer it differently. She asked if the Town feels more confident long-term with FEMA funding or the Corps. Commissioner Freer said we have been reimbursed many times from FEMA over the last 23 years.

Commissioner Kwiatkowski and Commissioner Freer further discussed if the Town should move forward.

Town Manager Hewett said based on his understanding of feedback from the commissioners, he sent Colonel Clark a letter of intent that indicated that we wanted to be a sponsor for participation in receiving the study under the district's supplemental appropriations for the Disaster Relief Act of 2019, subject to being selected through an adjudication process. If we are selected there is an agreement process that the Town would need to enter before the Corps would move forward with conducting the study. He said to the point about whether FEMA money is being guaranteed, you have to remember it's not just FEMA money. In North Carolina, it's 100% reimbursement. 75% of the funds are federal, the other 25% are state funds. We have heard rumblings questioning how long North Carolina will be able to continue participation in that reimbursement process. Regarding the three year study, there is no guarantee even if the Town is selected and the Corps does a study that the project will be construed as technically feasible, technically justified or environmentally acceptable. He stated this doesn't cost the Town anything. It may be a backup Plan B to the FEMA reimbursement and it might provide an additional avenue for future beach nourishment.

Mayor Holden thanked the Board for hiring Mike McIntyre and his group to help the Town be aggressive in trying to get our foot back in the door in Washington and all the agencies that we are seeking help from. We lost two years with nobody fighting those battles for us. His understanding is we will have an important report from them at the August meeting. Town Manager Hewett agreed and explained the selection process is underway and it is assumed that within the next couple of weeks decisions will be made. Mayor Holden stated one of the regrettable things is we now are scrambling to find a path to follow in getting financial help partnerships and working together with our neighbors. For the terminal groin with the options the Town took we don't have the option to follow that at a later date, even if there was money available. His big concern is he doesn't know what options the Town has other than raising money out of our own pockets. He thinks the Town is probably in the worst position we have been in recent years. The monies are not out there like they used to be. We will need to do something creative. Mayor Holden explained it seems the funds at the local, state and county level are also drying up.

Mayor Holden said if you haven't been to the east end over the past two months, the myrtle bushes on the northeast corner are being eroded and washed away. The escarpment line on the southeast corner is way north of where it used to be. The slope on our oceanfront for the first approximate five miles going east to west is far steeper than it has been in recent months. Those in Holden Beach West recognize they lost a lot of dunes and the escarpment line is severely high for this time of the year. Normally we grow our beach strand during the summer months. We are in hurricane season, if we don't build up over the next four – six weeks then that is not good. Mayor Holden explained there is a lot going on out there right now.

Commissioner Freer stated the number one mission of the Corps is to make the intercoastal waterways navigable. The crossing will probably always happen so we will get at least at 80,000 – 200,000 cubic yards from that. He thinks it is a repetitive project because it is a navigation issue. Mayor Holden said the water depth the Corps is required to maintain now is far less than it was a few years ago. All of the years that we have received sand on the east end is great, but it isn't a permanent fix. Commissioner

Freer said neither is this because it has nothing to do with both ends of the island. Commissioner Butler said you can see the erosion factor on the east end. The fact that we lost the last round of sand to Oak Island is another condition. He said we can get the sand in the February/ March timeframe on the east end of the island. He understands that the Corps starts in northern areas of North Carolina and works their way south so we will be one of last inlets for the sand replenishment. What concerns him is there is no guarantee right now that we won't lose that sand in two years. Commissioner Freer said that has nothing to do with GRR. Mayor Holden stated in 1978 when he put his office in, there were two rows of houses in front of it and a row of dunes. He explained it is the big picture, not just the recent picture. Commissioner Freer said because of the CRP he thinks it is the best it has been in a long time. He thinks the Board should discuss extending the engineered beach further.

Commissioner Sullivan stated what the Board is being asked to do is to make a decision tonight that the Town doesn't want to participate in something that we don't know the benefit of joining. It won't cost the Town anything for participating. They could come back with something the Board decides is beneficial. We might not even get the information on what the proposed program could be for two - three years down the line. Commissioner Freer said it isn't free because there is a lot of effort involved in those three years. It would be all of the staff's time. Commissioner Sullivan stated we don't have any idea what the staff has to do or if the Corps comes in and does everything and uses some of ATM's data. Commissioner Freer said he knows if the Town accepts the project, it eliminates FEMA. Commissioner Sullivan stated it only eliminates FEMA if we have a completed project that would supersede the CRP. Commissioner Butler said there are a number of unknowns here. Maybe the Town needs to let a little more time go by. The Town has no financial obligation. We need the sand in the crossing. Mayor Pro Tem Fletcher said he thinks a major problem is we are talking two – three years without getting any results. A lot can happen in that time. Right now this won't cost us anything. He said when it comes through the Town can decide at that point. Commissioner Kwiatkowski said the Corps has realistic expectations that something could come out that the Town says no thank you to.

Commissioner Freer stated if the Town moves forward we need to be very careful and monitor how much effort is involved. He suggested pushing it to IBPB on how to manage the effort. Town Manager Hewett said the Town will have an agreement that the Board participates in as a partner, but the Town won't be telling the Corps how to do a study. Commissioner Freer said the Town is just there for the ride so we need to determine when we want to get off that ride. Commissioner Sullivan said we do that every year for dredging. They tell us when they are going to dredge and ask if the Town wants to participate. Commissioner Freer said we didn't need to do that for the CRP. Commissioner Sullivan said we will continue to do what we do for the Town, we are just leaving ourselves open for the possible options presented to us. Town Manager Hewett stated if the Town is selected there will be a 60-day timeframe to enter into an agreement.

#### **NOMINATION OF MEMBERS TO FILL VACANCIES ON THE PLANNING & ZONING BOARD, BOARD OF ADJUSTMENT AND PARKS & RECREATION ADVISORY BOARD**

Mayor Holden announced Olivia Gomez was selected to serve on the Parks & Recreation Advisory Board. The vote was unanimous.

Dr. Richard Griffin was selected to serve as the Regular Member on the Board of Adjustment. The vote was unanimous.

Vicki Myers was selected as the Regular Member to the Planning & Zoning Board. The votes were as follows: Vicki Myers - Mayor Pro Tem Fletcher and Commissioners Sullivan, Butler and Freer and Richard Griffin – Commissioner Kwiatkowski). Woody Tyner and Peter Pallas were selected as the Alternate Members. Peter Pallas was selected unanimously. The votes for the second position were: Woody Tyner – Commissioners Sullivan, Kwiatkowski and Freer, Richard Griffin – Mayor Pro Tem Fletcher and Commissioner Butler).

## **TOWN MANAGER’S REPORT**

- MAPS Group Classification and Pay Study – they are continuing to gather and perform salary range comparisons based on our competitors’ data, who mostly experienced automatic pay rate changes as of July 1<sup>st</sup>. That will enable them to wrap up the draft by the end of the month and then be ready to bring it to the Board in August.
- FEMA Status for Michael & Florence – The environmental que is still held up with those projects. We are moving forward with scheduling a towboat to fly the hydrograph by the end of the month.
- Lockwood Folly Inlet Crossing Project – Based on cost data that we have been able to secure from the Corps, there is significantly less dollars being spent in the inlet than the planning numbers we have been told. That is source data from the Corps. He reviewed expenses over the past few years. Thinks we will need to ask the Division of Water Resources the feasibility of amending the Memorandum of Agreement that provides for monies to be given to the federal government with the state being the conduit, so we can ascertain what is happening with the money and who is contributing to clarify some project reporting parameters.

Commissioner Freer asked about the status of the attorney search. Town Clerk Finnell replied the request for proposals is due back the week prior to the next Board meeting so it can be included on the next agenda.

## **MAYOR’S COMMENTS**

- Those who have never been to a Sunday concert – encourage you to go just to watch the kids. It’s heartwarming to see. The family beach is really being represented.
- Overall thinks July 4<sup>th</sup> week went well. We had a full house. Thanked Chief Dixon and his staff. Isn’t aware of any significant activities that are unusual. Everyone seemed to have a good time and was safe. Had a few close calls in the ocean. Overall, with the number of people being here he thought it was excellent.
- In all 70 years living here, he has never seen cars backed up almost from the pier to the stoplight leaving the island when a shower came.
- Thanked everyone for being here.

## **BOARD OF COMMISSIONERS' COMMENTS**

Mayor Pro Tem Fletcher

- Thanked everyone for staying. The Board is dealing with a lot of difficult stuff.
- There is a lot of building on the island. In 10 years he has seen amazing growth in the number of bigger houses, new houses and upgraded houses. That means staff is inspecting them, the maintenance guys are doing their work and the Police are doing their work with the traffic and everything else. Staff is working really hard and staff hasn't grown since he has been here. They are doing a great job and we appreciate that.

Commissioner Sullivan

- Echoed Mayor Pro Tem Fletcher's comments. We say it often, maybe not often enough, but we mean it. A lot of hard work is done and it is done in an efficient and economical way. Appreciates it very much.
- The filing for positions on the Board are open until Friday. If anyone wants to participate get down to the county offices and register before noon on Friday.

Commissioner Kwiatkowski

- Expressed her appreciation for the turnout at the Audit Committee meeting. Would like it if more people would come to some of these key committee meeting, express their opinions and get involved. A lots of these things are hard decisions for the Board and they can use some informed opinions. The only way you will really be able to make an informed opinion is to sit though some of these sessions. We didn't have participation during the budget. We had some during the audit. The IBPB will be generating draft reports for comments. We need people to weigh and offer opinions to help the Board do what is right for the whole island.

Commissioner Butler

- Great discussion this evening. Thanks for hanging in there. Really appreciates it.
- Town staff continues to amaze him, with all of this wonderful heat staff is really doing well.
- Watch the heat.
- God bless America.

Commissioner Freer

- Good discussions tonight.
- Thanks for hanging in there.

## **PUBLIC COMMENTS ON GENERAL ITEMS**

No comments were made.

**EXECUTIVE SESSION PURSUANT TO NORTH CAROLINA GENERAL STATUTE 143-318.11(A)(5), TO ESTABLISH OR INSTRUCT THE STAFF OR AGENT CONCERNING THE NEGOTIATION OF THE PRICE OR TERMS OF A CONTRACT CONCERNING THE ACQUISITION OF REAL PROPERTY AND NORTH CAROLINA GENERAL STATUTE 143-318.11(A)(3), TO CONSULT WITH ATTORNEY**

Town Clerk Finnell read the reason for going into Executive Session.

*Motion by Mayor Pro Tem Fletcher to go into Executive Session at 9:53 p.m.; second by Commissioner Sullivan; approved by unanimous vote.*

**OPEN SESSION**

*Motion by Mayor Pro Tem Fletcher to come out of Executive Session at 10:46 p.m.; second by Commissioner Freer; approved by unanimous vote.*

**ADJOURNMENT**

*Motion by Commissioner Kwiatkowski to adjourn at 10:46 p.m.; second by Mayor Pro Tem Fletcher; approved by unanimous vote.*

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J. Alan Holden, Mayor

ATTEST:

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Heather Finnell, Town Clerk