



**TOWN OF HOLDEN BEACH  
BOARD OF COMMISSIONERS  
REGULAR MEETING  
TUESDAY, NOVEMBER 19, 2019 – 7:00 P.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Regular Meeting on Tuesday, November 19, 2019 at 7:00 p.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; Police Chief Jeremy Dixon; and Fiscal Operations Clerk Margaret Lancaster.

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

**PLEDGE OF ALLEGIANCE**

**AGENDA APPROVAL**

Town Manager Hewett explained we received guidance from FEMA today that will necessitate that we do more surveying. He suggested that the memo he provided the Board, along with the proposed budget amendment be appended to item 13. Basically, the budget amendment goes from \$4,600 to \$30,000.

*Motion by Mayor Pro Tem Fletcher to approve the proposed agenda with the amendment Town Manager Hewett has asked to be added; second by Commissioner Butler; approved by unanimous vote.*

**APPROVAL OF MINUTES**

*Motion by Mayor Pro Tem Fletcher to approve the minutes of the Special Meeting of October 11, 2019, the Special Meeting of October 15, 2019, the Regular Meeting of October 15, 2019 and the Special Meeting of October 29, 2019; second by Commissioner Freer.*

*Commissioner Sullivan said on page 7, paragraph 2, line 6, manner should be changed to matter; on page 20 advocate should be changed to abdicate; and on page 21 say should be changed to says.*

*Mayor Pro Tem Fletcher and Commissioner Freer agreed to the changes.*

*Commissioner Kwiatkowski said on page 24, waived should be changed to waved.*

*Mayor Pro Tem Fletcher and Commissioner Freer agreed to the changes.*

*The motion passed by unanimous vote.*

## **PUBLIC COMMENTS ON AGENDA ITEMS**

No comments were made.

### **PRESENTATION OF A SMART RURAL COMMUNITY AWARD TO THE TOWN OF HOLDEN BEACH – VICTORIA BELLAMY & KEITH HOLDEN, ATMC**

Town Manager Hewett introduced Keith Holden, CEO of ATMC. Mr. Holden presented the Town with a Smart Rural Community Award. He thanked the Town for working with ATMC on the recent project to install fiber on the island.

### **PRESENTATION OF FISCAL YEAR 2018 – 2019 AUDIT RESULTS – JAY SHARPE, RIVES AND ASSOCIATES**

Mr. Sharpe explained that the fieldwork has been completed. The financial statements and notes have been prepared. They are currently in draft form and have been submitted to the Town. The audit was submitted to the Local Government Commission (LGC). The LGC approved it with no changes. That was done before the October 31<sup>st</sup> deadline. He said there are two deadlines with the LGC, the first being October 31<sup>st</sup> and you then get a 30-day extension. They are waiting on the Town's approval and the signed management representation letter, then they can issue the audit. Mr. Sharpe explained their roles and objectives. No single audit was required for 2019. The scope and timing of the audit were on track. They issued an unmodified opinion on the financial statements. That is the best possible opinion you can receive. They did have two findings. They are the same as last year, one material weakness and one significant deficiency. They do have three recommendations in the management letter to secure internal controls. These are not findings, they are just recommendations for internal control purposes. Mr. Sharpe said they did have material adjusting journal entries, thus the material weakness again for 2019. There are no new significant accounting policy changes for 2019. He said the estimates they looked at appear reasonable. They had no disagreements with management and no significant difficulties encountered during the audit proceedings.

Mr. Sharpe reviewed charts from his presentation (hereby incorporated into the minutes). He showed a chart with the general fund summary over the last three years. The Town has had nice general fund revenues over the past three years. The revenues outpaced expenses in each of the three years. In the total governmental fund, revenues outpaced the expenditures for the last two years. There was a loss in this fund in 2017. Town Manager Hewett clarified that was the special obligation bond issuance for the Central Reach Project. Mr. Sharpe said fund balance for general and governmental has increased since 2014. It indicates a very healthy balance sheet for the Town. He reviewed the breakdown of fund balance. There is over \$2 million of unrestricted fund balance, which mirrors the total expenditures for the year in the general fund so it indicates the Town has a very healthy balance in place at the end of June 30, 2019. He went over the adequacy of resources for the general fund. In 2019, there is 366 days of cash reserves, up from 253 days in 2017. For total governmental funds at the end of 2019, the cash reserves were 547 days, up from 135 days in 2017. Property taxes revenues have increased from \$2.6 million to over \$2.7 million over the last couple of years. There was not a rate increase in those years so the Town saw an influx in revenues related to property taxes. Other taxes and licenses are slightly down in 2019, but still are very healthy. Mr. Sharpe reviewed the expenditure breakdown. The top

spending category was public safety at 40% in 2019, 37% in 2018. General government was the second at 31% for both years, followed by transportation and then debt service.

Mr. Sharpe said the water and sewer fund showed a loss in 2019. There was just under \$2 million in revenues, versus \$2.3 million in expenses. The two years before that showed a profit in the water and sewer fund operations. Town Manager Hewett clarified this is specifically attributable to the capital project upfit that is \$1 million. That was sourced from capital reserves. Mr. Sharpe said the cash reserve funds did decrease for the reason that Town Manager Hewett just mentioned, but the Town is still at 577 days at the end of 2019, so well over a year in cash reserves for the proprietary funds.

Mr. Sharpe said there are a few upcoming changes. The leases change he mentioned last time has been delayed one year. He doesn't think it will have an overall effect on the Town's financial reporting. There is a project being started overhauling the complete reporting process. It is in the beginning phases and it should not be expected in the near-term. The big change is the change to Yellowbook standards. That is how audits can be performed. They need to look at if they are independent in preparing the audit. One of the things that could possibly impair their independence is preparing financial statements. They need to look at if clients have the skills, knowledge and education (SKE) to oversee the performance of the firm preparing the financial statements. If they determine the unit has the SKE, they can still prepare the statements, but there are some things they need to do. He said for example the person who prepares the financial statements from the firm could no longer be part of the audit team. The big thing is determining if the Town has the SKEs to oversee the preparation of the financial statements moving forward. This is a big Yellowbook change that will affect all governments throughout the country. It is something the Town needs to look at before it engages an audit firm for 2020. Commissioner Kwiatkowski asked if there is a checklist or guidance put together so it is clear and transparent when it comes to firms assessing SKEs. Mr. Sharpe replied unfortunately this is not a black or white issue, it is a gray area. He said you may ask a few different audit firms and get different answers. There are certain things they need to look at. Some auditors may see it different from others. The Town can look at outside consultants.

Mayor Pro Tem Fletcher said the condition Mr. Sharpe described with the Town having the money to pay for its bills, having a year's worth of expenses in the bank is a change that has been done over the past four years. He said it is a really good job of coming from a couple of months covered to a year covered. That was the Board's desire. They set a goal of 40% and the Town exceeded that to now being a year's worth. He stated that means if the Town lost the rental income of \$2 million a year, we would still have a year's worth of expenses to protect us until we recovered from the crisis that put us into that position. He said well done to the Town. Now we are equal to a lot of other strong communities.

Mayor Pro Tem Fletcher explained the Audit Committee met this afternoon and at the end of the meeting there was a unanimous decision that they would recommend to the Board that they approve the audit as issued. With that the auditor can publish it as a final document.

*Motion by Mayor Pro Tem Fletcher that the Board approve the audit report as presented; second by Commissioner Freer; approved by unanimous vote.*

## **DISCUSSION AND POSSIBLE ACTION TO PERMIT A REQUEST FOR A BANNER, TO ALLOW VENDORS AND FOR ONE FREE BEER TICKET AT RUN HOLDEN BEACH**

Assistant Town Manager Ferguson explained last year Coastal Race Productions made some requests from the Town and the Board approved the requests. The requests were to place a banner at the base of the bridge ahead of the race, to allow vendors that are sponsors and a beer garden where each runner would get one ticket. The area for the beer garden is outlined in the packets. She spoke with Chief Dixon; we did not have any negative feedback from last year. She attended the event and watched the beer garden area; it seemed to go well. The race company is here to request the same things for this year's race. Jonna from Coastal Race Productions is in attendance if anyone has any questions.

*Motion by Commissioner Freer to approve the permit request as indicated for a banner, to allow vendors, and one free beer ticket at the Run HB event; second by Commissioner Butler; approved by unanimous vote.*

## **POLICE REPORT – CHIEF JEREMY DIXON**

Chief Dixon said there is not a lot going on right now. They are taking the time to complete their mandatory in-service training.

## **DISCUSSION AND POSSIBLE DIRECTION ON A PROPOSED POLICY REGARDING BOARD OF COMMISSIONERS' REQUESTS FOR OPINION AND/OR RECOMMENDATIONS TO ADVISORY BOARDS OR COMMITTEES**

Commissioner Kwiatkowski provided background on the item. She put the proposed directive into the package so there is ample opportunity for the public and for various board and committee members to be able to look at it before the next meeting to give their opinion and comments. She is not proposing any action at this time. If any of the commissioners have anything they would like to note at this point, she is happy to have a discussion, but she thinks it should be out there for a while so everyone has the chance to look at it.

Commissioner Butler stated he sees the word opinion in there a number of times. He reviewed the definition of opinion. Having the opportunity to serve on an advisory committee, there is a lot of research and analysis that goes into it. When they presented their information, it wasn't an opinion. Their recommendation was based on facts that they investigated and looked into. He suggested coming up with a different word. Commissioner Kwiatkowski stated she would strike opinion and make it recommendation. Commissioner Freer reviewed step #1 where it states the directive shall be made at a regular meeting. He thinks that is restrictive. The Board might get into a situation that they may want to issue a directive at a special meeting. He said if that is what the practice is, that is probably a good practice, but he thinks it is overly restrictive. Commissioner Kwiatkowski inquired if he would prefer the term "would preferably be made". Commissioner Freer agreed. He asked if it would be in the ordinance book. Commissioner Kwiatkowski replied she envisioned it to be a policy. She said staff thought directive was a better title. Town Clerk Finnell explained most policies are kept on file in the clerk's office, instead of being part of the Code Book. Town Manager Hewett added the staff saw this as an administrative document that would be adopted by resolution and housed with the clerk. Mayor Pro Tem Fletcher said he thinks that would allow the Board to suspend it if they decided to.

Commissioner Kwiatkowski encouraged this be out for the public to look at, particularly board and committee members so they can provide feedback.

### **DISCUSSION AND POSSIBLE DIRECTION ON A MORE FORMAL PROCEDURE FOR THE BOARD OF COMMISSIONERS' REQUESTS FOR ACTION TO THE TOWN MANAGER OR ATTORNEY**

Commissioner Kwiatkowski explained this is a more formalized method of making a request to the town manger or attorney. She finds that she leaves a meeting and goes back to listen to the audio to hear a specific charge. She knows staff is also going to the audio. She thinks it saves staff time and gives the Board clarity if they reduce it to writing at the meeting so there is no confusion later. Commissioner Kwiatkowski is not asking for action at this meeting. It is here for people to be able to look at it. She said she thinks it helps give precision so we don't have mis-work.

Commissioner Freer said he agrees, especially with the attorney because if there is a miss the Town would be spending money that shouldn't be spent. Mayor Pro Tem Fletcher agreed for the staff also so they understand clearly what they are supposed to do. Commissioner Kwiatkowski said this helps staff, attorney, helps efficiency and it controls costs. Commissioner Freer said it is a look back on what was asked. He inquired if she considered applying this type of an ask from the town manager or staff to the attorney. Town Manager Hewett said normally the staff would not be tasking the attorney. If staff needs them to look at a survey or something they can, but that is not the norm. He hasn't had a problem communicating any asks to the attorney. Commissioner Freer stated it would be nice to capture and be able to look back to see the asks of either the staff or the Board. Commissioner Kwiatkowski said that would be for Town Manger Hewett to put together. She is trying to represent what the Board is asking is clear. She thinks asks from the town manager are different from the kinds of things the Board asks. Town Manager Hewett said staff tries not to deal directly with the attorney, but he provided the example that once in a while the inspector would have a technical conversation with them. Those conversations result in fees, but he doesn't think that rises to the level of this document for the Board's purpose.

Commissioner Freer inquired if this prevented a commissioner from picking up the phone and talking to the attorney. Town Manager Hewett stated he would discourage that. We have been through a litany of internal controls. The attorney will bill you for time, they are a contractor, not an employee. By virtue that Board controls the budget. It is the finance officer's responsibility to make sure things are pre-audited. He can't in good conscious say that he has pre-audited an expense whereby a commissioner picked up the phone and spent Town money. He has not had that conversation with the attorney. He knows the prior attorney encouraged that, but he is gun shy now with all of the focus on internal controls and the requirement to pre-audit. If he doesn't know the expenses are going to be incurred by a commissioner, he, in essence, is forced to sign a check that he has not pre-audited. He is required to pre-audit expenses. Commissioner Kwiatkowski said this item is something the Board could discuss with the attorney. She thinks moving forward the Board needs to have something that allows the Board to get guidance if needed. She said the Board needs to talk to the attorney and town manager to see how they can continue to get advice when it is necessary without busting the budget. This policy does not address that situation. Town Manager Hewett said he does think the Board needs to address how they will provide themselves with an expense account, if that is what it comes down to. Mayor Pro Tem Fletcher said he does not see one member of the Board has the right to have discussion with

the attorney who is going to charge the Town, when the entire Board has not approved that. Commissioner Kwiatkowski stated she thinks this is something the Board needs to sort out and they can do that at an upcoming meeting, but this doesn't address that.

Commissioner Kwiatkowski said there will be no action at this meeting. If the public has comments or concerns, they can bring them so the Board can take them under consideration.

#### **DISCUSSION AND POSSIBLE ACTION ON COST SHARING REQUEST MADE BY BRUNSWICK COUNTY FOR THE DREDGING OF THE LOCKWOOD FOLLY INLET**

Assistant Town Manager Ferguson explained the Board has a memo in the agenda packets where there was a request for \$4,600 to be moved from the capital reserve fund in order to offset the cost for a dredge for navigation maintenance. She explained we did program money in the BPART line this year. The \$4,600 was the difference that we needed in order to give the reimbursement to Brunswick County who has already fronted the cost for the project. She said that today we received an email from our engineer, with information forwarded from FEMA. The Board received an additional memo tonight. FEMA is going to require us to do additional surveys that go to depth of closure for Dorian. That will not only require survey work, but additional engineering from ATM as far as analysis. Based on that information, they think the number that should be in the budget amendment, based on what they have to work with right now should be \$30,000, which would include the \$4,600 as well as money to get started with the surveys and ATM. Assistant Town Manager Ferguson said they are still talking to FEMA to find out exactly what they need. These are the best working numbers we have based on what we have done in the past. The ask is for \$30,000 and it would take care of two projects, the \$4,600 that was in the original memo and the additional work for FEMA that staff thinks is a good number for programming based on past expenses.

*Motion by Commissioner Freer to approve Ordinance 19-18; second by Mayor Pro Tem Fletcher.*

Commissioner Butler said this such an important project to get the sand identified and get it on the beach. He asked if ATM provided the Town with the timelines associated with the required analysis and testing. Assistant Town Manager Ferguson replied they have not. The surveying company is ready to go. Once they are done with that, ATM should be able to start turning it around.

*The motion passed by unanimous vote.*

#### **DISCUSSION AND POSSIBLE ACTION TO RECOMMEND REMEDIAL POLICIES OR PROCEDURES WITH RESPECT TO OBSTRUCTION, INTERFERENCE OR NON-COOPERATION IN CONNECTION WITH AUDITS, INVESTIGATIONS OR REVIEWS OF THE TOWN'S AFFAIRS**

Commissioner Freer stated this was leftover from last month. He thought the best recourse would be to ask the attorney for direction to avoid any member of the Board giving sensitive information. He would like the attorney to provide guidance to the Board on how to handle that. Town Manager Hewett said Attorney Richardson had a prior engagement. Attorney Carpenter got caught in Raleigh and couldn't make it. Commissioner Freer stated there are places in the ordinance book; he would look to the attorney for guidance on where it is best to capture this issue and for guidance on how to handle

similar issues that could come up in the future. After discussion, the Board agreed to leave it to the next Board.

## **TOWN MANAGER'S REPORT**

- Lockwood Folly Bend Widener Navigational Maintenance Project – The contract was awarded the end of October. It includes the bend widener option. There has been a pre—construction meeting, but we do not have a work schedule yet.
- Central Reach Project Sand Search Status – the offshore investigation is moving forward and is on schedule. The hydrography survey and the core borings are done. The next step is to get the archaeology survey multibeam over the next six weeks. That is, they have got a side-scan sonar magnetometer and some multi-beam bathymetry for the proposed borrow area. That is south, southeast of the Lockwood Folly Inlet. That is a requirement of the permit. In addition to the borrow area, we need to do the same thing, side-scan wise for a 500-meter buffer to make sure that there is not any hardbottom that may be fouled as a result of the dredging. That is an additional layering of a requirement by the fisheries agencies. All those things need to happen before we can modify our permit.
- FEMA Projects – both Florene and Michael have cleared environmental and are now with the Office of Legislative Affairs. Has been in touch with Congressman Rouzer's office accordingly. The Dorian Project is about \$4.6 million. Had our recovery scoping meeting with FEMA and the NC Department of Public Safety. That was finished on the 14<sup>th</sup> of November. Our initial reports have been uploaded into the grants' portal, with the review process well underway. Town Clerk Finnell heard them complementing the staff on how accomplished we are in the FEMA process.
- Lift Station 3 Upfit – Looks like we will be ready to advertise for bids shortly before Thanksgiving. The pre-bid conference should be December 10<sup>th</sup> and we should receive bids December 19<sup>th</sup>, with an anticipated award date of January 21<sup>st</sup>. The notice to proceed would be issued mid-March, and the construction start date should be March 23<sup>rd</sup>, ending December 18, 2020. Hopefully the project can be closed out at the end of the new year.
- Upcoming Town Sponsored Events – Turkey Trot on November 28<sup>th</sup>, Tree Lighting on December 6<sup>th</sup>, a Soup/ Chili Contest prior to the event, Sandy Paws Dog Parade on December 7<sup>th</sup> and the Community Holiday Luncheon on December 20<sup>th</sup>. All events require pre-registration.

## **MAYOR'S COMMENTS**

- Thanked everyone for being here. Hope you have a wonderful Thanksgiving. Appears we will have a good number of homeowners here this Thanksgiving. Hopes the weather is good and everybody has a happy holiday.

## **BOARD OF COMMISSIONERS' COMMENTS**

Mayor Pro Tem Fletcher

- For the newcomers, thanks for coming to the meeting. It helps a lot when the Town attends the meeting, actually hears what happens and then can give feedback to the Board as they go forward to make a decision.
- Happy Thanksgiving. Have a great, safe holiday.

Commissioner Sullivan

- Thank you for turning out. It's the best turnout we have had, unless there was some kind of hot topic the Board was addressing. It is good to see more people.
- Complimented the Town for the amount of people who turned out to vote. When you think about it, we had maybe 68 – 70% of the Town who were eligible to vote turnout. That is an amazing number. You should be proud of yourselves. Thank you for that.
- Have a wonderful Thanksgiving.

Commissioner Kwiatkowski

- Thanked everyone for coming out.
- Hopes everyone is enjoying the peace and quiet on the island, as much as she is. It is really fun to walk and bike right now because we kind of have it to ourselves.
- Enjoy the holiday, we will all have a great December.

Commissioner Butler

- Thanked everyone for coming out this evening. Really appreciates seeing everybody. Bring your friends to the next meeting as well.
- During the holiday season, remember the folks who are less fortunate than us.
- Wished everyone a happy holiday.

Commissioner Freer

- Happy Thanksgiving to everybody.
- Thanked everyone for coming.

**PUBLIC COMMENTS ON GENERAL ITEMS**

No comments were made.

**ADJOURNMENT**

*Motion by Mayor Pro Tem Fletcher to adjourn at 8:01 p.m.; second by Commissioner Butler; approved by unanimous vote.*

---

J. Alan Holden, Mayor

ATTEST:

---

Heather Finnell, Town Clerk