



**TOWN OF HOLDEN BEACH
BOARD OF COMMISSIONERS
SPECIAL MEETING
THURSDAY, APRIL 23, 2020 – 4:00 P.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting in the Town Hall Public Assembly on Thursday, April 23, 2020 at 4:00 p.m. Present were Mayor J. Alan Holden; Mayor Pro Tem Gerald Brown; Commissioners Woody Tyner, Brian Murdock, Mike Sullivan and Pat Kwiatkowski; Town Manager David W. Hewett; Town Clerk Heather Finnell; Assistant Town Manager Christy Ferguson; and Police Chief Jeremy Dixon. The meeting was streamed on the Town's Facebook page and opportunity for comments was provided prior to the meeting due to the restrictions in place for COVID-19.

PUBLIC COMMENT

No comments.

BUDGET WORKSHOP

Town Manager Hewett explained that in the past the Town had several budget workshops. COVID-19 has disrupted our ability to do that. Hopefully we can get a path laid out to adopt the budget. The Town has to adopt a budget ordinance no later than July 1st. Town Manager Hewett said he must render a budget message to the Board no later than June 1st. Department heads must provide their projections no later than the end of this month. The Board has developed their objectives. He stated the department heads have presented the rough drafts of their departmental budgets to him. He has developed skeleton worksheets. He is trying to do the beginning analysis and forecasting that is necessary in order to develop a proper budget. We have lost six weeks of the budget process because of actions and responses necessary due to COVID-19. Once the budget message is presented to the Board, action cannot be taken on it until 10 days after its presentation.

Town Manager Hewett said the Board did develop goals earlier this year. By the mere fact that COVID-19 has arrived, many of those objectives in his opinion have been overcome by that. Tourism-related revenues and expenses will likely be impacted. He does not know what to expect. What he is seeing early on is that the Town will need to make up shortfalls from fund balances. The Town is fortunate in that it has escrowed funds in a capital reserve fund for beach nourishment. There are significant occupancy taxes in the BPART fund. The general fund has headroom in it as far as fund balance. The water fund is probably the one closest to being impacted, there is never a lot of margin in water and sewer and we have had two capital projects. Town Manager Hewett stated he is anticipating the Town will need to push capital projects to the right in the Capital Improvement Plan (CIP). He does not know to what extent we will need to do that at this time. He is fairly certain that the third lift station upgrade is a recommendation that will be pushed to the right unless the Board wants to engage in dialogue about borrowing money. Town

Manager Hewett is proposing that he will develop a budget message as fast as he can. He has five weeks to do that and still be within the requirements of the law. The Board can let 10 days go by. The regular meeting is scheduled for June 16th. Then there are two more weeks before July 1st that the Board has to adopt an ordinance by.

Commissioner Kwiatkowski suggested the Board have discussion on services for the upcoming year. She said she thinks the lift station should be discussed because it is something that was given a top priority because of the risk. She stated she knows last year the Board deferred purchasing a couple of vehicles. She asked if there will be vehicles out of commission that are critical if the Board moves those to the right another year. Commissioner Tyner recommended that the Board go through the objectives they agreed to and see if there are any they want to take off the table. He said an example of an item to look at is the study for the second water tower. He stated he is assuming the Board wants to maintain the current tax rate. He thinks the Board needs to discuss that.

Commissioner Sullivan said he thinks the problem is we are dealing in the dark. We don't know how much of a shortage we will have due to having no rentals. Rentals have an impact on the revenue we get for water and sewer. He would like to know what we traditionally received in the way of water and sewer fees and occupancy tax in April and May. He added if we knew those figures, we would have a better idea of what we will need to fill before we try to fill that gap. Town Manager Hewett said he has tracked occupancy tax by month for the last 13 years. He has made projections for our April, May and June receipts. That is still in this fiscal year and doesn't play into the projections for next year. He is projecting that we would book \$17,000 in April, \$53,000 in May and \$121,000 in June. Our July, August and September receipt of revenues are the highest ones because they reflect June, July and August rentals. Last July was right at \$560,000, August was \$636,000 and September was \$500,000. The three months are about \$1.7 million of the occupancy tax revenues that come in.

Commissioner Tyner inquired if Town Manager Hewett can do a budget of expenses and then can play scenarios. Town Manager Hewett said the Board can amend the budget at any time. What he was thinking of in terms of adopting the budget would be to source specific debt obligations from fund balances. Then you would craft the language of the ordinance itself using what if terms. You would recognize you are appropriating funds for specific purposes from fund balance and you could caveat those draws. For example, you could direct the finance officer that it is anticipated that BPART revenues will be down, however should the BPART revenues come in higher, the finance director would be directed to offset the draw from the fund balance appropriation. If you did that, it would keep you from coming back in every time. We may have a second wave of this. Town Manager Hewett said to answer the question, yes you can, but in the end you need to adopt an ordinance.

Commissioner Sullivan said the quick math between April, May and June is about \$191,000. He asked how that will impact the current budget. Town Manager Hewett replied we are at 97% of collections of what was budgeted and we did have some other revenues. He thinks we are okay. When we adopt projections, we always adopt a little low. Commissioner Kwiatkowski explained the Town may lose all of May, but she can't believe we will lose all of June. Town Manager Hewett said there are other revenues in the BPART fund. He thinks the Town will net out at what was budgeted, all things considered. Commissioner Kwiatkowski said so the trick will be projecting next year. Town Manager Hewett said that is why he is saying to take the conservative approach. The debt service is \$1.3 million on the special obligation bond. He stated he thinks that it is prudent to pull that money from the sand fund that is in escrow. That way he

can downscale the occupancy tax projections to \$500,000 or \$600,000 and it is very safe. That is what he would like to do when the revenue projections are made. Commissioner Kwiatkowski said they are lucky that the Town paid something off this year. Town Manager Hewett said that was in the water fund. If he is pulling \$1.7 million from the projections in the summer months, he would not be pulling any water or sewer in that timeframe either. That needs to be considered in terms of how the Town will pay the remaining debt service on the regional sewer plant. That is related to the annual assessments. That debt is normally covered by the \$497. He explained the annual assessment can only be used for special purposes. It was originally intended for the collection plant and the regional sewer plant. You can't run operations off the assessment. Commissioner Tyner inquired where the debt service will be pulled from. Town Manager Hewett said right now we have \$3 million in the sand capital reserve fund. Since the debt service on the special obligation bond is for the sand it is a logical fit that it would be an authorized purpose.

Commissioner Murdock asked if there has been money appropriated that won't be used, for example the generator that the Town will save money on. Town Manager Hewett answered the Board appropriated over \$200,000. Based on the informal solicitations the generator may come in at half of that. The way it works is if it is not spent or needed it will fall into unobligated fund balance. It can be appropriated next year. He is sure there are other circumstances like that. He hasn't gotten to that point yet.

Mayor Holden inquired if the "dream" money will benefit the Town to offset the losses we are addressing now. Town Manager Hewett replied yes and no. Primarily where we will see the benefit of it is with some of the required surveying we will need to do as associated with the project. As in the past we have been able to use the required surveying for what we would normally do on an annual basis. That project is not going to happen this year so it won't benefit us. That is a statement based on Category G, Beach Nourishment. There have been other categories of FEMA damages we have reimbursements for. An example is the two electronic signs. We redirected the money from the BPART budget and will be reimbursed through this FEMA state of emergency. We have two approved FEMA projects and one in the hopper. The projects are reimbursement based. We have to do a project, then get reimbursed.

The Board went through their objectives.

FINANCIAL/BUDGET

General

1. Balance the budget while preserving the minimum fund balances as defined by the BOC - Town Manager Hewett said the policy is 40 – 70%. The unassigned fund balance according to the last audit is 63%. Commissioner Kwiatkowski said she thinks the Board needs to put a question mark on this because we won't know until we get into it. We should try to keep to this.
2. Ensure revenues from the Town's delivery of municipal services covers the associated expenses – Commissioner Kwiatkowski said she thinks this is a question mark given what they are hearing on water and sewer. She said these are we hope to do them, but she doesn't think we can hold the budget cycle to these.
3. Develop and track various financial ratios to flag any negative trends – Commissioner Kwiatkowski said this is a process and can be done when we have time.

4. Ensure the Town meets or exceeds annual financial budget goals – Commissioner Kwiatkowski said that is a question mark right now.

Audits

5. Ensure the Town achieves an unmodified opinion rating on annual fiscal audit and addresses noted deficiencies
6. Ensure staff is qualified to perform newly established audit and accounting procedures to ensure there are no material deficiencies noted in the annual fiscal audit.
7. Oversee progress on internal control plan with every 6 month reviews to the Board

Commissioner Kwiatkowski doesn't think anything in audit changes. The audit is something specific, not budget related.

Funding

8. Ensure funding and budgeting for sewer lift stations 3 and 2 – Commissioner Kwiatkowski asked if the Board thinks it is acceptable to take the risk of not raising the next station versus borrowing the money to raise it in year three as originally planned and reducing the risk. Mayor Pro Tem Brown said borrow the money and get it fixed. Mayor Holden added while the interest rates are low. Mayor Pro Tem Brown said it needs to be done. He said what happens if there is an over wash and it is in the ground. Commissioner Sullivan said another issue they need to consider is that we have seen the cost each year keeps going up. The two we have done are on the west end. The east end is not done at all. He stated Station 1 is not below grade. When he measures all of those things, he would lean towards borrowing money at the cheap rate and getting it done. Commissioner Kwiatkowski said she thinks the Board is unanimous that it's better to borrow the money. She said don't move the lift station to the right.
9. Ensure funding for FLOMIKE and Dorian FEMA projects – Commissioner Kwiatkowski said she thinks that stays an objective. That would rely on the General Assembly fixing the glitch. Town Manager Hewett said it appears that as of yesterday there is draft language that will reinstate the Town's ability to use special obligation bonds.

Personnel

10. Examine total cost of employees, including health care costs, for benchmarking – Commissioner Kwiatkowski said the Board's discussion was to find someone to do a healthcare study to get up-to-date information. She inquired if that is something the Board wants to force fit or if it can slide another year. Commissioner Tyner said on the Board's list of priorities, he would put it lower on the list. Commissioner Kwiatkowski said the Board could make a decision later in the year. Commissioner Sullivan asked when the current plan expires. Town Clerk Finnell replied May 1st. Commissioner Sullivan said the Board will have to visit it next year before May.
11. Evaluate Police Department staffing against safety and enforcement wants to ensure adequate manpower and funding for the next 3-5 years – Commissioner Kwiatkowski stated we could do the evaluation. The question would be if anything comes of it. Commissioner Kwiatkowski stated it wasn't a question of cutting officers. It was the optimum number against everything people want to enforce. It was a discussion on enforcement priorities and the staffing needed to do it. Town Manager Hewett stated he doesn't think the Board should be thinking in terms of one officer. They should be thinking

in terms of three. New start for a cop is \$100,000. You need the salary and a vehicle. Chief Dixon agreed; three is what they need to try and get them back to a reasonable level. Town Manager Hewett said he can go ahead and cost those in to give the Board an idea of the impact to the budget. There are eight fulltime equivalents in the budget, plus there is a part-timer in the front office. We pay for seven salaries out of the general fund and one is sourced from the BPART Fund. If the Board wants to price in some more officers, they need to tell him where to source it from. Mayor Holden said 10 years ago, we had 10 officers and they wanted one more. We have graduated backwards. Commissioner Sullivan said we went through this exercise last year. Commissioner Kwiatkowski said the Board added one and then it was taken out.

Commissioner Murdock asked how long it will take to find and train an officer. Mayor Holden asked if Officer Doshier will remain with the Town. Chief Dixon explained he will stay with the Town for the first part of the summer. That should keep the department fully staffed for a majority of the summer. There are so many factors that play into hiring. The background check takes six – eight weeks. After that, training is 12 – 15 weeks during the summer. It is longer in the winter. We haven't started that process because we don't have a vacancy. Commissioner Murdock inquired if officers can share a vehicle. Town Manager Hewett replied if you want to cut the life cycle in half. It is a common practice that when they share a vehicle it isn't tended to as well. Chief Dixon said if you let an officer have a vehicle they take better care of it, make sure the oil changes are done, tires are rotated, etc. When you start hot seating vehicles, they are not taking care of them. Most departments that have done studies found it costs more to hot seat than to issue individual cars. Chief Dixon talked about how long he believes Officer Doshier will fill his position. Mayor Holden said one of his big concerns is it will be hurricane season at the time he is leaving. Chief Dixon said even if you get a new officer and train them, you will lose experience. Commissioner Kwiatkowski said last year the Board went down the road of adding an officer until revenue neutral entered and it was decided that it was one of the ways to get revenue neutral. When it was discussed last year, it was a question of if the Board would want to add another one the following year. It was decided to add one and see where it would go. She said the question is if the Board wants to have the town manager put in a scenario in that we hire additional headcount. Commissioner Murdock stated he thinks we need at least one more, especially after all of this. Commissioner Tyner would prefer to let Town Manager Hewett come back with three to see what it does to the budget. The Board can always reduce it. Commissioner Kwiatkowski said she thinks at least one would be strictly BPART. If we are watching for safety and parking violations, it is high season when we are talking about needing more people. Mayor Holden said you can do one and a half. Town Manager Hewett stated he could do that.

LONG-TERM PLANS

1. Finalize and approve the Land Use Plan – Commissioner Kwiatkowski said this isn't a budget thing, it is the Board.
2. Develop and implement a fire hydrant replacement plan for hydrants in disrepair – Commissioner Kwiatkowski said she thinks that needs to stay because it is something that needs to be done. Mayor Pro Tem Brown asked how much it costs for a hydrant. Town Manager Hewett replied that is a question for Public Works Director Clemmons. Public Works Director Clemmons will do the plan.
3. Develop a strategy and implement a plan to protect the beach and dune system, including keeping people off the dunes – Commissioner Kwiatkowski said when the Board discussed this before, the first thing we need to do is come up with steps to take. She doesn't think there will be much money

associated with it in year one. It was going to be developing a strategy and a plan. She thought it would be between the Board, the staff and the Inlet and Beach Protection Board.

4. Work with DOT to ensure all legal crosswalks are appropriately marked to protect residents and visitors – Commissioner Kwiatkowski said she thinks it should stay. She doesn't know what budget is associated with it. Mayor Holden said it is involved with the stuff they are working on. Town Manager Hewett agreed, through the GSATS. Mayor Holden suggested leaving that in there. There will be information coming to the Board shortly.
5. Find options to protect backup generators at the lift stations from salt and weather deterioration. – Commissioner Kwiatkowski said that was fact finding and how to do it. That can stay in.
6. Complete a needs assessment for a second water tower – Commissioner Kwiatkowski said the Board can push that back another year.
7. Continue to support LWI access to the ocean – Commissioner Kwiatkowski stated this was going to be discussed with Mike McIntyre if they went to Washington, D.C. It was about a five-year plan. Assistant Town Manager Hewett said we have a draft and it is being considered as part of the budget.

ORDINANCE RELATED

1. Make decision on zoning change regarding setbacks, parking and % permeable for different sized homes – Commissioner Kwiatkowski said it is a decision to be made by the Board. Town Manager Hewett said this is a good example for the Board as to how COVID-19 is impacting the ability to get things done. Anything that would come before the Board would require the Planning & Zoning Board to assemble. That is not happening. He is not sure of the timeframe that will happen in. He lost six weeks on just the budget process, much less every other thing we do. Commissioner Kwiatkowski said when we can get it in front of the Board, it's fine. It will happen this year, it's just when.

POLICIES/PROCEDURES/RESOLUTIONS

1. Work together transparently, prioritizing the good of the Town – Commissioner Kwiatkowski said that is working together.

ADVOCACY

1. Ensure advocacy resources are given to limit expansion of the IHA
2. Support and participate in beach and inlet related advocacy efforts at local, state and federal level
 - a. Become more involved in and lead where possible regional advocacy groups and committees
 - b. Develop advocacy strategy, plan and material for county and state efforts and implement the plan
 - c. Review and as appropriate amend directions to Poyner Spruill for federal advocacy.
 - d. Support and participate in advocacy efforts and any level as appropriate

Commissioner Kwiatkowski said we have a budget for a consultant. The other things will be to get things together and start doing more local and state work. She doesn't think you will get anywhere at the moment. At some point in the next fiscal year she thinks it will open up so you have to keep some budget in there for these activities. She doesn't think it will happen calendar year 2020. She said it would be budgeting for those things for the first half of 2021. Town Manager Hewett said you need to keep in mind an effort like NCBIWA. It was a conference that was supposed to happen in the spring and then they moved it to June. We just received word that it has been pushed to November. There are those types of things that will need to happen. Commissioner Kwiatkowski explained she was thinking of the bigger ticket items, like developing a plan and office visits in Raleigh.

3. Review Holden Beach marketing materials and methods aimed at renters and potential homeowners for updating – Commissioner Kwiatkowski said she thinks it would move back a year. Assistant Town Manager Ferguson explained the skeleton information that went into the draft worksheets went up \$5,000. It went from \$35,000 in promotions last year to \$40,000 projected for this year. Commissioner Tyner would like to get Mitzi on our agenda at some point to talk about what Brunswick County is doing. He asked Assistant Town Manager Ferguson to work on that. Mayor Holden suggested the Brunswick County Chamber of Commerce as well.

Commissioner Kwiatkowski requested to go through the Capital Improvement Plan for 2020 - 2021. She asked about the second half of paving for Brunswick Avenue. Town Manager Hewett explained you have to remember the tax rate is set, you get about \$120,000 for paving. We made a formal decision when we did the Street Assessment Plan to try and group the paving in clusters of \$120,000 which is directly correlated to a penny. If you want to push that, he thinks you need to take a penny off taxes. That has been the approach previously. Commissioner Kwiatkowski agreed that should stay.

Commissioner Kwiatkowski said there is \$110,000 in Police vehicles. Town Manager Hewett said that is probably two replacements. Those vehicles are fully equipped. He thinks you should keep it in there and take it out if necessary. You will be rolling on rims if you don't follow the replacement plan.

Commissioner Kwiatkowski said the generator relocation was pulled forward into this year's budget.

Commissioner Kwiatkowski said there is a Streets' dump truck at \$80,000. She said that she heard the Town's is in really bad shape. Town Manager Hewett said it is the dump truck and the vector truck. The vector truck is about \$350,000. There are some possible funding strategies to help knock that back.

Commissioner Kwiatkowski said basically what Town Manager Hewett is saying for the general fund capital expenditures, other than generator, leave it there and let's see. She said the Board just discussed lift station 2 and decided to keep it. The water tower rehab shows another \$46,000. Town Manager Hewett agreed that is something we need to have. Commissioner Kwiatkowski said the second water tower is already in 2021 -2022, so the Board does not need to mess with that.

Commissioner Kwiatkowski said there is a \$70,000 truck and \$60,000 vac truck under water/sewer. Town Manager Hewett said if you look at the \$60,000 for the vac truck, it is for five years. That would be a lease purchase. Mayor Pro Tem Brown suggested trading the current one in. Town Manager Hewett said we have a maintenance bill in the \$40,000 range. That is the second time in three years we have had one of those bills. He believes the current one is 10 years old. Town Manager Hewett said he will need to follow-up on the \$70,000 truck. The \$70,000 truck may actually be two trucks at \$35,000 each. He will doublecheck.

Commissioner Kwiatkowski asked if we have an estimate of the cost for health insurance as compared to last year. Town Clerk Finnell responded that it did not go up this year.

Commissioner Kwiatkowski inquired if some of the tourism-related activities will be impacted. Town Manager Hewett answered that we will need to understand how social distancing will impact programs. Right now, we are straight-lining those programs, to include concerts. Assistant Town Manager Ferguson said some things like concerts we don't get back money from, except for 50/50 raffles. Other programs have the revenue side also, so you would be impacted on both sides. As far as bands go, we need to let

the early bands know by May 8th. We will be making decisions for the beginning of the season shortly. Town Manager Hewett said that is this year's budget. Commissioner Kwiatkowski stated she thinks if we get to Phase 3 of Governor Cooper's restrictions, it will allow larger crowds. If there are restrictions in crowd size, we can't have concerts. Town Manager Hewett said the lead time on securing bands is out there. We have the best lineup around. He is not looking at not budgeting for the bands, unless the Board tells him not to budget for them. If we need to cancel them, we need to cancel them, but we need to get them booked. Mayor Holden said they would move onto another venue and then will commit to them in the future. Assistant Town Manager Ferguson said we are looking at \$34,000 this upcoming fiscal year. She said people are saying if the beginning of the summer is impacted, they are willing to play a different time. At this point we haven't looked at cutting funds yet. The contract has wiggle room in it that talks about acts of God and pandemics. Typically, we pay them when they come, without a deposit. There is an understanding that we let them know by a certain day out. Right now, they are asking for two - three weeks' notice. Some of the larger ones may be different. Town Manager Hewett said we have canceled in the past for weather related reasons. Commissioner Sullivan stated if we can cancel it, there is no reason not to include it in the budget.

Commissioner Kwiatkowski said the only other discretionary item she can think of is the beach rangers. Town Manager Hewett said we have folks lined up, but they are waiting. Commissioner Kwiatkowski said it is really putting together a budget that isn't much different than last year and see what the numbers show. Commissioner Murdock asked Chief Dixon's opinion of the beach rangers. Town Manager Hewett replied that is a public relations position. Mayor Holden added they ask someone to not do something. If they don't listen, they can get the Police Department.

Commissioner Kwiatkowski said the next step is Town Manager Hewett releases the budget message. Commissioner Sullivan would like to have another meeting where Town Manager Hewett provides an outline with his proposals and then they get the budget message. Commissioner Tyner would also like to see an outline. He asked if Town Manager Hewett is going to balance revenues and expenses by either using fund balance or by increasing taxes. Town Manager Hewett answered that those are the two mechanisms the Board has under their control for Town generated revenues. Commissioner Tyner asked if he will be recommending if we will spend money out of the reserve funds and keep taxes neutral or increase taxes when he presents the budget. Town Manager Hewett responded yes. Commissioner Tyner said he does not want to increase taxes. It is a balancing act, how far you want to take your fund balances down. His goal would be to not raise taxes. Town Manager Hewett said the other piece of that is the collection rate on taxes. He heard other beach communities are looking at collection rates of 85% or below.

Town Manager Hewett said he is covered with COVID every day. He is doing the best he can. He asked the Board to tell him the date they want to meet. The budget message is a proposed ordinance. The Board does not need to adopt that. The Board discussed moving forward. The Board will meet the week of May 25th. Town Manager Hewett explained this message will meet the requirements of the Local Government Budget and Fiscal Control Act and will be as simple as can be. He doesn't have the manpower to do extra analysis and items like that.

ADJOURNMENT

Motion to adjourn by Mayor Pro Tem Brown at 5:28 p.m.; second by Commissioner Tyner; approved by unanimous vote.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk