

MINUTES  
OAK ISLAND TOWN COUNCIL  
SPECIAL MEETING  
February 2, 2016 – 6 P.M.  
OAK ISLAND TOWN HALL

Present: Mayor Cin Brochure, Mayor Pro Tempore Jim Medlin, Councilors Sheila M Bell, Charlie K. Blalock, Loman Scott and Jeff Winecoff, Town Manager Tim Holloman, and Town Clerk Lisa P. Stites, CMC.

Mayor Brochure called the meeting to order at 6:00 p.m.

**Councilor Bell made motion to change the February regular meeting from the 9<sup>th</sup> to the 15<sup>th</sup>. Councilor Blalock seconded the motion and it passed unanimously.**

Mayor Brochure explained the format of the meeting. Mayor Pro Tempore Medlin gave the invocation and led the Pledge of Allegiance to the flag. Mayor Brochure welcomed Brunswick County Commission Chairman Scott Phillips, Commissioner Pat Sykes and County Manager Ann Hardy.

Town Manager Tim Holloman gave a presentation, a copy of which is attached and is hereby made a part of these Minutes. Mr. Holloman began by reviewing the history of the system, rate increases and how talks with Brunswick County regarding the utilities transfer had proceeded. Mr. Holloman also reviewed the proposed timeline. The information gathering stage will take several months. The County's ability to to acquire the Town's system could be affected by the bond market. The actual transfer could potentially take place in October or November. He also reviewed some of the responsibilities post-transfer. The County would responsible for maintenance and repairs once the systems are transferred.

Mr. Holloman also explained that taxes are not related to the utilities system so taxes would not be affected at all if the systems are transferred to the County. Mr. Holloman reviewed what assets would be transferred to the County: water lines, sewer lines, sewer stations, wells, water towers and any property purchased with utility funds. There will be some exceptions, notably the property adjacent to and behind Town Hall, to keep the continuity of the Town Complex intact. All vehicles, trucks, backhoes, vacuum trucks purchased with utility or enterprise funds will become property of Brunswick County. The County will receive \$3.4 million in utility assets and \$106 million in waste water assets from the Town.

Regarding capacity, Mr. Holloman said the County would construct additional capacity if needed; the Town would not have to pay for that. The cost involved in pursuing the transfer is approximately \$300,000. If the transfer is found to be not a prudent idea, the Town would not be liable for that \$300,000.

Oak Island customers would become County customers and would continue to pay toward the existing debt through the County. The Town's credit rating would improve and the budget would decrease by approximately \$10 million. There would not be any new sewer assessments; the County would take over collection of unpaid assessments. Special legislation would be needed for the County to able to collect the assessments and sewer district fees. Regarding rates, Mr. Holloman said that those who use higher quantities would see lower bills. Initially the rates would go up 6 percent over the Town's project FY 2016-17 rate. Vacant lot owners would see some decrease in the sewer district fees. The Town's rates are scheduled to go up a total of 60 percent the first 20 years of the system use. The Town would not be responsible for maintenance costs of the system after the transfer. Mr. Holloman also reviewed a rate chart the County's system.

Mr. Holloman also reviewed a list of pros and cons for the transfer. Under the pro column, he included the following: the Town is relieved of major debt, the Town relinquishes utility assets-no further

maintenance obligations, financial conditions are positive and it is a good climate to refinance bonds, and the County has a better credit rating when bonds are refunded and larger customer base economies of scale. The con list included the following: the Town relinquishes utility assets, the County doubles its utility debt load, Town utility customers still pay debt but to county, utility payments not received at Town Hall. The floor was then opened for questions from citizens.

Evelyn Brown 225 NE 51<sup>st</sup> Street: Does the County require owners of vacant lots to pay a rather substantial assessment (sewer district fee) for non-use of water and sewer? Ms. Hardy said that if the County were under an agreement with a municipality or the property owners request a special assessment district, then yes, the County does require those property owners to pay an assessment. She also said there are property owners in the County with lines running by their property owners are not required to pay an assessment or availability fee. Following back and forth discussion with Ms. Brown, Mr. Holloman said the County can charge minimum fees but hasn't had to do that.

Malcolm Morrison, 119 SW 21<sup>st</sup> Street: I understand there would be some employees who would be outsourced and if we are going to have some people lose their jobs with the Town and they may look into going into early retirement, would the Town or County provide a certified financial planner to assist and will that planner have a fiduciary responsibility? Mr. Holloman said there would be between 3-5 positions displaced. The possibility of offering a severance package has been discussed. Most of the operational employees would have jobs with the County. There has not been any discussion about using a financial planner. There is also a possibility that the displaced employees could find other jobs with Brunswick County.

Jack Moore, 113 SW Drive: I believe there are still some current or ongoing litigation matters involving the sewer system. What happens to those? Mr. Holloman said there are only two named suits at this time and we do not know the status of what will happen from here; the Town and the County will work together but there are no large outstanding liabilities.

Richard Bunce, 125 NE 26<sup>th</sup> Street: It appears the County retail rates include debt service for the portion of the system they use. If so, then the \$2.9 million payment the Town makes to the County for this year for the portion of the system the Town uses, presumably that would go away and the \$64 a month sewer treatment fee applied to all customers and all lot owners appears to be a very conservative estimate for the debt to be paid. Is that accurate? Ms. Hardy said that the County does use conservative projections. If the County can refinance the debt, the County can offer the Town a better rate but at this point in time, it appears that the \$64 a month is what is needed to service the debt for the collection system and the sewer that is on the island. The County still has approximately \$100 million in debt on the plant. Most of the County's retail customers do not have collection system debt.

Bettie Thorne, 2501 E. beach Drive: The Brunswick County rates that were given to us tonight, what is the likelihood those rates could increase in the foreseeable future and as it pertains to Oak Island, what could cause that? Ms. Hardy said the County has had one rate increase since the late 1990s and one decrease. They raised rates \$1 a month two years ago. She said she believed that Commissioners would be extremely conservative regarding rates in the future. The County also has to allow for growth though, which helps spread the cost among more customers but also involves an investment in the system. For three years during the economic downturn, the County did not raise the wholesale rate to Oak Island as it would have been difficult for customers. Decreases during that time were passed on to customers, however.

Tony Brooks, 2345 West Beach Drive: It doesn't take a lot of effort to see that there is an effort to cut down every tree and build some kind of building. We have a lot more houses to pay the bills than we did when all this mess was created in the first place. It looks like there should be more income. Has anyone

projected when the surcharges are projected to end, and how does the development of things like shopping center areas help? Mr. Holloman said that along with growth comes costs for taps, new lines, etc. The Town has had more than 150 homes in the last three years as far as growth. The Town has not seen a long period of increased housing starts. Ms. Hardy said that the County's goal is to operate its system as efficiently, as effectively and as inexpensively as possible. The County has a lot of bond holders and is obligated to make debt payments. The County projects growth at 50 new connections a year for Oak Island. If that is exceeded on a regular basis, there could be some rate decreases. Staff would recommend reductions for Oak Island whenever it would be possible. Ms. Hardy said that with 38,000 existing customers, she thinks the County can help Oak Island.

Herb Linesberg, 138 NE 19<sup>th</sup> Street: If the County takes over the sewer system, will the County honor the agreement to allow property owners to pay the \$4,200 assessment over time? Ms. Hardy said the initial plan is to honor any commitments Oak Island made to its customers. The County could not legally assess Oak Island customers any more.

Rae Keane, 21 Augusta Drive: If it looks too good to be true, it probably is. Why is the County willing to do this and why would we give up all that property? Ms. Hardy said the County is in the water in sewer business, has the capability and the staff to do it, and everyone in Oak Island is also a citizen of Brunswick County. She believes it would help Oak Island customers and County customers by eliminating duplication in billing, staffing, etc. Mr. Holloman added that most of the property included already has water tanks, etc. and is not property the Town could sell.

Jon Collins, 7 Pebble Beach Drive: At present, the more water you use the higher your sewer rate is, and that was to pay for the sewer debt. But now the more water you use, your rate would go down. Is that correct? Mr. Holloman said currently, water fees, sewer district fees, sewer fees all go toward paying off the debt. Mr. Collins said that it doesn't seem logical that the County would charge less for sewer when the Town is charging more for higher usage. Mr. Holloman said the County would be starting out with the Town's projected 2019 rates which would allow for a lower sewer district fee.

Steve Apple, 1612 E. Beach Drive: For combined parcels, does the County know what it would cost if those parcels were separated and need taps? Ms. Hardy said the rate structure was on the County's website. Mr. Holloman also explained that the sewer assessment gets applied to the parent parcel, which is the one that retains the Parcel ID. It would have to be worked out on a case-by-case basis, keeping in mind where the tap is actually located.

John Whitmer, 105 SE 57<sup>th</sup> Street: Who will get the rent from the cell tower leases? Mr. Holloman said that was about \$230,000 annually and goes to the operation of the system; it would go to the County.

Carol Painter, 306 Ocean Drive: For the people served by the Fish Factory Road plan, the former Yaupon Beach residents, when the sewer district fee was established, there was a statement made that the billing system at the time could not handle two rates. How is it justifiable for those customers to continue to pay a fee for a system that does not serve them? Caswell Beach flow is treated at the Fish Factory Road plant but those customers do not pay what the Yaupon residents pay. It seems like now would be a perfect time to separate the customers. Mr. Holloman explained that Fish Factory customers wanted to be considered separately. At this point, he said he did not think anything would change as the County would treat all customers the same.

Ted Manos, 3022 West Beach Drive: Is the property being given to the County being done in ownership only or in fact in geographic area so that the County would have authority over that property and the Town would no longer have authority? Mr. Holloman said it would become County-owned property but still be inside the Town's limits and subject to the Town's planning jurisdiction.

Bob Pierce 102 SW 22<sup>nd</sup> Street: Who would be responsible for the ongoing odor issue? Ms. Hardy said the County would, after the County assumed control of the system.

Wendell Withrow 137 NE 19<sup>th</sup> Street: In the case of a natural disaster, what plans are in place to take care of the system if it is damaged? Ms. Hardy said the County already has systems on other barrier islands; plans are already in place for those. The system is insured and County staff would work with federal agencies as necessary. Precautionary measures would be taken in advance of the storm as well.

Rhett Blackmon, 106 SW 21<sup>st</sup> Street: How responsive will the County be if he has an issue with his water; his vote counts much less at the County. Ms. Hardy said the County Commissioners are very concerned with individual citizens and their problems. She said that the people she works with do care, are professional and want to do a good job for the citizens. She suggested he check the County's track record; she had already suggested the elected officials check with Caswell Beach, Sunset Beach, Boiling Spring Lakes, etc. Mr. Holloman said it would be dealing with County government, not a water or sewer authority. Most of the Town's utility system employees would become County employees. Ms. Hardy added that if Mr. Blackmon has had experiences with County employees that have not been positive, she would like to hear about it.

Mr. Lassiter, 162 NW 4th Street: You said maintenance wouldn't cost us any more in the long run. Do you have people qualified to work on the system and what are your plans in 15 years or whatever the life expectancy of the plant is, how would our bills be adjusted then? Ms. Hardy said that the County has qualified people in place and has consistently won state awards for utility system operations. Over time, there will have to be replacements, and that will cost money. She said she believed they would be setting a rate now that would take us through long term. As new customers come in, that will help pay for any needed expansion.

Sarah Whitmer, 105 SE 57<sup>th</sup> Street: What measures will the County take to ensure the water towers are kept secured? She said there have been times they have found the water tower adjacent to their home unsecured. Ms. Hardy said the County would take the same security measures it does elsewhere.

Council took a break from 7 p.m. to 7:18 p.m.

Lynn McDowell, 6407 Tortoiseshell Court: What is different now that makes this look promising? Ms. Hardy said that it had been reviewed previously and at that time, the County could not refinance the Town's debt. That's the biggest thing that has changed. If the County can truly and legally issue replacement debt for all the debt the Town has on the system, which gives the County the opportunity to acquire the system. There were no individuals that came to any kind of impasse two years ago; it's just something that wasn't feasible then but appears to be now. The County has to not only be able to do it but be able to do it cheaper than the Town's current debt service or it doesn't make sense for anybody.

Mr. Holloman read some of the questions written down during the break:

With the decrease in employees throughout the years and now and now employees losing jobs, does the Town still need such a large facility (Town Hall)? Mr. Holloman said that part of the Town complex is the Police Department, so that need is still there, as is the need for Council Chambers. There will be some room freed up on the first floor but Development Services offices would still be on that floor. Mr. Holloman said he wasn't sure who would buy a Town Hall.

Who is responsible for repaving the sewer cuts? Mr. Holloman said the Town had been using some different materials in some of the cuts that have been sinking over time; the Town would continue to work on that. Any new cuts would be the responsibility of the County.

Will there ever come a time when the sewer district fee is no longer necessary? Mr. Holloman said that he hoped so, but it would depend on growth and other factors. He said he believed if the County absorbed the Town's system, that would happen sooner than if the Town retained the system.

Regarding another question about Town employees, Mr. Holloman said this decision should not be viewed as any slight to our Town employees. He said our employees do a great job. It was a financial decision based on what was good for the rate payers. Regarding how the transfer would work for employees, Mr. Holloman said that the employees would become County employees when the transfer happens. There are some employees who may not get the best transition deal they expected, but the Town is committed to make it as painless as possible. Ms. Hardy said that the County's Human Resources staff is already working on a way to assist the employees who will lose their Town jobs in locating other employment with the County.

Has the County actually agreed to lease Bill Smith back to the Town for \$1/year? No, that has not happened yet, but Mr. Holloman said he did not see that as a problem.

Ms. Hardy said that she has been asked about irrigation rates. She said that the County does have irrigation rates; those rates are listed on the County's website. The base fee is \$12/month and there is an incremental usage fee.

Peter Key, NE 38<sup>th</sup> Street: He said he favors the transfer and he hopes that we will see some improvements in services in Town, such as the Nature Center, wooden walkways for handicapped access, etc. Mr. Holloman said that this transfer would not create an extra pot of money for the Town. The Town has now refinanced all of its General Fund debt, and that will be paid off in five years; there may be more financial options at that time. Funding for beach nourishment will also affect the Town's spending.

Ted Manos, 3022 West beach Drive: You mentioned there would be extensive negotiations between the Town and County. Is there any possibility that there would need to be a stipend paid to the County to accomplish this? Ms. Holloman said he did not think so.

Richard Bunce, 125 NE 26<sup>th</sup> Street: Will the engineering evaluation include looking at sending all flow from the island to the County plant? Ms. Hardy said she had the best team in her engineering department and they would look at every opportunity that they can to see where improvements could be made so rates could be reduced over time. They would certainly be looking at that.

John Whitmer, 105 SE 57<sup>th</sup> Street: How does the County bill for condominium units – is it on one tap or each individual unit? Ms. Hardy said it varies; sometimes there is a master meter.

Malcolm Morrison: Would the County be able to extend service to beach areas, the Point, etc. so the Town can enhance it as a park? Mr. Holloman said there are no plans to further develop the west end with bathrooms, etc. He said that those improvements were not discussed at the recent Council retreat. That would be something for the Parks and Recreation Advisory Board to look at and for the Public Works Department to recommend.

Troy Davis, 314 NE 39<sup>th</sup> Street: Once the County takes it over and assumes the bond, it makes the Town free to pursue bonds for beach nourishment, so I guess we would see an increase in taxes? Mr. Holloman said he tries to avoid financing any beach nourishment projects. He said that yes, there might be a tax as part of beach nourishment but he would strongly discourage financing such a project. It might take five to seven years to save enough money for a large project.

Mr. Holloman was asked if he would read all of the questions on the written list. He said there was one additional question listed but that as it could be viewed as personal attack on an individual, he would not read it.

Rae Keane, 21 Augusta Drive: The Town will give up the debt, the County will take on the Town's debt and take the Town's properties, and then rate payers pay an additional \$64 a month on top of the current water bill? Ms. Hardy said that was not correct. That \$64/month would replace the current sewer district fee (base), not be in addition to it. With the County, Oak Island's utility customers would pay the County's water rates, the County's sewer rates and then \$64/month for debt service. Mr. Holloman said for a 5,000 gallon customer, that would be \$143.25, which is \$10.42 per month less than the Town's current rates.

Sheila Solberg, 326 NE 48<sup>th</sup> Street: Why will customers who use less water see an increase and those who use more pay will less? Ms. Hardy said it was a difference between how the Town and County set up the structure for paying its bills. It's a different rate structure and philosophy on how to establish rates.

Councilor Bell said we are very proud of our Town employees. She asked about the Memorandum of Understanding; it references "enterprise system" in most places but references "assets of the Town," rather than "assets of the enterprise system" in others. Ms. Hardy conformed that would be the enterprise system assets only, not the assets of the Town. Answering another question from Councilor Bell, Ms. Hardy conformed that Oak Island residents who are not utility customers (such as those in South Harbour Village and Oakwood Glen, etc.) would not be charged a sewer district fee by the County. Councilor Bell also asked if in the negotiations, it would be at all possible for the Town could keep Bill Smith Park and the County pay the Town \$1/year instead. Ms. Hardy said that could be considered but the County would have to make sure that its ability to meet state permit requirements and use the park as a disposal site is maintained. Councilor Bell asked why the Town could not refinance its own bonds and sell capacity to Southport. Ms. Hardy said that the Town could refinance but that the County could refinance at a better rate than the Town. Ms. Hardy said the Town could sell capacity to Southport. Since the County is not sure what direction Southport will take, the proposal to Oak Island assumes the County will take on that burden.

Mayor Pro Tempore Medlin asked during a storm, when would the system be made to shut the system down? That would be a recommendation from the County's utilities director and staff. Ms. Hardy said she does not think the system has ever actually been shut down, but the Town would be involved in discussions about that at the time as well. Mr. Holloman said that was usually only a consideration during a mandatory evacuation. Will the SWRF continue to be operated? Ms. Hardy said it was too soon to answer that question. Mayor Pro Tempore Medlin also asked if Clean Water Management has been contacted to see if the Town could lease Bill Smith Park to the County or if the Town leased it from the County, would it be an evergreen lease? Ms. Hardy said those contacts have not been made and the type of lease has not been discussed yet. Mr. Holloman said that was something that would be discussed after the Memorandum of Understanding was in place. Ms. Hardy said that the County had adopted the Memorandum, and until the County hears from Council, the County has not hired the people to begin the engineering and financial studies. She also said that once the County has a response from Town Council that it would like to proceed, then the County would move swiftly to try and answer these questions and to negotiate the terms that are of concern to the Town.

Councilor Blalock asked about the possibility of having a satellite office here for billing. Ms. Hardy said at this point, her thoughts are that the County does not have issues about being able to serve other towns from Bolivia. She said she could see that for a period of time as the transition is made but not in the long run, having one County employee at Oak Island, separated from the rest of the County system. Regarding possibly having a drop box here, Ms. Hardy said there would be issues with the cash and security, etc. A

number of people pay by electronic draft anyway and that would continue to be available. Councilor Blalock also asked about the Par 3 golf course. Mr. Holloman said it was not part of the enterprise system though there would be some arrangement with the County for use as disposal area.

Councilor Winecoff thanked Town staff for the efforts they have put into this process thus far. He also said that he would still like to see a drop box available for residents, even if we would have to send an employee to the County with the payments. He also said that the Town could consider having someone on staff through the transition to help answer questions, etc. He also expressed concern about the grant being paid back if the SWRF were shut down.

Mayor Brochure asked about the \$64 sewer district fee – could it be lower? Ms. Hardy said it could, but that's the figure they are working with at this point. If the Town decides to pursue this, the County will hire an independent feasibility consultant, bond counsel and an engineering firm to evaluate the system. She said that once those reports are submitted, she believes that \$64/month will be what is needed, but we really won't know until the system is operating. She said she believes the County has presented a viable option, but that until the County reissues the debt, the Town and/or the County have time to stop the process. Councilor Bell asked at what point the Town would owe the County money if the Town stops the transition. Ms. Hardy said that is something that would have to be discussed. Her recommendation would be that of the report shows the County is not able to finance the debt, then whatever has been spent on the process at that point would be the County's expense. If the bond counsel says that for some reason we can't get the legislation necessary, then both parties walk away. If the legislation can be secured, and the County is able to refinance and negotiations have been moving forward in good faith but break down because minds have been changed, then the Town should compensate the County.

Mayor Brochure thanked Ms. Hardy and Mr. Holloman for all the information they have provided. She invited Commissioner Sykes and Chairman Phillips to make closing remarks.

Commissioner Sykes thanked everyone for coming out tonight. There were really good questions raised. She thanked the Town Council and staff for all their work, and the County staff involved as well. She said making this transition would not be easy and that it would be a long process. One of her concerns is the odor; she said it would be one of the first things to be addressed. Regarding what would happen during a storm, etc., Commissioner Sykes said the County has a system in place for notifying customers during emergencies. She also said that this would be a good move for Brunswick County and for the Town of Oak Island with long-term benefits.

Chairman Phillips also thanked Oak Island for working with the County in this process. It is a major undertaking for the County. There has been a great deal of work put into this already. He said that the County has the best team to make this happen, including the Manager, Finance Officer, Utilities Director and Attorney; if it is ever going to happen, now is the time. We have a Council and staff willing to work with the County to make this happen. Two years ago, it wasn't feasible. Every citizen in this room is a citizen of Brunswick County and the County is here to serve all of them. The County staff has done the best it could to estimate the projected fees. As the market changes, there could be a time when it would not be feasible or economically beneficial for the customers for the systems to merge. If it is not going to benefit the customers, then it shouldn't happen. The County wants to make sure this transfer would be as seamless as possible for the customers. Chairman Phillips praised the County's utility system staff, and said they addressed customers' concerns timely and professionally. Their job is to keep the Commissioners out of the media and they do that by responding to the customers' needs. He also said this was not a done deal by any stretch of the imagination. This is a tremendous burden for both staffs, and he thinks the Town has done an excellent job of providing information on the Town's website. There would be more opportunities to ask questions of the Town and of the County. He also said this transfer was being considered for the benefit of all of Brunswick County.

Mayor Brochure thanked Chairman Phillips, Commissioner Sykes and Ms. Hardy for attending and answering questions.

**Mayor Pro Tempore Medlin made a motion to adjourn at 8:02 p.m., Councilor Blalock seconded and the motion passed unanimously.**

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Cin Brochure, Mayor

ATTESTED: \_\_\_\_\_  
Lisa P. Stites, CMC  
Town Clerk

*Clerk's Statement: Minutes are in compliance with the open meetings laws. The purpose of minutes per the open meetings laws is to provide a record of the actions taken by a Council or a Board and evidence that the actions were taken according to proper procedures. All actions of the Council are recorded in the official minutes. Not all portions of Town of Oak Island meetings are recorded verbatim in the official minutes, with general discussion items, reports, presentations, and public comments being paraphrased or summarized in many instances. Public comments in writing should be submitted to the clerk via hard copy, electronic mail, or other means so as to ensure an exact verbatim account. The Town of Oak Island provides full coverage of meetings on Government Channel 8 so that the Citizens and the Public may view and listen to the meetings in their entirety.*