



**TOWN OF STOKESDALE  
BUDGET WORKSHOP MEETING MINUTES  
8325 ANGEL PARDUE ROAD  
STOKESDALE, NC 27357  
May 21, 2020 AT 6:30PM**

- I. **Call to Order: Mayor Flynt**
- II. **Attendance: John Flynt, Thearon Hooks, Jim Rigsbee, Derek Foy, Jimmy Landreth, Town Clerk: Alisa Houk, Asst. Finance Officer: Kim Thacker, and Town Attorney Tom Medlin.**
1. **Beaver Outdoor Solutions:** Derek said he has a presentation that he would like to share with everyone. Derek Foy began by saying he would like to call this special called meeting together, he and Jimmy Landreth called it. He called this meeting to evaluate the current contract that we have with Beaver Outdoor Solutions, to evaluate their performance. He said on a personal note when he is evaluating performance of a vendor, price is reviewed and, in this case, price was the will of Council, so price is not a part of this discussion. What he wants to evaluate is the quality of work, the ethical and trustworthiness, the open lines of communication, and lastly that a vendor provide accurate and timely billing. Derek had 22 slides to share. The first slide addressed communication. His slides date back to last year 2019, he wants to talk about a series of instances, to share from his point of view what he sees as a pattern. Former Council member Tim Jones sent a certified letter to Beaver Outdoor Solutions in May 2019, the letter was returned to Mr. Jones on July 2<sup>nd</sup> 2019 unopened. That's the first instance where a council member sent a certified letter to a vendor and the vendor chose to return to sender. Mayor Flynt interjected and said council did not receive any information about this letter and asked Derek Foy what was the subject of this letter? Derek said I'm outlining a series of instances, this was from May 20, 2019, when Tim Jones was on council. This second instances bothers Derek the most, Beaver Outdoors Solutions did a scope of work for a large sum of money, \$10,000 however, they structured multiple invoices for that one scope of work to fall under the Town of Stokesdale's spending limit. Anything over the Town's spending limit requires a vote a council. The email states we (Beaver Outdoors) sent an estimate of \$10,000. Frank requested that Vic break down the invoice to smaller amounts for his approval. In an email from Vic to Frank your accounts payable sent a check for the full \$ 10,000. After that discussion I broke the invoices down into five smaller invoices. Derek said they inserted a smiley face after the invoices. This in itself was a way for Beaver to earn business, but it denied Council the opportunity to vote for what was a larger project. It denied transparency to our citizens, this is where Derek said personally this is where he has the most heartburn. Moving on Derek then presented the Beaver Outdoor Solutions Contract. He asked everyone to pay attention to Item # 1. I will attach the

contract to these minutes. Beaver states they will mow as needed throughout the 38-week growing season. Derek took a photo of a section of the grass on the town hall property. He sent this with an email to Beaver stating that the grass is at an unacceptable length. He will say that the grass was mowed on Saturday. The response from Beaver was that he was unable to mow on Friday due to rain. His email is dated May 9, that they were unable to mow on May 8. Derek replied asking what they plan to do in the future to prevent this from happening again. Beaver said they do not work on weekend normally. Derek's concern is that it never happens again. Derek then took photos of the grounds around the water tank. He contacted Beaver again on May 16<sup>th</sup> that the grass length is unacceptable. Mr. Beaver responded that it did rain if you check the weather forecast. He added that Derek needed to check with Frank Bruno that he was Vic's contact and Frank understands they mow as need not necessarily every week, that he might then have a better understanding of the agreement. Derek then responded by asking Vic to please share his arrangements with Frank Bruno. Vic suggested that Derek speak directly to Frank Bruno. Derek's perspective is that Frank Bruno no longer works for the Town, so it was a head scratcher for Derek as to why Vic insisted that he meet with Frank. Then Derek showed a slide of the rain totals from May 1 through May 17<sup>th</sup>, he prepared this and will give the source in a minute. He said Vic said it rained on May 8<sup>th</sup>, between May 1 and 17<sup>th</sup> it had only rained .17 inches. He sourced this information from Weather Underground from rain measurements from PTI. He said that the rain gauge at PTI showed 0 percent rain on May 8<sup>th</sup>. Derek then reads the part of the agreement that states they will provide these weekly services on a weekly rate of \$ 845.00 per week. And they will bill us on a monthly basis. Derek emailed the Town Finance Officer to ask why he hasn't seen any invoices from Beaver in this years Budget verses Actuals, for the past three months. The Finance Officer said she had not received any invoices since November, she emailed them and they told her they had not invoiced any of the regular monthly charges since September. They have since emailed her the monthly contract invoices for Oct, Nov, Dec, Jan, Feb, March. Each month is \$ 3661.66, adding this up Derek said we had an unexpected \$22,000. Cash outlay. Moving on, a different voice, Jim Rigsbee copied Derek on an email he sent to Vic Beaver on Monday, this email asks Mr. Beaver to meet with Jim Rigsbee and Jimmy Landreth to get a better understanding of and the expectations of their contract. The response from Beaver outdoors was in an effort to have your questions answered I would suggest you read the contract. It also stated if you will provide your specific questions, I will be sure to provide you with answers. The email said he did not believe a site visit was necessary to answer questions. Donovan from Beaver then said he believed that based on recent correspondence that it would be beneficial not to have separate conversations but to make sure that everyone on council has access to these types of correspondences. This protects all parties and removes anything from being considered for anything other than what is intended. Please send the questions to me via email so I may reply. I also have been aware that Frank Bruno is no longer on Town Council, however he is available for questions as he represented the relationship at the time the contract was signed. Donovan said he has copied Frank on this email for Jim's convenience. Derek said he wanted to share this with Council., he said he isn't pleased with the performance, he said he has given his reasons why. Derek's biggest issue is with the invoice restructuring. Derek is presenting this to council for discussion. Thearon Hooks identified himself and said I have some questions for you, Mr. Foy. The letter you referenced, I have not seen, he doesn't know if it has been opened or not. Thearon asked Derek if he was aware of the

content of that registered letter? Derek answered, No I'm not. Too Derek's knowledge this letter is not open. Thearon asked if we don't know what is in the letter, why are we using it as an evidentiary piece of information. Derek said he was using it as one of his key metrics of the open line of communication between the Town and a Vendor. To Derek he said whatever is in that letter is beside the point. By returning a certified letter from a Council member from a vendor is not keeping an open line of communication. This is just one instance of several. What's in the letter, Derek said he doesn't know. Thearon asked Derek if he has possession of that letter. Derek said he does not have the letter. Thearon asked him if he knows where the letter is. Derek said former Council member Tim Jones has the letter. Thearon said and it was returned with Tim Jones return address on it? Derek answered yessir. Thearon thanked Derek for the information and said the other question he has, he said Derek kind of talked about it, Thearon asked you contacted Beaver Outdoors yourself, right? Derek answer absolutely. Thearon asked why the Property Committee wasn't notified? Jim Rigsbee said they were called; they were copied on the email. Jim Rigsbee asked if he could interrupt, can we take these documents off the screen so we can see each other individually? Derek removed the documents. Mayor Flynt commented that at the time the contract with Vic Beaver was signed, Frank Bruno was a Council member and was Chairperson of the Property Committee., John says he's making that point, we never received a resignation from Frank Bruno as Property committee chairperson and we never fired him. So, in Vic Beaver's mind he probably still thinks Frank Bruno is Chairman of the Property Committee. That is a legitimate assumption because you do not have to be a Council member to be the Chairman of the Property Committee. Secondly, Mayor Flynt wants to question Derek on Friday the 8<sup>th</sup>, Beaver's team was mowing, Priscilla, Alisa and I know it was raining here, because they stopped mowing and came back the next day. So, Mayor Flynt said I don't know if it was raining at the Airport but it was raining here. So, that is a moot point, I have three witnesses that it was raining here at Town Hall. Now, Mayor Flynt said if you go back to Tim Jones, if you go back and read the meeting after the Hurricane in October, they have slandered Vic Beaver and Frank Bruno beyond belief. Frank and Beaver both are very close to filing a suit. And they are still in consideration of it. So, I don't blame them for not accepting a registered letter from Tim Jones, Mayor Flynt said Tim Jones has just crucified them. And the Mayor doesn't think the complaints Tim Jones had were legitimate. If a registered letter was sent on behalf of the Town it should have come from the Mayor or the Property Committee, or the Town itself. If I were a vendor, he said I wouldn't answer a letter from Tim or Bill Jones, because they have been on his case for two years. Mayor Flynt feels that any complaints should go through one person, Chairman of the Property Committee, because it isn't fair to anybody to have five bosses. I spend a lot of time and money on my yard to keep it nice. I mow every two to three days. I won't mow as much in July so I don't see how you can say you want it mowed every week. As far as the trees, that was Bill and Tim Jones. We have never had a complaint on Beaver Outdoors until you guys came on Council. Mayor Flynt said it just baffles him, if their services were this bad, I think we would have seen it over the last year of their two-year contract. All of the issues you are bringing up we discussed last week, Tom Medlin gave us a recommendation on how to handle it. He would talk to Frank Bruno and send a letter to Vic Beaver about your concerns of their performance and request a meeting to discuss them. If Beaver refuses then we have a concern. Mayor Flynt said we have an attorney to do this, if we aren't going to use him, then let's not involve him in the discussion. Jim Rigsbee said the intent of his letter was to meet with

Vic Beaver in person, walk the grounds, understand, clarify why some areas are mowed some days and other areas another. Just get an understanding of Beaver's schedule and clarify some things. Clarify our expectations and his expectations. Make sure the bills are consistent so our Budget is accurate. He doesn't know much about conversations, communications and what went on in the past but he clearly identifies himself and Jimmy Landreth as the new Property Committee. He would just like to meet with him in person. The amount of money we are paying Jim Rigsbee doesn't think it is unreasonable to ask him to meet. Thearon Hooks said he would like to have a quick, short, special called meeting with Vic Beaver and all five council members in the next week or two and get this aired out and let him finish his contract. Thearon said he has been here since December 2018 and he has seen those folks several times have to stop in the middle of the day for rain and sometimes not get back the very next day because of either more rain or another commitment they had to address, otherwise they miss everybody. Thearon said he believes we need to give some leeway; he doesn't believe that they are intentionally taking the money for the mowing part and not doing the job. Thearon said with taking the Attorney's advise and he agrees with Jim Rigsbee we can have a settlement meeting come to an agreement and settle this like men and move on with the contract. They have been beat up, accused unfounded of criminal acts, if I were them the Town would be bankrupt by now for these accusations. Derek addressed Thearon and said all valid points, my presentation really was to share his observations, that grass didn't grow that tall overnight. Derek said he didn't know if the water tower grass had been mowed all year. Thearon answered back several times by his witness. Thearon's personal view is that we settle this and we will know what to look for and expect with the next new contract. Derek wanted to address one more thing. Something John said about mowing every week. Derek said he doesn't expect them to mow at all every week. I do expect them to honor their contract through growing season and maintain a neat appearance at all times. Our Town Park is what our citizens see. The Water Tower was an example but I'm not as focused on that as I am the Town Park, but what a repeat instance within a week. And he has been asking the question what will be done in the future to avoid this from happening. Derek said he took Mr. Beaver at his word that this was an isolated incident and it was not. This past weekend photographs were a repeat incident. He repeated that his biggest heartburn was that they structured invoices to avoid a vote of council. Derek said Thearon you and John were on council at that time and you were denied an opportunity to vote for that scope of work. Are you okay with that he asked them? Mayor Flynt answered that it was his understand that it was five different invoices. Derek said they were pruning and mulch. Mayor Flynt said that it right and each one was for less than \$ 2500. Derek said that's his point they structured the invoices, the job came in as one large estimate, at \$10,000. The actual amount was \$12,000. Within all that they structured the invoices into five small invoices to avoid a vote of Council. Derek asked the Mayor again if he was okay with that. Mayor Flynt said if I'm not mistaken those invoices had different dates on them, and the work was spread out over a few months. Derek said no, the work was done on April 4. Thearon said he knows that they say in their contract twice a year, they automatically do these jobs, that is part of the contract. Then any other times when necessary, is what Thearon recalls. Jim Rigsbee pointed out the statement circled in red which is the only time the contract states two times per year for pruning and mulch. Jim Rigsbee thinks that means at will on our part. Thearon said part of the reason they had to come back out is we had a drainage issue, when it rains hard and heavy the mulch

washes out of the bed at concession stand. We had Beaver come out and put in some curbing, but it was still washing away, because of the drainage system issues on the other side of the parking lot. We had them put in the curbing to stop it. We had a monsoon shortly afterward and it not only stopped up and over ran the drainage pipes but the water came all the way up and over the curbing and ran out into the soccer fields. It washed all of the mulch in the island over into the soccer fields. So, we had to re-mulch the area. Jimmy Landreth asked Mr. Medlin what he thinks about all this? Tom Medlin identified himself, and said there's a couple of things. First of all, we've discussed this once before in a closed session, when we talked about how we are going to handle the contract and made some decisions there. So, that being said, do you have a specific question that I haven't partly answered about that? Jimmy Landreth said he had nothing other than to make a point about it. Jimmy said he'd like to make another point, the conversations have gone well and he doesn't want it to go south here, please don't let it go south. He just wants to make point. Jimmy said he's known John a long time., Jimmy wants to make a point about Tim Jones and Bill, ya'll had heavy disagreements, he guesses both parties thought they were right. You can say about Tim, slandering and things, things you said that Jimmy says he hasn't heard that way. But Jimmy also knows if you want to call those things slander, some of the things that were done about Tim would be slander also. And maybe that went on a little both ways there. Jimmy said he's not trying to make this thing go south, he'd like to see all this go away. He doesn't see why you guys don't see some of things, it just makes him wonder. He's known you guys (John and Thearon) a long time and he is just shaking his head. Mayor Flynt said he is going to comment about a couple of things. Tim Jones, went to a couple of stores and told citizens that he had seen a check for a couple or \$3,000. That was a payoff or kickback from one of our vendors. If that isn't slander, I don't know what it is. We asked Tom Medlin to look into it, and to call Tim Jones and ask him for proof, we would like to see the check. Because if it was true, we were going to prosecute Frank. Tim never presented it. So, Tim was telling a lot of things out in public. Now if somebody told me I was getting kick- backs, I'm telling you I would be suing. John said he thinks based on conversations we have had with Frank, he has a securities license and he is audited, and subjected to background checks annually and things like that. If he was doing things like that, he has to report any kind of income he receives outside of his salary every year. There was definitive proof that Frank has not done anything illegal. Yet Tim and Bill would not let it rest. That's why Mayor Flynt says he has concerns about it. That's the reason he doesn't know what was in the registered letter, but all Mayor Flynt says he can say is he is absolutely amazed that we haven't been sued yet by Beaver Outdoors and Frank Bruno. Jimmy Landreth said that being said he was around and talked to Tim quite a bit while all this was going on and Jimmy said he was around when Tim would say things to other folks. Jimmy said he never once heard Tim say anything about Frank getting a check. Tim has a video on Facebook right now. Tim laid out everything he believed in the video. Its there for anybody to see. Nobody has taken that thing frame by frame and disproved it. Mayor Flynt said I'm not going to waste my time, if you read the Northwest Observer, Bill Jones made a lot of accusations about past Council, and Patti Stokes rebuked almost every single one of them. Yeah there has been a lot of accusations, insinuations about all of us, but when you start checking facts and looking at the records it shows these things aren't true. Jimmy said nobody has said Beaver gave Frank a check. Mayor Flynt said he has had several people tell him that Tim Jones said it. Mayor Flynt said those statements were made to

him as the Mayor of Stokesdale. The Mayor asked Frank and he showed the Mayor where he received a \$3,000. Payment for reimbursement for expenses for setting up business meetings for his network group. Tom Medlin stopped this discussion and said Council you are getting off your agenda. Jim Rigsbee said Tom Medlin made a recommendation today to reach out to Frank and then sending out a letter to Beaver Outdoors. Jim Rigsbee thinks we need to take Mr. Medlin's advice, Jim feels strongly that the expectation that as a vendor he will agree to meet with a new set of Property Committee members and go over the contract personally. Jim said he can't write a question without walking it and discussing it, he thinks we need to take Tom Medlin's advice today. Jim Rigsbee says that is the best recommendation he can give right now. Jimmy Landreth motioned to terminate Beaver Outdoors Contract for breach of contract, violating the Town policy by structuring invoices, for subverting individual councilmen's spending limits and poor customer service. Derek Foy seconded the motion. Jim Rigsbee said guys I think we need to get Tom Medlin's buy in on this. Let Tom speak about his email today to make sure we are on solid grounds from his stand point. Tom Medlin said I think all of you have my recommendations in the email I sent, my thinking is that we need to do all we can to make sure there is a clear understanding between the vendor and Council as to what the expectations are. Some of the wording in the contract is open to, he wouldn't call it interpretation but something similar to that. It says mowing will be as needed. As needed by whom, that is something you need to find out. On the other hand, Derek pointed out that it needs to be maintained in a neat appearance. Tom thinks it would be a good thing to offer Beaver and let him know, hey I know you were requested to meet. We're not trying to trap you or trick you. We seriously want to meet with you to discuss what these expectations are so there is a neat appearance all the time. Because we don't want to continue to site where we think you aren't mowing like you are supposed to. Because the more we do that the less faith we have in the contract. Tom Medline said that is where he is coming from, that is why he recommended # 1. Because as Derek showed in his emails Vic Beaver asked Council to go talk to Frank Bruno who was on Council and the Property Committee Chairman when the contract was formed. Tom wants to talk to Frank Bruno to see if there were any side agreements or anything else that he and Council don't know about. Have there been any instructions given about this type of contract that we are not aware of. Tom wants to flush all that out. Then once he knows Frank's side, he wants to go back to Mr. Beaver and give him the opportunity to meet with us one more time. Before proceeding with the next time, he does something we don't like and we terminate the contract. That is Tom's recommendation. Derek reiterated that the restructuring of invoices is not okay with him. He wants to ask each individual councilman. First, Jimmy Landreth is it okay with you that they have done that? Jimmy Landreth answered, no. Derek ask Jim Rigsbee, what are your thoughts about structuring invoices to earn work for the Town based off the email evidence that Derek has shared? Jim Rigsbee said he does think there is some evidence there as discussed in the previous, however he leans more toward Tom Medlin's advice, just from a liability to the Town tonight. But Jim said he does have a very short attention span with this situation. Derek said he is certainly considering the liability to the Town. Beaver has violated a Town policy; they were aware of the Town policy. The liability of the Town is not lost on him. But you have the performance, the communication, and you have the structuring of invoices. Derek asked Mayor Flynt, are you okay with them restructuring invoices to earn business with the Town? Mayor Flynt said until you talk to Frank Bruno and get all the facts, you can date an



invoice on April 4<sup>th</sup>, that could have been a week old that sat in a guy's truck. So, the Mayor said he is not going to comment on that. The Mayor said he believes we have beat a dead horse on this issue. The mayor said he feels sorry for Beaver with the harassment we have put him through. Then the Mayor said we have a motion on the floor and he is calling for a vote. Derek said he wanted an answer. Mayor Flynt told him it was none of his business. Derek said he still had discussion. Mayor Flynt said he is calling to question. Derek said no he still wanted to ask Thearon. Derek ask Thearon, are you okay with them structuring invoices to earn work for the Town of Stokesdale, based off the emails he shared? Thearon answered no he is not based strictly on that. But, Thearon said he has a big tendency to follow what a lawyer says, because he is the only one that is going to get him out of a six figure law suit. Until recently Thearon said he has had no known bad performance from Beaver. The restructuring thing he's not sure where that is coming from. He has not talked to Beaver about that. Thearon said he will follow the Attorney's recommendations because he is the one that is going to fight for me in the bitter end. We had a former

Attorney, who was a good Municipal Attorney and he made a statement to us. He said I will never ever put myself in a position for you guys that I can't defend. Derek replied that he respects Thearon's statements.

#### **VOTE:**

<b>Mayor John Flynt</b>	<b>No</b>	<b>Derek Foy</b>	<b>Yes</b>
<b>Thearon Hooks</b>	<b>No</b>	<b>Jimmy Landreth</b>	<b>Yes</b>
<b>Jim Rigsbee</b>	<b>No</b>		

Jim Rigsbee asked to speak on more thing regarding Beaver Outdoors. Jim Rigsbee said he will follow this vote by saying he will be willing to reconsider his vote once Tom Medlin has followed his course if we are still not satisfied with the outcome.

Mayor Flynt made a motion to allow Tom Medlin to meet with Frank Bruno and after their discussion send a letter to Beaver Outdoors requesting a meeting, see what the response is and move forward based on whether they respond or not. Thearon added that if it comes to that point in time, that we do have a meeting in person with the five of us, our finance people, budget people, and the representatives from Beaver Outdoors, that they come out in person from a management standpoint and that we come to an agreement, that we can walk away from as gentleman shaking hands one way or the other. Jim Rigsbee added to that, again as per his email. Jim understands that council wants to have an open meeting of council. But Jim still goes back to he wants a meeting with the Property Committee and the vendor so we can walk the grounds, have a physical meeting so we can understand the nomenclature of the Town's task. Without that the Jim Rigsbee will not be satisfied. His goal is to get the best service for the Town. If we choose to continue with them, he wants that meeting to take place. Mayor Flynt amended his motion to include all of the Thearon and Jim Rigbee's request and have Tom Medlin meet with Frank and send the letter to Beaver. Jimmy Landreth seconded the motion.

#### **VOTE:**

<b>Mayor John Flynt</b>	<b>Yes</b>	<b>Derek Foy</b>	<b>Yes</b>
<b>Thearon Hooks</b>	<b>Yes</b>	<b>Jimmy Landreth</b>	<b>Yes</b>
<b>Jim Rigsbee</b>	<b>Yes</b>		

Tom Medlin addressed the Mayor and said while Alisa is setting up the Budget presentation, unless Council needs him to stay present, he will leave the meeting, If Council needs him for any questions, they can feel free to call him on his cell phone and he will re-join the meeting. Mayor Flynt asked Tom if he could do one more thing for them before he leaves the meeting? We sent a letter to Kara Millonzi, from the NC SOG, she responded back about taking money from the Water Enterprise Fund and allocating it to the General Fund. Mayor Flynt asked Tom if he would address that, and give your opinion? I know you were the attorney for Eden for awhile and they had a water system. Tom Said the question is how to take money from a Water Fund and allocate that over into your General Fund, for some of the Town's expenses. The email we got from Kara A Millonzi, she indicated that yes you can transfer from the Enterprise Fund. # 1. You can only do it as long as the incoming funds are equal to or greater than the expenses and appropriations for the water/sewer fund. You can't transfer money out if you haven't covered the budget. # 2. There has to be a rational way of allocating those expenses from the General Fund to take money from the Water Fund to apply to it. You can't just take money, a set percentage across the board and say 14% of all the General Fund expenses will be paid by the Water Fund because there is no rational basis for that. What you can do is for example personnel. There are certain persons on payroll that there are certain employees that spend working hours in both General Fund and Water Fund items. What percentage of time is spent on each and apply the percentages and pull from the Water Fund? In this Tom agrees with Kara Millonzi. The Water Enterprise Fund is supposed to be a self-sustaining Fund, you adjust rates accordingly. It is not supposed to be a Revenue account. Tom did agree that we should be putting Water Enterprise money into a Capital Reserve Fund for the water tank, water lines, things of that nature because one day they are going to have to be repaired or replaced. Same thing for the General Fund, property, grounds, and so forth. This needs to be part of the Budget. And as long as all of that is covered then you have enough to transfer moneys back over to your General Fund. Kim Thacker addressed Council and said she too contacted the SOG and spoke with a several people. They gave her two ways to handle these allocations and she chose the simple method to make it clearer for everyone. Simple method is basically, using an across board percentage for the items that are direct and indirect expenses. She feels the accounts should be used for both direct and indirect expenses. Tom said Kim he thinks we are all saying the same thing. We just have to make sure that there is a rational reason for the allocations. Mayor Flynt addressed Kim and used the example that our Insurance expense is approx. 14,000 Our Total assets, the Town Hall Building and Park were \$1,200,000 the Water Tower and Chlorine Station were \$800,000 so that's a 64. We allocated based on that. We can justify that to any auditor that is absolute direct cost. We also allocated things like the accountant, we were doing 50/50 for the auditor, legal, salaries we went back to the split, FICA we took the actual salaries and multiplied by 7%. So, we tried to do that, I think you were showing about \$ 144,000. We had calculated about \$ 95,000. One thing Kim missed which is not her fault she just didn't get the information; her budget did not include the Hazen and Sawyer Contract for approx. \$ 85,000. Council has approved Task 1 and Task 4. We had already paid Task 1, and part of Task 4. So, her budget on that one items is about \$ 65,000 light. So, if you figure that out, we have to break even on this thing. As Tom said we have to consider some money for Capital Expense. That's one of things Rex Rouse chastised us for in the previous audits. Mr. Rouse also showed \$113,000 in depreciation and we are no where close to being able to do that on Kim's



Budget. Mayor Flynt said he believes if we go through this budget line by line, he thinks we can come to a compromise because we are that far off. Derek addressed Mayor Flynt and said you mentioned depreciation, that's kind of a non-cash item. So, are you saying depreciation needs to be in the budget? Mayor Flynt answered back that if Derek would look on last years audit when Rex Rouse did the total expenses his numbers included \$ 113,000 for depreciation. So, last year I think we lost about \$ 78,000, its not something we are going to write a check on, it's just an accounting principal. Derek agrees with that, but since its not a cash outlay, do we need to account for it in the actual Budget? Mayor Flynt answered back, the auditor said it does. Mayor Flynt said we don't actually physically show it but we have to consider it. Tom Medlin asked Kim, Depreciation is an accounting and tax number, but it also reflects the deterioration of the asset over time and in order to replace or fix that asset there is going to come a point in time where money does have to be spent to do that, correct? Kim answered, correct. So, Tom's question do you have or should you have in the budget, or a Capital Fund where money actually is placed and invested to remain overtime until that anticipated expense is incurred and usually the way he has seen that done is you go out and lets say you are talking about the water system and you have an Engineering Expert telling you that your Tank is going last this long and your water lines are going to last this long, this is what it is going to cost when they expire and need to be replaced. You come up with a dollar amount and start budgeting overtime, you spread that money out over time so that when that time comes you hopefully have enough money to cover it. That's Tom thought process about depreciation and a Capital Fund. And that is a check that is cut and shows up on a balance sheet as a Capital Expense. Kim agreed that is correct it shows up, if they request for a line item to be put in for Capital Funds that can surely be done. Thearon asked the question that to his knowledge the Town has never had a Rainy Day or Capital Outlay Fund before for the future? His feeling is that there is no time like the present to start this since we have sufficient funds in the Water Enterprise and Water Sewer Fund to be able to put moneys aside and start annually putting more money in that so we don't have to go back and delve into just general funds to cover a \$1ML worth of need. Our system is 18 years old so we need to start thinking about these things. At this time 1.12 hours & minutes into the meeting Tom Medlin was excused from the remainder of the Budget workshop meeting.

Jimmy Landreth asked if we were using Kim Thacker's Budget of the Finance Officer's Budget. Alisa Houk said what she would really like to do is as she is looking at both the Budget Kim put together and what she and the Mayor put together. Alisa would like to begin by allowing Kim to present her budget and as we get to items that the budget the Mayor and Alisa put together differs from what Kim has, discuss those.

**Mayor Flynt asked for a 5 minutes recess and to reconvene at about 8:05Pm.**

**2.Discussion of the 2020-2021 Water Enterprise Budget: Alisa turned the initial Budget proposal over to Kim to give her numbers.** Kim Thacker began by giving her projection of what she anticipates our **Total Revenue** to be for 20-21 FY at \$ 400,000, that is with the Beer and Wine, Cable Franchise contributions. The **Investment Earnings** Kim said she did drop down on some as well as the State collected Revenues. Because of the COVID-19 we are kind of in the unknown as to what is going to happen with the economy. So, she has dropped our anticipated income based on this. She asked Council if they were okay with that or does, she need to make any changes. Mayor Flynt addressed Kim; he said a couple of things. Mayor Flynt said the Investment Income you are \$42,700,

a lot of our **CDARs** are coming due and we will be reinvesting those. We were getting anywhere from 2 to 2.25%, that has dropped back, it does depend on what day you go, it dropped back to about .25% or .20%, so John has dropped that down more to about \$ 30,000. There was discussion between Council, Alisa, and Kim regarding the drop-in rates. Derek said if we have gone from about \$55,000 in investment earnings at 2.25% to .25%, \$30,000 may be a stretch. Mayor Flynt said if Council wants to drop this more like down to \$ 20,000, he is okay with that.

Mayor Flynt then said he and Alisa had discussed the **Planning and Zoning Fees**. Alisa had told him that we were already up to \$16,000 - \$17,000, we bumped that up to \$25,000. Again, he said we are anticipating a lot of growth out here. Jimmy Landreth commented that we had been booming for a while but he thinks people are going to be scared for a while. Mayor Flynt said we just approved about 450 houses in several subdivisions. Jimmy said its an election year, the virus he just doesn't know how many people are going to be starting houses. We've got several commercial sites coming in, and these houses he already mentioned. He just feels \$13,000 is too low. Derek said well what if we put in **\$20,000 for Planning and Zoning** it's the investment earnings that has him concerned.

Derek wants to drop the **Investment Earnings down to \$ 20,000**, Mayor Flynt said he doesn't have a problem with that. Thearon said keep in mind the lower we make line items the more Budget Amendments we will have to make if it comes in more. Derek stated he wanted to stay away from that. Derek said what does Council think about moving Planning and Zoning to \$ 20,000, and slashing Investment Earnings to \$20,000 also.

Mayor Flynt said another line that he thinks is pretty significant is **Town Hall Park**, Kim had put \$1500 Alisa and I had put \$3000. Kim asked the Mayor why he put \$3000, the Mayor said he thought Alisa had told him that is about what we had received so far this year. Kim said no, she is showing \$1800. Thearon said keep in mind when these tiers come in and levels go up for activity there may be some catch and we may have some extra money coming in. Mayor Flynt said we aren't talking about a lot of money here, lets put it at \$2000 since we have gotten \$1800 this year. Kim said okay, now back to the Investment Earnings, she can do some research on this because she has a list of what will be maturing and coming in from the Franchise Taxes. Derek asked the Mayor if he had heard of some Federal Aid that is going to trickle down to Municipalities, he read something in the Rhino Times. Mayor Flynt said Jim Rigsbee has read somewhere that at a County Commissioner meeting the State was giving the County a certain amount and supposedly each Municipality was going to receive approximately \$50,000. Jim Rigsbee said he has the article; it says Stokesdale is supposed to get \$ 53,670. Derek said Jim that is something to keep in mind. He asked Jim Rigsbee if it said when we might expect that? Alisa said they haven't sent her anything yet. She said if we are entitled to anything, she should be receiving something. Jim Rigsbee read from the article that they hope to get the money where it is needed quickly. Kim Thacker asked Jim if we had to apply for it? Jim Rigsbee said it doesn't sound like it. The County Commissioners list out what every Town will be getting. Mayor Flynt said he had a conversation with Alisa a few days ago and she had given him some general information on a call she received a few days ago about some aid similar to what Jim Rigsbee is speaking of and they told her then they would be sending more information later. Kim said she wanted to get with Alisa, since we are a Municipality, she isn't sure if we would qualify but she wants to look into it to see if we would qualify for a PPP loan. Mayor Flynt said based on the tow changes discussed our Budget number should be somewhere around \$ 384,000 of total income. So,

we are going to be significantly over income, so we are going to have to make a lot of adjustments to the expenses.

So, if everyone is okay with the income lets move onto the **Capital Outlays**. Kim has a number in here of \$ 47,574 if you remember we were talking about we've got a grant application in for \$ 57,000 and in order to qualify for the grant money we have to match it. So, we would need \$57,000 to do that. We also have talked about the land next door, which is about \$20,000. Jim Rigsbee had talked about a maintenance shelter, for roughly about \$ 25,000. We originally talked about putting \$150,000 in Capital Outlay. Kim Thacker asked if we had been approved for the grant yet. Mayor Flynt said no, but you have to plan unless you are going to do a Budget Amendment to spend the \$57,000. Kim said but if you put it in there and you don't get the grant, Mayor Flynt spoke in and said then you take it out. Kim said right then either way you have to do a budget amendment. Kim thinks it would be safer not to include it until. Thearon said we won't be penalized either way. And if we don't do it, we are going to be under and we will have to take money out of the Capital Reserve bank account. Kim said if you use the money and then don't get the grant, here you are. Thearon said we aren't going to do that. We have to have the matching \$57,000 to put with the \$57,000 grant money if we get it before we do anything with it. There was discussion amongst all of council and it was decided to put \$25,000. In Capital Outlay.

Jim Rigsbee asked how much we are looking at for **Events**., what is the money used for. Kim listed off the Parade, or any events that the Town choses to hold. Jim Rigsbee asked what we have spent in the past on events? Kim was looking at what we've spent, Thearon mentioned that we did end up putting money back into the fund from proceeds from the Parade. Jim Rigsbee suggested \$5,000. For Events and \$10,000 for **School Donations** for now and Park Electric he is up for debate on that. There was some discussion about expenses for Events and Jim Rigsbee asked if we could get sponsors for some of these? The group said we do get sponsors and a lot of the expenses are covered by the sponsors. Alisa moved on to the Parks Electrical, Repairs, Cleaning, lighting and gave a description that any repairs, the cleaning lady's charges, electrical bills for the park etc. come out of that. Jimmy Landreth asked about the Veteran's Monument, Alisa answered that the **Veteran's Monument** is by itself as a line item, we only pay a \$25.00 a month electric bill. Volunteers and Vulcan pay the upkeep at the Monument. It was decided to put \$14,000. In Parks, Electrical, Repairs, Cleaning, Lighting. **Economical & Physical Development, Advertising** (Planning & Zoning) Mayor Flynt opened this one describing that these numbers look good its what we pay for advertising for Public Hearings, Re-zoning cases, etc. Alisa reminded them that we pay anywhere from \$300 to 400 per advertising. After asking Kim how much we've spent so far and she stated \$2800 it was agreed to move **Advertising** up to \$ 3500. **Planning Fees** was left at \$25,000. **General Administrative Expenses/Administrative Expenses, fees, education**, Kim said this year we are already at \$8300, she thinks \$9,000 will be sufficient. **Advertising (not zoning related)** \$2500. **Membership Dues**, Kim asked Alisa to explain what those are. Alisa said we pay membership dues to NCLM, International Institute of Clerks Association, NC Association of Municipal Clerks, Piedmont Triad Regional Council, UNCSOG dues, etc. These memberships afford us discounts for insurance, classes, training, etc. **Membership and Dues** was set at \$ 11,000. **Travel & Conference** (separate from mileage) was set at \$2200. **Town Hall Repairs and Maintenance**, Mayor Flynt has a problem with Kim showing allocations from the Water Enterprise Account to supplement this line item. Kim asked him why. The Mayor just doesn't believe there is a direct linkage between Water Enterprise and Town Hall Repairs

and Maintenance. Kim Thacker disagrees, she explained that we use equipment in Town Hall to do water business so there is a link. Kim Thacker said she has spoken to the School of Government and based on Tom Medlin's emails this is acceptable. Jim Rigsbee asked how did Kim determine the 42.9%, how did she come up with how we would be so heavy on water expenditures for staff and Town Hall day to day expenses? Kim said the allocated amount 42.9% goes to the General Fund. Jim Rigsbee then said so 50.8% comes out of water. Jim said that is what he is asking, how did we determine that percentage? Mayor Flynt said Kim used the salaries. So, when an Auditor comes in here and sees all of water expenses are in the little space where Priscilla sits, he is going to say how can we possibly put 57% of the building in that. Kim answered back that is not where that all of that is. Derek said that is not allocating square footage. Derek said its not the same as you would allocate by square footage in your home. This allocation is to salaries. Its based on the salary mix. Mayor Flynt said okay hypothetically, at some point in time we may have to change our form of government and hire a Town Manager. Summerfield and Oak Ridge spend \$150,000. For a Town Manager, if we add another employee in the General Fund there is not going to be any money left, and you are going to have to double your water rate just to cover your allocations. Mayor Flynt moved on to **Insurance and Bonding**, he said we discussed leaving them as they are at \$10,000. After discussion, the group agreed to \$10,000. For Insurance and Bonding. **Lawn Maintenance** was discussed and \$62,000. Mayor Flynt said we are paying Beaver \$44,000 and Hunter Enterprises \$ 10,000. Mayor Flynt said Derek thinks we are paying twice the going rate to Beaver. So, the Mayor said he thinks we could drop this down to \$ 55,000. Jim Rigsbee said we are paying \$53,940 currently between Beaver and Hunter. He thinks \$60,000. Is a better number because prices will go up. Derek Foy brought up the \$8,000 we paid Yates Construction for the ditch reconstruction so we technically have spent \$61,940. Alisa Houk Town Clerk said we really need to stick \$62,000. Accountant Kim Thacker agreed with a yes ma'am. Jimmy Landreth ended this with I guess we won't get any mulch this year.

**Legal & Professional Fees:** Accounting was the next item 50/50 split between GF \$17,500. and Water \$17,500. Audit \$8,000 GF & Water \$8,000. Split; Attorney's Fees \$47,700. All General Fund.

**Utilities:** It was agreed to increase Electricity to \$ 9000. And Internet/ phones/Security Alarm Services \$ 6,000.

**IT/Website/Design:** \$12,000

**Payroll Expenses:** Only change to numbers is to Increase Payroll Processing fees for \$3,000. And Added \$12,800 Employee Health Plan.

**Public Safety:** Fire Inspections & Investigations \$ 10,000. Animal control \$15,000. Council took a break after the General Fund discussion so Kim Thacker could run the calculations and see where the General Fund balance would stand. Kim found that with the adjustments the budget was \$7,374.06 over budget/out of balance. Kim suggested added this overage to the \$25,000. They were putting in Capital Outlay. That would bring the Capital Outlay to a total of \$ 32,374.06. Everyone was in agreement.

## **Water Enterprise Fund:**

### **Income:**

Mayor Flynt started off by saying the Investment Income currently is a little high considering the current economy and interest rates dropping. Mayor Flynt suggested dropping the Investment income down to \$ 3,000. Kim skipped to Water Purchase 135,000.00; she asked the Mayor how he felt about \$135,000. He said that was probably correct.

### **Expenses – Administrative**

Kim turned the floor over to the Mayor for Bond & Insurance after discussion about cost and allocations it was agreed to an allocation to General Fund of \$5710. Leaving \$1,000. In the line item. Mayor Flynt then said the big one Engineering & Infrastructure Consulting, Alisa told the Mayor he skipped Contract Operations, the Mayor said yeah, we can leave that at 80,000. Kim said she called the Auditor's office to inquire about seeing if we could put what we already have paid \$19,000. She asked if since those were approved in February and March, could we leave those in this budget year and reduce the \$85,000. Audit said we can only put in what we have finished paying for. Hazen & Sawyer expenses are as needed basis so we could only put in the \$19,000. We have paid this year. Mayor Flynt then ask so you are saying \$49,000 less \$19,000? Mayor Flynt added here that the total of the projects that we have discussed with Hazen & Sawyer are a total of \$ 85,000. And within the next year or year and half he imagines we will be activating each of the projects to equal that total of \$85,000. Kim agreed and said she just called the Auditors to see what she could put in the current budget, (all of the \$85,000 or only what we have spent). Kim said we still have to do that adjustment so she needs for Council to give her direction. Mayor Flynt said well if we think we will do all of these projects and we have already spent \$19,000, let's go from \$10,000 up to \$65,000. Everyone agreed to go with \$65,000. Mayor Flynt skipped to Professional fees, but Kim brought him back to Dues & Subscriptions, Office Expenses, and Postage. Alisa chimed in that we definitely had to leave postage where it is because that is what we pay to mail out the water bills. After some discussion it was agreed to the following: Dues & subscriptions 1,800.00, Office Expense 4,000.00, Postage 3,000.00, Professional Fees - Other 850.00. Kim said the allocations for F.I.C.A. Expense calculated out to 1,071.00. Mileage Reimbursement 2,000.00, Salaries 14,000

### **Repairs & Maintenance**

**Chlorinator:** Chemicals \$700.00, Chlorinator Maintenance after discussion regarding what this covers it was agreed to leave this at \$ 2,000.00, Electricity Chlorinator Utilities \$550.00. Emergency Water Repairs was increased to \$20,000, Marking Water Lines 811 \$1,000, Supplies/Water Hydrant Maintenance \$ 5,000, Water Line/Meter Installation/Gen Repair \$25,000, Water Tank Maintenance \$1,000, Water Testing \$3,000, Total Repairs & Maintenance \$58,250.

### **Water Capital**

Purchase Transponder Equipment eliminated included in Electronic Water Meters New Construction.

Transfer to Capital Reserve Fund \$30,000.00

Total Water Capital \$30,000.00

**Over Head Reimbursement to General Fund**

Office Equipment Purchase/Repair \$3,426.00

Housekeeping, Printing, Office Supplies & Software \$11,991.00

Insurance, Bonding, Workers Comp \$5,710.00

Accounting \$19,985.00

Audit \$7,994.00

Town Hall Electricity \$8,565.00

Internet/Phone \$7,537.20

Security/Alarm \$1,427.50

IT Security & Website Design \$6,852.00

F.I.C.A. \$4,796.40

Payroll Processing Fees \$1,713.00

Town Hall Staff Salaries \$42,815.86

Health Insurance \$7,994.00

Total Overhead Reimbursement to General Fund \$130,806.96

Total Expenses \$526,777.96

**Meters**

Electronic Water Meters Changeout eliminated for this year.

Electronic Water Meters New Construction 20,000.00

Total Meters \$20,000.00

Total Other Expenses \$20,000.00

Net Income - Balanced Budget \$0.00

Jim Rigsbee asked the question as new houses come on line our income increases. The answer was yes that is correct. Kim starting running the calculations. Mayor Flynt addressed Kim, saying going back up to the Capacity Use Fee, we collect \$750 for each new meter install, Alisa said so far this year we have taken in \$33,891 in fees through April. There was discussion about possibly increasing the income for Capacity Use fees but then decided to leave it where it is. Kim's calculations came up over budget \$19,886.52. Mayor Flynt asked if that included depreciation. Kim said we don't have to include that right here. Mayor Flynt argued that when the Auditor does his audit he always calculates in depreciation. Last year he showed depreciation of \$113,000. so, we showed a loss of about \$77,000. Kim said she understands what the Mayor is saying but that is not a cash loss. Mayor Flynt said that Mr. Rouse was adamant last year that we broke even at least. Because if you go

about 5 years showing a loss the Utilities Commission came in and say you don't have adequate funds to run your water system and we are going to take it over. The Mayor said he is just passing that on. Alisa asked Kim if her totals included where we had \$14,000 left over from last year in meter expenses? Kim answered yes it was actually \$18,615. She said we took the \$6,000 out, we moved up the \$20,000 on New Construction meters, that left us \$1384.06 out of the \$6,000. Which left \$4,615. Added that to the \$14,000 came to 18,615. Kim said we are actually over \$38,502 but she subtracted the \$18,615 which gave us the \$19,886.52. That is where we are right now. Kim said she needs council to keep in mind she will have the exact numbers, the overhead reimbursement numbers will change based on the changes we've talked about tonight. Kim said so the \$19,886.52 is up to Council to figure out what to do about it. Derek asked John didn't we decrease the customer service fees last year from \$30.50 to \$25.00? Answer was yes. Derek said we might need to consider raising that back up, maybe to \$28.00. Mayor Flynt said he won't vote for that. Alisa said we need to cut something somewhere else. Jim Rigsbee, said in Capital Outlays we've got about \$52,000 something and we are pulling over \$100,000 something out of the water fund. Looks to Jim like we could adjust that percentage a little bit to balance that out. Kim agreed and added we are actually over in the General Fund so if that is what council wants to do, she can go back and recalculate. Derek said he was not in favor of changing the allocations unless we go back and change the direct cost because you have to have a method behind this. Kim agreed you do have to justify, to trace too. Jim Rigsbee then said well could we pick a line item close to \$19,000 and just not allocate that item. Derek said what if we don't allocate the Stipends? Kim said that would be \$8700. Mayor Flynt suggested in addition my might change the allocation on salaries a little bit. Jim Rigsbee suggested suballocating Town Hall Repairs and Maintenance, that would give about \$7,000 and we could make an adjustment in water capacity fees. Jim feels like we may have underestimated the Capacity Use fees. Kim asked Jim to repeat, he said unallocated the Town Hall maintenance and repairs and the Stipends and tell where that puts us then we might need to relook at income. Kim did the calculations and it brought us within \$4,049.02. Council suggested increasing our Capacity Use fee income since they feel they may have underestimated it in the beginning. Kim calculated adding the \$4,049.02 to the \$30,000 in Capacity Use Fees bring it to \$34,049.02. Derek asks if that was realistic. Mayor Flynt and Jim Rigsbee agreed that is only five houses. Derek asks the Mayor where the new houses are going in and was listed off the subdivisions with homes still under construction. Alisa and Mayor Flynt also added the new BiRite, a Dentist office, and additional Dollar General coming in. Mayor Flynt also told Council that Forsyth Co. approved 65 lots on Coldwater that Winston Salem wants us to provide the water for. These adjustments put us in balance. Mayor Flynt asked if there was anything else anyone had. Alisa reminded him that we need to set the date and time for the Public Hearing to vote on the budget. Mayor Flynt said at Regular Town Council meeting June 11, 2020 at 7pm. Mayor Flynt said we would get the Budget Message written up and send out to Council before the meeting so they have time to review it. Kim said she would drop all of these numbers into a spread sheet and send out to everyone.



Derek said should we give any citizens still on with us a moment to speak. Mark Nadel said he had no comments tonight.

Derek made the motion to adjourn. Mayor Flynt 2<sup>nd</sup> the motion. Mayor Flynt called for the Vote: 5-0 to adjourn at approximately 10:45 PM.

Approved January 14, 2021

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Town Clerk