

April 29, 2025
SPECIAL MEETING MINUTES

CITY OF SOUTHPORT
BOARD OF ALDERMEN
113 W. MOORE E. BAY STREET
9:00 A.M.

PRESENT: Mayor Richard Alt
Mayor Pro-Tem Rebecca Kelley
Aldermen Marc Spencer, Robert Carroll, Frank Lai, Lowe Davis (remote),
Karen Mosteller

STAFF: Noah Saldo, Interim City Manager
Tori Deviney, Deputy City Clerk
Joey Kronemwetter, Finance Director
Jean Davidson, Deputy Finance Director
Lance Flint, Former Finance Director
Tom Stanley, Public Services Director
Larry Ditton, Energy Manager
ChyAnn Ketchum, Public Information Officer

A. Call to Order

Mayor Alt called the meeting to order at 9:00 a.m.

B. Pledge of Allegiance

Mayor Alt led the assemblage in the Pledge of Allegiance.

C. Approval of Agenda

Alderman Lai made a motion to approve the agenda; seconded by Alderman Kelley.
Unanimous vote; motion carried.

1. FY26 Public Works Budget Request

Responding to a query by Alderman Mosteller, Director Stanley reported that his department no longer mows John Smith Cemetery as per the request of the John Smith

Foundation, due to the installation of nearly 1,000 small 6” x 6” flat gravestones for the unmarked graves. Director Stanley added that he is pursuing an estimate from the mowing contractor for adding monthly leaf pick-up from April through September in the Smithville Burying Grounds.

Alderman Mosteller discussed leaf pickup in Franklin Square Park and the possibility of getting mulch donated. Emphasizing the value of the large Live Oak on the Garrison lawn, she suggested contacting arborist Shawn Schaffer, who previously donated fertilization for the tree, and for Director Stanley to consider adding fertilization for the tree to his departmental budget. The Board discussed the watering of the Downtown Southport Inc. donated planters and other city planters throughout the downtown area.

The Board and Director Stanley discussed the buildings and grounds that the Public Services Department and the Parks & Recreation Department are responsible for, as well as the departments’ collaboration in maintaining all city buildings and parks. Alderman Lai pointed out that Public Services maintains physical structures, while Parks and Recreation maintains the grounds.

Responding to a question from Alderman Kelley, Director Stanley stated that his department consists of 19 professional staff members with specific scheduled duties and work order-driven service:

- Director and Administrative Assistant
- Two (2) mechanics
- Two (2) custodians
- Two (2) building maintenance/repair staff
- Five (5) staff members are responsible for street repairs, stormwater repairs, asphalt repairs, and street sign repairs
- Six (6) staff members are responsible for all right-of-way, city building & grounds mowing

Alderman Davis requested the above listing to be provided in writing.

The Board discussed the mowing of right-of-ways with Director Stanley reporting the department does not mow the right-of-ways in subdivisions with a Homeowners Association (HOA), and where citizens have requested it not be mowed. City Manager Saldo noted that the city receives reimbursement from the North Carolina Department of Transportation (NCDOT) for cutting the state routes’ right-of-ways.

Mayor Alt talked about the future NC 211 divided highway median and whether the city or NCDOT would maintain the median vegetation within the city's corporate limits. Director Stanley stated his understanding of the project and that there would be few, if any, grass medians.

Responding to Alderman Carroll, Director Stanley stated that the expanded street sweeping continues on city streets every Friday morning, and when and where specific needs arise. Considering a potential revenue stream, Alderman Kelley asked if the street sweeper could sweep citizens' driveways, etc. Alderman Mosteller stated she had envisioned the street sweeper sweeping in the subdivisions Harbor Oaks and The Landing. Director Stanley indicated that street sweeping private property would pose liability issues.

Alderman Kelley pointed out that the proposed budget reflects \$2M for staffing. The Board discussed how departmental scheduling is done, and City Manager Saldo stated that software upgrades and efficient use of technology are being considered in all departments.

Alderman Spencer speculated that the mowing of the cemeteries could be performed by staff in place of a \$40,000 contract. Sharing his experience on the Winding River Golf Course, he also suggested using robotic lawnmowers. Alderman Mosteller stated concerns about the mowing of the Smithfield Burying Grounds and the oversight of the contractor.

Alderman Kelley questioned whether a comparison with other municipalities of the size of Southport and their number of staff, surface area covered, number of buildings, etc., would be helpful to ensure that staff is being utilized efficiently and the city is being financially responsible. Alderman Carroll noted the unique challenges Southport faces with 4,400 residents, 80 employees and swells of population up to 40,000 during events. City Manager Saldo indicated that he and the Finance Department have gathered data as to staffing and the level of service. Alderman Spencer pointed out that Southport was the historic county seat for 200 years.

Alderman Carroll talked about the city practice of mowing the right-of-ways, and he questioned if that policy should continue, what the citizens expect, and that the Board has to be thinking on a policy level. Alderman Lai emphasized that the mowing of the right-of-ways is about the image of Southport.

Mayor Alt noted that the Public Services Department is involved in every event that takes place in Southport, and to the suggestion of Alderman Kelley, Mayor Alt stated it would

be helpful to have a full listing of everything the department does, and to capture data pertaining to the department's role during events, swells in population, special projects, etc. He stated the information will assist with the PR part of the budget process. He emphasized the need for a succession program in all city departments. Alderman Carroll stated; *"We need to ask ourselves if there is anything the department does, that we are willing to cut. That's how we tighten up the budget."* Alderman Lai pointed out that it is a delicate balancing act with people wanting a lot of things done but they don't want to pay for it.

Alderman Carroll pointed out that the energy, excitement, and attendance of the annual *Springfest* has grown into an event similar to the 4th of July celebration. Alderman Kelley reported that the July 4th celebration in 2026 will be the 250th anniversary, and special plans are being made to commemorate the event.

Mayor Alt noted that FY 24/25 adopted budget reflects year to date expenses of \$1.8M, leaving \$600,000 not spent. He pointed out that the proposed FY 25/26 budget has a \$1.4M deficit. City Manager Saldo indicated that when he provides the manager's budget, it will be taken into account the year end projections and areas that can be cut to address the deficit. He added that the projections for FY 27/28 do not reflect a deficit.

Responding to a query by Alderman Lai, City Manager Saldo reported that it is expected the funds from the sale of the property adjacent to Sunny Point will be in hand for the FY 25/26 budget. He added that the Board will need to designate which capital improvement projects to invest in.

Alderman Kelley questioned the \$50,000 appropriation for vehicle registrations. She was advised the appropriation was made by the former Assistant City Manager and it is being closely monitored.

Alderman Mosteller and Director Stanley discussed the trash pick up and custodial staff schedules.

2. FY26 Energy Budget Request

The Board discussed the electric underground project and Christmas lighting. Mr. Larry Ditton, Energy Manager, reported to the Board that the additional Howe Street undergrounding project is scheduled for FY 26/27. He further explained the power situation for the white Christmas lights in the Holly trees and the wreaths mounted on street light poles. He added that he had recommended using solar lights in the Holly Trees to the

Beautification Committee. Responding to a question by Alderman Spencer, Mr. Ditton stated that the city pier has solar cells built into the poles to withstand corrosion from salt and water. Mr. Ditton indicated that he would pursue estimates for solar lighting for the Holly trees, since installing new electric outlets in the concrete around the trees would be detrimental to the trees and very expensive.

The Board and Mr. Ditton discussed the Electric fund. Mr. Ditton explained how the City receives power:

- Power is purchased through Electricities (a collection of 22 municipalities)
- Power is generated by Duke Energy
- Power is sold on an estimated basis for demand and cost per kilowatt
- Electricities is raising the cost of purchasing power by 3.5% this year
- At the end of the year, it is determined what it costs to generate the power, and a “true up” is set
- The true up this year is \$30M for the collective
- The defeasance rider for the sale of generation and the decommissioned plant will be removed in July 2025
- The city will receive a piece of the \$16M retainer
- The city will realize some relief on the cost for wholesale power

The electric rates were discussed. Mr. Ditton advised that the city pays 2.5 cents a kilowatt house, plus demand and plus riders; approximately 8 cents every month. He added that the rate of the power being sold to the city from Electricities will drop by 8.5% resulting in a wholesale power rate reduction to the collective over a 12 – 24 month period. Mr. Ditton stated that capital expenses for Electricities are often added as a rider.

Responding to a query by Mayor Alt regarding if the enterprise fund will make enough money to continue the underground projects, Mr. Ditton talked about the current projects on the west side of the city and on Howe Street and the constraints (reliable contractor, policy changes) of getting the job done. He indicated the projects are nearing completion, the next portion of the Howe Street project, \$1.5M, will begin during the 2026/2027 budget cycle. City Manager Saldo stated that the current electric fund balance is \$5M for capital projects and the 2026 budget request is for \$1.3M, less than adopted in 2025. He added that the city is spending less money every fiscal year of the appropriated fund balance which gives the city a better cash flow position in revenue and replenishes the fund balance every year. Mr. Ditton pointed out that per state statute, 15% of the fund can be allocated for other purposes. Manager Saldo indicated that \$400,000 from the electric fund had been

transferred to the general fund. It was noted that the underground projects would be complete in 2032.

The Board discussed the electric utility rates with Mr. Ditton emphasizing that Southport's rates are the third lowest of the 22 municipalities and members of Electricities, lower than Duke Energy rates and higher than the member owned cooperative Brunswick Electric Membership Corp.

At the request of Alderman Mosteller, former Finance Director Mr. Lance Flint explained that the electric enterprise fund generates approximately \$314,000 in cash annually while the spending of the funds \$2,286,000 (FY 25/26 budget line item) will deplete the fund balance if the level of spending is repeated each year.

Assuming once all the underground projects are completed, Alderman Carroll pointed out that maintenance costs will diminish significantly. Mr. Ditton concurred, and he stated that once the underground is complete there will be increased reliability of the system and less problems with transformers. He spoke about the aging eastside overhead system and issues with squirrels. Responding to a query by Alderman Lai, Mr. Ditton responded that the longevity of the underground wiring installed in conduit is substantial compared to direct burial.

Alderman Mosteller expressed her concerns about spending versus building of the electric fund. She spoke about potential expenses from hurricane damages and past practice of using water and sewer funds to pay for damages while awaiting FEMA reimbursement. Referencing Oak Island assessing property owners for sewer installation, Alderman Carroll questioned if the city would consider an assessment. Mr. Ditton stated one option would be to reduce the size of the Howe Street project into lower cost sections. He pointed out that Duke Energy is going to be changing their carbon footprint based on federal mandates and it will cost a substantial amount of money which will be passed on to customers. Alderman Carroll emphasized continuing the Howe Street underground project as planned and then reduce the size of projects when transitioning the east side of town from overhead to underground. Alderman Mosteller asked the question; *"Do we need to be in the electric business?"* She speculated the undergrounding of electric service could be a condition of a potential sale.

Alderman Kelley stressed making the electric lines coming into the city a priority. Mr. Ditton explained that the lines coming into the city come from off Leonard Avenue behind Duke Energy and goes through the woods to the city's substation and distribution system

next to the city garage. Alderman Spencer asked about the potential of putting the feeder lines from Duke Energy underground. Mr. Ditton explained that the line coming out of the substation is a split dual line that Duke will not improve nor give any additional capacity on. He stated that the current system has only so much capacity, is nearing its limit, and to get increased capacity would require investments of approximately \$12M. He added that transformers cost \$800,000 each and have a 15-month lead time. City Manager Saldo stated he is pursuing grant opportunities.

City Manager Saldo indicated that the next scheduled budget meeting would be held during the regularly scheduled Board meeting, Monday, May 5th, with the Parks & Recreation Department at 9:00 a.m. in the Indian Trail Meeting Hall, 113 W. Moore Street. He reported that the Rate Committee had met last week, are working on revisions to all city rates, and will provide the proposed rate changes to the Board. He pointed out that revisions to the electric rate would require a public hearing.

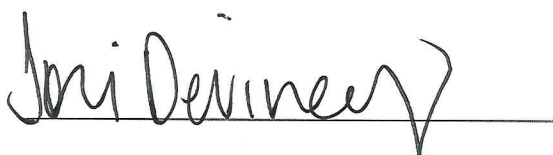
D. Adjourn

Alderman Spencer made a motion to adjourn at 11:17 a.m., seconded by Alderman Lai. **Unanimous vote; motion carried.**

Attest:



Rich Alt, Mayor



Tori Deviney, Deputy City Clerk

