

**TOWN OF DUCK
TOWN COUNCIL
REGULAR MID MONTH MEETING
May 19, 2010**

The Town Council for the Town of Duck convened at the Duck Municipal Offices at 1:00 p.m. on Wednesday, May 19, 2010.

COUNCIL MEMBERS PRESENT: Mayor Dave Wessel; Mayor Pro Tempore Don Kingston; Councilor Neil Morrison; Councilor Monica Thibodeau; and Councilor Chuck Burdick.

COUNCIL MEMBERS ABSENT: None.

OTHERS PRESENT: Town Manager Christopher J. Layton; Director of Community Development Andy Garman; Town Attorney Robert Hobbs; Police Chief Phillip Ferguson; Fire Chief Donna Black; Project Engineer Chris Dewitt of VHB, Inc.; Architect Barry Moss of Tymoff & Moss Architects and Town Clerk Lori Kopec.

ABSENT: None.

Mayor Wessel called the meeting to order at 1:03 p.m.

DISCUSSION/CONSIDERATION OF A NOMINATION TO THE COASTAL RESOURCES COMMISSION

Mayor Wessel stated that the Coastal Resources Commission had sent him a letter asking for a nomination of one person to serve on the Governor's Coastal Resources Commission. He stated that one person would need to be nominated from one of six categories; such as an expert in sport fishing and wildlife; commercial fishing; marine ecology; coastal forestry; conservation; local government or a general at-large. He stated that he had spoken to the mayors with the other municipalities on how the issue had been approached in the past. He noted that the Governor's office made the final selection but only if the towns and County can agree on one individual. He stated that Renee Cahoon currently sits on the CRC as the local government representative and has been nominated by the Town of Nags Head and the Town of Kill Devil Hills. He proposed that Council nominate Renee Cahoon as well.

Councilor Morrison moved to nominate Renee Cahoon to the Coastal Resources Commission.

Motion carried 5-0.

Mayor Wessel asked that staff prepare a letter for his signature. Town Manager Layton stated that it would be done.

UPDATE ON AND DISCUSSION OF TOWN HALL CONSTRUCTION

Mayor Wessel recognized Town Manager Layton.

Town Manager Layton stated that the Town did receive the grant for the boardwalk extension; however it did not receive the energy grant for the Town Hall building. He stated that by not receiving the grant, it would have a bearing on budget and Town Hall discussions. He added that Dare County received \$571,000 for their energy grant, even though the limit was \$200,000.

Town Manager Layton stated that Chris Dewitt and Barry Moss were present and would be providing Council and the audience with updates on the progress of the project. He stated that the Town was still on its timeline to meet its goal of bidding the project out in July 2010. He stated that there were not a lot of decisions for Council to make, other than shingle and roof color combinations.

Chris Dewitt of VHB, Inc. was recognized to speak. Mr. Dewitt gave a short update on the site plans to Council and the audience.

Councilor Burdick stated that there was a discussion in the past regarding moving the gazebo to get the sun out of spectator's eyes. He asked if the issue had been looked at. Chris Dewitt stated he did not look at it. Town Manager Layton added that VHB was not asked to look at it. Mayor Wessel thought that the gazebo should be near the Town offices. He clarified that if the gazebo was moved, the grading would be as such that people would have to look uphill and not downhill. Chris Dewitt stated that he had focused on the ability to get vehicles to the gazebo to unload equipment for events. He added that if the gazebo was moved, that ability would be lost.

Mayor Pro Tempore Kingston asked Chris Dewitt if he was looking to take the pathway behind the stage out. Chris Dewitt stated he was not and that they were looking into trying to curb the area a little more. Mayor Pro Tempore Kingston asked if there were any issues with regard to access to the wells once they are installed since they would be in the wetlands. Chris Dewitt stated that they would still need to look at it.

Councilor Burdick asked how many wells would be installed. Town Manager Layton stated that 16 would be installed.

Councilor Thibodeau asked if Chris Dewitt felt that he was comfortably on schedule. Chris Dewitt stated he was.

Mayor Wessel asked if there were firms interested in bidding on the project. Town Manager Layton stated that he has been fielding a lot of calls.

Barry Moss of Tymoff and Moss Architects was recognized to speak. Mr. Moss gave a short update on the bid specifications, adding that he would like some input from Council on exterior shingle and roof colors. He went on to show various color combination renderings to Council and the audience. He asked if there was a strong feeling regarding shingle or roof color that could be eliminated.

Councilor Morrison suggested eliminating the white roof color. Mayor Tempore Kingston agreed. Councilor Thibodeau stated that she did not like the terra cotta/copper roof color. Councilor Morrison agreed. Mayor Wessel stated that he did not like the bright silver roof color. Councilor Burdick stated that he did not like the Old Town Gray roof color. He added that he liked the tan roof color. Councilor Thibodeau stated that she liked the dark tan roof color.

Councilor Morrison thought if Council could agree on a roof color, then they could pick the shingle color. Mayor Wessel stated that he liked the Mountain Ash shingle with the tan roof color.

Councilor Burdick moved to approve Mountain Ash as the shingle color and Surrey Beige as the roof color for the Town Hall and Meeting Hall buildings.

Motion carried 5-0.

Mayor Pro Tempore Kingston stated that there had been discussions regarding the number of doors at the Meeting Hall and that it would be a combination of large windows and doors. He asked for a status on the issue. Barry Moss stated that there wasn't any change from the last meeting. He stated that, at a minimum, there would need to be one pair of doors on each side of the building with the rest being fixed windows. He stated that having a lot of doors would not meet the Building Code requirements. Mayor Pro Tempore Kingston thought the windows could be large, sliding ones. Barry Moss agreed with Mayor Pro Tempore Kingston.

Councilor Morrison stated that he liked windows instead of all doors. Town Manager Layton stated that if Council wanted to go in that direction, they could direct Barry Moss to make the changes to the building plan. Councilor Thibodeau asked if it was the right time to do it. Barry Moss stated that it was.

Councilor Thibodeau pointed out that the door openings would be a safety issue in terms of how they open. She thought one of the ideas of the Meeting Hall was that it would feel like it was open to the outside. Barry Moss stated that if there was a French door that hinges in the center so one door would be fixed while the other would be operable.

Councilor Morrison asked how the door would be held so it would not fly open on windy days. Barry Moss stated that a closer could be put on the door.

Councilor Thibodeau envisioned having a few French doors so there would be an open feeling. Councilor Morrison stated that he was concerned about not having enough space for chairs on the porches of the Meeting Hall since they could not be put in front of doors.

Councilor Burdick thought some doors were needed and asked what the minimum number of doors would be. Barry Moss stated that only two pairs of doors would be needed. Mayor Wessel stated he would like three doors with the rest being large casement windows.

Councilor Burdick noted that if there were large, fixed paned, triple glass windows, it would be cost effective. Councilor Thibodeau clarified that Councilor Burdick did not want windows that opened. Councilor Burdick stated she was correct. Barry Moss thought it would be more aesthetically pleasing to have small windows as it would feel warm and welcome. Councilor Burdick stated that he didn't want small windows, but was suggesting fixed paned windows that were the size of the building. Mr. Moss stated that he could get windows that were three feet wide and pair them together so they would be installed at six feet.

Mayor Pro Tempore Kingston did not think the windows should be fixed pane. He thought the windows could be opened with screens to allow fresh air to come in. Councilor Thibodeau agreed with Mayor Pro Tempore Kingston.

It was *consensus* of Council to have three doors on the Meeting Hall with large casement windows that would open.

Councilor Morrison stated that he was concerned about the glass railing on the Meeting Hall porch. He thought a wooden railing would be keeping with the lifesaving station style architecture. Barry Moss stated that he had not gotten to that detail yet. He added that it was just a rendering at this point, but a railing would be needed around the Meeting Hall.

Mayor Wessel thanked Chris Dewitt and Barry Moss for their updates.

WORK SESSION ON PROPOSED FY 2011 BUDGET

Mayor Wessel noted that Town Manager Layton had provided Council with some replacement pages in the budget. He stated that Town Manager Layton would explain the sheets to Council and the audience.

Town Manager Layton was recognized to speak. Town Manager Layton explained that he had found a \$1.00 difference in the Budgetary Accounting section. He asked Council to replace those sheets in their budget documents.

Mayor Wessel thought that for efficiency of reviewing the budget, the discussion should be approached in sections.

Town Manager Layton gave a short update on what Dare County and the other towns were proposing for their budget in terms of increasing taxes. He noted that the ramification that Duck was looking at was due to Dare County proposing a two cent increase instead of a one cent increase. He added that the impact of the one cent increase would be felt exclusively on the Sales Tax side. He suggested doubling the difference in the Sales Tax scenarios that he handed out to Council. He noted that the Town will not have any impacts next year as there is a delay before they kick in. He stated that the proposed budget in front of Council was one of the easiest budgets that he has had to prepare.

Mayor Wessel stated that Council would review the budget section by section. He directed Council to review the Revenue Summary and then the Expense Summary before looking at the different departments.

Mayor Wessel asked if it was anticipated that there would be energy grants available in 2011. Town Manager Layton stated that he did not anticipate it for next year. Director Garman noted that it was past the time period to submit an application.

Councilor Burdick asked if it was known why the Town did not receive the grant. Town Manager Layton stated that the reasons were not stated. He added that staff had been trying to track the grant from the beginning and never received any information other than one telephone call.

Councilor Burdick asked if it was assumed that the Town would go ahead and take on the added debt since the Town did not receive the grant. Town Manager Layton stated that he had not made that assumption yet. Councilor Burdick clarified that Town Manager Layton would try to keep the existing proposed budget, but without the energy grant funds. Town Manager Layton stated he was correct.

Mayor Pro Tempore Kingston asked if the energy grant was planned in the CIP. Town Manager Layton stated that it was. Councilor Burdick clarified that it would not have any effect. Town Manager Layton stated that it would not.

Mayor Wessel understood that if the Town wanted to add photo voltaic and wind turbines later, it could be done by retrofitting the building. Town Manager Layton stated that he was correct.

Councilor Thibodeau noticed that Town Manager Layton did not put in the debt as income in the CIP for the Police vehicles. Town Manager Layton stated that it was not shown as it would be appropriated at the time of purchase. Councilor Thibodeau asked if it was included in past budgets because it was already in it. She asked if it would not be appropriated until the specifics were known or if a new budget would need to be adopted. Town Manager Layton stated it would be done through a budget amendment. He added that it was confusing to see numbers that weren't revenue as the final decision had not been made. He stated that if he receives a grant award notice prior to the time of doing the budget, he would propose putting those funds in the budget. Councilor Thibodeau stated that she liked the way Town Manager Layton had the budget set up as it was net of all the unusual items and just looking at the budget it showed basically bare bones operating expenses as opposed to grants.

Councilor Burdick disagreed with Councilor Thibodeau. He stated that there would be operating costs going forward built in that were based on the fact that loans would be taken out to complete a project. He added that part of the budget reflected on the fact that the projects would be done, while the other part did not reflect it at all. He thought that for Council to see the full picture there needed to be a way to show what the debt plan was as part of the total budget and not adding it back in later. He stated by doing so, it would give a complete picture. He stated that it was more for Council to see what the real projections would be. He stated that the debts that were to be paid and the operating costs were projected in the budget, but it did not show the actual money. He thought a new section of the budget was needed that could be titled "Debt" to show Council year by year which debt the Town was paying. He stated that the payback needed to be reflected as part of the budget. Town Manager Layton stated that it was reflected in the five year projection. He added that it was shown as debt.

Councilor Burdick stated that the debt was shown as anticipated debt, but not shown as revenue that would be coming in. He thought it should be reflected since it wasn't showing the whole picture. Town Manager Layton stated that he understood Councilor Burdick's point but argued that Council would not want to adopt a budget like that since the Town had not entered into the debt yet. He noted that the CIP showed the debt, but from a Governmental Accounting standpoint, the budget would not be adopted until the Town has actually entered into the debt.

Councilor Burdick understood Town Manager Layton's explanation but was looking at the budget as to how it would be managed and having one place where all the debt would be shown. He stated that it was not based on Government Accounting, but on being able to manage it, see it and make the proper decisions on what would be done. He thought it would benefit Council to see all the debt on one page as well as having a similar page in the CIP to find the debt.

Councilor Thibodeau noted that there were no expenses that would be shown for grants. Councilor Burdick disagreed and stated that there were expenses that would go with building the soundside boardwalk and were shown in the budget. Councilor Thibodeau clarified that they were shown in terms of engineering. Councilor Burdick agreed. Councilor Thibodeau did not know if it made any difference that it was starting this year as the Town would not be paying off any of the debt for the soundside boardwalk. She added that if the Town entered into getting funds for Town Hall, the first payment would not be until 2011. Town Manager Layton stated that it would be FY 2012.

Town Manager Layton wasn't sure he was being clear on things. He explained that the five year forecast, which was included in the proposed budget, was an anticipated snapshot of expenses through FY 2015. He added that outlying years were included for the debt service, anticipated grants, financing, etc. He noted that it did not include the debt shown for the Town Hall, the

radios or the Police vehicles because it was to reflect the budget, but did include the debt payments on the expenditure side. He stated that next year, provided that the Town enters into debt like he suggested in the CIP, the revenues and expenditures would reflect the debt. He stated that the debt proceeds would be shown under Debt Proceeds and on the expenditure side, it would be shown to match the actual payment. He added that because the Town had not entered into that debt, it was not shown. He stated that he had made a conscious decision not to show it in the budget, but to reflect it in the five year forecast with the expectation that the Town would enter into the debt. He added that the expenditures on that side were anticipated ones. Councilor Burdick thought for Council's benefit, everything that was planned needed to be shown in the budget.

Councilor Thibodeau understood that the only thing lacking was showing the incremental debt. Councilor Burdick agreed and thought that whatever debt the Town was planning to incur should be shown. Councilor Thibodeau asked if the one-time debt payments were always in arrears at the end of the year. She further asked if the construction contract would be paid monthly or annually. Councilor Burdick stated that the Town would be making payments. Town Manager Layton stated that the Town would not be entering into a contract for the debt of the Town Hall building until October 2010 at the earliest. He added that the Town does not have that revenue, so he would not reflect it in the proposed budget that will be adopted. He noted that a lot could happen between now and then. Councilor Burdick stated that the Town was already spending money. Town Manager Layton agreed and noted that it was reflected.

Mayor Pro Tempore Kingston asked if Governmental Accounting allowed towns to put in anticipated revenues. He thought they did not. Town Manager Layton stated that he could show anticipated debt in a budget, but didn't think it was helpful as it could not be spent before the Town entered into a contract. Councilor Burdick stated that the Town had already entered into a contract for the Town Hall with the costs of the architect and project manager. Town Manager Layton stated that those funds had already been appropriated. Councilor Burdick stated that it was appropriated as part of the debt. Councilor Thibodeau disagreed and noted that it was part of the operating expenses.

Town Manager Layton stated that the funds were taken from the Fund Balance with the anticipation that that Town would pay itself back. Councilor Burdick pointed out that it wasn't reflected in the budget. He stated that when the Town obtains a loan, it pays the Fund Balance back for the expenditures that were made. Town Manager Layton stated that the money was coming from the Fund Balance and not yet from the debt. Councilor Burdick stated that the debt would be put back in the Fund Balance. Town Manager Layton understood, but added that the actual cash the Town was spending wasn't coming from the debt yet.

Councilor Burdick stated that the Town was contracting a debt with itself from the General Fund, paying the expenses for the design of the Town Hall. He added that the Town had written itself an IOU in the General Fund of \$192,000. He stated that the Town agreed with itself that it would spend \$192,000 out of the General Fund to be replaced by the debt when the Town obtains the loan. He stated that it should be shown in the budget. Mayor Pro Tempore Kingston noted that if Town Manager Layton goes to the bank and the bank denies the loan, then the budget would need to be changed as it wasn't earned revenue.

Councilor Burdick stated that he did not know how Town Manager Layton was reflecting the \$192,000 coming back into Revenues for next fiscal year. Town Manager Layton stated that it was not being tracked as revenue for next year. He explained that the money was taken from the Fund Balance, but there was not a legal note in the audit that would state that the Town would

pay it back. He added that it would be done once the Town entered into financing. Councilor Thibodeau asked if it would come on a separate control sheet for the entire project. She thought Council was talking about two different issues. Councilor Burdick pointed out that it wasn't shown anywhere. Councilor Thibodeau stated that Council could see that the money from the Fund Balance was used. Councilor Burdick stated that it was reflected for this year, but it was not with regard to the expectation of replacing that money. He stated that if the Town was to obtain a \$1.8 million loan, it should be reflected as \$1.8 million in Revenues, along with a \$200,000 expenditure from the General Fund. Councilor Thibodeau stated that she saw the projections of the Fund Balance increasing over five years, because the Town would probably be dipping into the Fund Balance for other things. Councilor Burdick stated that he did not see how Council could look at it and not see all of the projected income coming in. He added that he had been doing budgets for 30 years and if he was to obtain a loan or grant and spend it, it would be shown.

Councilor Thibodeau asked if it was done differently in the past. Town Manager Layton stated that it was the way he had always handled the budgets, was the way he was taught to handle it and was the way he proposed to continue handling it. Councilor Thibodeau noted that it wasn't a different way to handle it but different times of the year would be reflected differently. Councilor Burdick stated that he was suggesting that Council needed to be able to look at the total picture. He added that they may not necessarily be identical. Town Manager Layton stated that he could show it in many ways, but thought he had given Council a very good way to look at it. He stated that if Council wished, he could go back and change it. He argued that the budget document was the way it needed to be. He thought with regard to the five year projection that some of the decisions he made were not to confuse the situation. He stated that Council would read in the budget document that the Town would anticipate obtaining the debt. He added that it had not been done yet and may or may not happen, but it was anticipated. He stated that in the five year forecast, he accounted for those expenditures. He stated that with the debt, it's an in-flow, out-flow and a debt package would not be put together that would show the Town Hall debt coming in and the Town making a payment on it where he would need to appropriate it. He added that the money would be on the out year, which was reflected in the five year forecast.

Town Manager Layton explained that the issue with the \$192,000 was something that Council needed to keep in mind. He added that he could not do it both ways and he chose to do it in a way that was consistent with the budget document as presented. He stated that any final decisions on items would be accounted for when the time comes. He added that once the final decisions were made, it would be reflected in the budget amendment to show the changes as they are made.

Mayor Wessel stated that he was hearing that the budget was the standard by which Council had managed the Town. He stated that Town Manager Layton had put together budgets in the past, the financial auditors had blessed it, the Local Government Commission had blessed it, and if it didn't provide enough information and detail to make Council happy, individual spreadsheets could be completed. He added that Town Manager Layton would be happy to give Councilor Burdick any data in terms of projections. Councilor Burdick stated that he was looking at so that Council would have a better picture of the in-flow and out-flow of money. Mayor Wessel noted that he was not hearing the other Council members indicating that they were uncomfortable with the picture. Mayor Pro Tempore Kingston stated that he was fine with the budget and it should be left alone. Councilor Thibodeau thought when Council approves a budget amendment, they would be basically looking at a new budget.

Councilor Thibodeau guessed that when Council was looking at next year's budget and comparing it to this year's budget, because it was a budget amendment, it would not be reflected

as something that was there or will be there. Town Manager Layton stated that it would be there once the amendments are made. Town Attorney Hobbs explained it would be as if Council adopted it as of July 1st versus later in the year.

Town Manager Layton stated that one of the reasons the debt proceeds were in the five year forecast was because it was special revenue. He added that they way the five year forecast was presented was the way he was required to show the financial statements when he sends it to the State.

Mayor Wessel suggested Council to review the department items by each department.

Mayor Wessel directed Council to review the Governing Body and Administration sheets.

Councilor Burdick stated that he wanted to go back to the Revenues. He asked why there was a big jump on the forecast for Sales Tax. Councilor Thibodeau clarified that Councilor Burdick was referencing one of the new sheets they received. Councilor Burdick stated that he wasn't sure. Town Manager Layton asked if the question was the difference between last year and this year with regard to the significant increase. Councilor Burdick stated that there was one year with a big increase, adding that he could not find it in the budget. Town Manager Layton explained that the Occupancy and Sales Tax had big jumps because they were a factor of him being ultra conservative last year. He stated that when he completed the Revenue projections a year ago, there were two questions he was trying to anticipate. He added that one was what the shared revenue percentage would be because of the increase in the tax. He stated that the second one was how much of an impact the economy would have on the total take. He stated that he chose to be very conservative with both of those numbers.

Mayor Wessel again directed Council to review the Governing Body and Administration sheets for questions or comments.

Councilor Thibodeau clarified that the Governing Body had Worker's Compensation insurance that the Town pays. Town Manager Layton explained that the Worker's Compensation and Insurance and Bonding line items were the total insurance for the Town, which included Council. He added that the full amount was not Council's.

Mayor Pro Tempore Kingston asked what was included in the Professional Services line item. Town Manager Layton stated that it included the audit and payroll services. Councilor Morrison asked what the Town pays for the annual audit. Town Manager Layton stated that it varies depending on how much grant money the Town receives. He stated that it was typically between \$8,000 to \$12,000. Mayor Wessel asked what was included in the Printing and Binding line item. Town Manager Layton stated it was for brochures and newsletters.

Mayor Wessel noted that the Public Relations/Special Events Coordinator's salary was listed under Administration. He added that some of the other costs associated with Parks and the Jazz Festival were further into the budget. Town Manager Layton agreed but noted that salaries were not included in Parks. Mayor Wessel wondered if that position's salary be under Parks and Recreation together with the costs of entertainment for the park and special events so it would be captured on one page instead of two. Town Manager Layton stated that some employee positions were split, i.e. Permit Coordinator Cady's salary was split between Community Development and Building Inspections. He added that Administrative Assistant Moseman's salary was split between Police and Fire. Mayor Wessel asked if there was a split between Public Relations and Special Events. Town Manager Layton stated that he had taken the position that it can all fall

under one category easily. He added that it could be split half and half, but wasn't sure if it would make a difference.

Councilor Thibodeau asked if the two interns would be classified as full-time year-round employees. Town Manager Layton stated that it was under Salaries and Wages Part-Time line item. Councilor Thibodeau asked if the interns were year-round or seasonal. Town Manager Layton stated that Courtney Straub was used year-round and the additional intern would be a seasonal position.

Mayor Pro Tempore Kingston noted that Supplementary Retirement was up 47% and Fringe Benefits were up 45%. He asked what were in those categories. Town Manager Layton stated that it was due to Public Relations Coordinator Testa going from part-time to full-time. He added that because of that, it would increase the medical insurance, 401(k) and the Local Governmental Employees Retirement System. Mayor Pro Tempore Kingston asked if a 3.5% merit increase was proposed for all employees. Town Manager Layton stated that it was budgeted.

Mayor Wessel directed Council to review the Finance and Legal sheets for questions or comments. He clarified that the Legal line item would decrease based on property discussions with sound front businesses. Town Manager Layton stated he was correct.

Mayor Wessel directed Council to review the Public Buildings sheet for questions or comments.

Councilor Thibodeau asked if the debt service was reflected yet. Town Manager Layton stated that it did reflect debt payments starting in Fiscal Year 2012. He noted that entering into the debt was not shown. He explained that the five year forecast included expenditures for debt. He stated that the revenue was the only thing not shown as it hadn't come in. Mayor Pro Tempore Kingston noted that the expenditures weren't shown, so it was considered a wash. Town Manager Layton stated that the debt number was in for Fiscal Years' 2012, 2013, 2014 and 2015. Mayor Pro Tempore Kingston clarified that the proceeds were not in it. Town Manager Layton stated he was correct.

Councilor Burdick clarified that Fiscal Year's 2005, 2006 and 2007 included the purchase of the Town Park. Town Manager Layton stated that it did. He added that it would change once the Town enters into the debt. Councilor Thibodeau clarified that when the budget amendment was drawn up, the chart would change. Town Manager Layton stated that she was correct.

Mayor Pro Tempore Kingston asked where landscaping costs were located in the budget. Town Manager Layton stated that it was listed under Parks. Mayor Wessel asked where the Repairs and Maintenance line item came from. Town Manager Layton stated that he always puts money in there in anticipation of certain repairs and maintenance.

Mayor Wessel directed Council to review the IT sheet for questions or comments.

Mayor Pro Tempore Kingston asked where the trade off was in Administration. Town Manager Layton stated that it ended up being a wash because Public Relations Coordinator Testa would become a full-time employee. Councilor Thibodeau clarified that Public Relations Coordinator Testa was presently an IT person. Town Manager Layton disagreed. He stated that the IT line item originally was all over the budget, but was now under just the one line item.

Councilor Thibodeau clarified that the licenses were allocated under Fixed Charges. Town Manager Layton stated that she was correct. Councilor Thibodeau clarified that the line item

never existed before under IT. Town Manager Layton stated that she was correct. Councilor Burdick asked where they were reflected in previous budgets. He stated that there should be a significant decrease in another line item. Town Manager Layton stated that he had just discussed it and added that the vast majority of the money came from Administration. He stated that he was proposing moving Public Relations Coordinator Testa to full-time, which would include her insurance and other costs associated with moving her to full-time.

Councilor Burdick noted that the budget actually increased by \$30,000 somewhere. Town Manager Layton agreed. Councilor Burdick thought the \$30,000 showed up in Salaries under Administration. Mayor Pro Tempore Kingston noted that the increase could not be tracked back. Town Manager Layton agreed and stated that a lot of it came from the Administration line item and was spread out within Administration and not a fixed cost. He added that it has since been consolidated into one category – Fixed Charges – under the IT line item.

Councilor Burdick pointed out that there weren't any reductions in Administration. He added that the decrease was not reflected. Councilor Thibodeau noted that Fixed Charges was the same budget item as last year. Councilor Burdick expected it to be charged under Supplies and Materials. He stated that in the budget, it was not reflected. Town Manager Layton stated that he could go back and complete a dollar for dollar sheet to show Council where it all came from.

Mayor Pro Tempore Kingston clarified that Council was seeing an increase of almost \$20,000. Town Manager Layton agreed, adding that there wasn't an offset from moving the expenses from the various places. He stated that he was not proposing saving money by moving the expense. Councilor Burdick pointed out that Town Manager Layton was proposing in the budget that the money would be spent. Town Manager Layton agreed and stated that the majority was coming from increases from salaries. He stated that he understood that it wasn't shown and that it could not be tracked that way. Mayor Pro Tempore Kingston explained that it was a 40% increase for getting the trade-offs. Town Manager Layton agreed.

Mayor Wessel directed Council to review the Police sheet for questions or comments.

Mayor Wessel noted that the Town had paid for animal supplies and materials for the first time, then it was taken out and now it was back in the budget. He asked what it covered. Town Manager Layton stated that last year was the first time it was not in the budget. Mayor Wessel asked if the cost was to maintain a dog for a year. Town Manager Layton stated that Police Chief Ferguson had asked for some new leads and harnesses for Magic, which was a justifiable expense. Mayor Wessel asked if it also covered the veterinary bills and dog food. Town Manager Layton stated that it included the cremation of Morse.

Mayor Pro Tempore Kingston asked if Officer Doughtie was a part-time employee. Town Manager Layton stated that he was. Mayor Pro Tempore Kingston noted that Officer Doughtie was presently running for Sheriff. He asked if his position would need to be replaced if he was elected Sheriff. Town Manager Layton stated that Officer Doughtie was technically a reserve officer, which was reflected in the Part-Time salary line item. He added that if he does get elected Sheriff, the Town has an opportunity to use a couple other reserve officers.

Councilor Burdick noted that the Town was decreasing expenses for part-time employees. He asked if there would be less of a problem with crime in Duck. Police Chief Ferguson stated that it would be nice if it did decrease. Councilor Burdick agreed and said he would take the savings. Police Chief Ferguson attributed the break-ins to the current economy, but there have been years

when the economy was strong and there were still break-ins. Town Manager Layton noted that Officer Doughtie was utilized more this year due to the Police being down two officers.

Mayor Pro Tempore Kingston asked if Dare County was still moving forward with the 800MHz radios based on their budget situation. Town Manager Layton stated that they were. Mayor Pro Tempore Kingston asked how many radios the Town would be purchasing. Town Manager Layton stated that he was looking at a total of 39 for the Fire Department and 20 for the Police Department. Fire Chief Black noted that there would be 39 portable radios. Councilor Burdick pointed out that it was not reflected in the budget. Town Manager Layton explained that it was part of the debt that the Town would make a final decision on when the time comes.

Mayor Pro Tempore Kingston asked how much the tactical rifles cost and why they were needed. Police Chief Ferguson stated that the tactical rifles were cheap. He stated that the Police needed the rifles because they were one of the most versatile weapons available. He added that in critical situations, a shooter would probably have a rifle and a handgun would be no match to a rifle. Councilor Burdick asked if the other towns have tactical rifles. Police Chief Ferguson stated that they do.

Mayor Wessel asked if the overtime was for services provided in Duck or for sporting events in Nags Head. Police Chief Ferguson stated that the only sporting event in Nags Head would be the annual marathon. He stated that it amounted to 20 hours total. He stated that there may be some overtime if an officer is in a parade. Mayor Wessel thought there may come a time where the Town discusses with Outer Banks Sporting Events or others that if the Police's presence was required outside of Duck and would incur overtime, compensation for the services would be needed.

Councilor Burdick asked what percentage of overtime was anticipated for the entire Police Department in terms of their standard hours. Police Chief Ferguson stated that he did not have an exact figure, but noted that Sergeant Deringer completes extra work for the Town. He thought there could be a 10% increase in time. Councilor Burdick stated that he would be interested in understanding the percentage of overtime that was anticipated for the coming year compared to the standard hours. Police Chief Ferguson stated that he would come back with a figure.

Mayor Wessel directed Council to review the Fire sheet for questions or comments.

Councilor Thibodeau clarified that the five year forecast included a new Fire vehicle. Town Manager Layton stated that she was correct. He noted that the vehicle would not be purchased until Fiscal Year 2014.

Mayor Pro Tempore Kingston asked how many replacement turnout gears were needed. Fire Chief Black stated that it would cover three. She stated that she had 40 members that use the turnout gear and after 10 years the gear would no longer be usable. She added that the gear is on a three set cycle per year.

Mayor Wessel directed Council to review the Building Inspections sheet for questions or comments.

Councilor Thibodeau clarified that the line item was just Building Inspector Tate's department. Town Manager Layton agreed and added that Permit Coordinator Cady's salary was in that line item.

Councilor Burdick asked if there was a change in the split. Town Manager Layton stated that there wasn't. Councilor Burdick asked what was causing the increase in Fiscal Year 2013. Town Manager Layton stated that it was anticipated that a replacement vehicle would be needed for Building Inspector Tate. Councilor Burdick noted that some CIP items were included in the sheets while others weren't. Town Manager Layton explained that all CIP items were included if it was in that particular department.

Mayor Wessel directed Council to review the Ocean Rescue sheet for questions or comments. Council had no questions or comments.

Mayor Wessel directed Council to review the Streets and Highways sheets for questions or comments.

Town Manager Layton noted that the Temporary Help Services line item covered maintenance of the Duck Trail. He added that the Repairs and Maintenance line item covered any emergency replacement on the trail. He stated Temporary Help Services included the flowers for the Duck Trail and stormwater improvements. He noted under the Professional Services line item included preliminary engineering or planning for the flooding issue in front of Stan White Realty.

Councilor Burdick asked what the Temporary Help Services included. Town Manager Layton stated that it included the contract for the maintenance and mowing of the Duck Trail plus flowers for the trail. Councilor Burdick asked how Council could have a one page summary of where the Town was spending money for landscaping, grounds maintenance, park, trail, neighborhoods, water, etc. and having one lump sum to see what was spent. Councilor Thibodeau clarified that Councilor Burdick was talking about the landscaping.

Councilor Burdick stated that he wanted an indication for the landscaping. Councilor Thibodeau thought one could look at the bills from Coinjock Farms. Town Manager Layton stated that it would not get to the utilities. He added that utilities were the irrigation at the park, as well as irrigation along the Duck Trail. He stated that he could break the costs out. Councilor Burdick stated that he had been getting questions on what the Town was spending for all the flowers and providing water for the different subdivisions. Town Manager Layton stated that the Town was not providing water to the different subdivisions, but the bulkheads were inherited from the Duck Trail Committee, which were already irrigated.

Councilor Burdick reiterated that it would be helpful if Council had a good picture of what the Duck Trail's expense was. Town Manager Layton stated that the Town did not pay for the subdivisions. Councilor Burdick disagreed and pointed out that the Town was paying the water bills for various areas in Duck. Town Manager Layton agreed, noting that they were the Duck Trail's and not the subdivisions. Councilor Burdick asked how much was spent for the water. He thought Council should have a sheet showing such. Town Manager Layton stated that he could come up with one. Councilor Burdick asked that the anticipated items at the park in the future be added to that sheet. Mayor Wessel noted that anticipated items would be in different parts of the budget. Councilor Burdick agreed. Mayor Wessel thought it would be hard to have a one page sheet. Councilor Burdick thought it was a good idea so Council could have a look at what was going on in the future. Councilor Thibodeau thought it would be hard for Town Manager Layton to come up with anticipated costs on one sheet. Councilor Burdick stated that it would make sense as it would show how Council was making the Town more attractive. Councilor Thibodeau clarified that Councilor Burdick was asking how much was spent. Councilor Burdick agreed.

Councilor Morrison asked for a status of the Caffey's Inlet project. Town Manager Layton stated that the first replacement had been completed for this year. Councilor Morrison asked if it was working. Town Manager Layton stated that it was working very well.

Mayor Wessel clarified that there weren't any anticipated costs in Streets and Highways for pedestrian safety studies. Town Manager Layton stated that it was included in the budget under Capital Outlay.

Mayor Wessel directed Council to review the Sanitation sheet for questions or comments. Council had no comments or questions.

Mayor Wessel directed Council to review the Community Development sheet for questions or comments.

Town Manager Layton noted that it covered Director Garman's salary and half of Permit Coordinator Cady's salary.

Mayor Wessel directed Council to review the Parks sheet for questions or comments.

Town Manager Layton noted that the largest line item was the debt on the park properties, the events for the summer, and the maintenance of the park which included all the flowers.

Councilor Burdick noted that the boardwalk was not in there. Town Manager Layton stated he did not understand the question. Councilor Burdick stated that the cost of the boardwalk and what was spent was not in there. Town Manager Layton explained that when the budget was put together, staff was not sure if the Town would receive the grants at that point so it was not reflected in the budget. He anticipated that, provided the Town receives something in writing from PARTF, he would put it in the budget. Councilor Burdick asked if any of the costs associated with the boardwalk, apart from the construction of it, was in the budget. Town Manager Layton stated that it was. Mayor Wessel noted that the repair to the kayak launch was reflected in the proposed budget under actual numbers. Councilor Burdick asked what the Temporary Help Services line item was for. Town Manager Layton stated that it was same as the Duck Trail.

Mayor Pro Tempore Kingston asked if the number of events included all the concerts including the Jazz Festival. Town Manager Layton stated that it did. Mayor Pro Tempore Kingston asked if the Town paid anyone to assist Chris Whitehurst. Town Manager Layton stated that they weren't paid as it came out of Events.

Councilor Burdick asked for a subtotal before getting into the debt service where Council could see compilations of the debt service to see what the Town was routinely spending as opposed to what was paid out because of the loans. Councilor Thibodeau clarified that Councilor Burdick wanted an operating costs spreadsheet. Councilor Burdick agreed. Town Manager Layton stated that it was easy to show subtotals. Councilor Burdick thought it would be helpful for Council to understand it.

Mayor Wessel directed Council to review the Capital Outlay sheet for questions or comments.

Town Manager indicated that Capital Outlay was where the expenses related to the sand fencing would come from. He stated that the Budgetary Accounting sheet was the new one that was handed out to Council at the beginning of the meeting with the \$1.00 change.

Councilor Thibodeau clarified that the Town had dipped into the Fund Balance in 2007. Town Manager Layton stated that it was the year that the Town paid for the new Fire engine. Councilor Thibodeau clarified that it had not been appropriated so it looked like a negative number. Town Manager Layton stated that replacing the Fire engine was always out there in the budget, but a decision wasn't made. He stated that it came to a head in 2007 and was discussed with an appropriation from the Fund Balance.

Councilor Burdick noted that there was \$192,000 sitting in the budget in anticipation of obtaining the loan. Town Manager Layton stated he was correct. Councilor Burdick clarified that it did not represent the probability analysis that was completed. Town Manager Layton stated that he was correct. Councilor Burdick understood that the Town would be at net zero by next fall. Town Manager Layton stated that based on the current probabilities, the Town would be. Councilor Burdick asked if it was a reasonable assumption. Town Manager Layton stated that it was in that the Town would have to make adjustments. Councilor Burdick suggested that as Council looked at the CIP, they look to see where there may be some deferrals or alternative actions that may be used to see if it could be added to the Fund Balance. Town Manager Layton stated that it could be done. He reiterated that it would begin in Fiscal Year 2012. Councilor Burdick asked why it had to be Fiscal Year 2012. He felt that five years was five years. He added that if he could save \$10,000 dollars next year, it was \$10,000. He asked what the difference was between next year or 2013. Town Manager Layton stated that as far as the Capital items, the Town can afford the proposed items for this year. Councilor Burdick disagreed. He stated that if one looked at the five year budget, it showed that the Town was unbalanced.

Mayor Pro Tempore Kingston noted that it showed that the Town may dip into the Fund Balance. Councilor Burdick agreed. Mayor Pro Tempore Kingston stated that if the Town dipped into the Fund Balance, it would have to be put back. Councilor Burdick thought it was a decision Council had to make, but Council could look at the CIP on the basis on whether any changes could be deferred so it would add a cushion as to where it would come out if no changes were made. He thought that is was a short-term opportunity so Council can decide which items could be changed in order to improve the Fund Balance since the Town was not at the target level for it. Town Manager Layton stated that he was correct. Councilor Burdick clarified that the Town was at 50% and its goal was to be at 70%. Councilor Morrison stated the goal was 75% to 100%. Councilor Burdick thought it gave Council some perspective as to where the Town was on the budget.

Councilor Burdick understood that the Town could pay for the items for the coming year, but felt that when the budget was adopted, the Town will have projected itself in a manner where it would stay in good shape over the next five years.

Councilor Morrison thought Town Manager Layton's revenue estimates may be too conservative. Councilor Burdick stated that he had asked Town Manager Layton how his estimate of tax revenues compared with Dare County and the other towns. He added that in some cases, Town Manager Layton was more conservative than Dare County. He hoped that Councilor Morrison was right with regard to the estimates being too conservative.

Councilor Thibodeau thought that historically when she sat in on other budget presentations, Town Manager Layton's revenue estimates had been very conservative with last year's being extremely conservative with regard to Occupancy Taxes. She clarified that he was not being as conservative with the tax this year. Town Manager Layton stated that she was correct. He noted that last year there were a lot of unknowns, but this year he was more comfortable with it.

Councilor Thibodeau thought it was beneficial to have Town Manager Layton understating the Town's revenues as it helps on every level. Councilor Morrison agreed. Councilor Thibodeau stated that she did not have a problem with being conservative. Councilor Burdick thought the Town should be conservative. He stated that he was concerned if the economy does not improve, Transfer Taxes may not be as good as what was being forecasted. He stated that the Town would be facing more shortfalls down the road if Dare County and the other towns propose additional tax increases in the future. Town Manager Layton thought it was a distinct possibility. He thought that after the revaluation was completed, Dare County and the towns would make adjustments. He stated that the reality was that at some point the Town may take such a hit that the tax increase question would come up. He added that it was possible if the other municipalities increased their taxes.

Councilor Burdick stated that he looked at the budget to determine what the upsides and downsides were. He stated that Town Manager Layton's conservatism was the upside for the Town. He noted that if one looked at the downside, there were items that were worrisome. He thought if the other municipalities had tax increases, the Town would be in an untenable position as far as holding onto its tax rates.

Councilor Morrison stated that it looked like the Town could say once again that it has the lowest tax rate in Dare County.

Mayor Wessel asked if there were any other items to discuss. Councilor Burdick asked if Council should discuss the CIP document. Councilor Thibodeau clarified that Councilor Burdick was suggesting that adjustments be made to the CIP. Councilor Burdick suggested that Council go through the CIP just like they reviewed the budget to see if there was anything that could be changed.

Mayor Wessel called for a 5 minute recess. The time was 4:06 p.m.

Mayor Wessel reconvened the meeting. He stated that the summary of the Capital Improvements Program showed the list of items from 2011 through 2015.

Mayor Wessel directed Council to review the Project Cost Summary sheets for questions or comments.

Councilor Burdick noted that there was \$90,000 to take care of a utility vehicle and a maintenance tractor which the Town did not have presently. Town Manager Layton stated that the Town did have a maintenance truck and would be a replacement item in the CIP. Councilor Burdick asked if it was really necessary to spend the money. Councilor Thibodeau noted that it was going into Fiscal Year 2013. She asked if he was looking at the total five year figures. Councilor Burdick stated that he was. Town Manager Layton stated that the maintenance tractor could be removed from the CIP. He added that the park utility vehicle could be deferred. He thought whether it was purchased in 2012 or some other time; it would be something that will need to be purchased.

Councilor Burdick asked if there could be a 6 year replacement built in for the replacement of the Police vehicles instead of it being 5 years. He wondered if it could be delayed by one year. Police Chief Ferguson explained that the Police had five 2003 Crown Victorias that were approximately seven years old. Town Manager Layton stated that those vehicles were proposed to be replaced this year. Councilor Burdick again asked if it could be deferred another year.

Councilor Thibodeau clarified that Councilor Burdick was talking about the replacements for 2011 or 2013. Town Manager Layton stated that it was for 2013. Councilor Burdick agreed. Town Manager Layton stated that it was possible depending on how the vehicles are at that time.

Mayor Pro Tempore Kingston asked if all five vehicles were still on the road. Police Chief Ferguson stated that one was a spare and another was supposed to be a spare, but it had major electrical problems that would not be worth the money to repair.

Mayor Wessel clarified that 2011 would be the year to replace three of the five 2003 models. Police Chief Ferguson stated he was correct. Mayor Wessel asked if there were a number of 2004 and 2005 vehicles that could be replaced with the ones to be replaced in 2013. Police Chief Ferguson stated that the Police Department had three 2003 Crown Victorias, a 2003 Expedition, a 2003 Explorer, two 2007 Chevrolet Tahoes, a 2007 Dodge Durango, two 2009 Crown Victorias, and a 2009 Ford Explorer. Town Manager Layton noted that the 2009 vehicles were purchased this year.

Councilor Burdick clarified that the Police Department had a lot of new vehicles. Police Chief Ferguson agreed. Mayor Wessel noted that the replacement purchases would be split up in 2013 and 2014. Police Chief Ferguson stated that he was open to deferring the purchases but it would depend on how the vehicles hold up. Town Manager Layton explained that the CIP was used as a planning tool for the Town and each year as the budget discussions progress would be when final decisions would be made, except for debt payments.

Councilor Burdick clarified that if an item wasn't purchased, it would come out of the CIP completely. Town Manager Layton stated that he was correct. He reiterated that the items in the CIP were anticipated and as budget conditions change and revenue shortfalls occur, items would be deferred. He stated that he did not want to be in a situation where the Town was not anticipating the items. He stated that as the Town gets into the next fiscal year, he would revise all of the projections and there would be a CIP that would come back to Council with his suggested changes.

Councilor Burdick asked if the soundside boardwalk amount was from the grant. Town Manager Layton stated that it was grant funding the Town would be applying for. Councilor Burdick clarified that it would not show up anywhere else. Town Manager Layton stated that because it was in the CIP, it was shown in the five year projection as revenue and expenditures.

Mayor Pro Tempore Kingston asked if the replacement of the SCBA bottles would be funded by the Fire Department. Town Manager Layton stated that they would.

Councilor Burdick asked about the purchase of the vehicle exhaust removal system. Fire Chief Black stated that it would be paid for with grant funds with a match of 5% on the Fire Department's side.

Councilor Burdick thought that the items that were going to be funded by the Fire Department should be on a separate list. Fire Chief Black thought it was a decision for the Town Manager. Town Manager Layton explained that there was separate sheet in the CIP that was the General Fund Impact Summary. He stated that it broke down the actual anticipated costs to the General Fund. He stated that it would include the debt service plus any grants, but would only show the Town's match.

Mayor Pro Tempore Kingston asked if the purchase of Truck 11 would take more than two years. Town Manager Layton stated that it would be paid off as of 2012. Mayor Pro Tempore Kingston apologized as he was referring to the wrong truck and was really asking about Brush 11.

Mayor Wessel thought it should be anticipated at Council's next 2 retreats that there would be discussions regarding Engine 111. Town Manager Layton stated that the Fire Department would have to begin the planning process before it's presented.

Councilor Thibodeau moved to authorize a public hearing for June 2, 2010.

Motion carried 5-0.

ADJOURNMENT

Mayor Wessel moved to adjourn the meeting.

Motion carried 5-0. The time was 4:35 p.m.

/s/ Lori A. Kopec, Town Clerk

Approved: June 2, 2010

/s/ Dave Wessel, Mayor