

**TOWN OF DUCK
TOWN COUNCIL
MID-MONTH MEETING
April 19, 2023**

The Town Council for the Town of Duck convened at the Paul F. Keller Meeting Hall at 1:00 p.m. on Wednesday, April 19, 2023.

COUNCIL MEMBERS PRESENT: Mayor Don Kingston; Mayor Pro Tempore Monica Thibodeau; Councilor Sandy Whitman; and Councilor Rob Mooney.

COUNCIL MEMBERS ABSENT: Councilor Tony Schiano.

OTHERS PRESENT: Town Manager Drew Havens; Director of Community Development Joseph Heard; Police Chief Jeffrey Ackerman; Deputy Fire Chief Clarence Batschelet; Town Attorney Robert Hobbs; Community Planner James Gould; Finance and Human Resources Administrator Jessica Barnes; and Town Clerk Lori Ackerman.

OTHERS ABSENT: Fire Chief Donna Black and Public Information and Events Director Kristiana Nickens.

Mayor Kingston called the meeting to order at 1:04 p.m. He noted that Councilor Tony Schiano was excused from the meeting.

Mayor Kingston moved to amend the agenda by adding a presentation by the Dare County League of Women Voters.

Motion carried 4-0.

SPECIAL PRESENTATION

Nancy Birindelli of the Dare County League of Women Voters was recognized to speak. Ms. Birindelli handed out the 2023 Citizens Guide to Council and thanked the Town for their support of the guide each year.

DISCUSSION OF FY 2024 BUDGET OVERVIEW

Town Manager Drew Havens was recognized to speak. Town Manager Havens gave a presentation on a gross needs “budget” noting that it was not in balance, touching on revenues, new purchases/projects, department by department review of expenditures and the five-year forecast to Council and the audience. He pointed out that he was recommending making some changes in personnel with regard to compensation and some other benefits. He noted that he was looking for direction from Council on getting the budget balanced so it can be put together in a draft ordinance to be advertised for the public hearing, which would be at Council’s May 3, 2023 meeting.

Mayor Kingston asked Town Manager Havens if he heard anything from the other towns and Dare County regarding tax rates. Town Manager Havens stated that he had not. He explained that Duck was presenting much earlier than the other towns and Dare County.

Mayor Pro Tempore Thibodeau clarified that the 5.6% change in Revenue – Sales Tax over last year’s budgeted amount and the \$1.9 million was equal to what Duck expects to receive this year. Town Manager Havens stated she was correct.

Mayor Pro Tempore Thibodeau clarified that the \$2 million for Occupancy Tax Revenue was shown as an 8% increase over the Town’s budget last year, which was considered conservative, and was why it was more than the 3% that Dare County was working with. Town Manager Havens stated she was correct. He explained if the Town was following in loss of Dare County, he would be budgeting 3% in excess of the \$2 million. He added that Dare County was looking at what they expect to collect in the current fiscal year. He noted that the 8.1% was the difference between the \$2 million the Town was budgeting for Fiscal Year 2024 and what will be budgeted in Fiscal Year 2023.

Mayor Pro Tempore Thibodeau pointed out that Occupancy Taxes were slowing down in terms of no one staying at that white hot rate, adding that Occupancy levels will most likely decrease because they were unsustainable as well as the rates increasing quite a bit, which was where the Town could make up the difference. She stated that it was less people but higher values and higher dollars for the rentals is what everyone will see. Town Manager Havens agreed.

Mayor Kingston pointed out that this was the second meeting in a row with audio video transmission issues. He asked if it would be addressed with one of the grants the Town will be receiving. Town Manager Havens thought there needed to be some servicing completed on the system. He stated that at the Board of Adjustment meeting, the issue was a bandwidth problem and has been addressed by Shoshin Technologies. He stated that he wanted to have as high reliability as possible for live streaming. Mayor Kingston agreed.

Mayor Kingston asked if some of the other towns raise their tax rates, how big of an exposure Duck’s Revenue would be. He further asked if it would be between \$50,000-\$100,000. Town Manger Havens stated that he did not have a number and guessed that any change would be in the level of Duck’s conservative estimates for Revenues. He stated that he was not aware of any of the towns having anything huge queued up that they will need a significant adjustment to their tax rate.

Mayor Pro Tempore Thibodeau pointed out that the Town of Nags Head has a new Public Works building and the Town of Kitty Hawk has some larger capital projects, but she was not sure if that would require them to increase their tax rate. Town Manager Havens stated that he would be surprised to see a significant change in their tax rate anywhere. He added that he would be having his Manager’s lunch on April 20, 2023 and can ask some questions.

Mayor Kingston clarified that the merit increase maximum of 3% in 2021 did not include the merit bonuses. Town Manager Havens stated he was correct, explaining that it was just the base salary. Mayor Kingston clarified that it did not include total compensation. Town Manager Havens stated he was correct.

Mayor Pro Tempore Thibodeau asked that since the CPI has decreased in 2022 and 2023, what would happen to it. She further asked what would happen if Town Manager Havens moved forward and saw a decrease. Town Manager Havens stated that the chart Council had in front of them was month over month. He stated that the second chart was the actual CPI index that he uses for the second half of the calendar year. He stated that in 2021 it was approximately 6.01% and in 2022 it was 7.71%. He explained that if the month over month trend continues, he would expect that the second half index that he uses for next year would probably be less than 7.71%. He pointed out that it should not go in the negative. Mayor Pro Tempore stated that this was the first time that Council looked at things in a while with this metric. She hoped it was not sustainable for too much longer. Town Manager Havens did not think he would see that this time next year with inflation being up 7.5% again. He thought it would decrease and he would not begin with a recommendation of a 6% merit pool as it would follow along with the CPI index.

Mayor Kingston clarified that Council was looking at an 8.5% increase plus up to 6% increase for employees. Town Manager Havens stated he was correct. He explained that the first point was to adjust the pay plan by 7.71% and if the pay plan was moved by 7.71%, 16 employees would fall off the bottom of the pay chart. He stated that the Town would need to move those 16 employees back up to the minimum for their pay range. He added that one of the reasons that happens was because their base salary was not increasing at the same rate that inflation was increasing. He stated that when he talks of "compression", it meant that an employee would continue to be brought up to the minimum by policy because inflation is outpacing merit increases, and if the Town hires a new employee at the minimum, it would mean that a brand-new employee and an employee that has been with the Town for three years would be making the same amount of money. He stated that he was trying to allow employees that have tenure to move further away from the minimum of the pay scale. He stated that that was why he was recommending an 8.5% increase across the board, which would reduce compression and would bring all employees above minimum while trying to keep pace with the other towns.

Mayor Kingston asked what the maximum percentage was above 0%. He pointed out that the Town was going from less than 25% to almost 30%. He asked if the maximum was that high. Town Manager Havens stated that it was for the minimum of pay. He explained that there was a minimum and a mid-point and a maximum in all of the different pay grades. He noted that no one was at the mid-point, adding that a long-term employee should be north of the mid-point, getting towards the maximum, assuming they were in the same position they were hired to do. Mayor Kingston asked if it was the result of the Town not adjusting for CPI each year. Town Manager Havens stated that it was.

Mayor Kingston asked why the Town of Manteo was not listed in the minimum salaries for police and fire, but the other towns were. Town Manager Havens stated that the Town of Manteo was not a direct competitor and tended to lag, so he did not include that town.

Councilor Whitman asked why the Dare County Sheriff Department was not listed. Town Manager Havens stated that he did not have their information but could obtain it. He did not believe that the Sheriff Department had caught up with Duck.

Mayor Pro Tempore Thibodeau clarified that the extras were part of the proposal and the other information was what the other towns were doing. Town Manager Havens stated she was correct. Mayor Pro Tempore Thibodeau clarified that even with the adjustments, it shows how Duck stacks up to the other towns. Town Manager Havens stated she was correct, explaining that it was just the minimum salaries. He added that it was Duck's pay plan adjusted by 7.71%. He noted that the 8.5% only impacts people that were currently employed with the Town.

Mayor Kingston asked if the Town of Kitty Hawk was raising their starting salaries to \$50,000. Town Manager Havens stated that it was the information he had about a month and a half prior. Mayor Kingston clarified that the estimates were not Town Manager Havens.' Town Manager Havens stated he was correct, adding that it was based on what he heard from the other towns. He pointed out that the figures were very preliminary.

Mayor Pro Tempore Thibodeau clarified that 7.71% was to the pay scale for the Town. Town Manager Havens stated she was correct. Mayor Pro Tempore Thibodeau clarified that the 6% merit increase was allocated regardless, it was just what percentage of the 6% goes to which employee. Town Manager Havens stated she was correct.

Mayor Kingston asked how the 6% was chosen and if it would change each year. Town Manager Havens thought it would follow the way inflation moves. He stated that if inflation decreases, so will the 6%. He stated that the 6% was the percentage increase currently. He added that this year it was 3% increase and 3% bonus, adding that it was a combination of it. He noted that 6% absent 8.5% did not cut it because of inflation.

Councilor Mooney asked if the individual department evaluation process was defined in an effort to keep subjectivity out of it. Town Manager Havens stated that it was. He explained that the performance metrics pieces were drawn out of the job description and behavioral results were drawn out of SOAR. He stated that there would always be a certain amount of subjectivity. Councilor Mooney pointed out that it could not be eliminated completely, but there should be some sort of measurable guideline that would support any decision that is made. Town Manager Havens agreed. He stated that as he has gone through and talked to different groups of employees and explained what the system could look like, particularly those directly involved in the evaluation process, there was a clear definition of each of the five different ratings an employee could get. He stated that the norm should be an employee meeting the expectations of the position, but there would also be employees that will exceed the expectations or will consistently

exceed the expectations. He stated that they were trying to get away from the evaluation itself driving the percentage of merit increase an employee receives. He pointed out that the way the system is now, it was a numbers game where an employee has to have a certain number of points in order to receive their 1.5% or 3% merit increase. He noted that there was no perfect evaluation system and this was a whole lot closer and was starting to weed out some of the subjectivity while giving employees the ability to say whether they need to improve or not. He added that the point of a performance evaluation was evaluating what actually happened and being able to coach to improve performance.

Councilor Mooney thought subjectivity could not be completely eliminated no matter what, but as long as there was some sort of measurable metric, then it is what it is. He added that if it proves to be ineffective or unfair, it could always be addressed again. Town Manager Havens agreed, adding that when it was discussed with the Department Directors, it was considered an evolutionary process. He stated that he would run this for a year, adding that he has used a system similar to this one, noting that not everyone will like it, but Duck needed to be able to recognize those employees that were going above and beyond and supervisors recognizing that there were employees that they will need to bring up to par.

Mayor Pro Tempore Thibodeau asked who had helped staff with SOAR. She thought it was through the North Carolina League of Municipalities. She clarified that the individuals that helped staff with SOAR also helped with the new performance evaluation form. She thought the supervisors would be giving feedback to their employees throughout the year and not just rely on a one-year evaluation. Town Manager Havens stated that it was an expectation of the supervisors. He explained that if the first time an employee hears that they need improvement at their annual evaluation, it would be a failure of leadership, but there were ways to address that. He stated that the SOAR was 99.8% home grown with Dr. Eleanor Green meeting with all employees. He pointed out that she had all staff complete a pre-survey asking the employees what they felt was important to them and what values were important. He added that the Department Directors met the following day with Dr. Green and took that output and discussed it. He stated that a committee was established from the employees who worked on the values and they produced SOAR. He stated that the committee sent all of the employees what they produced and received feedback on it.

Mayor Pro Tempore Thibodeau clarified that employees would effectively receive more vacation based on prior years' experience as per the change to the personnel policy that would allow prior state and local government service to count toward total years of service. Town Manager Havens stated she was correct. He stated that he had met with Councilor Schiano earlier in the week and one of the things he suggested as staff was rewording the policy, if this was something Council wanted, to word it about a break in service. He noted that it would have to be continuous service and not someone that completed five years of service 10 years ago in a different department and then came to work for Duck. He stated that it would have to be continuous government service. He noted that the purpose of this was for recruitment.

Mayor Kingston stated that he viewed this as a policy change with no immediate impact on the draft budget. He thought it should be deferred to a greater Council discussion instead of making it part of the budget. He agreed it was for recruitment, but thought it needed more discussion with Council. He stated that he would like to see it removed from the budget proposal and making it more of a Council discussion and policy. Mayor Pro Tempore Thibodeau clarified that Mayor Kingston was talking about all of it. Mayor Kingston stated it was just the vacation accrual. Mayor Pro Tempore Thibodeau noted that a lot of it ties into the budget. Mayor Kingston stated that it did not tie into the budget at this point in time, adding that it was a policy and he thought it needed further discussion, such as types of service and how many years and if it included all of the years. Town Manager Havens stated that he could table it until the June 7, 2023 meeting, adding that he was just trying to show Council all of the changes he was trying to make with regard to personnel in order to try to be competitive. Mayor Kingston pointed out that the Town's exposure was one police officer that has not been hired yet. He thought it may be a benefit going forward. Town Manager Havens explained that it would impact the one police officer plus 17 existing employees. Mayor Kingston understood, adding that the 17 employees are already working for the Town.

Councilor Whitman asked if the one to five days for years of service meant 12 days was the maximum employees would receive for vacation. Town Manager Havens stated that what Council was looking at with regard to years of service and days of vacation was in the current personnel policy. He explained that an employee that has been working for the Town between one and five years would receive 12 vacation days. Councilor Whitman asked if an employee came from another municipality and had received 16 vacation days for working one to five years, Duck would take theirs or use what is in the current policy. Town Manager Havens explained if the employee came to work for Duck with nine years of service, they would accumulate 15 days of vacation per year as opposed to 12.

Councilor Whitman asked if the 14 employees in Public Safety would leave if the issue dragged on and if they were offered another job elsewhere. Town Manager Havens stated that it would be hard to answer, adding that he was unaware of any of the other towns doing this. He did not think the other towns were giving credit for prior years of service, adding that it was another way to show that Duck was leading the way. He stated that Mayor Kingston was correct in that this did not have a bottom-line dollar impact on the draft budget. He pointed out that if an employee has over 80 hours of vacation time at the end of the year, the overage rolls to their sick time which helps with their retirement.

Mayor Pro Tempore Thibodeau clarified that with regard to timing, knowing and making a change in June and Council agreed, the clock would start with the next fiscal year on any decision Council made. Town Manager Havens stated that this and the other issue of health insurance was that he was recommending it would be for employees hired after July 1, 2023 as the effective date.

Mayor Kingston reiterated that a longer discussion was needed. He pointed out that if the Town suddenly changed the vacation eligibility for 17 employees it would have an impact on the workforce with respect to overtime, overlap and being short-staffed. He thought Council needed to have a better discussion on the policy change. Town Manager Havens pointed out that policy changes were a separate matter, adding that the only reason he was presenting them as a suite was because he was trying to advance a little bit and be a little more progressive in terms of the personnel policies. He noted that Council would need to adopt the changes in the personnel policy separate from the budget. He stated that he would not try to include in the budget ordinance any personnel policy changes. He pointed out that the only thing the budget ordinance would change in terms of personnel was the pay scale since it was adopted as part of the budget. Mayor Kingston stated that the downside was the workforce and who was available to work and it could run short in a lot of the departments. He reiterated that he thought a deeper discussion on the subject was needed. Town Manager Havens stated the he would be leaning on the Fire and Police Chiefs to help guide that discussion. He thought they would tell Council that the way they currently manage vacation time would not change because someone has three more vacation days in a year.

Councilor Mooney asked if there was a minimum manning policy in effect. He thought it should never be an issue if one was in effect. Town Manager Havens agreed that it should not be an issue. He thought Council could have a longer discussion on it at a future Council meeting. He reiterated that he wanted to be sure to get the vacation policy out there because he thought it was important and was something that he could let current employees know that their service they brought with them would be recognized and to new, prospective employees, he could let them know that they would not be starting at zero in terms of leave.

Mayor Pro Tempore Thibodeau stated that to Mayor Kingston and Councilor Mooney's points regarding staffing in general, maybe it did affect the budget in terms of extra part-time people that will need to be hired to accommodate more vacation time for current employees. Town Manager Havens thought if the Town ended up with vacant positions, it tended to drive the part-time and overtime, especially for the fire department. He stated that Councilor Mooney was used to working in an environment where he had minimum staffing and if an employee put in a leave request and it caused the department to go below minimum staffing, the leave request would be denied. He added that that is what is currently done at the police and fire departments with the priorities being that the fire trucks were fully staffed and that there was minimum staffing at the police department.

Mayor Kingston stated that the issue of a retiree health insurance stipend needed further discussion with Council. He knew Councilor Schiano had mentioned it. He reiterated that a further discussion was needed because of the continuing liabilities, adding that it was not a short-term impact. Town Manager Havens explained that it was a little less emergent and that it would not impact the Town with the current staffing until Fiscal Year 2028. He added that the retiree health was discussed when the new personnel policies were adopted two years ago, pointing out that there is a section in the policy that is reserved for retiree health. He stated it was a discussion that staff has been wanting to

start, but he did not expect that Council would want to move forward with it. He noted that he wanted to present the whole package, which was what staff was recommending as things moved forward knowing that some of it has a budgetary impact, some does not, but he wanted to have these discussions with Council to the point where a decision is made sooner than later so the Town was positioned as such to be very competitive in terms of salary as well as benefit structure.

Mayor Pro Tempore Thibodeau stated she was not aware that an employee was allowed to stay on a health plan after they have left employment. She stated that in the private sector, it was done through COBRA for 18 months. She asked if that also applied to the public sector. Town Manager Havens stated that it was.

Mayor Kingston clarified that the retiree health supplement was just some financial assistance. Town Manager Havens stated he was correct. He explained that COBRA was required to be offered by an employer to employees that depart and was for 18 months. He noted that staff have been told that there was no prohibition in allowing the former employees to continue their coverage at their cost. Mayor Pro Tempore Thibodeau stated that she was not aware of that.

Mayor Kingston asked if an employee would need to pay back the tuition assistance if they failed to complete the course with a passing grade. Town Manager Havens stated he was correct.

Councilor Whitman asked what would happen to the tuition assistance if an employee were terminated. Town Manager Havens stated that the employee would have to pay the money back to the Town.

Town Manager Havens asked Police Chief Jeffrey Ackerman to explain promoting two Master Police Officers to Police Corporals. Police Chief Jeffrey Ackerman was recognized to speak. Police Chief Ackerman explained that the Duck Police Department has a smaller rank structure than other departments so people wear multiple hats. He stated that a lot is put on the Sergeants with a larger part of their duties doing administrative work. He stated that by creating the Corporal positions, the department is able to put them on the mid-shift (3pm-3am) which would allow them to work equally with the day shift and night shift officers on their squad. He noted that they would be able to take on a greater supervisory role by being mentors and in charge of weekly training regiments that would be implemented, roll call training on a daily basis, and overseeing the department's field training program directly. He added that it puts a more experienced, mature officer out there as close to 24 hours a day as possible. He stated that in order to be eligible for the position, the officer would have to hold the Master Police Officer rank, which was the highest level on the Police Department's career development chart. He pointed out that three officers were currently eligible to apply for the positions.

Mayor Pro Tempore Thibodeau asked what the dollar value of \$8,325 was based on. Town Manager Havens explained it was the delta between the current salary of the

Master Police Officers and what they receive as a Corporals. Mayor Pro Tempore Thibodeau asked if it was per employee. Town Manager Havens stated that it was the total cost for two employees.

Mayor Kingston asked if there was any reason why it would not be achieved now instead of waiting until July 1, 2023. He noted that it had minimal impact to the budget, but a good impact to the employees. Town Manager Havens stated that it would require a modification of the pay and classification plan, adding that it was a month and a half difference. He stated that this was proposed as part of the budgetary process as was the Deputy Police Chief position. He added that unless there was something really emergent, he tried not to bring changes to the classification other than at the time of the budget. Mayor Kingston pointed out that it was something that did not have to wait until July 1, 2023 to take action on along with the Deputy Police Chief position.

Mayor Pro Tempore Thibodeau thought going along with a comprehensive change to the personnel pay rate was extra work unless it was hampering recruitment efforts.

Councilor Whitman thought the recruitment effort went to the vacation days in that if the prospective employee comes from another police department, they will lose their accrued vacation. He thought if Council was going to pass this due to recruitment, they should pass the other at the same time. Mayor Pro Tempore Thibodeau pointed out that they seemed to be tied together. Town Manager Havens stated that the operation of the police department was not impacted and was a next step. He thought that hearing the discussion told Police Chief Ackerman that he needed to plan for it and figure out a process for the selection, so that when the budget is approved and takes effect on July 1, 2023, those promotions can happen immediately. He stated that he and Police Chief Ackerman were comfortable with the July 1, 2023 effective date.

Mayor Pro Tempore Thibodeau clarified that the \$9,600 was Town Manager Havens' assumption of the number of employees that may take advantage of the tuition assistance. Town Manager Havens stated it was a modified guess. He stated that originally the Department Directors guessed a little higher, adding that because it was something that was brand new, he was not sure what the uptake would be. He hoped to spend at least the \$9,600 and then tell employees if they did not receive it this year, they could apply next year.

Mayor Pro Tempore Thibodeau clarified that the Special Obligation Bond, which the Town has to budget for annually when it is not being used, was just the interest amount. She asked if it was costing more than \$62,000 per year. She thought there was an adjustment that had to be done when it was realized that the Town was going over. Town Manager Havens explained that until the Town receives reimbursement from FEMA and can retire that debt, it was just interest. He added that it rolls forward, adding that the way the bond was structured, the Town would have one more renewal that can be requested depending on how fast the FEMA money comes back. He stated that the nourishment project would need to be finished and all the invoices need to be received and paid in order to close the project. He stated that at that point FEMA is contacted to let

them know the project is finished, pointing out that reimbursement will not happen quickly. He stated that Council needs to be prepared for the fact that the Town may have to pay a little more or renew for a short period of time. Mayor Pro Tempore Thibodeau clarified that the Town will not have to pay to renew as well as pay the interest, it would only pay the interest and ask for the renewal. Town Manager Havens stated she was correct.

Mayor Kingston asked about the FEMA BRIC grant. He asked if the Town had to pay the FEMA money up front. Town Manager Havens stated he was correct. Mayor Kingston asked if that has been projected out. Town Manager Havens stated that he did not anticipate issuing debt for it because the construction window will be fairly narrow. He stated that the FEMA portion was in the DEM money, which was funding the highway portion of the project, adding that it has to be completed before Memorial Day 2024. He stated that, unless the Town ends up with a major storm and a cash flow problem, his plan was to fund that out of what the Town has in reserve, adding that there was more than enough money in the Fund Balance to float until the reimbursement is received.

Councilor Whitman asked if Dare County paid the FEMA costs for the beach nourishment project or if the Town did. Town Manager Havens stated that Dare County would, adding that CPE was also involved to keep all of the paperwork in order. He stated that, ultimately, the request will come from Duck because it was a grant that was given to the Town for Hurricane Dorian. Councilor Whitman pointed out that the Town has had an issue with Weeks Marine since January. He asked how FEMA would look at that. Town Manager Havens stated that the grant was still there and FEMA was aware of where the project currently stands and there was no issue with the Town.

Director of Community Development Joseph Heard was recognized to speak. Director Heard noted that the Town received an extension on the project. Town Manager Havens agreed, adding that the Town had to request an extension for construction. He reiterated that FEMA was aware of what was going on with the project.

Mayor Pro Tempore Thibodeau asked if the radios for Public Safety were working well. Police Chief Ackerman stated that they were.

Mayor Pro Tempore Thibodeau asked about the Public Safety building in general. She knew it was not cut from the CIP because it was not necessarily in there for this year. She thought it was taken out of the budget over the last couple of years as opposed to having it as a placeholder. She pointed out that in the Public Safety Building Repair line item, there was no dollar value there. Town Manager Havens stated that it was a mistake, adding that \$160,000 was in the \$400,000. Mayor Pro Tempore Thibodeau clarified that the \$160,000 was in the cost line of the Public Safety Building repair. Town Manager Havens stated she was correct. Mayor Pro Tempore Thibodeau clarified that it was in the cost but not the cut side. Town Manager Havens stated she was correct, adding that he wanted to do the project this fiscal year with some of the surplus funding.

Mayor Kingston asked if the Town's Finance Officer was in the Finance Department or Administration. Town Manager Havens stated that he was the Finance Officer and was in Administration. Mayor Kingston asked where Finance and Human Resources Administrator Jessica Barnes' position was. Town Manager Havens stated it was in Administration and next year her position would be under Finance with the title changed to Finance and Human Resources. He added that he would likely retitle Recreation and Special Events to Communications and Special Events and move Public Information and Events Director Kristiana Nickens and Public Relations Administrative Assistant Betsy Trimble to that department. He noted that most of the events related costs would move to that department as well.

Mayor Kingston asked if Shoshin Technologies was capable of solving the transmission problems with regard to livestreaming. Town Manager Havens explained that Shoshin Technologies was contacted when the issue came up and they have made adjustments to bandwidth. He noted that what happened earlier at this meeting with regard to livestreaming was not a Shoshin issue.

Mayor Kingston asked if there was a date for the delivery of the new Engine 11. Deputy Fire Chief Clarence Batschelet was recognized to speak. Deputy Fire Chief Batschelet stated that he did not have an exact date but it was still on schedule. He thought it was roughly 12 - 14 months out the last time he spoke to the vendor. He stated that he was looking at a September pre-construction date which is the meeting he will have with the manufacturer so he will know where the engine was in the process. He thought it was approximately six to eight months from pre-construction. Mayor Kingston asked if the resale of Engine 111 has been accounted for and that was why it was not in the budget. Town Manager Havens stated he was correct.

Councilor Whitman asked if the \$25,000 for Vehicle Repairs and Maintenance was for the engine that is being replaced. Town Manager Havens stated that it was the Duck Fire Department's subsidy, explaining that the Town gives them a quarterly check and they manage that. Councilor Whitman asked if the Town owned any of the fire trucks that are currently at the Fire Department and if the \$25,000 that was spent last year was on all of the trucks or just one. Town Manager Havens stated that the Town owns two of the trucks – Fire Chief Donna Black's and Deputy Fire Chief Batschelet's. Deputy Fire Chief Batschelet explained that the \$25,000 repairs and maintenance was the budget number and the Fire Department exceeded that by July 15, 2022. He added that he did not have the exact number. Councilor Whitman asked if there were four trucks at the Fire Department. Deputy Fire Chief Batschelet stated that he was correct.

Mayor Pro Tempore Thibodeau clarified that the CIP items that were shaved off were for the Fire Department in terms of hoses and other equipment that were cut. She asked if the consistent ongoing replacement of equipment would be affected. Town Manager Havens stated that Fire Chief Black had suggested cutting those items from the budget for this year.

Mayor Kingston asked how the Memory Lane Brick Project and the rental home on Buffell Head was dealt with in the budget. Town Manager Havens explained that the rental property on Buffell Head Road has its own account and was not reflected in the budget. He stated that Council would receive reports on that property with the revenues and expenditures, adding that it does not go into the Town's general checking account and was not budgeted for in the draft budget document. He noted that he will need to produce a budget for the property at some point, reiterating that it was not part of the General Fund budget. He stated that he wanted to keep it separate from the other Revenue. He stated that the Memory Lane Brick Project revenue comes in on a separate line item which was aggregated in the budget under Miscellaneous – Other. He added that the expenditures were in Public Facilities – Supplies and Materials. Finance and Human Resources Administrator Jessica Barnes was recognized to speak. Administrator Barnes explained that any funds received now for Fiscal Year 2024 were going into Prepaid Revenue. Town Manager Havens stated that the Town was already receiving orders for the bricks but they would not be purchased until Fiscal Year 2024 so the revenue is coded under Prepaid Revenue and would be reflected as a Fiscal Year 2024 revenue.

Mayor Kingston asked when the audit is completed later in the year, the Buffell Head property revenue and expenditures will be put in with the total Town results. Town Manager Havens stated he was correct, adding that it was a Town entity. He stated that Council would be receiving a budget they will need to approve and will be part of the annual audit.

Mayor Pro Tempore Thibodeau pointed out that the future construction of the Public Safety facility was not reflected in the Five-Year Forecast. She hoped that it would be refined this year, adding that there have been past budgets in years gone by where it was included each time and when Council questioned the money, they were told it was a placeholder. She stated that now it was no longer a placeholder and she was having an issue with it because it was a placeholder for such a long time and now it is no longer shown. Town Manager Havens stated that it would impact Debt Service, adding that it would be debt funded and the Town's debt profile will change so it will pay a little more in Debt Service. He stated that the Town was not going to try to cash finance something that may be in excess of \$8 million but will most likely have to write a check initially to complete the design piece of it. Mayor Pro Tempore Thibodeau asked if it would be a Capital project. Town Manager Havens stated that it would. Mayor Pro Tempore Thibodeau clarified that the Capital line would adjust as well as the debt in the Five-Year Forecast. Town Manager Havens stated that they would.

Councilor Whitman asked Mayor Pro Tempore Thibodeau if the money for the Public Safety building was put in for design purposes. Mayor Kingston stated that it was. Councilor Whitman clarified that the \$350,000 was put in every year for design purposes. Mayor Pro Tempore Thibodeau disagreed, adding that she thought there was more in there. She pointed out that millions of dollars were put in there. Councilor Whitman thought it was only \$350,000. Mayor Kingston stated that it was \$450,000 and it was reflected in the CIP but it was forecasted out years which was where the \$6 million came

from. He reiterated that \$450,000 was rolled every year. Mayor Pro Tempore Thibodeau clarified that the \$450,000 was not in the CIP, adding that the Town did expend some design money, but the clock would be reset on that. Town Manager Havens noted that it was still in the CIP, so the expenditure for the design and construction remains in the CIP but was not brought into what was known as far what the Town would spend the money on. Mayor Pro Tempore Thibodeau clarified that it would indicate that even though it was not shown, the Town was still thinking about it because Council would like it to be in the Five-Year Forecast because it may be started in less than five years. Town Manager Havens agreed, adding that he believed the Town would be starting it within five years. Mayor Pro Tempore Thibodeau stated that Council needed to continue to discuss the Public Safety building. Town Manager Havens agreed, pointing out that it will be discussed at Council's May 3, 2023 meeting because he will be asking for \$10,000.

Town Manager Havens stated that the budget was \$442,000 out of balance with the budget and there was a surplus. He stated that last year he asked Council what they wanted to do, but this year he wanted to give recommendations of what he would like to do. He stated that last year there was a surplus and the Town purchased a fire truck and advanced a number of projects into the prior year. He stated that the Town encumbered the money in the last year to reduce the amount of money that would go into the Fund Balance. He noted that he was proposing to do the same thing, adding that Council had two spreadsheets in front of them for Capital and Operations. He stated that he was recommending using some of the surplus funding to complete the projects that were marked "To Fiscal 2023" in this fiscal year, so it would not impact the Fiscal Year 2024 budget. He noted that they were all projects and expenditures that the Department Directors believed that they could get moving and encumbered before the end of the fiscal year.

Town Manager Havens stated that if all of the projects were completed as proposed, it would start out with \$758,939 and he was recommending \$478,904 to be spent, and it would add \$280,035 to the Fund Balance, which would put the Fund Balance at approximately \$7.7 million for the end of Fiscal Year 2023. He stated that if Council agreed, he would come back with a budget amendment for Fiscal Year 2023 to include the projects, realize the additional revenue, and the Fiscal Year 2023 budget would remain balanced. The recommended items that would be paid in Fiscal Year 2023 were as follows:

CIP Items:

- Panels for center cubicles (Administration) - \$5,500
- Extrication Equipment (Fire) - \$55,000
- Gear Extractor (Fire) - \$7,000
- Video Camera Network Project (Police) - \$6,000
- Radar Speed Sign Replacement (Police) - \$11,500
- Big Belly Replacement (2) (Public Facilities) - \$17,200

Operations Items:

- Laptop Replacement (Community Development) - \$2,200
- VHB – Town Park Shoreline Protection Design (Environmental Protection) - \$100,000
- Public Safety Building Repair (Fire) - \$160,000
- Laptop Replacement (Fire) - \$2,200
- Laptop Replacement (Inspections) - \$2,200
- Wireless 5G Internet Failover for Town Hall (Information Technology) - \$1,522
- Wireless 5G Internet Failover for Public Safety (Information Technology) - \$1,522
- Traffic Cone/Topper Replacement (Police) - \$7,000
- West Side Multi-Use Path Feasibility Study (Streets & Highways) - \$80,000

Mayor Pro Tempore clarified that the items being moved to Fiscal Year 2023 were originally in the Cut column on the spreadsheets. Town Manager Havens explained that they were in the Expenditure column and remain in the Cost column. He pointed out that the first column in the spreadsheet was what was in the draft budget that was out of balance and by moving those items into this year, it enabled him to balance the draft budget.

Town Manager Havens asked Council if there was something that he cut that they thought needed to be done; if there was something in the proposed budget that was moved to Fiscal Year 2023 that they did not want done; or if they thought nothing should be moved to Fiscal Year 2023. He stated that, absent of that, Council would need to go through and look at more cuts.

Mayor Kingston clarified that one cent was worth about \$186,000 in Ad Valorem, which could give the Town additional revenue from occupancy and the other splits. He asked if that would not be recognized until the following year if Duck raised taxes. He thought if the Town raised taxes by one cent, it would not reflect in Occupancy until the following fiscal year. Town Manager Havens stated he was correct.

Mayor Kingston asked what the average increase per household would be with a one cent tax increase. Town Manager Havens stated that he has a spreadsheet that would complete that calculation, adding that the only reason he did not have slide for it was because Council had not brought up proposing a tax increase. Mayor Kingston clarified that the value of the Town's property was \$1.8 billion. Mayor Pro Tempore Thibodeau stated that there were some good spreadsheets that show prices, but everything has increased somewhat so it would change things. She added that after the revaluation the numbers would be higher, noting that one cent would be a little detrimental. She pointed out that Duck has done that before. Town Manager Havens stated that two years ago when a tax increase was proposed, he showed Council what the tax increase was and what the tax bill change would be for different valuations. He added that he was happy to do that again.

Mayor Kingston stated that he was curious since cuts were being done on the expenditure side and Council did not really look at the revenue side, which could be conservative. He thought for \$186,000, it would be \$100 tax increase for the average household. Town Manager Havens stated that he could generate the spreadsheet now for Council or send it to them later. Mayor Kingston stated that he was curious. Town Manager Havens stated that, based on what he heard at Council's strategic planning session, he thought Council wanted to keep the tax rate where it was or have a low or no tax increase. Mayor Pro Tempore Thibodeau thought it was to maintain the current tax rate. Town Manager Havens stated that it was to maintain the Fund Balance and low or no tax increase.

Mayor Pro Tempore Thibodeau stated that when discussing taxes, it seemed to her when the Town gets to the point of the Public Safety building, it was something that the Town has to buy. She thought if Town Manager Havens was going to use debt service, it would be manageable. She thought it was the next big hurdle for the Town. Councilor Whitman stated that, at the rate things were going, the Meeting Hall and the Park will be paid off. Mayor Pro Tempore Thibodeau pointed out that the Park was already paid off. Town Manager Havens stated that there were still three years before the Meeting Hall would be paid off.

Mayor Pro Tempore Thibodeau pointed out that under Personnel, the fact that the Town added the personnel in Public Safety showed a maturity with the Town with regard to staff. She added that Council spent quite a bit of time discussing the valued staff and what was needed to keep employees as well as fostering good staff. She stated that allowing that to normalize just to see where it all goes in terms of expenditures as well as keeping up with inflation was a big chunk. She appreciated Town Manager Havens breaking things out with Personnel versus Operating, etc. as it showed how much is invested in the Town's personnel. She stated that she was not in favor of a tax increase.

Mayor Kingston asked if Councilor Schiano saw the list. Town Manager Havens stated that he had. Mayor Kingston asked what his reaction was to it. Town Manager Havens stated that they got to a point in the conversation where he was explaining that the budget was still out of balance and Councilor Schiano asked if more things needed to be cut. He stated that he told him what the options were, showing him the list of Capital and Operations. He pointed out that Council needed to digest the lists with the fact that the Town was still adding to the Fund Balance. He added that he was not proposing reducing the amount of money in the savings account, but was proposing to increase it, balance the budget, and still get work done that Council could point to, which meets some of the goals of Council. He stated that Councilor Schiano felt that Town Manager Havens had gotten everything done.

Mayor Kingston noted that the way things worked, because the Town could not complete all of the projects in the next couple of months, the money would be allocated to the next fiscal year. Town Manager Havens stated that it may hit next year's work plan, but all of the money would be encumbered. He explained that a purchase order would be issued and what Council would see in the next year would be some carryover and the Town would need to amend the next year budget after it has been approved with whatever

projects that were not able to be finished. He added that it would show an appropriation to the Fund Balance that would be in excess of what Council had appropriated. He noted that the number would be greater because of the purchase order carryover.

Mayor Kingston stated that one of the things that concerned him was, because he did not have any knowledge of what the other towns and Dare County were doing, was that Duck may have to take a defensive move to protect the following year. He stated that he did not know what that impact would be and was impossible to forecast, but it could be significant based upon what the other towns will do. Town Manager Havens stated that he would be shocked if he saw a lot of movement in tax rates.

Town Attorney Robert Hobbs was recognized to speak. Town Attorney Hobbs stated that the Town of Nags Head had their budget workshop earlier in the day but he did not stay for that meeting. Town Manager Havens stated that he would be having his manager's lunch on April 20, 2023 and will get a sense of where the other towns were. He did not think that anyone would be making a big swing.

Mayor Kingston thought it made sense to take the list and move forward to balance the budget and schedule a public hearing. He thought Council would have more intelligence by the May 3, 2023 Council meeting and could make some adjustments. He stated that it was a good list and staff knew best how to prioritize the projects.

Mayor Pro Tempore Thibodeau stated that she would need time to digest the list but agreed with Mayor Kingston regarding setting the public hearing as well as looking more into this and asking questions. She clarified that in order to move things to the current fiscal year, there were things that Town Manager Havens and the Department Directors have decided on the priorities in terms of operations and goals. She further clarified that Town Manager Havens took the list and made the priorities. She added that it was beneficial for Council to have Town Manager Havens' and the Department Director's input. Town Manager Havens stated that they sacrificed what they believed could be sacrificed, which was the Cut column. He stated that he could move things around in terms of what could be brought into this year, adding that if Council saw something in the budget that they thought could be moved to this year, he needed to be sure that the dollars do not butt up against practicality. He pointed out that there was a different project that he had suggested that could be moved into this year and he had asked Director Heard if the project could get moving by the end of this fiscal year and was told it was not likely, so he left it in next year's budget.

Town Manager Havens stated that everything that was in that list was something that the Department Directors were initially not willing to sacrifice, needed it for operations and keeping an eye on the goals of Council, but were able to complete the purchase orders now.

Mayor Pro Tempore Thibodeau stated that the big-ticket items that have the largest price tags were the Public Safety building repair and the west side feasibility study. She asked if Council received a briefing on what the \$160,000 would go toward. She stated that she

could not remember if Council saw a plan or if it was a ballpark number. Town Manager Havens stated that it was discussed at Council's Retreat, adding that it included high level siding, roofing, and asphalt. Deputy Fire Chief Batschelet stated that the priority would be heavily on the siding over the roofing with regard to what will need to be completed this year. Mayor Pro Tempore Thibodeau asked if the west side feasibility study was the entire west side. Town Manager Havens stated that it was the west side from Aqua Restaurant to the Town line traveling south.

Mayor Kingston moved to adopt the list of items to be moved to Fiscal Year 2023 to balance the budget and to have a public hearing on the draft budget on May 3, 2023 knowing that May 17, 2023, June 7, 2023, and June 21, 2023 could be used as budget work sessions.

Town Attorney Hobbs suggested that the motion be as follows: to give direction to the Town Manager to proceed with preparing a balanced budget for review at the May 3, 2023 and to schedule a public hearing along with his suggestions at this meeting.

Mayor Kingston amended his motion.

Mayor Pro Tempore Thibodeau clarified that the public would be able to comment at the public hearing. Town Manager Havens stated that they would. Mayor Pro Tempore Thibodeau asked how the public would see the items that are being moved to Fiscal Year 2023. Town Manager Havens stated that a budget amendment would be forthcoming at Council's June 7, 2023 meeting showing those items.

Motion carried 4-0.

Mayor Kingston thanked Town Manager Havens for his presentation.

Mayor Kingston noted that the next meeting would be the Regular Meeting on Wednesday, May 3, 2023 at 6:00 p.m.

ADJOURNMENT

Councilor Whitman moved to adjourn the meeting.

Motion carried 4-0.

The time was 3:38 p.m.

Approved: June 7, 2023

Don Kingston, Mayor

Lori A. Ackerman
Lori A. Ackerman, Town Clerk

