

**TOWN OF DUCK
TOWN COUNCIL
REGULAR MID-MONTH MEETING
May 16, 2018**

The Town Council for the Town of Duck convened at the Paul F. Keller Meeting Hall at 1:00 p.m. on Wednesday, May 16, 2018.

COUNCIL MEMBERS PRESENT: Mayor Don Kingston; Mayor Pro Tempore Monica Thibodeau; Councilor Nancy Caviness; Councilor Chuck Burdick; and Councilor Jon Britt.

COUNCIL MEMBERS ABSENT: None.

OTHERS PRESENT: Town Manager Christopher Layton; Director of Community Development Joe Heard; Police Chief John Cueto; Fire Chief Donna Black; Attorney Ben Gallop; Director of Marketing and Special Events Christian Legner; Public Relations Assistant Betsy Trimble; and Town Clerk Lori Ackerman.

OTHERS ABSENT: Town Attorney Robert Hobbs.

Mayor Kingston called the meeting to order at 1:09 p.m.

Mayor Kingston asked for consensus from Council to add a closed session to the agenda. It was *consensus* of Council to have a closed session.

DISCUSSION OF PROPOSED FY 2019 BUDGET

Town Manager Chris Layton was recognized to speak. Town Manager Layton noted that in his manager's letter, he stated that the budget request would require some tough decisions made by Council. He stated that he was referring to the requests from the Police Department for two new police officers as well as a request from the Fire Department for three new firefighter/EMT positions. He stated that, combined, the five positions would increase the employee costs by \$274,189 for Fiscal Year 2019, which was included in the proposed budget. He added that in order to offset the costs, a tax rate increase of 1.5 cents was recommended for Fiscal Year 2019 that would generate \$234,510. He stated that the proposed increase would not impact a loss in shared revenues that were anticipated for Fiscal Year 2019, but would reduce the impact of losses in shared revenues for Fiscal Year 2020 and beyond.

Town Manager Layton stated that his manager's letter also stated that the budget goals that he used to develop the budget were to develop an Ad Valorem tax rate increase that meets the current and future needs of the Town; provided sufficient funding to meet all operational demands of the Town; fully funds the Capital Improvement Projects, but delays certain items that can wait; provided sufficient funding for the Beach Capital Reserve Fund; provided a 1.5% merit salary increase and a larger percentage of a merit

bonus for employees, which would be 3%; and provided a direct appropriation of revenue into the fund balance. He noted that the goals were met with the budget document submitted. He thought the proposed budget represented a pragmatic spending plan for the upcoming fiscal year. He noted that it was not easy to recommend a tax rate increase; however, he felt that the argument had been clearly made by Police Chief Cueto and Fire Chief Black that the need for the five requested positions was required if the current service delivery levels and goals are to be met. He added that the alternative was to not meet the service delivery levels and goals; which would ultimately be a decision made by Council.

Mayor Pro Tempore Thibodeau asked for clarification on the proposed increase not impacting a loss in shared revenues anticipated, but would reduce the impact of losses in shared revenues in Fiscal Year 2020. Town Manager Layton stated that, in terms of shared revenues, there was a delay of one year before the new rate was applied. He added that, as an example, a tax rate in Fiscal Year 2019, even though shared revenues were divided up by a percentage of the Ad Valorem levy, would not take effect until the next year. He added that this year, because Dare County and the Town of Nags Head increased their taxes last year, Duck's shared revenue percentage was dropping for Fiscal Year 2019. He noted that this would not impact that; it will give the Town new revenue but not in shared revenues. He added that in Fiscal Year 2020, it would. Mayor Pro Tempore Thibodeau clarified that Town Manager Layton was making the point that it happens one year later. Town Manager Layton stated she was correct. He added that he didn't want anyone to think that, by increasing taxes this year, the Town would also see an increase in the Ad Valorem percentage that's applied to shared revenues.

Councilor Britt clarified that, no matter what was done this year, it would not affect this year. Town Manager Layton stated that it would not affect shared revenues for this year.

Councilor Burdick asked for more detail regarding providing sufficient funding for the Beach Capital Reserve Fund and not from just the Municipal Service Districts but also from the General Fund of the annual debt payments. Town Manager Layton stated that the Capital Reserve Fund that was currently in place was the Beach Nourishment Capital Reserve Fund for the project. He added that the Town's portion of the payments that it has a reserve fund for were equivalent to \$1,221,390. He stated that the Town needed to maintain that through a combination of MSDs and General Fund revenue and it was put aside each year to fund the Town's portion of the Special Obligation Bond payments. He stated that, because of the delay in the collection versus when the first payment was due, the Town has a surplus, but still needed to collect that amount of money. He stated that the MSDs generate approximately \$950,000 of revenue and the rest comes from the General Fund, so throughout the year as he's transferring into the reserve fund, he puts all the MSD revenue in it as well as at the end of the year he will transfer the balance of the \$1.221 million each year. He explained that the Town has sufficient funding, both from the MSDs but also from the General Fund to put the money in the reserve fund.

Councilor Burdick clarified that Town Manager Layton was not speaking of anything beyond the current debt payment that the Town has to make. Town Manager Layton

stated that he was correct. He noted that it was specifically for the project and for the debt service.

Mayor Pro Tempore Thibodeau clarified that the MSD revenue and the General Fund was because the Town shoulders some of the percentage of paying for the beach nourishment project and not just the MSDs. Town Manager Layton stated that she was correct. He explained that when the Town established it, Council adopted a 40/40/20 plan, with the oceanfront properties paying 40% and non-oceanfront paying 40%, but the way the MSDs were set up, one had to be for the entire project area and one had to be for the oceanfront. Mayor Pro Tempore Thibodeau clarified that the oceanfront properties had to pick up some of that. Town Manager Layton stated that she was correct, adding that it was still 40/40/20 in total tax, but the MSDs were broken down through total project area including oceanfront (14.8 cents); oceanfront itself (31.5 cents) and when combined, they equal 40% for oceanfront. He added that the other 40% was non-oceanfront but was spread over two different MSDs. He stated that the 20% was the General Fund revenue.

Mayor Kingston asked Town Manager Layton to stay on track and discuss the last bullet on his handout after the budget document was discussed since it was over and above what was proposed.

Town Manager Layton stated that after the April Council meeting, there was a discussion on looking at ways to implement the police and fire positions. He stated that after talking at length to Police Chief Cueto and Fire Chief Black, the position that he came up with was that due to hiring and the nature of the business, it would take time to fill the positions. He added that the fire positions were easier to fill over police as there were firefighters that could theoretically start on July 1, 2018 if the budget is approved. He stated that for police, starting July 1, 2018 was not ideal due to the training involved. He felt that if Council was going to approve the positions, they should approve the positions. He thought there were two ways to look at it – there was potential savings of \$27,508 on the police side with regard to the timing of hiring new officers and a potential savings of \$27,539 on the fire side based on the timing of when the new firefighters would start. He explained that the options Council would have were to reduce the police and fire budgets accordingly or leave it as is and know that it would be caught at the end of the year.

Town Manager Layton stated that the Town of Nags Head was looking at a one cent tax increase and he anticipated the question as to what impact that would have on Duck. He explained that the proposed increase would be realized in Fiscal Year 2020 and has been factored in to the existing Five-Year Forecast. He noted that there would not be an impact in the proposed budget for Fiscal Year 2019.

Councilor Caviness asked Town Manager Layton if he had a figure on what the other municipalities would be doing. Town Manager Layton stated that he knows the percentages and levies and calculates it that way. He noted that because of the unknowns, he always factors in something and in this case, he knew Dare County was proposing to raise taxes and knew that the Town of Nags Head raised taxes last year, so

he thought there would be a small likelihood that they would increase taxes. He added that he factored in a small percentage here and there for the other towns and came up with his projection. Councilor Britt noted that it was less than the other towns. Town Manager Layton stated he was correct, adding that other tax increases were unlikely. He pointed out that if the Town of Manteo raised taxes by one cent, the impact on Duck would be minor. He stated that the ones that would impact the Town would be if Dare County, the Town of Kill Devil Hills and the Town of Nags Head raised taxes since one cent equaled a large amount.

Mayor Kingston noted that, based on his conversations with the other mayors and Dare County chairman, no one other than the Town of Nags Head was planning on having a tax increase.

Town Manager Layton stated that the third bullet in his handout was the result of his lunch with Councilor Burdick where he discussed whether the Council should consider starting a reserve fund for beach nourishment that was separate from the MSD Capital Reserve Fund. He stated that it would really be to start setting up a fund to meet potential costs for new projects and the thought was that an additional one cent being specifically earmarked for the reserve fund was something that was worthy of discussion.

Mayor Kingston suggested that since this was new business to the draft budget proposal, he would like to defer the conversation until the entire proposed budget was reviewed as Council could get bogged down if they discuss it now. Councilor Britt thought it was a good move. Mayor Pro Tempore Thibodeau agreed. Councilor Burdick stated that it needed to be discussed at some point during the budget discussions. Mayor Pro Tempore Thibodeau thought it would come up. Mayor Kingston stated that it would be deferred until Council finishes reviewing the proposed budget and have the discussion as an add on.

Mayor Kingston suggested that Council review the budget by category.

Mayor Kingston directed Council to review the Revenues section of the budget. Councilor Burdick asked when the re-assessment would take place. Town Manager Layton stated that a date has not been set; however, eight years would be for 2022 or 2023. Mayor Kingston noted that a re-assessment was completed in 2013. Town Manager Layton agreed, adding that 2021 would be the latest the re-assessment would be completed.

Mayor Kingston asked if the fund balance donation was a good estimate. Town Manager Layton stated that it was.

Mayor Kingston directed Council to review the Expenditures section of the budget. There were no comments.

Mayor Kingston directed Council to review the Governing Body section of the budget. Town Manager Layton pointed out that the line item for Workers' Compensation

insurance was the third year of the Town's large increase because of the claims, so it will start decreasing next year.

Councilor Burdick asked where the maintenance of the buildings was in the budget. Town Manager Layton stated that it was under Public Buildings.

Mayor Kingston directed Council to review the Administration section of the budget. Councilor Caviness asked what the additional advertising was related to. Town Manager Layton stated that there were positions that were advertised.

Mayor Kingston asked if the merit bonus would be up to 5%. Town Manager Layton stated that it was up to 3%. Mayor Pro Tempore Thibodeau clarified that it would be reflected in each department. Town Manager Layton stated she was correct.

Mayor Kingston directed Council to review the Finance section of the budget. Town Manager Layton pointed out that Dare County does the Town's collections for Ad Valorem, personal property and real property taxes and the State collects motor vehicle taxes. He noted that these were fees that were associated with that line item.

Mayor Kingston asked if the drop off in future years was that they did not have to collect the MSDs. Town Manager Layton stated he was correct.

Councilor Britt asked what percentage collection did some of the other towns receive for tax collection. Town Manager Layton stated that he did not know, but guessed that the more vacation or second homes a town had, the higher the percentage would be.

Mayor Kingston directed Council to review the Legal section of the budget. Councilor Burdick asked about the impact of the MSD's over six years. Mayor Pro Tempore Thibodeau pointed out that the Town collected it one year ahead. Councilor Burdick agreed, but pointed out that the Town should not be collecting it for six years. Town Manager Layton stated that in looking at Fiscal Year 2021 and on, he would be glad to reduce it by \$10,000. Mayor Pro Tempore Thibodeau noted that it was a projection. Councilor Burdick stated that Council needed to think about the impacts in the short term and the future. Town Manager Layton stated that he would be happy to look at them again and revise the figures.

Mayor Kingston asked if legal expenses showed up in other budgets over and above the Legal line item. Town Manager Layton stated that they occasionally did. He explained that easement work was likely to show up under another department.

Councilor Burdick thought that the subsidies and allocations were listed in Legal. Town Manager Layton stated that it did not have that line item, adding that Councilor Burdick was looking at a different department.

Mayor Kingston directed Council to review the Public Buildings section of the budget. Mayor Pro Tempore Thibodeau clarified that Town Manager Layton kept re-

appropriating the \$450,000 until the Town spends it. Town Manager Layton stated that when the Town gets to the point of entering into a contract, it will be re-appropriated at that point. He hoped that it would be this fiscal year, but there was a chance it could be outside of the fiscal year. He added that when staff finally knows what's going on with the Army Corps of Engineers and how to proceed, a contract will come before Council along with a budget amendment and then the money would be re-appropriated. Mayor Pro Tempore Thibodeau clarified that it was a placeholder for now. Town Manager Layton stated that it would go back into the Fund Balance. He stated that because the Town did not have a contract for anything at this point, it was technically unassigned and staff knows that it will need to be re-appropriated at some point. Councilor Burdick noted that a budget amendment would be needed. Town Manager Layton agreed.

Mayor Kingston clarified that the only change was the painting of the building. Town Manager Layton stated he was correct, adding that keeping the public restrooms clean constantly was another item.

Mayor Kingston directed Council to review the Information Technology section of the budget. Councilor Burdick asked why the \$450,000 was not shown in the next year of the budget. Town Manager Layton stated that he was waiting to re-appropriate it once staff knew what would happen with the project. He added that if it was done now, they would cancel each other out. He stated that it could be done if Council wanted to. Mayor Pro Tempore Thibodeau stated that she asked the question about carrying the \$450,000 forward and that it would need to be remembered that it was appropriated. Town Manager Layton stated she was correct. He added that the Town was showing \$450,000 surplus in Public Buildings currently, but it was Council's preference what they wished to do. Mayor Pro Tempore Thibodeau thought it was fine as it was presented.

Mayor Kingston clarified that the big change to Information Technology was software and hardware. Town Manager Layton stated that the biggest change was Capital Outlay under \$5,000 as the Town needed a new Sonic firewall since the current one was a bit outdated. He added that the Town needed a disaster recovery backup server as a borrowed one is currently being used. He stated that the Town has gone to largely a cloud-based system, but data that needs to be backed up on a nightly basis needs a server to handle it. Mayor Kingston asked about the decrease in Fixed Charges. Town Manager Layton stated that there was an increase in Subsidies and Allocations because of a coding issue. He stated that he corrected the items adding that Subsidies and Allocations was the direct cost the Town pays to Shoshin Technologies for their contract and Fixed Charges were for Microsoft updates and things of that nature. He added that some of the things that were pass-throughs for Shoshin were showing up as Fixed Charges and he thought they needed to be under Subsidies and Allocations.

Mayor Pro Tempore Thibodeau clarified that it was Shoshin's consulting fees. Town Manager Layton stated that Shoshin provides cloud services which the Town has to pay for through Shoshin.

Mayor Kingston directed Council to review the Police section of the budget. Town Manager Layton stated that during the Retreat, the concept was to finance two additional vehicles. He stated that he typically does not like to finance less than three vehicles because he felt it was not worth it. He added that he would rather pay it up front if that could be done. He noted that the Police budget showed the two police vehicles requested not being financed, but paid for.

Mayor Pro Tempore Thibodeau asked if it kept the vehicles in a better rotation in terms of what would be replaced or if it was anticipated that four vehicles would be replaced instead of three at one time. Town Manager Layton stated that a decision was made for vehicles each year and it was done based on year, condition and miles. He added that the Town has been getting close to seven years out of the police vehicles. He noted that the two vehicles requested were for the two new officers. He stated that there were two more listed for next year in the projections and a decision would be made at that point. He hoped that he could push them into the next year and finance more, but was projecting that there would be two additional vehicles next year.

Mayor Kingston clarified that the Police headcount included a half Administrative Assistant and half Community Resource Officer. Town Manager Layton stated he was correct. He explained that under Salaries and Wages was included a half Administrative Assistant and the part-time was the Community Resource Officer.

Councilor Burdick asked if, in the drive to get two more police officers on the road, if there was an approach where an additional full-time Administrative Assistant could be hired instead of part-time to free up existing police resources so only one police officer would need to be added. Town Manager Layton stated that in discussing it with Police Chief Cueto, he did not think it would reach the goals they were after. Councilor Burdick asked how it would not. Town Manager Layton stated that the request was for two additional police officers on the street that were patrol officers. He added that, with regard to the Lieutenant position, that position does respond to calls and does operate on the street, but was also responsible for a variety of administrative items. He didn't think an additional Administrative Assistant position would give the capacity that the Police Department was looking for.

Councilor Burdick asked what percentage of the Lieutenant's time was spend doing administrative work. Councilor Caviness asked if Council was discussing Administrative Assistant Nicole Martin's position or Police Lieutenant Jeff Ackerman's. Town Manager Layton thought Councilor Burdick would like Council to consider only one Police position and add a position to do what Lieutenant Ackerman currently does. Councilor Burdick stated that moving Lieutenant Ackerman to the street would free up the second officer position. Town Manager Layton added that Councilor Burdick wanted an Administrative Assistant position added to complete the administrative duties that Lieutenant Ackerman currently does.

Police Chief John Cueto was recognized to speak. Police Chief Cueto stated that Lieutenant Ackerman's administrative duties were at 75%. Councilor Burdick stated that

that was why he had a problem with paying a police officer 75% of the time to do administrative work because it was not just the cost of the salary, but all of the other ancillary items that go with the position. He stated that that was why he suggested that it may be a first step forward. Police Chief Cueto stated that as he has explained in the past, the organizational structure for a paramilitary organization requires a command staff. He explained that there was a second in command, just like the command structure for the Fire Department and Surf Rescue. He added that it was prescribed by the International Association of Chiefs of Police that they have to meet this organizational structure. He stated that by eliminating the administrative position was that was required, it did not put another officer on the night shift or cover an officer from 6:00 p.m. to 6:00 a.m. He added that it did not meet the standard.

Councilor Burdick stated that he was having a problem with it because the Town has done this for 15 years and every year it's stated that the Police Department is not meeting the standards, they can't get the job done, and they have to have a person that spends 75% of their time doing administrative work as a police officer along with the cost. He stated that it bothered him. Police Chief Cueto understood that the last 15 years the Police Department has had a certain organizational structure. He stated that, in his professional opinion, that was insufficient and unsafe. He stated that he took great steps in doing so by adding a veteran officer last year. He thought he had explained previously that he was building up an organizational structure, the agency and department as it was required. He stated that he had taken responsible steps to build the agency and create a police department. He stated that now he needed the officers to man it appropriately. He stated that he could not eliminate the administrative staff, could not eliminate a supervisor's position to put more officers on the street, and could not have a Police Chief and just police officers.

Councilor Burdick thought the Town was spending money for an administrative position that the Town didn't need to spend. He added that if Police Chief Cueto was saying that the Lieutenant does spend time on the street, then he didn't understand.

Mayor Kingston stated that he understood Councilor Burdick's point, but noted that Council had asked Police Chief Cueto to provide a certain level of service to the Town and over the last three years he has built up and has done a great job of managing the police force. He added that Town Manager Layton deals with the police every day and agrees with the manpower staffing requested. He thought Council needed to look at what Town Manager Layton and Police Chief Cueto say regarding what was needed to run the Police Department. He understood Councilor Burdick's concern, but thought some of the administrative duties were different than what an Administrative Assistant does. He thought Council needed to abide by what the professionals were telling them in order to run the organization.

Councilor Burdick thought there was a difference of opinion. He stated that, creating a top-heavy organization wasn't always the most effective way to get a job done. He pointed out that that was exactly what was being done. He stated that it seemed to him that part of Council's responsibility was to make sure, not only that the Town provides

the service, but to provide it in the most efficient way possible. He stated that his feeling was that the Town was over-staffing at the top, compared to the needs at the bottom. He didn't disagree that if Police Chief Cueto wanted that type of organization, it was fine as he was the expert. He noted that he wasn't an expert with regard to police organizations, but thought he knew about organizations in general. He thought it behooved the Town not to build a top-heavy organization as he thought the whole Town staff proved it in that Duck did not have a top-heavy organization as a Town as a whole. He added that it wasn't top-heavy in the Fire Department but was edging forward for the Police Department to do it. He stated that he was looking at if there was an intermediate step the Town could take to see what it was doing and see if it provided the service level the Town was trying to get before a final commitment was made to add another police officer over and above. He thought Council was down to differences of opinion and this was his opinion.

Town Manager Layton thought that Councilor Burdick's statement about a top-heavy organizational structure was incorrect as the organizational chart did not suggest that it was. He thought there was a Police Chief, a Lieutenant, two Sergeants and then the police officers, who will be on the street, which was more than what was in the command staff. He pointed out that the Fire Department was set up the same way as there was a Chief, a Deputy Chief, Captains, a Lieutenant and fire fighters. He understood Councilor Burdick's points, but wanted to express that it was not a top-heavy organization, especially when compared to other organizations. He stated that it was different than what was done in the past and he thought it was right approach.

Councilor Burdick stated that he wasn't disagreeing with the two new police officers, as they were needed. He stated that the question was how to meet the goal.

Police Chief Cueto explained the administrative side to the lieutenant's position. He stated that the position required a certified police officer, so there were standards that were met by the Administrative offices of Criminal Justice that require that it was a certified police officer that engages in that sort of activity. He added that he could not put a civilian in that position at all. He stated that he now has an administrative lieutenant who occupies 75% of his time in administrative duties that were required. He pointed out that Lieutenant Ackerman also patrols, fills shifts and wears a uniform. He stated that he would never be able to utilize a civilian in that capacity at all. He noted that those were two very important reasons that the lieutenant's position needs to be filled with a certified police officer and a civilian position would never fill that appropriately. Councilor Burdick stated that he said what he needed to say.

Mayor Kingston directed Council to review the Fire section of the budget. He clarified that the Fire Department also had half an Administrative Assistant and half a person for part-time. Town Manager Layton stated he was correct.

Mayor Pro Tempore Thibodeau clarified that the Community Resource Officer serves both Fire and Police. Town Manager Layton stated that she was incorrect. He explained that the part-time listed was for the part-time fire fighters.

Councilor Burdick asked if the same amount of part-time employees would be working after the three new positions were added. Town Manager Layton stated that there would be less funding for part-time, but there would be a half part-time equivalent position to fill in for the shift gaps.

Fire Chief Donna Black was recognized to speak. Fire Chief Black explained that the money would be less, but she may have the same number of part-time firefighters due to their availability.

Town Manager Layton explained that, if Council approved the budget as it was presented, staff would be coming back with an agreement for a request for the diesel exhaust removal system. He stated that it was not included in the budget, but he hoped that it would be put in place on a lease to purchase option for a period of four years. He noted that the figures were included in the Five-Year Forecast. Mayor Pro Tempore Thibodeau clarified that it would be roughly \$10,000/per year. Town Manager Layton stated she was correct. Mayor Pro Tempore Thibodeau asked why it wasn't put in the draft budget. Town Manager Layton stated that staff was still working out the details and were not sure how exactly to finance it yet and because it was an item that was out of the ordinary, he wanted to give an opportunity for Council to look at it and approve it by approving the budget before the money was put in the budget.

Mayor Pro Tempore Thibodeau clarified that Town Manager Layton did not want to wrap it into this budget because it was unusual. Town Manager Layton stated she was correct. Mayor Pro Tempore Thibodeau asked if it would have its own section in the budget. Town Manager Layton it would be shown under Fire, Capital Outlay Over \$5,000 and would be shown as a debt service after that.

Councilor Britt pointed out that it showed as requested but not recommended and Town Manager Layton would add it. Town Manager Layton agreed, adding that he noted it because it wasn't because it wasn't recommended, it was just that he didn't put the funding in there. He stated that if there were new vehicles, Council would approve the vehicles and he would then come back to Council with a financing agreement and then the money would be appropriated. He pointed out that this was how he handled larger ticket lease to purchase or installment purchase items in the past.

Councilor Burdick thought the issue was if it represented an expenditure above and beyond the budget that was being presented. Town Manager asked for clarification. Councilor Burdick stated that Town Manager Layton did not want to put it in the budget because he wasn't sure how it would be financed with all of the uncertainty of what would be done, but he was planning to do it. He stated that it would represent an additional expenditure over and above the budget that was presented. Town Manager Layton stated that it was an additional expenditure; however, because it would be a lease to purchase, it would be revenue in and revenue out, so there would not be any impact. Councilor Burdick clarified it would not impact this budget. Town Manager Layton stated he was correct.

Mayor Kingston directed Council to review the Inspections section of the budget. He clarified that Sandy Cross was the half employee listed. Town Manager Layton stated he was correct. He explained that Inspections and Planning has an Administrative Assistant was that was shared, which was Sandy Cross. He added that under Community Development, there was one that showed that Sandy Cross technically dealt with the Planning side. Mayor Kingston clarified that Kay Nickens would show up in that section. Town Manager Layton stated he was correct.

Mayor Pro Tempore Thibodeau asked what the Communications line item represented. Town Manager Layton stated that it was everything from cell phones to iPads and postage.

Mayor Kingston directed Council to review the Ocean Rescue section of the budget. Councilor Burdick asked if Town Manager Layton did not foresee any additional contract pieces after this coming year. Town Manager Layton stated that the Town has one more year on the Ocean Rescue contract and will have to renegotiate after that year is up. Councilor Burdick asked if there was any reason to think that there won't be the same level of increases that have occurred in previous years. Town Manager Layton explained that the increases were related to systematically adding lifeguard stands. He stated that there could be increases if there was a desire to add more lifeguard stands, but staff has not made that decision yet.

Mayor Pro Tempore Thibodeau clarified that Fiscal Year 2021 was when there would be a new contract. Town Manager Layton stated she was correct.

Mayor Kingston directed Council to review the Streets and Highways section of the budget. Town Manager Layton explained that the fluctuations in Fiscal Year 2018, 2019 and 2020 were related to the implementation of the pedestrian plan.

Councilor Burdick asked if Town Manager Layton was planning for additional repaving of the Duck Trail. Town Manager Layton stated that he did, pointing out that \$80,000 was for this year and \$50,000 was for each additional year.

Mayor Kingston asked if there was an opportunity in Phase III or Phase IV in Fiscal Year 2020 to move some of it into Fiscal Year 2021 and make it two phases instead of one. Town Manager Layton stated that as it gets close to it, in the Five-Year Forecast, there was roughly a \$176,000 deficit that year and a lot of it was because of the unknowns with regard to the third phase of the pedestrian plan. He added that it was an unknown if or how much of a grant the Town would obtain from the Tourism Bureau. He thought staff was pretty satisfied that the Town would receive something, but wasn't sure how much. He stated that the nature of that phase of the plan required a lot of bulkhead work, which increased the cost. He stated that staff had the conceptual engineering plans in place and as those are refined, staff will have an opportunity to slightly tweak it.

Councilor Burdick congratulated Council as the large transformer switch box that was moved near the post office which was causing a sight distance issue. Community Development Director Joe Heard was recognized to speak. Director Heard stated that there would likely be some adjustment to the estimate of costs as the transformer was scheduled to be moved in Phase III, but was able to be completed in Phase I. Town Manager Layton noted that the original estimate for changing that box was \$150,000.

Mayor Kingston directed Council to review the Sanitation section of the budget. Mayor Kingston clarified that the contracts were up in 2020. Town Manager Layton thought they were.

Councilor Burdick asked if any headway was made with the realtors and renters in shifting the balance to recycling as opposed to trash. Town Manager Layton stated that staff has not made much difference as it was a slow process. Councilor Burdick asked which was more costly to the Town. Mayor Pro Tempore Thibodeau thought it was recycling. Councilor Caviness thought it depended. Town Manager Layton stated that recycling was more costly on a per unit basis, but there were less collections of recycling. He stated that if the Town could shift more units over to recycling, he wasn't sure how much of a cost savings it would be, but it would be a good thing to push for.

Councilor Burdick stated that he wasn't thinking of it from a cost saving basis, but from an environmental basis. He thought it was the objective of the Town to try to do as much as possible to promote things like recycling. He stated that his feeling was that there was a significant amount of recycling that goes in the trash because of the balance in rental houses between recycle containers and trash containers. He added that renters are more likely to fill up the recyclables in the trash. He thought it was an area that the Town could improve. Town Manager Layton stated that staff has started to make people aware that they can obtain additional recycling containers. He added that the last Destination Dare video was about recycling and staff was working on other items to focus on it, but haven't seen people jump at obtaining additional recycling containers just yet. He noted that it does cost the Town to provide the containers, adding the he knew it was part of Council's vision to be as environmentally sound as possible.

Councilor Burdick suggested that a survey be sent out to see what the balance was, especially for the larger homes in Duck, to get a feel for what could be done. Town Manager Layton agreed.

Mayor Pro Tempore Thibodeau pointed out that one of the problems was that China was one of the bigger consumers of recyclables and were limiting what they would take. She stated that a lot of the ongoing problems was education on a weekly basis as to what could actually go in a recycling container.

Director of Marketing and Special Events Christian Legner was recognized to speak. Director Legner stated that staff has updated the recycling stickers for the residential containers, which explains what can and cannot be recycled. She added that there will be a media campaign started to inform the public.

Mayor Kingston directed Council to review the Beach Protection section of the budget. Councilor Burdick thought the voluntary beach grass planting was a great demonstration as to what people were willing to do.

Mayor Kingston directed Council to review the Community Development section of the budget. Town Manager Layton noted that Kay Nickens would go from part-time to full-time. He added that the \$40,000 in this section was for the CAMA Land Use Plan updates. Councilor Burdick asked why the towns could not contract together to get the Land Use Plan updated. Town Manager Layton thought there was someone that was doing that currently, but he could look into it. He noted that with the original plan that was completed, the Town obtained some funding from CAMA to do it and that was something that staff would be exploring again.

Mayor Pro Tempore Thibodeau asked to revisit Beach Protection. She wanted to make sure that the Town was willing to put into it as much as it could with the beach planting. She asked if the beach grass fell under Repairs and Maintenance at this point. She stated that she wanted the spirit of beach planting to be endorsed by Council. Town Manager Layton stated that \$80,000 was plenty of funding to accomplish not only planting that was done currently, but also to fund the plants that will be needed in the future.

Mayor Kingston directed Council to review the Parks section of the budget. There were no comments.

Mayor Kingston directed Council to review the Transfers to Other Funds section of the budget. There were no comments.

Mayor Kingston directed Council to review the Budgetary Accounting section of the budget. He clarified that, over the years, the \$75,000 has proven to be adequate. Town Manager Layton stated that it generally has.

Councilor Burdick asked if there was a need to increase the \$75,000. Town Manager Layton thought eventually there would be, but not right now. He added that he was comfortable with where it was currently.

Mayor Kingston directed Council to review the Capital Reserve – Beach Fund section of the budget. There were no comments.

Mayor Kingston directed Council to review the Organizational Chart section of the budget. There were no comments.

Mayor Kingston directed Council to review the Pay Plan section of the budget. He asked when it was last updated. Town Manager Layton stated that it was updated last year.

Mayor Kingston directed Council to review the Estimate of Employee Costs section of the budget. There were no comments.

Mayor Kingston directed Council to review the Five-Year Forecast section of the budget. He clarified that it was updated with regard to the changes to the shared revenue. Town Manager Layton stated he was correct.

Mayor Kingston directed Council to review the Municipal Service Districts section of the budget. There were no comments.

Mayor Kingston directed Council to review the Capital Reserve Fund Ordinance section of the budget. There were no comments.

Mayor Kingston directed Council to review the CIP section of the budget. He directed Council to look at the Project Cost Summary.

Mayor Kingston asked if the thermal vision camera for the Police Department was through a grant. Town Manager Layton stated that it was. He added that there was every indication that the Town would be awarded that grant, adding that he was waiting for the final notification, which comes out at the end of the fiscal year and will bring back a budget amendment. He noted that if it did not come through, he would appropriate the funds when they are received. Councilor Burdick asked if the Fire Department had a thermal vision camera. Town Manager Layton stated that they have them, but this was different.

Mayor Pro Tempore Thibodeau clarified that the \$450,000 would have shown up in Fiscal Year 2018. Town Manager Layton stated that it was and will be there and will be in Fiscal Year 2019 if it's not spent. Mayor Pro Tempore Thibodeau asked if it would increase the total spending. Town Manager Layton stated that it would not.

Mayor Kingston directed Council to look at the General Fund Impact Summary. Councilor Burdick asked about the Police Motorcycle. Town Manager Layton stated that it will keep moving down the list and was just a placeholder. He added that it was requested this year, cut this year, and put aside until it's stopped being requested.

Councilor Burdick asked if the 800 MHz radios were financed since they seem to be in the CIP every year. Town Manager Layton stated that they were not financed because they were very expensive and when Dare County moved to the 800 MHz system, the Town purchased a lot of them at one time. He added that now the Town was at the point that they needed to be replaced little by little. He explained that the \$16,500 figure was for two to three radios. Councilor Burdick clarified that they have to be replaced yearly. Town Manager Layton stated that some are replaced each year and staff was at the point where the original radios received now have to be replaced. He anticipated having to replace one or two every year.

Deputy Fire Chief Bill Walker was recognized to speak. Deputy Chief Walker noted that the Fire Department currently has approximately 50 radios. Town Manager Layton explained that every apparatus has to have a radio on it and every year they have to be

replaced. He added that the Police Department has the radios as well. Councilor Burdick asked what the useful life was for them. Deputy Chief Walker stated that the radios are similar to a cell phone as they are handheld computers and have to be replaced just like a cell phone. He stated that they were trying to be proactive and not have them all die at one time. He added that they were trying to buy several each year to get ahead of that issue. Town Manager Layton pointed out that radios do get damaged and this was to replace two to three every year for the Fire Department alone. Councilor Burdick suggested that staff coordinate with Dare County so the Town doesn't have to buy a bunch of radios at one time.

Mayor Kingston suggested that Council discuss the additional tax increase that was brought up at the beginning of the meeting.

Town Manager Layton stated that Councilor Burdick had suggested putting a reserve fund aside for beach nourishment, primarily in areas that were not serviced by the current MSDs and reserve fund. He stated that his previous chart did not go up to a full cent above what he was recommending. He added that he went up to a two and one-half cent increase, which would make the tax rate at \$0.235. He stated that he projected out to show the growth while factoring in a .025 assessed value growth each year. He went on to review the table with Council and the audience, explaining what the tax increase would mean for the real estate tax, the additional revenue from it, adding the MSDs in it, the percent change, and adding in personal property to show the total levy. He pointed out that he did not run this through Shared Revenues, but if Council wished to have him do so, he would be happy to do it.

Town Manager Layton explained that the second table was what the impact would be on an average house with the additional tax increase. He went on to review the table with Council and the audience.

Councilor Burdick stated that he had the conversation with Town Manager Layton because it came about as a concern over where the Town was headed with beach nourishment. He stated that one of the things that needed to be recognized is that beach nourishment will be a way of life for Duck for the future, but where and when was the unknown. He stated that, given the situation with Dare County, it will fall more and more on the Town's shoulders to take care of it. He stated that a lot of towns have begun and have in place a continuous beach nourishment fund because they were caught with lack of funding and they were building up a reserve to try to stay ahead of things so they weren't faced with huge tax increases. He noted that he hated tax increases and it was the last thing he would want to do, but he felt that if the Town was going to do it, now would be the time to initiate its own beach nourishment fund that would be separate and maintained separately from the budget. He stated that he recommended that there be a one cent increase be considered. He thought it was a wise investment and the money would not be spent immediately, but it will be for the benefit of the entire town.

Mayor Pro Tempore Thibodeau thought Councilor Burdick was bringing up something that was really important for Council to think about in light of the whole picture with

Dare County. She noted that Duck was at Dare County's mercy in terms of what they will allow the Town to donate to its cause in the future. She stated that, with regard to the Oregon Inlet dredge, it may eat up some of the nourishment money or just money in general as she wasn't sure how the dredge would be funded. She stated that, in principal, she felt that the Town should be saving money for a rainy day, but her concern was that the Town may need to spend more time talking about the money before actually starting to collect it. She agreed that everyone says it's time to nourish the beach and the Town had a bad case where something had to be done and everyone agreed to it. She added that, down the road, the prioritizing of the different projects, she thought if the Town was going to start collecting money for it, there should be an idea of what would be done with it and thought it needed to be more concrete than saying it was for the next beach nourishment fund. She stated that everyone would have their hand out for it and thought everyone needed to realize that if there was going to be a nourishment project in front of your home, there would be an MSD associated with it and it would not be just from the fund. She felt that there needed to be more thought given regarding the fund and thought the Town could not start collecting money without knowing how it would be spent.

Mayor Kingston stated that it was a good idea for a future beach fund, but at this point, no one knows when and if the funds will be needed. He stated that Dare County would cover re-nourishment, but as time goes on and re-nourishment was needed, no one knows if funds could be obtained for elsewhere on the beach. He thought there was an equity problem in that if the Town added an additional tax, it would put more of a burden on the people in the MSDs to not only pay for what they have today, but pay for something that they may not get in the future. He thought the Town had a pretty flush General Fund currently and if the issue needed to be addressed, Council could make an allocation from the General Fund into a reserve to start without raising taxes. He stated that Council could always put in the equivalent of one cent and set it aside in the Capital Reserve Fund for the first year. He thought putting an additional burden on taxpayers this year was not the right thing to do. He agreed with Mayor Pro Tempore Thibodeau that more discussion was needed and for this year, the Town should invest in Public Safety, but thought there was time to think about things.

Councilor Caviness thought that the discussion would be best held at a Council Retreat or sometime in the future, but before the next budget or future budget planning, but not now.

Councilor Britt stated that he agreed with Councilor Burdick and thought a reserve needed to be set aside. He added that Dare County would be there for the Town now and in the future. He thought the Town did not have a plan for where the MSDs would go in two years and it should be part of a discussion. He agreed with the other Council members that it was a good idea, but this was not the time. He thought it may be better next year and was something that needed to be done as it was part of the overall plan for the future of the MSDs.

Councilor Burdick stated that he wasn't disagreeing with the other Council members, he brought up the issue because of what Council thinks is going to happen with Dare County, that Duck needed to be better prepared. He stated that he liked Councilor

Caviness' idea to discuss it at the Retreat and decide what will be a long-term beach nourishment plan for all of Duck and not just the existing area. He stated that his objective was to get the issue on the table for consideration and thought the Retreat would be a good way to get at it.

Councilor Britt moved to authorize the Budget public hearing for Wednesday, June 6, 2018 at 7:00 p.m.

Motion carried 5-0.

CLOSED SESSION

Mayor Pro Tempore Thibodeau moved to enter into closed session pursuant to §143-318.11(5) to establish or instruct the public body's staff or negotiating agents concerning the position to be taken by or on behalf of the public body in negotiating the price and other material terms of a contract or proposed contract for the acquisition of real property located at 1165 Duck Road owned by Larry Herron, Thomas Herron, Deborah Herron, Vicky Herron and Catherine Herron, by purchase, option, exchange or lease.

Motion carried 5-0.

The time was 2:56 p.m.

Upon return from closed session, Mayor Kingston stated that Council authorized Town Manager Layton and Town Attorney Hobbs to act on Council's behalf in the matter.

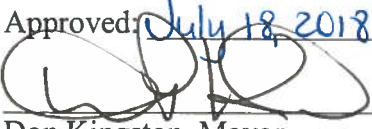
Mayor Kingston stated that the next meeting would be the regular meeting on Wednesday, June 6, 2018 at 7:00 p.m.

ADJOURNMENT

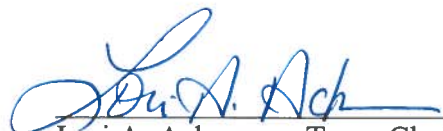
Councilor Britt moved to adjourn the meeting.

Motion carried 5-0.

The time was 3:36 p.m.

Approved: July 18, 2018


Don Kingston, Mayor



Lori A. Ackerman, Town Clerk

