

Agenda
Town of Duck Council
Paul F. Keller Meeting Hall
April 21, 2021
1:00 p.m.
Mid-Month Meeting

1. Discussion/Consideration of Approval of the First Amendment to the Contract for Solid Waste and Commercial Recycling Collection between the Town of Duck and Waste Management of Virginia, Inc.
2. Follow up discussion and possible adoption of Financial Policies
3. Discussion of FY 2022 Budget Overview
4. Adjournment

AGENDA: April 21, 2021 Mid-Month Meeting

ITEM #1:

Discussion/Consideration of Approval of the First Amendment to the Contract for Solid Waste and Commercial Recycling Collection between the Town of Duck and Waste Management of Virginia, Inc.

RECOMMENDED ACTION:

Approve the amendment

SUMMARY OF INFORMATION:

In October 2020, the Town of Duck and Waste Management entered into a three-year contract for the collection and disposal of solid waste and commercial recycling collection. As part of a routine discussion between Town staff and Waste Management management, a suggestion was made to change the current collection schedule from where the entire Town is serviced either once or twice per week (depending on the time of year) to a schedule where the Town is split into two zones with each service on different days. This shift would change the off-season schedule from Mondays for the entire Town, to Monday or Tuesday depending on which zone a property is in. Similarly, in-season pickup would change from Monday and Thursday for the entire Town to Monday and Thursday and Tuesday and Friday depending on the zone a property is in.

Staff conducted an open on-line and targeted survey of residents and other stakeholders to get their input regarding such a change. 367 responses to the survey were received and the results expressed a general willingness to try this new schedule for this summer. Staff will collect additional input during this summer to see how and if the new schedule is impacting the expected level of service and how residents and visitors are responding to the change.

ATTACHMENTS:

- Contract Amendment
- Original Contract with Waste Management
- Survey Results

FIRST AMENDMENT TO
SOLID WASTE AND COMMERCIAL RECYCLING COLLECTION AGREEMENT
BETWEEN
TOWN OF DUCK AND
WASTE MANAGEMENT OF VIRGINIA, INC.

This First Amendment to Solid Waste and Commercial Recycling Collection Agreement is made this ____ day of April 2021, (the “First Amendment ”) by and between the Town of Duck, a municipal corporation, (the “Town”) and Waste Management of Virginia, Inc., a Virginia Corporation, (the “Company” and, together with the Town, the “Parties”).

WHEREAS, on or about September 2, 2020, the Parties executed a Solid Waste and Commercial Recycling Collection Agreement (the “Agreement”) with respect to the collection and transportation of waste and recyclable materials; and

WHEREAS, the Town and the Company have determined that it is in their mutual best interests to modify the routing service schedule for residential waste collection as outlined in the Agreement; and

WHEREAS, the Town and the Company have agreed to amend the Agreement to adjust the service days for the collection and transportation of residential solid waste.

NOW, THEREFORE, in exchange for the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Town and Company do hereby agree as follows:

1. Section 4(a) of the Agreement shall be deleted and replaced with the following:

Section 4. COLLECTION AND DISPOSAL OF RESIDENTIAL SOLID WASTE.

(a) Contractor shall collect solid waste from each unit in the Town. Contractor shall collect solid waste from two geographical areas of the Town, hereinafter referred to as the “Northern Area” and “Southern Area.” The boundaries of the Northern Area is the northern Town limits to the Army Corps of Engineers property and the Southern Area is the southern Town border to the Army Corps of Engineers property. Collection shall be made in the Southern Area twice per week on Monday and Thursday from May 1 through September 30 and one time per week on Monday from October 1 through April 30. Collection shall be made in the Northern Area twice per week on Tuesday and Friday from May 1 through September 30 and one time per week on Tuesday from October 1 through April 30. Detached single-family unit collection shall be made from the roadside of the unit. All other authorized collection shall, as

directed by the Town Manager, be made either from behind the building or from an area approved by the Town Manager. Upon execution of this Agreement, the Town Manager shall designate all units other than single-family dwellings from which Contractor shall collect solid waste. Additional units, other than single-family dwellings constructed in the Town during the period of this Agreement, shall not be added without authorization from the Town Manager. Town shall notify Contractor of additional single-family units constructed in the Town during the term of this Agreement and Contractor shall begin collection of solid waste from those additional units upon notification.

2. Capitalized terms used but not otherwise defined in this Amendment shall have the meanings assigned to them in the Agreement.

3. This Amendment may be executed in one or more counterpart, each of which shall be deemed an original and all of which combined shall be the same instrument. Facsimile and/or electronic copies of the parties' signatures shall be valid and treated the same as original signatures.

All other terms of the Agreement are hereby ratified, confirmed and remain unchanged except as stated herein.

IN WITNESS WHEREOF, the parties hereto have set their hands as of this ____ day of April 2021.

THE TOWN OF DUCK

BY:

ATTEST:

ITS: Manager

ITS: Town Clerk

WASTE MANAGEMENT OF VIRGINIA, INC.

BY:

ATTEST:

ITS: Public Sector Manager

ITS: Assistant

**NORTH CAROLINA
DARE COUNTY**

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.


Finance Director

**CONTRACT FOR SOLID WASTE AND COMMERCIAL RECYCLING COLLECTION
IN THE TOWN OF DUCK**

THIS AGREEMENT, made this the 2ND day of September, 2020, between TOWN OF DUCK, a body corporate and politic existing pursuant to the laws of the State of North Carolina, (the "TOWN") and WASTE MANAGEMENT OF VIRGINIA, INC. d/b/a Waste Management of Hampton Roads, a corporation organized under the laws of the State of Virginia, (the "CONTRACTOR").

WITNESSETH:

Pursuant to Town's acceptance of Contractor's bid proposal and in further consideration of the promises and covenants contained in this Agreement, the parties hereby agree as follows:

Section 1. INTERPRETATION OF THE AGREEMENT

- a. Entire Agreement. This Agreement constitutes the entire and only agreement between the Town and Contractor concerning its subject matter. It supersedes all prior negotiations, commitments, understandings or agreements, whether oral or written, concerning its subject matter.
- b. Copies of the Agreement. This Agreement shall be executed in duplicate by Town and Contractor. Town shall retain one copy and Contractor shall retain one copy. Each copy is an original of the Agreement.

Section 2. DEFINITIONS

The following terms used in this Agreement have the meanings indicated in this Section, unless the context of the Agreement clearly requires otherwise:

- a. "Town Manager." The chief executive of the Town or the chief executive's designee.
- b. "Customer." The beneficiary of the services provided for by this Agreement.
- c. "Hazardous Wastes." Any hazardous, radioactive or toxic waste, or substance and regulated medical waste as defined by applicable federal, state or local laws or regulations.
- d. "Holiday." New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, or Christmas Day.

- e. "Roadside." The location adjacent to, but no more than ten (10) feet from the edge of the roadway along a Unit.
- f. "Special Item Collection." Material other than Solid Waste that requires special efforts or increased manpower or machinery to pick up. Large bulky items such as appliances, other than refrigerators or appliances containing hazardous waste or material, and furniture which cannot be loaded in an automated garbage truck shall be collected on Special Item Collection day. This service applies to residential Customers only and does not include building materials, roofing, soil, rocks, concrete, stumps or yard waste.
- g. "Solid Waste." All perishable matter including food wastes, food containers, animal and vegetable matter, animal offal, animal carcasses weighing no more than ten pounds and other non-hazardous garbage, refuse, rubbish, trash and discarded solid materials excluding sewage and human waste produced by inhabitants of a Unit. Solid waste shall not include any regulated quantity of Hazardous waste or any hazardous substance as defined by federal, state or local laws or regulations; containerized wastes, the contents of which are not able to be identified; sludges; waste from a pollution control process or cleanup of a spill of a chemical substance or commercial product; waste tires; biohazards or regulated medical waste; friable asbestos; construction and demolition waste; soil, sod, large tree branches and stumps; paint; motor oil; excessive storm debris or debris resulting from weather events such as hurricanes or tropical storms; or any item too large or heavy to be contained within a typical 96-gallon container (collectively "Unacceptable waste"). Title to and liability for Unacceptable Waste shall remain at all times with the resident or commercial customer that generated the Unacceptable waste.
- h. "Recyclable Materials." Glass (clear, brown and green), aluminum containers, steel cans, plastic containers, newspapers, magazines and related fibrous products, and cardboard that has been broken down to fit within a commercial container or a roll-out container placed at the curbside on the proper weekly collection day. Consistent with Attachment A and subject to revision as deemed necessary by Contractor.
- i. "Unit." An enclosure containing sleeping, kitchen and bathroom facilities designed for and used as a residence. Each Unit of an apartment or condominium dwelling, whether of single or multilevel construction, shall be treated as a Unit.

Section 3. TERM.

This Agreement shall be in effect for a period of thirty-six (36) months beginning October 1, 2020 and ending September 30, 2023.

Section 4. COLLECTION AND DISPOSAL OF RESIDENTIAL SOLID WASTE.

- (a) Contractor shall collect Solid Waste from each Unit in the Town. Collection shall be made twice per week on Monday and Friday from May 1 through September 30 and one time per week on Monday from October 1 through April 30. Detached single-family Unit collection shall be made from the Roadside of the Unit. All other authorized collection shall, as directed by the Town Manager, be made either from behind the building or from an area approved by the Town Manager. Upon the execution of this Agreement, the Town Manager shall designate all Units other than single-family dwellings from which Contractor shall collect Solid Waste. Additional Units, other than single-family dwellings constructed in the Town during the period of this Agreement, shall not be added without authorization from the Town Manager. Town shall notify Contractor of additional single-family Units constructed in the Town during the term of this Agreement and Contractor shall begin collection of Solid Waste from those additional Units upon notification.
- (b) Contractor shall provide collection service to three (3) or more Units adjacent to a common private roadway connecting to a State maintained road. The collection shall be approved by the Town Manager and Contractor taking into consideration the availability of a public right-of-way or easement, roadway surface conditions and the availability of turnaround space for the Contractor's equipment.
- (c) Contractor shall provide collection other than on the Roadside to a physically incapacitated customer who is unable to place a Solid Waste container at the Roadside for collection. The collection shall be approved on a case-by-case basis by the Town Manager and Contractor considering the availability of a public right-of-way or easement to the dwelling Unit, roadway surface conditions and turn around space for Contractor's equipment.
- (d) Special Item Collection shall be from the Roadside on the scheduled Special Item Collection day agreed to by the Town Manager and Contractor. Town shall pay Contractor \$3,425.00 to collect and dispose of special items collected for each Special Item Collection day.
- (e) Contractor shall repair or replace, free of charge to the Town or Customer, up to 250 ninety-six (96) gallon containers in use by residential property owners. The repair or replacement of these

containers shall be on a first-come, first-served basis. Town shall receive requests for repair or replacement of containers and shall contact the designated representative with the request. Town and Contractor shall track the repairs and replacements of the containers so as not to exceed 250 repairs or replacements in each calendar year of this Contract beginning on October 1, 2020.

Section 5. COLLECTION AND DISPOSAL OF COMMERCIAL SOLID WASTE.

Contractor shall collect Solid Waste from each commercial Unit in the Town. Collection shall be made three (3) times per week on Monday, Wednesday and Friday from May 1 through October 31 and twice (2) per week on Monday and Friday from November 1 through April 30. Upon the execution of this Agreement, the Town Manager shall designate all commercial Units from which Contractor shall collect Solid Waste. Additional commercial Units constructed in the Town during the period of this Agreement, shall not be added without authorization from the Town Manager. Town shall notify Contractor of additional commercial Units constructed in the Town during the term of this Agreement and Contractor shall begin collection of Solid Waste from those additional commercial Units upon notification. The charge for collection and disposal of Solid Waste from commercial Units shall be prorated to reflect the addition of commercial Units during the term of this Agreement.

Section 6. COLLECTION AND DISPOSAL OF COMMERCIAL RECYCLABLE MATERIALS.

Contractor shall collect Recyclable Materials from each commercial Unit in the Town. Collection shall be made twice per week on Tuesdays and Saturdays from May 1 through October 31 and once per week on Tuesdays from November 1 through April 30. Upon the execution of this Agreement, the Town Manager shall designate all commercial Units from which Contractor shall collect recycling. Additional commercial Units constructed in the Town during the period of this Agreement, shall not be added without authorization from the Town Manager. Town shall notify Contractor of commercial Units constructed in the Town during the term of this Agreement and Contractor shall begin collecting Recyclable Materials from those additional commercial Units upon notification. The charge for the collection and disposal of Recyclable Materials from commercial Units shall be prorated to reflect the addition of commercial Units during this Agreement.

Section 7. CHARGE FOR COLLECTION OF SOLID WASTE.

- (a) Town shall pay Contractor for service provided pursuant to Section 4. COLLECTION AND DISPOSAL OF RESIDENTIAL SOLID WASTE of this Agreement, \$47,670.00 per month, \$21.00 per Unit. During the second and third year of this Agreement's term, the price per Unit shall, on the

anniversary date of this Agreement, be subject to adjustment based on the lower of the annual change in the Consumer Price Index – All Urban Consumers – All Items United States or two and one half percent (2.5%). Contractor shall notify Town upon the imposition of this adjustment no less than one month prior to it taking effect.

- (b) Town shall pay Contractor for service provided pursuant to Section 5. COLLECTION AND DISPOSAL OF COMMERCIAL SOLID WASTE of this Agreement, \$21,282.00 per month. During the second and third year of this Agreement's term, the price shall, on the anniversary date of this Agreement, be subject to adjustment based on the lower of the annual change in the Consumer Price Index – All Urban Consumer – All Items United States or two and one half percent (2.5%). Contractor shall notify Town upon the imposition of this adjustment no less than one month prior to it taking effect.
- (c) Town shall pay Contractor for service provided pursuant to Section 6. COLLECTION AND DISPOSAL OF COMMERCIAL RECYCLABLE MATERIALS of this Agreement, \$5,175.00 per month. During the second, and third year of this Agreement's term, the price shall, on the anniversary date of the Agreement, be subject to adjustment based on the lower of the annual change of the Consumer Price Index – All Urban Consumers – All Items United States or two and one half percent (2.5%). Contractor shall notify Town upon the imposition of this adjustment no less than one month prior to it taking effect.
- (d) The number of Units for which Contractor shall be paid during the first year of this Agreement shall be determined by a count of Units conducted jointly by Town and Contractor. The parties shall adjust the number of Units for which Contractor will receive compensation for each ensuing year of this Agreement as of October 1 of the current year based on the number of Units serviceable during the month of September of the current year.
- (e) The Agreement will be billed by Contractor in monthly installments. Town shall pay for Contractor's monthly service in arrears in the amount provided in paragraphs (a) and (b) of this section by the tenth of the month following receipt of Contractor's written invoice.
- (f) The parties agree that subject to the terms of this Agreement the minimum monthly payment shall be \$74,127.00 per month for services noted in Sections 4, 5 and 6 of this Agreement.
- (g) Changes in Law. Notwithstanding anything to the contrary in this Agreement, Contractor shall be entitled to pass through to, and collect from, the Town any costs, taxes, fees, assessments or surcharges, however denominated, that are incurred by Contractor as a result of any changes in local,

state or federal laws or regulations governing the collection, transportation and/or disposal of solid waste and/or recyclable materials.

Section 8. MASTER SCHEDULE.

Contractor shall prepare and submit for Town's approval a master schedule for the basic collection service required by this Agreement in compliance with the following:

- (a) No collections shall be made before 7:00 a.m., local time, unless otherwise instructed by the Town.
- (b) Traffic patterns in and around the collection point.
- (c) Route collection shall not be scheduled beyond 5:30 p.m. Collection beyond this time shall be permitted only in the event of extra heavy workload due to a Holiday or excessive equipment breakdown.

Section 9. SCHEDULE CHANGES.

The collection schedule may be amended or modified by the mutual Agreement of Town and Contractor.

Section 10. MISSED COLLECTION.

Any Unit's Solid Waste that was properly placed out for collection but not collected as scheduled by the Contractor, except as otherwise provided in this Agreement, shall be collected within twenty-four (24) hours of customer or Town notice to Contractor.

If Contractor is unable to collect a Unit's Solid Waste due to any of the following causes, to the extent beyond its reasonable control: severe inclement weather or impending arrival of same, equipment breakdown or failure or accident, acts of God, accident, riots, war, terrorist acts, epidemic, pandemic, quarantine, civil commotion, breakdown of communication facilities, natural catastrophes, governmental acts or omissions, changes in laws or regulations, or national strikes, labor disputes, or work stoppages ("Force Majeure Events"). Contractor shall notify Town in a timely manner but in no event later than 4:00 p.m. on the day Contractor is unable to make the collection. In the case of such Force Majeure Events, Solid Waste collections shall be resumed by Contractor on the next regularly scheduled collection day.

In the event Contractor misses collection along a regularly scheduled route that is not the result of a Force Majeure Event and the Solid Waste on that route is not collected within 24 hours of notice to Contractor, then Town shall impose a penalty of the prevailing per Unit price multiplied by twelve months and divided by

52 weeks per Unit not receiving collection service. Such failure of Contractor shall not be considered a material breach of this Agreement.

The Contractor may subcontract for missed collection with a company in the regular business of residential Solid Waste collection. In this instance, the penalty provided in this section shall not be assessed provided the collection route is completed as scheduled. Subcontractors must be approved by the Town prior to commencing collection.

Section 11. HOLIDAYS.

The Contractor may observe any or all of the defined Holidays by suspending collection service on the date of observance as established by the Town. If the Contractor suspends collection on a Holiday, then Contractor shall make up the suspended collection on the day following the Holiday. Contractor shall notify Town of Contractor's intention to observe a Holiday at least 30 days prior to the observance so that Town may advertise the suspension of service.

Section 12. SUPPLY OF EQUIPMENT AND INITIATION OF SERVICE.

(a) Contractor shall collect Solid Waste from ninety-six (96) gallon containers in use by residential property owners on the date of this Agreement. At such time as residential Solid Waste containers become unusable due to wear and tear or other damage, Contractor will repair or provide a replacement container to the residential property owner as specified in Section 4(e) of this Agreement. Replacement containers not subject to Section 4(e) of this Agreement will be provided at the cost to the residential property owner of \$90.00 per container. The Town shall not be responsible for the cost of replacement or additional Solid Waste containers provided to residential property owners.

(b) Contractor shall collect Solid Waste and Recyclable Materials from front-end load containers in use by Commercial Unit owners on the date of this Agreement. Contractor shall refurbish or repair commercial front-end load containers, including containers used for recycling throughout the term of this Agreement at the Town's request but in no event shall a commercial front-end load container be refurbished or repaired more than once in a twelve-month period. Notwithstanding the foregoing, Contractor shall repair or refurbish any commercial front-end load container damaged by Contractor, its employees or agents, in the performance of the terms of this Agreement.

At the request of a commercial property owner or establishment, Contractor shall replace a commercial front-end load container, including containers used for recycling, at a delivery cost of

\$75.00 per container. Replacement containers shall remain the property of Contractor. When additional commercial properties or establishments are added to the Solid Waste collection schedule, Contractor shall provide the added commercial property owner or establishment with a Solid Waste container at a delivery cost to the commercial property owner or establishment of \$75.00 per container. Such containers shall remain the property of Contractor. The Town shall not be responsible for the cost of replacement or additional commercial front-end load containers. The charge for collection and disposal of Solid Waste from commercial Units shall be pro-rated to reflect the addition of commercial Units during the term of this Agreement.

Section 13. MISCELLANEOUS PROVISIONS.

(a) Standard of Performance.

Contractor agrees that its collection and removal services, practices, and procedures shall be in conformity with all applicable ordinances and regulations of Town in effect on the date of the execution of this Agreement, and in conformity with all terms and conditions of this Agreement. Contractor also agrees to conduct and operate collection and removal services in a manner meeting the accepted standards for the industry. The collection from Units shall be accomplished in such a manner as to ensure no residue is left scattered about the collection site.

(b) Contractor to Furnish all Labor and Equipment.

Contractor shall furnish all personnel, labor, equipment and supervision necessary to its full and satisfactory performance of this Agreement. Contractor shall use only personnel qualified to perform the work assigned and shall see that all work is performed in an efficient and workmanlike manner. Contractor shall see that its supervisory personnel are thoroughly familiar with the work to be performed under this Agreement and with the terms of this Agreement.

(c) Contractor to Function as Independent Contractor; Limitations.

Contractor is an independent contractor and nothing in this Agreement may be construed to create the relationship of employer and employee between Contractor or Contractor's agents and Town. Contractor and any subcontractor employed by Contractor with Town's consent shall comply with all minimum wage standards, worker's compensation, unemployment compensation and all other laws, ordinances and regulations, both federal and state and local pertinent to its employees. Contractor and any authorized subcontractor shall abide by local, state and federal laws and regulations pertaining to the activities carried on under this contract and to its employees and

equipment used to fulfill the terms of this contract. Contractor shall take all actions necessary to assure that any approved subcontractor complies with all requirements of this paragraph.

Notwithstanding the status of Contractor and any approved subcontractor as independent contractors, Town shall have the right to require removal of any employee of Contractor or an approved subcontractor who the Town Manager deems incompetent, careless, insubordinate or whose continued employment is deemed contrary to the public interest or welfare.

(d) Contractor's Equipment.

Contractor shall maintain all trucks and equipment used in the performance of this contract in reasonably clean condition and shall keep all trucks and equipment reasonably free of unpleasant odors by spray washing, disinfecting or steam cleaning. Contractor shall ensure that any equipment supplied by an approved subcontractor is maintained in the same manner.

(e) Designated Contact Person.

Contractor agrees to assign qualified personnel to be in charge of the service provided for by this Agreement and agrees to give names of the personnel to Town, and further agrees that information regarding personnel qualification shall be furnished to the Town upon request.

(f) Complaints.

Contractor shall designate a supervisor, with a motor vehicle, who shall be present in the Town or in close proximity to the Town during collection time. The supervisor shall be available to monitor collection, receive and respond to complaints, answer inquiries and resolve disputes with respect to the services supplied pursuant to this Agreement. Complaints or inquiries shall be answered within 24 hours of receipt.

(g) Contractor's Inspection of Work.

Contractor's designated supervisor shall perform an inspection of the Town with sufficient frequency to ensure that all services required pursuant to this Agreement are being properly performed.

(h) Quality of Contractor's Service; Continuous Service Required.

Contractor recognizes that prompt and complete performance of this Agreement's terms is critical to the public health, safety and welfare of the Town's citizens. Therefore, Contractor agrees that in the event of equipment breakdown, strike or other occurrence which would delay or prevent timely performance of its obligations pursuant to this Agreement, it shall immediately take action necessary, including, but not limited to, replacement of equipment and personnel in order to assure restoration of regular service within forty-eight (48) hours from the time of occurrence. Contractor's

failure to provide continuity of service required by this paragraph shall be a material breach of this Agreement and shall be cause for Town's immediate termination of this contract without further notice. In that event Town shall be entitled to reimbursement under Contractor's bond for all expenses incurred and damages resulting from Contractor's material breach including court costs and reasonable attorney's fees. Notwithstanding the above, should either Contractor or Town fail to perform its obligations pursuant to this Agreement as the result of strikes, riots, wars, fires, acts of God, accidents, governmental orders and regulations, or other similar or different contingencies beyond each party's reasonable control, then the 48-hour time limit set forth above shall be extended for such time as is reasonable in light of the prevailing circumstances.

All services performed by Contractor or any authorized subcontractor under this contract shall be subject to inspection and approval by the Town Manager. When the Town Manager determines that Contractor's performance of this Agreement is unsatisfactory, Contractor shall immediately commence action necessary to remedy noted problems. Except in case of failure to provide continuous services as required in this paragraph, Contractor shall have 15 calendar days from the date of receipt of written notice from the Town Manager to remedy the problem to the satisfaction of the Town Manager. If Contractor fails to remedy the problem in the specified time, Town may without further notice to Contractor be entitled to take action necessary to remedy the problem and to collect any costs incurred against Contractor's bond, or Town may give Contractor an additional five days written notice regarding the problem and if at the end of the additional notice period the problem continues, Town may terminate this Agreement by giving written notice to Contractor. In that event, Town may seek reimbursement under Contractor's bond for all expenses incurred as the result of Contractor's breach. To the extent Town fails to make timely payment to Contractor and such failure is not cured within fifteen (15) days from the date of written notice from Contractor to Town, Contractor may terminate this Agreement.

(i) Contractor to Supply all Licenses and Permits.

Contractor shall, at its own expense, purchase and keep in force at all times business licenses and other licenses and permits required by federal, state or local law, ordinances and regulations pertaining to Contractor's performance of this Agreement.

(j) Subcontracting and Assignment.

Contractor may assign this Agreement and any portion of this Agreement with the advance written consent of Town. In addition, Contractor may subcontract any of its obligations under this Agreement with prior written approval of the Town Manager. Should the Town Manager authorize

Contractor to subcontract any of its obligations under this Agreement, the Town Manager may revoke that approval at any time by giving written notice to Contractor, in which case Contractor shall take action necessary to terminate the services of the subcontractor and to resume direct performance of subcontracted services within thirty (30) days of the Town Manager's notice. Should the Town Manager authorize the use of a subcontractor, Contractor agrees to indemnify and save Town harmless from any claims, either at law or at equity which may be asserted against the Town relating to or arising out of the subcontractor's performance of Contractor's obligations under this Agreement.

(k) Contractor's Liability Insurance.

Contractor shall insure against its liability and the liability of any subcontractor approved by the Town Manager in connection with the exercise of the rights and privileges granted by this contract and the performance of Contractor's duties and obligations imposed and assumed by or under this contract providing insurance of not less than \$1,000,000 for bodily injuries to any one person in any one occurrence and of not less than \$1,000,000 for all bodily injuries resulting from any one occurrence, and \$1,000,000 property damage resulting from any one occurrence, and excess umbrella liability, \$1,000,000 each occurrence. Such insurance shall provide coverage against the acts of Contractor and its subcontractors and shall require at least sixty (60) days' written notice to Town of intent to cancel coverage. Liability insurance shall be kept in full force and effect by Contractor during the term of this Agreement and Contractor will provide Town with a certificate of insurance.

(l) Nondiscrimination.

Contractor agrees that in the performance of this Agreement, it and any subcontractors, will not discriminate against any employee or applicant for employment because of sex, race, religion, color, creed, national origin or ancestry. Contractor agrees that it and any subcontractor shall post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

Contractor and any subcontractor shall, in all solicitations or advertisements for employees placed by or on behalf of either of them, state that Contractor or subcontractor is an Equal Employment Opportunity Employer.

(m) Performance Bond.

Contractor agrees to furnish Town with a performance bond in a sum equal to one hundred percent (100%) of each current year of the Agreement or portion of a year. The performance bond

shall be adjusted on each anniversary date of the Agreement to reflect current Agreement total which shall be conditional upon the faithful performance of the terms, conditions and provisions of this Agreement.

The performance bond shall be issued by a company licensed to do such business in the State of North Carolina and shall be approved by Town's attorney.

(n) Governing Law and Forum.

This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina. All actions relating in any way to this Agreement shall be brought in the General Court of Justice of the State of North Carolina or in the federal district court for the district in which Town is located.

IN WITNESS WHEREOF, Contractor and Town have caused this Agreement to be executed and sealed in their respective names on the date written above by persons duly authorized to execute it and to affix their respective corporate seals.

ATTEST:




Waste Management of Virginia, Inc.
d/b/a Waste management of Hampton Roads

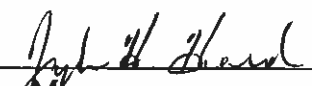
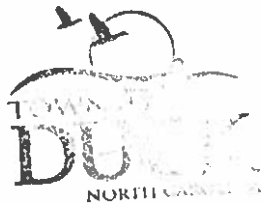
By: 

Title: Public Sector Rep

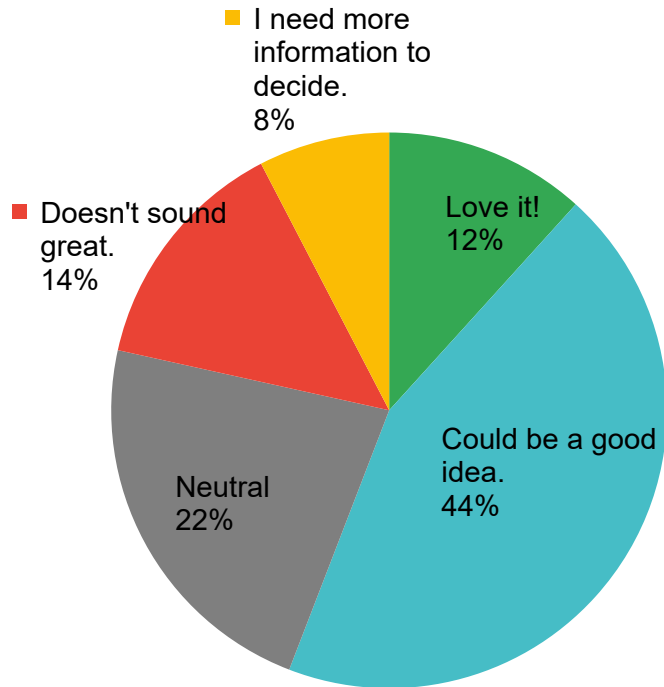
ATTEST:


Town Clerk

Town of Duck, North Carolina

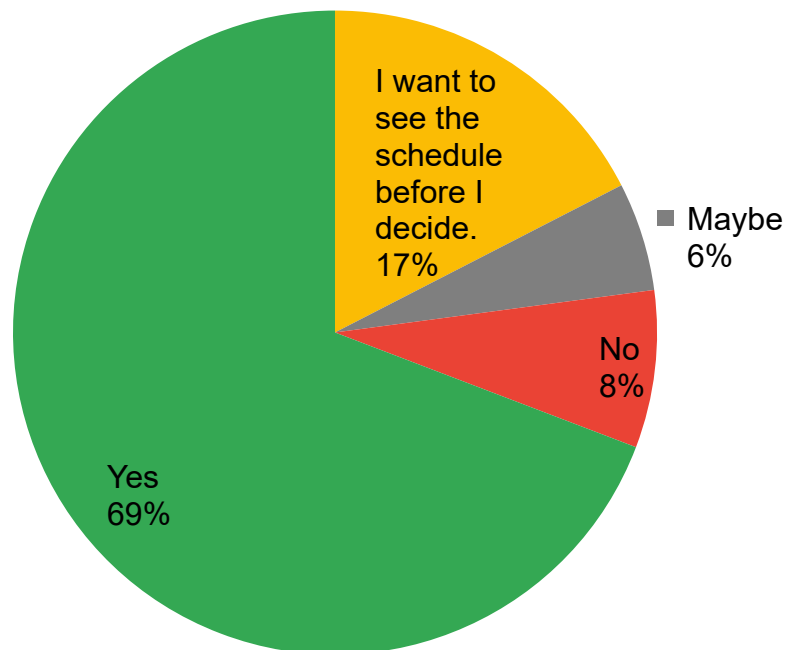

Town Manager

What are your initial thoughts on the proposed schedule change?



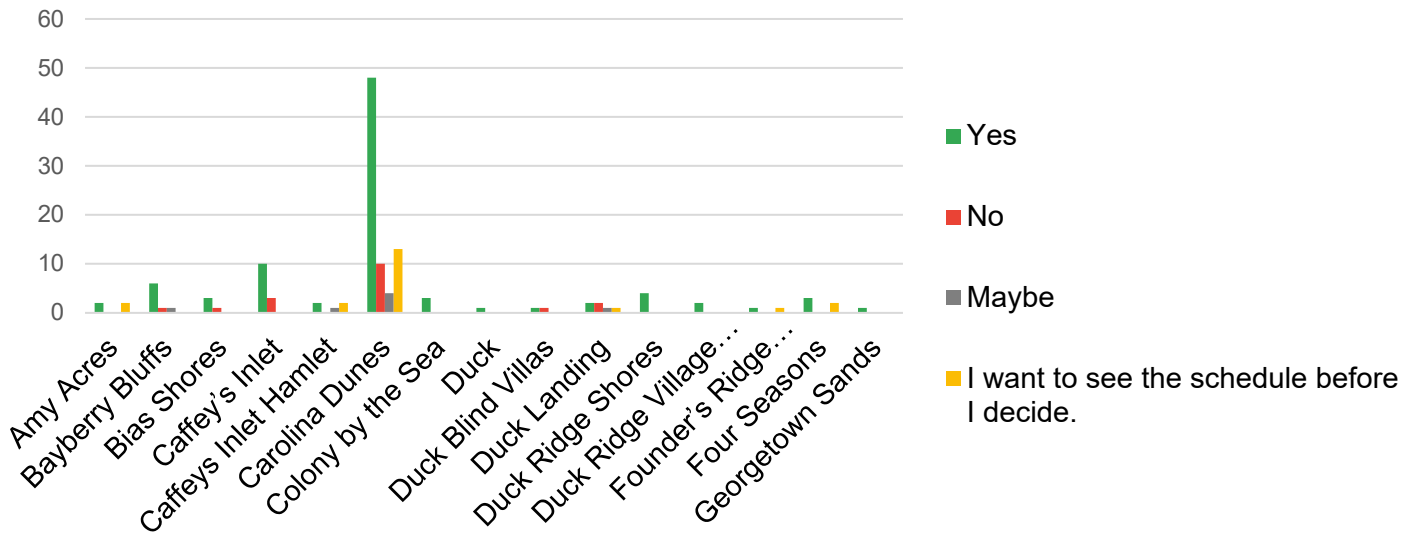
367 responses

Would you be willing to try the proposed schedule this summer?

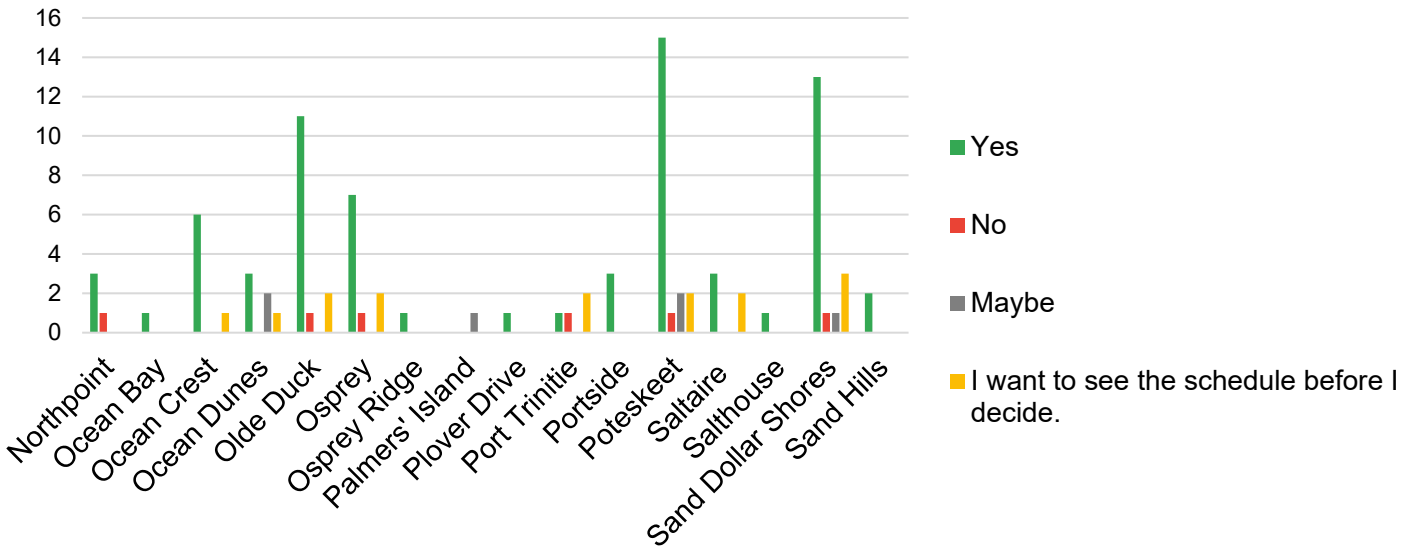


367 responses

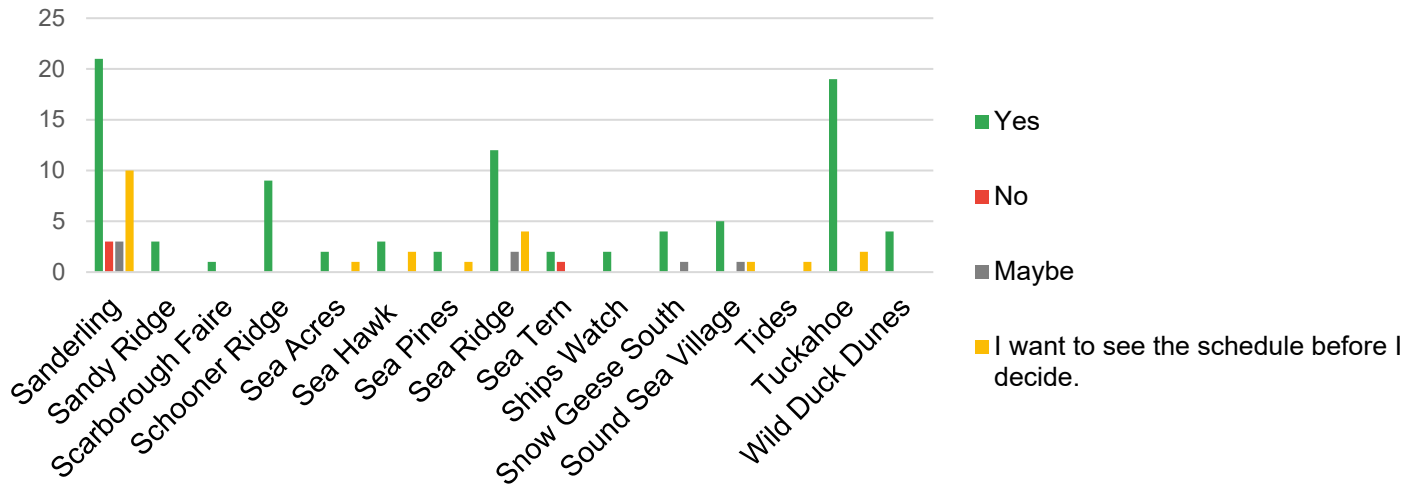
Are you willing to try the proposed schedule this summer? Data by subdivision A - G



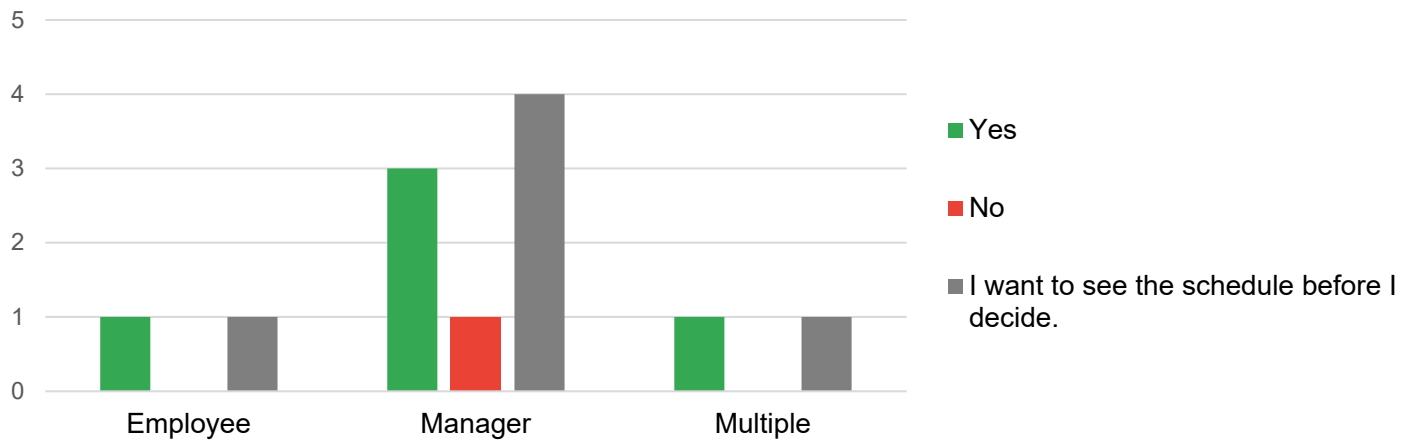
Are you willing to try the proposed schedule this summer? Data by subdivision Northpoint to Sand Hills



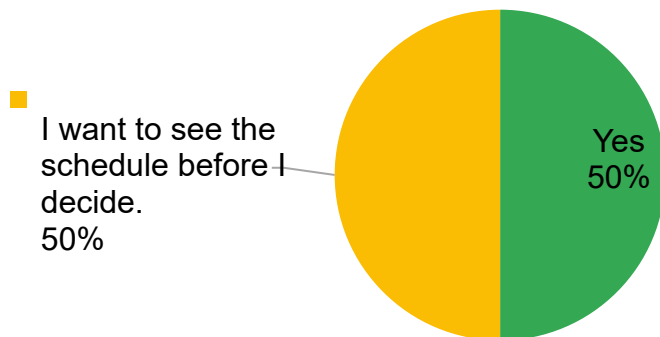
Are you willing to try the proposed schedule this summer? Data by subdivision Sandering - Wild Duck Dunes



Are you willing to try the proposed schedule this summer? Other results



Willingness to try for summer - Roll-back services



8 responses

Roll-back service comments:

What potential positive outcomes do you see?

- Mitigation of trash collection delays or non-collection due to overall volume of cans and trash. Possibility of earlier completion of rollback service. Possibility of less pests if trash is left out due to delay or non-collection. Possibility of happier residents.
- quicker more efficient trash removal
- If you are correct, fewer missed pick up dates.
- It will create better service
- My staff not having to backtrack as they wait on trucks and not having to take the time to report missed cans or streets.
- Again, if recycle and trash are done on Monday/ Tuesday. Trash Thursday/ Friday. Roll out/ roll back. It could have positive impact. If it's Sunday/ Monday/ Tuesday.....Thursday/ Friday could have problems.
- A positive would be to have the waste Management trucks pick up trash at our Amy Lane street at the end of our driveway just like other homes.
- if it would get the trash collection company to actually complete their rounds in a timely manner instead of sometimes being done by noon and other days not finishing until 4 p.m. or not at all, then that would be a benefit.

In your own words, what are the drawbacks of this proposed schedule?

- Possible delays in rollout/rollback service and/or increased cost. Possibility of guest confusion regarding collection days. Concerning communities WITHOUT ROLLOUT service, cans may not be brought out for collection on proper day or at all. Increased chance of collection truck breakdown due to service being spread out across more days.
- trash trucks in town multiple days
- Might require that I update the information provided to my renters regarding garbage pick-up.
- I don't see any drawbacks
- From an employer stand point, my personal concern is ensuring I'll have the employees available on the new days, as we have other contracts outside of Duck and I worry the schedules could interfere. If changes are made, I hope to know sooner than later so we can meet with the staff and rearrange as necessary.
- I provide the service to roll out and back both Recycle and Trash. I think only two negative parts would be if Recycle is still on Sunday/ Monday-(trash Monday/ Tuesday) because It would require an addition day for work. Current contracts do NOT cover an addition day of service. Thus, there is a possibility losing lots of money,

increase in cost (if customers are willing to pay for it, and or very unhappy customers due to increase in pricing. 2nd problem: if the divided pick up time happens to be between the several subdivisions I service. It would/ could destroy my scheduling to complete my work.

- Waste Management trucks don't come up Amy Lane. Roll down and back service is hard to get. If the service doesn't want to do 2 days then we will have a problem We pay the taxes but get less services than other Duck residents. Not fair!
- as a homeowner, changing the collection days is not such a big deal. but as a roll in/roll out trash can service provider, it could potentially add an extra day of touching those subdivisions where the service is provided. if the service goes to tues/friday collection, then we would have to do rollout/rollback of recycling on sunday/monday, then rollout of trash on monday & wednesday / rollback on tuesday & saturday so this adds an additional day of work - 5 days vs 4 days (with a monday/thursday schedule.) since contracts are already in place for 2021, we would have to go back to the subdivisions to ask for additional funds for the extra day of work which may or may not get approved.

AGENDA: April 21, 2021 Mid-Month Meeting

ITEM #2:

In an effort to bring together all current financial policies and expand current policy to incorporate best practices, staff prepared a Financial Policies document for Council’s review and consideration and presented these at the April 7, 2021 Town Council meeting. A revised draft was created based upon feedback at that meeting with two changes as highlighted below.

RECOMMENDED ACTION:

Staff recommends approval of the policies with an effective date of July 1, 2021.

SUMMARY OF INFORMATION:

Subsequent the intital presentation of these policies, two changes have been made based upon feedback received:

1. Page 6 – Section VI.3.c: Changes the “triggers” for fund balance replenishment to remove the 75% total fund balance trigger and replace it with a 50% total fund balance trigger. Essentially it removes the requirement for 50% of the total fund balance to be unassigned, and shifts the focus to ensuring the total fund balance does not fall below 50% while maintaining a goal of having it between 75% and 100% of total expenditures (less debt service for beach nourishment).
2. Page 9 – Section IX.6.b: Changes the debt service as a percentage of the operating budget from a limit of 10% to a new limit of 15% to ensure we do not violate the policy with planned debt issuance following the current draft CIP.

ATTACHMENTS:

- Draft Financial and Budgetary Policies 4-14-2021

Town of Duck

Financial and Budgetary Policies

DRAFT



April 2021

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I. Introduction

The Town of Duck maintains comprehensive financial policies covering a broad range of the elements of the Town's financial plans and financial systems that underlay the management of overall financial resources. These policies have major objectives to be achieved that include:

1. To link long-term financial planning with short-term daily operations and decision making.
2. To maintain and improve the Town's financial position and insulate the Town from fiscal crisis.
3. To maintain and improve the Town's credit ratings by meeting or exceeding the requirements of rating agencies through sound financial policies.
4. To maintain and increase investor confidence in the Town and to provide credibility to the citizens of the Town regarding financial operations.
5. To comply with the North Carolina Budget and Fiscal Control Act and the policies of the North Carolina Local Government Commission (the "LGC").
6. To effectively conduct asset-liability management of the Town's balance sheet.

II. Operating Budget

1. The Town's Annual Budget Ordinance will be balanced in accordance with the North Carolina Local Government Budget and Fiscal Control Act (G.S. 159-8(a)).
2. The Town's annual Budget Ordinance will be adopted, by fund and department, by each July 1 (G.S. 159-13(a)).
3. In order to force a higher level of planning throughout all levels of Town government, the annual budget process will focus on future needs through a Capital Improvements Plan, as discussed later in this document.
4. The annual budget process will consist of a series of public meetings where Council and staff discuss needs in relation to the Town's 2027 Vision and Unifying Principals, and Council's adopted priorities.
5. The Town will appropriate, within the annual budget, a Contingency appropriation each fiscal year. The minimum level of contingency is 1% of budgeted general fund expenditures, not to include debt service expenditures and transfers, and the maximum is an amount equal to the revenue generated by a \$.01 ad valorem tax rate.
6. The Budget Officer may transfer appropriations within a fund as follows:
 - a. Between objects of expenditure within the limitations of the department budget.
 - b. A budget amendment approved by the Town Council shall be required to transfer amounts between departments or from any contingency fund.

III. Revenue Policy

1. Ad Valorem Tax – As provided by the North Carolina Budget and Fiscal Control Act, estimated revenue from the Ad Valorem Tax levy will be budgeted as follows:
 - a. Assessed valuation will be provided by the Dare County Tax Assessor.
 - b. The estimated percentage of collection will not exceed the actual collection percentage of the preceding fiscal year, in accordance with State law.
 - c. The property tax rate will be set each year based upon the costs of providing general governmental services, meeting debt service obligations, and building or maintaining any reserves or fund balances the Council deems necessary.
2. State revenues fluctuate according to the general economic condition of the state and the county. Accordingly, the Town will budget these revenues in a conservative manner using guidance from the North Carolina League of Municipalities, and other reliable sources, to determine predicted rates of growth in these revenues.
3. User Fees – The Town Council (the “Council”) will set user fees annually by listing such fees within a fee schedule adopted with the annual Budget Ordinance. User fees will maximize charges for services that can be individually identified and where costs are directly related to the provision of or to the level of service provided.
 - a. Emphasis of user fees results in the following benefits:
 1. The burden on the Ad Valorem tax is reduced.
 2. User fees are paid by all users, including those exempt from property taxes.
 3. User fees help minimize subsidization in any instance where there are requirements in order to qualify for the use of the service and the service is not provided to the general public.
 4. User fees produce information on the demand level for services and help to make a connection between the amount paid and the services received.
4. Interest Income – Interest income is subject to variability based upon changes in prevailing interest rates, which cannot be predicted with certainty. Such revenue shall therefore be budgeted in a conservative manner within the annual Budget Ordinance and shall comply with the Asset – Liability Management section of this policy.
5. Grant Funding – Staff will pursue opportunities for grant funding. Application for grant funding will be made after a grant has been evaluated for consistency with the Council’s goals and compatibility with Town programs and objectives. Staff must have Council approval to apply for a grant for any amount over \$50,000 and for any grant that requires a local dollar match. All awarded grants can only be accepted by Council action at which time the related budget shall be established.
 - a. Grants that have been awarded in prior years and are recurring in nature will be included and addressed through the annual budget process.

- b. Grants that fund operating expenditures but have a funding termination date must fully disclose that fact to the Council prior to acceptance.
 - c. The grant manager for each grant shall be the Town Manager. The grant manager is responsible for all grant monitoring, compliance, and reporting. The grant manager will provide copies of all documents to the Finance Officer. The Finance Officer will maintain a grant file by fiscal year for each active grant.
 - d. For grants involving federal funds, the grant manager is responsible for checking the list of federally debarred contractors prior to awarding any contracts.
6. Appropriation of Fund Balance – Fund balance originally appropriated with adoption of the General Fund annual operating budget shall not exceed 10% of the prior fiscal year’s budgeted expenditures, unless done per Section VI.3.b. of this policy.
7. Budgetary Responsibilities – The Town Manager shall develop initial budget estimates of revenues and expenditures. These estimates are to be supported by variables (base, rate, etc.) that comprise such revenue. Monitoring of the revenue budget shall be performed by the Finance Officer in a timely manner throughout the fiscal year and shall include an analysis of actual versus budgeted variances.

IV. Revenue Spending Policy

1. The Town will follow a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy as appropriate: bond proceeds, Federal funds, State funds, local non-Town funds, and Town funds.
2. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town. Any such deviation shall be reported to the Town Council at the next regularly scheduled meeting.

V. Expenditure Policy

1. Expenditure budgets shall be monitored throughout the fiscal year by department heads and the Town Manager. Budget compliance is the responsibility of the department head and the Town Manager.
2. Budgeted funds will only be spent for categorical purposes for which they are intended. Budget amendments may be made to reflect unexpected expenses and must be approved by vote of the Council. Appropriations of debt proceeds will be made only for the purpose for which such debt instrument was issued or for the payment of debt principal and interest.
3. Budgeted expenditures for debt service for any variable rate debt or synthetic variable rate debt will be set to at least the average of the prior five years.

4. For continuing contracts, funds will be appropriated in the annual Budget Ordinance to meet current year obligations arising under the contract, in accordance with G.S. 160A-17.
5. Payroll will be processed in accordance with the requirements of the Fair Labor Standards Act. Overtime and benefit payments will be made in accordance with the Town's Personnel Policy.
6. The Town may utilize non-capital operating leases or installment purchase loans for the procurement of vehicles, copiers, multifunction copiers/printer type machines, personal computers, and any other capital item as deemed appropriate in light of cash on hand, cash flow needs, and borrowing costs.
7. The Town will fund current expenditures with current resources and will strive to avoid balancing budgets utilizing one-time revenues.
8. The Town will employ the use of the carryover method for reappropriation of outstanding purchase orders and contracts as of the end of each fiscal year into the new fiscal year. Any such carryover shall be explained in each year's budget process.

VI. Reserve/Fund Balance Policy

1. The Town's Governmental Funds are comprised of the following categories:
 - a. Non-spendable: amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to remain intact.
 - b. Restricted: amounts externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments.
 - c. Committed: amounts used for a specific purpose pursuant to constraints imposed by formal action of the Town Council, these are characterized by the following:
 1. are amounts set aside based on self-imposed limitations and established and set in place prior to year-end, but can be calculated after year end,
 2. are limitations imposed by the Town Council and must also be modified or removed by the Town Council, and
 3. cannot be ordinances that lapse at the end of the fiscal year.
 - d. Assigned: amounts that are constrained by the Town Council's intent to use them for specific purposes but are neither restricted nor committed.
 - e. Unassigned: amounts that are not reported in any other classification.
2. In accordance with State statute, appropriated fund balance in any fund will not exceed the sum of cash and investments less the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts.
3. The Town will maintain a General Fund unrestricted and unassigned fund balance that significantly exceeds the minimum eight percent (8%) recommended by the LGC. This "available fund balance" will be defined as funds that remain available for appropriation by the Town Council after all commitments for future expenditures, required reserves defined by State statutes, and Council-established assignments have been calculated. The percentage is to be determined by dividing the available fund balance amount by actual expenditures

(less debt service for beach nourishment) of the then completed fiscal year. The goal is to maintain a fund balance of greater than 75%, a majority of which shall be unassigned, but not greater than 100%.

- a. Purpose of Reserve: As a coastal community that is susceptible to extreme weather conditions that can negatively impact revenues and cause significant increases in expenditures, these funds will be utilized to avoid cash flow interruptions, generate interest income, eliminate the need for short-term borrowing, and maintain the Town's credit ratings.
 - b. Reserve Drawdown: The unassigned fund balance may be purposefully drawn down below the target percentage for emergencies, economic influences, nonrecurring expenditures, or major capital projects. All such drawdowns shall be approved by the Town Council through either the annual budget ordinance or a budget ordinance amendment.
 - c. Reserve Replenishment: If the total fund balance falls ~~below the target percentage for two consecutive fiscal years, or if the unassigned fund balance falls~~ below 50% of total General Fund fund balance, the Town will replenish funds by direct appropriation beginning in the next budget developed for the fiscal year after the occurrence is known. In that instance, the Town will annually appropriate 25% of the difference between the ~~target percentage 50%~~ level and the actual balance until the target level of 50% is met. In the event appropriating 25% is not feasible, the Town will appropriate a lesser amount and shall reaffirm by Council resolution its commitment to fully replenish the fund balance over a longer period of time.
4. Any General Fund available fund balance that exceeds the target goal range may be used to reduce General Fund debt or to fund non-recurring expenditures.

VII. Asset-Liability Management

1. The Town will seek to incorporate coordinated investment and debt structuring decisions with the goal of such coordination being to use each side of the balance sheet to mitigate, or hedge, cash flow risks posed by the other side of the balance sheet.
2. The Town considers short-term investments to be effective hedges to variable rate debt because movements in interest rates should have offsetting impacts upon both.
 - a. Given the prevalent patterns of business, economic, and interest rate cycles, the Town may strive to match temporary increases in interest income to temporary increases in interest expense through the use of variable rate debt or synthetic variable rate debt.
 - b. This recognizes that variable rate debt generally offers lower interest costs and that the use of higher interest income to offset higher interest expense is preferable to creating a budget imbalance due to reliance upon temporarily increased interest income.

3. The Finance Officer is designated to monitor and report on financial market conditions and their impact on performance of debt, investments, and any interest rate hedging measures implemented or under consideration.
4. The Finance Officer is designated as the individual responsible for negotiating financial products and coordinating investment decisions for debt structure. The Finance Officer is designated as the individual responsible for recommending debt structure to the Council for approval.
5. The Town may incorporate the use of variable rate debt or synthetic variable rate debt, as allowed by the Debt Management Section of the LGC, into its debt structure. Unhedged variable or synthetic variable rate debt shall not exceed 20% of the Town's total debt outstanding.

VIII. Capital Improvements Policy

1. Capital Improvements Plan
 - a. The Town will update and readopt annually a five-year capital improvements plan (CIP) which projects capital needs and details the estimated costs, description, and anticipated funding sources for capital projects.
 - b. The annual update of the CIP will be conducted in conjunction with the annual operating budget process.
 - c. The first year of the five-year CIP will be the basis of formal fiscal year appropriations during the annual budget process.
 - d. A programming or cost estimation study is eligible for inclusion in the CIP for a project for which a future request is being considered. Such a study is encouraged in order generate reliable cost estimates for the CIP.
 - e. The Town expects to see new capital items generally first appear in the last year of the CIP.
 - f. The Town acknowledges pay-as-you-go financing as a significant capital financing source but will ultimately determine the most appropriate financing structure for each capital project both on an individual basis after examining all relevant factors of the project and in conjunction with the funding of the entire CIP.
2. Capital Formation
 - a. General fund revenue is the source for the General Fund CIP.
 - b. The Beach Nourishment Fund is the funding source for pay-as-you-go financing and for debt service payments for beach nourishment projects in the CIP. MSD tax revenue is the direct source for funding beach nourishment expenditures, including debt service.

- c. Given the historical volatility of state and other revenues, the five-year projections of revenue used to complete the CIP shall be conservative.

3. Fixed Assets

- a. The capitalization threshold for fixed assets shall be \$5,000. The threshold will be applied to individual fixed assets and not to groups of fixed assets. Fixed assets will only be capitalized if they have a useful life of at least three years following the date of acquisition. A physical inventory of capitalized fixed assets will be performed in accordance with Section XII.11.c. of this document.

IX. Debt Policy

1. Debt will only be incurred for financing capital assets that, because of their long-term nature or because of budgetary restraints, cannot be acquired from current or budgeted resources. **Debt will not be used for operational needs.** Debt financing can include general obligation bonds, revenue bonds, certificates of participation, lease/purchase agreements, special obligation bonds, or any other financing instrument allowed under North Carolina law.
2. The Town will seek to structure debt and to determine the best type of financing for each financing need based on the flexibility needed to meet project needs, the timing of the project, taxpayer equity, and the structure that will provide the lowest interest cost in the circumstances.
3. Debt financing will be considered in conjunction with the approval by the Council of the Town's CIP.
4. Debt Term
 - a. Capital projects financed through the issuance of bonds, installment financings or lease financings will be financed for a period not to exceed the expected useful life of the project.
 1. General Fund debt will normally have a term of 20 years or less.
 2. When practical, the term of debt will not exceed 30 years.
5. The Town will strive to maintain a high level of pay-as-you-go financing for its capital improvements.
6. Debt Affordability
 - a. The net debt of the Town, as defined in G.S. 159-55, is statutorily limited to 8% of the assessed valuation of the taxable property within the Town. The Town will strive to maintain a net debt level of no greater than 1%.
 - b. Total General Fund debt service will not exceed any limits imposed by the LGC. As a guide, formulas established by the LGC and rating agencies will be monitored and appropriately

- applied by the Town. Debt service as a percentage of the total operating budget will be targeted at being less than 20%. Debt service as a percentage of the operating budget after deducting beach nourishment related expenses will be targeted as being less than ~~10%~~ 15%.
- c. The Town will strive to achieve amortization of 55% or more of its debt principal within 10 years.
 7. The Town will seek to structure debt in the best and most appropriate manner to be consistent with the Asset – Liability Management section of this policy.
 8. The Town will seek to employ the best and most appropriate strategy to respond to a declining interest rate environment. That strategy may include, but does not have to be limited to, delaying the planned issuance of fixed rate debt, examining the potential for refunding of outstanding fixed rate debt, and the issuance of variable rate debt. The Town will seek to employ the best and most appropriate strategy to respond to an increasing interest rate environment. That strategy may include, but does not have to be limited to, the issuance of variable rate debt (a historically lower interest cost), and the use of forward delivery fixed rate debt.
 9. The Town will monitor the municipal bond market for opportunities to obtain interest rate savings by refunding by forward delivery, currently refunding or advance refunding outstanding debt. The estimation of net present value savings for a traditional fixed rate refunding should be, at a minimum, in the range of 2.5% to 3% of the refunded maturities before a refunding process begins. The estimation of net present value savings for a synthetic fixed rate refunding should be, at a minimum, in the range of 5% to 6% of the refunded maturities before a refunding process begins.
 10. The Town will strive for the highest possible bond ratings in order to minimize the Town's interest costs.
 11. The Town will normally obtain two debt ratings (Fitch Ratings, Moody's, or Standard & Poor's) for all publicly sold debt issues.
 12. For all years that the Town has any publicly sold debt outstanding, the Town will provide annual information updates to each of the debt rating agencies if desired by those agencies.
 13. The Town will use the Annual Financial Report as the disclosure document for meeting its obligation under SEC Rule 15c2-12 to provide certain annual financial information to the secondary debt market via various information repositories.
 14. The Town recognizes the significance of the debt portfolio and the need for the ability to properly manage and maintain that portfolio. The Finance Officer will maintain a current database of all debt.

X. Accounting, Auditing and Financial Reporting

1. The Town will maintain accounting systems in compliance with the North Carolina Local Government Budget and Fiscal Control Act. The Town will maintain accounting systems that

enable the preparation of financial statements in conformity with generally accepted accounting principles (GAAP).

2. The basis of accounting within governmental funds will be modified accrual.
3. Financial systems will be maintained to enable the continuous monitoring of revenues and expenditures or expenses with complete sets of monthly reports provided to the Council, and the Town Manager. Monthly expenditure/expense reports will be provided to each Department Head for their functional area and online, real time, view only, access to the financial system will be made available to department heads and other staff as much as practical given software limitations and its use encouraged.
4. The Town will place emphasis on maintenance of an accounting system which provides strong internal budgetary and financial controls designed to provide reasonable, but not absolute, assurance regarding both the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and reports, as well as the accountability of assets.
5. An annual audit will be performed by an independent certified accounting firm which will issue an opinion on the annual financial statements as required by the Local Government Budget and Fiscal Control Act.
6. The Town will solicit proposals from qualified independent certified public accounting firms for audit services. The principal factor in the audit procurement process will be the auditor's ability to perform a quality audit. The Town may enter into a multiyear agreement with the selected firm for a period of up to three fiscal years. Firms are not barred from consecutive contract awards. The Council, upon recommendation from the Finance Officer, shall approve the contractual relationship with the auditor.
7. The Finance Officer will conduct some form of internal audit procedures at least one time per year, specifically focusing upon cash receipts procedures.
8. *The Town will prepare a Comprehensive Annual Financial Report (CAFR) in compliance with established criteria to obtain the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting and will be submitted to that award program each year. (this may be something to remove from these policies until the cost/benefit can be properly evaluated)*
9. Full and complete disclosure will be provided in all regulatory reports, financial statements and debt offering statements.
10. The Town shall use the Annual Financial Report as the disclosure document for meeting its obligation to provide certain annual financial information to the secondary debt market via various information repositories. The annual disclosure is a condition of certain debt covenants and contracts that are required by SEC Rule 15c2-12.
11. The Finance Officer will develop and maintain a Financial Procedures Manual as a central reference point and handbook for all financial, accounting and recording procedures.

12. The Town Manager will establish, document, and maintain a Computer Disaster Recovery Plan and will provide for the daily backup of data and the offsite storage of the same.

XI. Cash Management Policy

1. Receipts

- a. All aspects of cash receipts shall be subject to proper internal controls with standard controls documented and followed by revenue generating departments as outlined in Section XII of this document.
- b. The Town Manager shall prescribe internal control procedures for departments which address adequate segregation of duties, physical security, daily processing and reconciliation, use of automated resources, and treatment of overpayments.
- c. Cash receipts will be collected as expediently as reasonably possible to provide secure handling of incoming cash and to move these monies into interest bearing accounts and investments.
- d. All incoming funds will be deposited as required by State law and per Section XII.4.d of this document.
- e. The Finance Officer is responsible for conducting at least two unannounced random or risk based internal audits of cash receipting locations per fiscal year.
- f. Upon any suspicion of fraud, the Department Head shall timely notify the Town Manager for further investigation.
- g. Upon any suspicion of non-compliance with internal control directives, the Department Head shall timely notify the Town Manager for further investigation.

2. Cash Disbursements

The Town's objective is to retain monies for investment for the longest appropriate period of time.

- a. Disbursements will be made timely in advance of or on the agreed-upon contractual date of payment unless earlier payment provides greater economic benefit to the Town.
- b. Inventories and supplies will be maintained at minimally appropriate levels for operations in order to increase cash availability for investments purposes.
- c. Dual signatures are required for Town checks per Section XII.6.h of this document. Electronic signature of checks, drafts, and purchase orders, while technically possible, is not deemed appropriate at this time. The Council may provide by appropriate resolution or ordinance for the use of a signature stamp or similar device in signing checks and drafts and in signing the pre-audit certificate on contracts or purchase orders. The Council shall charge the Finance Officer with the custody of the stamp or device, and the Finance Officer and sureties on his official bond are liable for any illegal, improper, or unauthorized use.

- d. Electronic payments shall be utilized to the fullest extent possible where it is determined to be cost effective by the Finance Officer. Such payments shall be integrated with financial systems and shall have proper data processing controls.

XII. Internal Controls

The following sections discuss specific areas of internal control. Certain essential tasks are identified in each area of operation. These are not intended to be exhaustive lists, but rather are intended to provide guidance in each area.

1. General Internal Controls: Basic internal controls that are an essential part of the Town of Duck's operations.
 - a. The Town shall have an organization chart that clearly defines the lines of authority and responsibility.
 - b. The Town shall maintain up-to-date job descriptions.
 - c. The Town Manager shall prepare monthly financial reports that are reviewed by the Town Council.
 - d. All employees should take annual, uninterrupted vacations. Other adequately trained employees should perform the tasks of those employees on vacation.
 - e. All personnel performing fiscal functions shall be adequately trained to perform those functions. Any staff member in this area who is not adequately trained should be currently enrolled in the proper course(s) to ensure that any deficiencies are eliminated.
 - f. The Town Manager and the Town Council shall take steps to implement suggestions for improvement made by the auditor.
2. Internal Control in the Accounting System: Basic internal controls that are applicable to the Town's accounting system.
 - a. All journals, ledgers, and other accounting records shall be kept up-to-date at all times and should be balanced.
 - b. All journal entries and changes to original postings in the accounting system shall be approved, explained, and properly supported with the correct documentation.
 - c. The Town shall maintain the minimum number of funds possible to meet legal and operating requirements.
 - d. Duties shall be segregated as much as possible between custody of the assets and recording of the transactions.

- e. The Town shall maintain and follow records filing, retention, and disposal policies in compliance with the Public Records Laws, and the guidelines established by the Record Services Branch, Division of Archives and History, and Department of Cultural Resources.
 - f. All accounting records shall be maintained in a secure place. Computerized accounting systems shall be controlled with the use of passwords and other safeguarding procedures.
 - g. All expenditures made in excess of appropriations and other deviations from the adopted budget shall be investigated and resolved.
3. Internal Control Procedures - General and Statutory
- a. The following transactions shall be approved in the minutes of the meetings of the Town Council:
 - 1. contracts to buy or rent land or other real estate
 - 2. continuing contracts
 - 3. construction contracts
 - 4. requests and approvals for major purchases
 - 5. intergovernmental agreements
 - 6. contracts of an unusual nature
 - 7. any other major contract
 - b. All minutes of the governing body shall be maintained in final form in the Town's permanent records.
 - c. The Town's official records shall be maintained in a fireproof location after regular business hours.
 - d. The Town shall develop, adopt, and approve its budget according to §159-13 of the North Carolina General Statutes. The Town's accounting system shall show in detail the revenues and expenditures as adopted.
 - e. All employees who handle public monies or have access to inventories shall be bonded either individually or under a blanket bond as required by the North Carolina General Statutes.
 - f. A complete schedule of insurance coverage and limits shall be maintained, showing expiration dates, premiums, coinsurance clauses, and other essential information.
4. Internal Control Procedures for Cash Receipts
- a. Control of incoming cash and checks shall be established at the earliest possible point. A non-accounting staff person shall receive the mail, open it, and list all checks and cash received on a daily collection report. All checks shall be restrictively endorsed immediately upon receipt.
 - b. Cash collection shall be centralized to the maximum extent possible without hindering operations.

- c. The staff members and/or cashiers receiving the checks and cash should prepare receipts for all collections. The receipts should be pre-numbered, and all issued numbers should be accounted for with receipt registers or lists. Voided receipts should be marked and recorded as such and not be destroyed. Unissued receipts shall be controlled by the staff member(s) authorized to receive cash.
 - d. Bank deposits shall be made daily unless daily cash receipts are less than \$250. All deposits shall be made in official depositories.
 - e. After the deposit is made and the duplicate has been validated by the bank, the duplicate shall be compared to the daily collection report to verify that all cash received was deposited.
 - f. Cash maintained on the premises of the Town shall not exceed \$150 unless prior approval is obtained from the Finance Officer for special instances such as for a planned event where cash/changes needs dictate having more on premises. All cash shall be kept in a cashier's change fund/petty cash fund. The staff member directly responsible for it shall maintain the cash under strict sole control; no one else shall have access to the cash. The staff member shall reconcile the change fund at the end of each day and maintain written records of each reconciliation bearing their signature as evidence that the reconciliation was performed. Periodic surprise cash counts shall be conducted for the change fund by staff members other than those responsible for the cash. Back-up keys to the cash shall be maintained under dual control at all times so that cash can be obtained in case of emergencies or unexpected absences.
5. Internal Control Procedures for Deposits in Financial Institutions
- a. All deposits shall be in institutions authorized by the Town Council.
 - b. All funds held by financial institutions must either be insured by the FDIC or fully collateralized in accordance with §159-31(b) of the North Carolina General Statutes.
 - c. The financial institutions that hold the Towns funds shall be instructed to notify the Town Manager and/or the Town Council of any unusual items or transactions occurring on the account, such as insufficient funds notices or checks made payable to cash.
 - d. Current signature cards and other documents required by the institution(s) shall be maintained on file with the Town's financial institution(s) at all times, indicating which staff members can sign checks on which accounts. These documents shall be in strict accordance with the authorizations to sign checks as approved by the Town Council.
 - e. All bank statements shall be reconciled promptly upon receipt by the Town Manager or Finance Officer. All reconciliation reports shall be maintained with the bank statements. A monthly trial balance and statement of all funds contained in each of the Town's bank accounts shall be provided monthly to the Town Council for review.

6. Internal Control Procedures for Cash Disbursements

- a. Pre-numbered checks shall be used for all disbursements.
- b. The unused check supply shall be secured at all times. Listings of the check numbers in the unused supply shall be maintained so that at any time a check inventory can be obtained and verified.
- c. Voided checks shall be so indicated on the check register. The checks themselves shall be sufficiently defaced so that no one can use them. Voided checks shall be maintained on file in numerical order with other cancelled checks.
- d. Blank checks shall never be signed in advance.
- e. Checks shall never be made payable to cash.
- f. Checks shall be prepared by someone not authorized to sign them.
- g. Check signers shall review documentation supporting the disbursements prior to signing the checks. Check signers shall review documentation for the following:
 1. Amounts and payees on documentation (purchase requests and invoices) should agree to the checks.
 2. Documentation should be stamped "paid" to prevent duplicate payments. Only original invoices should be paid - photocopies should not be accepted.
 3. All purchase requests and contracts or checks and warrants should have properly signed pre-audit certificates
- h. Two signatures are required on all checks. At least one signature shall be that of a member of the Town Council who shall not have access to the accounting records. Both persons signing the checks are equally responsible for reviewing supporting documentation. If facsimile signatures are used, they shall be adequately controlled. If the facsimile is one signature, employees with the authority to sign checks as the second signature shall not have access to the facsimile. If the facsimile is two signatures, the plate shall be under dual control at all times.
- i. Employee expense reports shall be properly completed prior to payment. Reports shall be signed by the employee and approved by the appropriate person(s) as required by the Town's Travel Policy.
- j. All checks shall be mailed or distributed by someone other than the person who prepared the checks.
- k. All items that are outstanding for a lengthy or irregular amount of time shall be investigated. Payment shall be stopped on checks held outstanding for long periods of time.
- l. All wire or other electronic transfers shall be made only by persons authorized by the Town Council. The financial institution shall require written evidence of the authorizations. These authorizations shall be kept current.

7. Internal Control Procedures Specific to Payroll Disbursement

- a. Each employee shall have a personnel file that includes the following at a minimum:
 1. hiring authorization
 2. salary history
 3. hours authorized to work
 4. Federal and State withholding forms
 5. Medical insurance and retirement deduction information
 6. authorization for all other payroll deductions
- b. Any changes in an employee's status shall be supported by the appropriate documentation in the employees' personnel file.
- c. All employees of the Town shall be required to sign up for the direct deposit of their salaries.
- d. Payroll shall be handled like other cash disbursements except that a time sheet or card signed by the employee and approved by the appropriate supervisor will be the supporting documentation for disbursement for employees paid on an hourly rate.
- e. The Town shall maintain a written personnel policy prohibiting employment practices that result in nepotism, conflicts of interest, or discrimination.

8. Internal Control Procedures Specific to Travel Expenditures

- a. The Town shall have a definite, written policy for requesting travel advances, reporting travel expenses, and reimbursing the unit for unexpended advances.
- b. All travel advances shall be approved by a department head and effectively controlled.
- c. All employees shall be required to give an adequate accounting of actual expenses incurred subsequent to the issuance of a travel advance.
- d. All reimbursed travel expenses should be made in accordance with the Town's Travel Policy.

9. Internal Control Procedures for Accounts Payable, Expenditures, and Encumbrances

- a. Expenditures shall be controlled using the Budget Ordinance. For any annually budgeted fund, all expenditures must be budgeted, and there must be sufficient budgeted revenues or available fund balance to cover each expenditure.
- b. All budget appropriations in the current year shall be recorded in the appropriate expenditure account.
- c. All expenditures must be charged against an appropriation account. The exact timing of the accounting entry will vary depending on the type of transaction.

10. Internal Control Procedures for Purchasing and Contracting

- a. All purchase requests shall be approved prior to ordering.
- b. Invoices and other supporting documentation shall be thoroughly reviewed prior to approval being given for payment. The documentation should provide evidence that the item was received and billed as ordered. A pre-audit statement shall be required to be signed prior to payment.
- c. All department purchases should be requisitioned or approved by the Department Head prior to purchase or the Finance Officer as appropriate. This approval should be in writing.
- d. Department Heads shall be provided a detailed list of expenditures, with comparisons to the budget on a monthly basis.
- e. Contracts requiring public bids per §143-128 through 133 of the North Carolina General Statutes shall be handled as required by the statutes. Complete documentation should be maintained on the bids and the awarding of the contract.
- f. The Town Council may provide authorization to the Town Manager to enter into contracts to purchase goods. Typically, the Town Council will provide this authorization when adopting the Budget Ordinance.
- g. No contracts or purchase requests shall be made with persons forbidden by law to sell to the Town.
- h. Accommodation purchases for employees are expressly prohibited. These include purchases of goods made for employees for their personal use from vendors at the Town's contract price.

11. Internal Control Procedures for Fixed Asset Management

- a. Adequate accounting records shall be maintained that identify and classify all fixed assets.
- b. Adequate guidelines should be established and followed to distinguish between expensed items and capital additions. Generally, capital items will be any item valued at more than \$5,000.
- c. Physical inventories of fixed assets with a purchase value of greater than \$1,000 (except computer equipment as shown below) shall be taken on an annual basis. These inventory counts shall be conducted using the previous year's count lists. The count shall be reconciled to the accounting records, with written evidence of the reconciliation maintained.
- d. All fixed assets shall be tagged or identified in an appropriate manner.

- e. All property, buildings, titled equipment and vehicles, and other items shall be held in the name of the Town. All deeds on real property and titles for motor vehicles (and other titled assets) shall be properly recorded and stored in a secure place by the Town Clerk.
- f. All fixed assets purchased, transferred, sold, scrapped, or destroyed shall be recorded as such in a timely manner in the accounting system.
- g. All sales of surplus property shall be conducted in accordance with the North Carolina General Statutes and this policy.
 - 1. The value of any single item deemed surplus will not exceed one thousand dollars (\$1,000) and the value of a group of items deemed surplus will not exceed thirty thousand dollars (\$30,000).
 - 2. Any motor vehicle valued at less than thirty thousand dollars (\$30,000) may be deemed surplus and used as a trade for the purchase of another vehicle provided that the vehicle being purchased has been approved as part of the Town's approved budget.
 - 3. In general, items deemed surplus will be disposed through sale at public or on-line auction, donation to a non-profit organization, or upset bid process.
 - 4. Surplus items not disposed of through the methods listed above, or surplus items of no appreciable value may be discarded or otherwise destroyed.
 - 5. A list of surplus items disposed of including the property disposed of, to whom and when it was sold or exchanged, and the amount of money or other consideration received shall be maintained by the Town Clerk.
- h. Adequate insurance coverage shall be maintained on all real and personal property. An independent review of insurance coverage should be conducted at least every three years.

12. Internal Control Procedures for Long-Term Debt

- a. All lease-purchase agreements, installment contracts to purchase land or other fixed assets, and contracts involving the purchase of realty and assumption of existing debt shall be properly reflected on the financial records as long-term debt and fixed assets.
- b. All contracts shall be approved by the Local Government Commission if the Commission's approval is required.

13. Control Procedures related to Computer Systems

- a. All computer hardware shall be included in the fixed asset inventory. All hardware should be clearly identified as property of the unit and should be tagged.

- b. Computer hardware shall be adequately protected against damage. Surge protectors should be used on all electrical hook-ups. Adequate insurance shall be maintained to cover damage of the equipment.
- c. The purchase of computer equipment for the Town shall be centralized in order to prevent purchasing of incompatible equipment.
- d. All software shall be identified as property of the Town. The Town shall comply with all licensing requirements and an inventory of all software shall be maintained.
- e. Back-up copies of all of the Town's data files shall be maintained.
- f. Access to the equipment, software, and data shall be controlled.
- g. The Town shall have a disaster recovery plan in place to ensure that the Town's operations can resume quickly following any emergency and that critical data is not lost.

XIII. Investment Policy

1. Policy Statement

- a. It is the policy of the Town to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow requirements of the Town and conforming to all State statutes governing the investment of idle funds.

2. Scope of Policy

- a. This investment policy applies to all financial assets of the Town except authorized petty cash, and debt proceeds, which are accounted for and invested separately from pooled cash. The Town pools the cash resources of its various funds into a single pool, as deemed appropriate, in order to maximize investment opportunities and returns. Each fund's portion of total cash and investments is tracked by the financial accounting system.

3. Standard of Prudence

- a. The standard of prudence to be used by authorized staff shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

- b. Authorized staff, acting in accordance with procedures and this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the Council and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

4. Authorized Staff

- a. G.S. 159-25(a) 6 delegates management responsibility for the investment program to the Finance Officer. The Finance Officer will establish and maintain procedures for the operation of the investment program which are consistent with this policy. Such procedures will include delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Officer and approved by the Town Council.

The Finance Officer will be responsible for all transactions undertaken and will establish and maintain a system of controls to regulate the activities of subordinates. In the absence of the Finance Officer and those to which he or she has delegated investment authority, the Town Manager or his or her designee is authorized to execute investment activities.

5. Portfolio Management Objectives

- a. The Town's objectives in managing the investment portfolio, in order of priority, are safety, liquidity, and yield.

Safety - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To best mitigate against credit risk (the risk of loss due to the failure of the security issuer) diversification is required. To best mitigate against interest rate risk (the risk that changes in interest rates will adversely affect the market value of a security and that the security will have to be liquidated and the loss realized) the second objective, adequate liquidity, must be met.

Liquidity - The investment portfolio shall remain sufficiently liquid to meet all operating and debt service cash requirements that may be reasonably anticipated. The portfolio will be structured so that securities mature concurrent with cash needs (static liquidity), with securities with an active secondary market (dynamic liquidity), and with deposits and investments in highly liquid money market and mutual fund accounts.

Yield - The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary, economic and interest rate cycles, taking into account investment risk constraints and liquidity needs.

6. Ethics and Conflicts of Interest - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and

management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Town Manager any interests in financial institutions with which they conduct business material to them. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the Town.

7. Authorized Financial Dealers and Financial Institutions

- a. The Finance Officer will maintain a list of financial institutions that are authorized to provide investment services. Authorized financial institutions will be selected by credit worthiness and must maintain an office in the State of North Carolina. These may include “primary” dealers or regional dealers that qualify under SEC Rule 15C3-1 (uniform net capital rule).
- b. Any financial institutions and broker dealers that desire to become qualified to conduct investment transactions with the Town must supply the Finance Officer with the following:
 1. Audited financial statements;
 2. Proof of National Association of Securities Dealers certification;
 3. Proof of State registration; and
 4. Certification of having read the Town’s investment policy.
- c. Any previously qualified financial institution that fails to comply or is unable to comply with the above items upon request will be removed from the list of qualified financial institutions.
- d. The Finance Officer shall have discretion in determining the number of authorized financial institutions and may limit that number based upon the practicality of efficiently conducting the investment program. The Finance Officer shall also have the discretion to add or remove authorized financial institutions based upon potential or past performance.

8. Internal Control

- a. The Town Manager is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires the use of estimates and judgments by management.

9. Collateralization

- a. Collateralization is required for certificates of deposit. North Carolina General Statutes allow the State Treasurer and the Local Government Commission to prescribe rules to regulate the collateralization of public deposits in North Carolina banks. These rules are codified in the North Carolina Administrative Code – Title 20,

Chapter 7 (20 NCAC 7). The Pooling Method of collateralization under 20 NCAC 7 allows depositories to use an escrow account established with the State Treasurer to secure the deposits of all units of local government. This method transfers the responsibility for monitoring each bank's collateralization and financial condition from the Town to the State Treasurer. The Town will only maintain deposits with institutions using the Pooling Method of collateralization.

10. Delivery and Custody

- a. All investment security transactions entered into by the Town shall be conducted on a delivery versus payment basis. Securities will be held by a third-party custodian designated by the Finance Officer and each transaction will be evidenced by safekeeping receipts and tickets.

11. Authorized Investments

- a. The Town is empowered by North Carolina G.S. 159-30(c) to invest in certain types of investments. The Town Council approves the use of the following investment types, the list of which is more restrictive than G.S. 159-30(c):
 1. Obligations of the United States or obligations fully guaranteed as to both principal and interest by the United States.
 2. Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the United States Postal Service.
 3. Obligations of the State of North Carolina.
 4. Bonds and notes of any North Carolina local government or public authority that is rated "AA" or better by at least two of the nationally recognized ratings services or that carries any "AAA insured" rating.
 5. Fully collateralized deposits at interest or certificates of deposit with any bank, savings and loan association or trust company that utilizes the Pooling Method of collateralization (section VIII.I).
 6. Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service, which rates the particular obligation.
 7. Banker's acceptance of a commercial bank or its holding company provided that the bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligations.
 8. Participating shares in a mutual fund for local government investment, provided that the investments of the fund are limited to those qualifying for investment under G.S. 150-30(c) and that said fund is certified by the LGC. (The only such certified fund is the North Carolina Capital Management Trust.)

12. Prohibited Forms of Authorized Investments

- a. The use of repurchase agreements in the normal investment portfolio (not debt proceeds) is prohibited.
 - b. The use of collateralized mortgage obligations is prohibited.
 - c. The use of any type of securities lending practices is prohibited.
13. Diversification - Investments will be diversified by security type and by institution.
- a. With the exception of United States treasury securities and the North Carolina Capital Management Trust, no more than 30% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution.
 - b. The total investment in certificates of deposit shall not exceed 25% of the Town's total investment portfolio and the investment in certificates of deposit with a single financial institution shall not exceed FDIC insurance limitations.
 - c. The Finance Officer is responsible for monitoring compliance with the above restrictions. If a violation occurs, the Finance Officer shall report such to the Town Manager and to the Council along with a plan to address the violation.
14. Maximum Maturities - To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements. Beyond identified cash flow needs, investments will be purchased so that maturities are staggered. The following maturity limits are set for the Town's investment portfolio:
- a. At least 60% of the investment portfolio will have maturities of no more than 3 years from the date of purchase.
 - b. At least 80% of the investment portfolio will have maturities of no more than 5 years from the date of purchase.
 - c. At least 95% of the investment portfolio will have maturities of no more than 10 years from the date of purchase.
 - d. No investments maturing more than 15 years from the date of purchase may be purchased.
 - e. For purposes of this section, for any variable rate demand obligation, the purchase date is considered to be the last reset and remarketing date and the maturity date is considered to be the next reset and remarketing date.
 - f. If any change is made to the Town's policy for available fund balance in the General Fund, then other sections of this policy must be concurrently revised.
15. Selection of Securities - The Finance Officer will determine which investments shall be purchased and sold and the desired maturity date(s) that are in the best interest of the Town. The selection of an investment will involve the evaluation of, but not limited to, the following factors: cash flow projections and requirements; current market conditions; and overall portfolio balance and makeup.

16. Responses to Changes in Short Term Interest Rates

- a. The Town will seek to employ the best and most appropriate strategy to respond to a declining short term interest rate environment. The strategy may include, but does not have to be limited to, purchases of callable “cushion” bonds, lengthening of maturities in the portfolio, and increases in the percentage of ownership of treasury notes relative to that of treasury bills.
 - b. The Town will seek to employ the best and most appropriate strategy to respond to an increasing short term interest rate environment. That strategy may include, but does not have to be limited to, purchases of “step-up” securities, shortening of maturities in the portfolio, the use of floating rate investments, and increases in the percentage of ownership of treasury bills relative to that of treasury notes.
17. Performance Standards - The investment portfolio will be managed in accordance with the parameters specified within this policy. The investment portfolio will strive to obtain a market average rate of return within the constraints of the Town’s investment risk profile and cash flow needs. The performance benchmarks for the performance of the portfolio will be rates of return on 90-day commercial paper and on three-year treasury notes.
18. Active Trading of Securities – It is the Town’s intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal. However, if economic or market conditions change making it in the Town’s best interest to sell or to trade a security before maturity, that action may be taken with the approval of Town Council.
19. Pooled Cash and Allocation of Interest Income - All monies earned and collected from investments other than bond proceeds will be allocated monthly to the various participating funds based upon the average cash balance of each fund as a percentage of the total pooled portfolio. Earnings on bond proceeds will be directly credited to the same proceeds.
20. Marking to Market - A report of the market value of the portfolio will be generated at least semi-annually by the Finance Officer. The Finance Officer will use the reports to review the investment portfolio in terms of value and price volatility, as well as for compliance with GASB Statement #31.
21. Software - The Town recognizes the significance of the size of its investment portfolio and of the requirements contained in this policy. The Town will utilize investment software which enables efficient transaction processing and recording, sufficient portfolio monitoring and the ability to maintain reporting compliance with this policy.
22. Reporting - The Finance Officer will prepare a quarterly investment report that will be submitted to the Town Council for review.
- a. The quarterly investment report will include a listing of all investments and will show the investment number, the investment description, the purchase, call and maturity dates, the yields to call and to maturity, the weighted average yields to call and to maturity by investment type and in total, the coupon rate, the par value, and the ending amortized value. The report will also include earnings information for the last twelve months with that information compared to the established benchmarks.

- b. The quarterly investment report will include reporting on the status of diversification compliance.

23. Policy Considerations

- a. A maturity or diversification violation created by fluctuations in the size of the portfolio does not require corrective action. The violation may be cured through an increase in the portfolio size or the maturity of an investment.

XIV. Review and Revision

The Town will formally review this set of financial and budgetary policies at least once every three years.

XV. Resolution of Adoption of Policy

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF DUCK,
NORTH CAROLINA ESTABLISHING FINANCIAL AND BUDGETARY POLICIES

Resolution 21-XX

WHEREAS, the Town Council of the Town of Duck, North Carolina, wishes to establish policies and procedures related to the management of the assets of the Town and to the management of debt and investments; and

WHEREAS, the establishment of and compliance with such policies provide reasonable assurance of compliance with statutory requirements, financial best practices, and the reliability of financial reporting; and

WHEREAS, the stewardship of the public’s assets and trust is paramount in the operation of business affairs of the Town; and

WHEREAS, the Town Council has a duty to provide oversight and policy direction in matters related to financial matters.

NOW, THEREFORE, BE IT RESOLVED THIS XXTH Day of XXXX, 2021, that the Town Council of the Town of Duck, North Carolina, does hereby approve and adopt the “Financial and Budgetary Policies” document as presented by staff.

Adopted this XX Day of XXXXX, 2021.

Mayor

ATTEST:

Town Clerk

AGENDA: April 21, 2021

Mid-Month Meeting

ITEM #3:

Discussion of FY 2022 Budget Overview

RECOMMENDED ACTION:

- Per discussion

SUMMARY OF INFORMATION:

The Town Manager will discuss the FY 2022 Budget overview for the Town of Duck and will answer questions of the Town Council. The Proposed FY 2022 Budget is planned to be presented at Council's May 19, 2021 Mid-Month Meeting.

ATTACHMENTS:

- None

AGENDA: April 21, 2021 Mid-Month Meeting

ITEM #4:

Adjournment

RECOMMENDED ACTION:

- Per discussion

SUMMARY OF INFORMATION:

The next meeting will be the Regular Meeting on Wednesday, May 5, 2021 at 6:00 p.m.

ATTACHMENTS:

- None