

MINUTES

The Town of Manteo Board of Commissioners held their May 7, 2014 recessed budget meeting May 28, 2014 at 5:30 pm at the Manteo Town Hall meeting room.

The following members were present: Mayor Jamie Daniels
Commission Darrell Collins, Mayor Pro Temp
Commissioner Richie Burke
Commissioner Nancy Peele
Commissioner Martha Wickre

The following member(s) were absent: Commissioner Christine Walker
Commissioner Hannon Fry

Also present at the meeting were: Town Manager Kermit Skinner; Assistant Town Mgr./Finance Officer Shannon Twiddy; Town Clerk Becky Breiholz.

Mayor Daniels called the recessed meeting to order at 5:35 pm

SUBJECT: Discussion of FY Budget 2014-2015. Mayor Daniels commented that they would just jump around the budget and ask questions for Finance Officer Shannon Twiddy. Mayor Daniels asked about tax rates. Mrs. Twiddy commented that our rate is .35 cent; Kitty Hawk is .30; Kill Devil Hills is .32.09; Dare County is .43; Southern Shores is .22 and Duck is .21. These rates are based on \$100. Nags Head is not on the chart because it depends on where you live as they have several different rates for different districts.

Mayor Daniels asked how retirement is funded. Mrs. Twiddy said if you are referring to the fund of separation allowance that is a statutory requirement for police officers. They are eligible to retire after 20 years and the rest of municipal employees are eligible after 30 years. If an active duty police officer retires prior to their eligibility for Social Security; they retire at 60% of their actual earnings and the Town is required to provide an additional 40% for a police officer so they have 100% of their full time salaries until they reach Social Security eligibility. Mrs. Twiddy commented that we have not been funding as required so last year was a catch up year so we had to pay \$100,000 in contributions. Last fiscal year was over \$7,000 and she is unable to determine the amount for this year because it is based on wages and that will be done when the audit is done. Mayor Daniels asked about the other employees and Mrs. Twiddy responded that every employee participates in the N.C. State retirement system and she believes that the Town pays 7.2% for employees and the employees also pay a percent into that retirement fund which is deducted from their paychecks. Mr. Skinner commented that we have no long term liability on that fund, we contribute to the fund and the State manages that fund and is responsible for that payment. It was asked if the employee chooses how much they want to put in the State fund and Mrs. Twiddy commented no, that it is a state mandated and the rates are set by the

State. Mrs. Twiddy commented that the Town's contribution is 7.4% and the employee contribution is 4% which comes out of their pay check. Mr. Skinner commented that an employee can choose to put more into his 401K but not in the State retirement system.

Mayor Daniels asked how much is our budget. Mrs. Twiddy commented that General Fund is currently at 3,534,900. It was asked what a fund balance appropriation is. Mrs. Twiddy commented that on page F, tab 1 on the budget there is a note that says transfers to other funds, which totals \$412,723 which includes transfer to the Separation Fund which is required by the State; transfer to the Stormwater Fund which was requested by the Board for 2 cents of our tax rate to be used for stormwater projects; transfer to the Cemetery Fund which includes \$75,550 for the construction of the Eventide Chapel in the Cemetery; and transfer to the Dock Fund for \$196,923. The revenues over/under expenditures will require an appropriation of undesignated fund balance in the amount of \$484,441 to balance the General Fund budget keeping in mind that \$412,723 of the funds needed are transfers to other funds. Also a transfer is needed to the Dock fund in the amount of \$196,923. Those transfer of funds is located on page 21 under tab 3 of the draft budget. Mrs. Twiddy also commented that in her draft budget message the Board will need an additional 2.7 cents above the 2 cents for a total of 4.7 and she is again asking for additional funds because they are funding it from undesignated savings account to fund these projects. We have spent almost 3 quarters of a million dollars in the last three years on stormwater projects. Mayor Daniels asked if we have a designated percent of the tax earmarked for stormwater why is there a transfer to stormwater. Mrs. Twiddy commented that tax generates general fund revenue that has to be transferred from general fund to stormwater fund in order to account for it properly, you can't appropriate tax funds into other funds without first reporting it received and then recording it before it can be transferred to another fund. Mr. Skinner commented that the Board had asked that 2 cent be earmarked as separate fund so it could only be used for stormwater.

Commissioner Peele asked what the transfer to the dock funds were for and Mrs. Twiddy commented that is for the operation of the Maritime Museum and the waterfront docks. The Board then went to tab 4 for the dock funds. Dock fees get recorded in the dock fund revenue. Mrs. Twiddy explained to the Board that there will be a budget amendment next month requesting a transfer to the dock fund as the revenues have not been as much as was estimated to be generated. This is a result from the dock rent increase effective July 1, 2013. It has always been a policy if the renters paid the dock fees a year in advance they received a 10% discount. Approximately 10 boaters paid a year in advance before the new rates went into effect which affected the revenues. Staff is asking for \$196,923 transfer to the dock fund to continue services at the current level, but the Board may choose to delete items which will change those figures, but there are no capital expenditures in the draft budget for the dock fund and this is just an operational budget. Mrs. Twiddy commented that there are some figures that are pretty constant such as utilities, technology, property and liability insurance is constant. Mayor Daniels commented he has been asked by several people that if we are transferring funds to the docks then basically the taxpayer is subsidizing the boater's lifestyle. Mrs. Twiddy commented that the dock fund was sufficient the year before the Board started the Maritime Museum and

actually cleared \$15,000 which is not a significant amount but it was paying its own way. When the Board decided to open the museum there are salaries, insurance expenses, utilities, the sailing program, contractors all of that added together is basically the difference of the transfer from the general fund to the dock fund. Mrs. Twiddy commented that she can back those figures out but she thinks basically the dock fund just barely funded themselves this year and maybe not with the discount those boaters received in paying their rent at the old rate. Commissioner Collins asked if the Maritime Museum generated money and Mrs. Twiddy commented that it generates revenue but it does not make money. It has generated \$6700 to date and they are requesting \$154,125 for next year. Mr. Skinner commented the way it is set up both those functions are in the dock fund, the transfer from general fund supports essentially the maritime museum, and the docks themselves aren't being subsidized by the taxpayers at \$194,000. Mrs. Twiddy commented that there are a lot of expenses that are credited to the dock fund for payment that are not necessarily a dock function, we spend about \$5,000 a year on flags, we have 10 flag poles and if we continue to maintain 10 flags poles than we will spend that amount and even though it is not a function of the dock it is funded through the dock fund. Also the sod was funded through the dock fund; as was the water required to water the sod is coming out of the dock fund which was \$3,000. Mr. Skinner commented that staff can get the Board a figure of just the marina functions. Commissioner Peele asked about the cleaning services and Mr. Skinner commented that the marina has a bathroom, washing machines and Carl's office which are cleaned; they clean once a week during the off season, then twice weekly when the season starts.

Commissioner Peele wanted to remove the Eventide Chapel from the Cemetery and thinks that staff should try to find other funding sources before they expend that amount of money. Mayor Daniels commented that it is something we are for but there should be some other way to fund this project. Mrs. Twiddy commented that she has been in touch with Sarah Benson and she is working on getting grant package applications together and once she provides them to her she will fill them out. Mrs. Twiddy did suggested that instead of removing it entirely that the Board leave \$5,000 in the line item to show that the Board is interested in having this project done but not fund it in full. Consensus of the Board to leave \$5,000 in that line item. It was explained to the Board that anything in the budget if it is not an operational item has to come back to the Board for their approval. Mrs. Twiddy gave the Board an example of that situation, we sent out RFP's two years ago for an auditor, we had 3 responses and we are in the second year of a 5 year contract with Dowdy and Osborne but each of the 5 years has to be approved by the Board so that Mrs. Twiddy can pre-audit it.

Commissioner Peele stated that she thinks funds need to be earmarked for stormwater and repair and maintenance projects and Mrs. Twiddy commented that she does that automatically until this Board or a future Board tells her to stop; because it was put in the Board policy that each year two cents would go into the stormwater line item. Mrs. Twiddy commented that this year we have already spent \$200,000 and only \$130,000 was appropriated and it has been coming out of fund balance. Commissioner Peele asked if other Towns were raising their rates and Mrs. Twiddy commented she does not know that answer as they are all still working on

their budgets. Mr. Skinner commented they probably will because some of the Towns have been committed to beach nourishment. Staff was asked if when we raised our tax rate and we have not raised our taxes in two years. Mrs. Twiddy explained that it would appear as though we had, but because Dare County did the re- evaluation for the eight year cycle the Board chose last year to do a revenue neutral rate and the revenue neutral rate from .235 cents to .35 cents generated the exact same amount of money from the reduced values of property. We also lost about \$89,000 last year from shared revenue by not increasing it.

Dredging line item was discussed and Mrs. Twiddy commented that it is included in the budget for \$60,000 under tab 3 page 9. Mrs. Twiddy also commented that the Board has not committed to replacing the playground on the waterfront but she has included that amount in the budget. Our insurance agency has identified it as a hazard so she is asking the Board to consider funding all of it, part of it or removing it. The \$100,000 is the estimate that we have received.

The Board went back to the Dock fund and discussed the dock rent and different revenue sources. The miscellaneous revenue is from the laundry facility; registration fees is from the sailing program, yoga classes and any money generated by registration other than a line item goes there. Events registration is for actual events like the wooden boat show. Expenditures for the marina was discussed and utilities for the dock was almost \$40,000. IT Services is what it cost to have cable TV and that number needs to be adjusted because they have switched to satellite. The Board had approved to change the fee schedule at a prior meeting that all annual docks and monthly docks will be increased by \$10.00 to pay the \$300 month fee for TV. We also spend about another \$60,000 a year for street lights throughout Town. Other line items in the dock fund was discussed. It was suggested to increase the fees for the laundry facilities. It was asked if funds were set aside for dock repairs and Mrs. Twiddy stated that no. Historically each year we have replaced a finger pier over the past 5 years due to the bad conditions of the docks, there are still two docks that have been identified for replacement at an estimate of \$120,000 to \$190,000. We do know that next year we have cross bracing that needs to be replaced on those finger piers that have not been repaired. Mayor Daniels asked if that includes the boat ramp and Mrs. Twiddy commented that was done 5 years ago and there is no plan that she is aware of. Mayor Daniels commented that the boat ramp needs bracing and needs to be looked at.

Commissioner Collins commented that our tax rate is .35 and we have lost \$89,000 from shared revenue. Mrs. Twiddy commented that she has asked in the budget narrative for the Board to consider at least one or two additional cents for stormwater. Shared revenue was discussed and Mrs. Twiddy commented that she does not mean to say that we need to raise our rates because everyone else does it but the budget presented to the Board with the transfers we will still be taking money out of fund balance and right now each one cent funds about \$55,000. Stormwater is a big issue and we are spending \$200,000 on it this year. Tipping fees for solid waste was discussed and Mrs. Twiddy commented it is currently \$79 per ton and that it is going up but she does not know how much but there is a cap that it cannot go up more than 15% a year. All tax revenue goes to the general fund, if it is a budgeted revenue such as water and sewer when you pay your water bill it goes into the water and sewer fund. A two cent increase would

generate about \$130,000. It was suggested possibly raising the tax rate by 2 cents with one cent going to stormwater and one cent being earmarked for solid waste. The Board thanked Mrs. Twiddy and she has done an excellent job on preparing the budget. Mr. Skinner commented that if they have any questions please call either him or Mrs. Twiddy.

Mayor Daniels commented that our IT Administrator has set up an email thread for all the Commissioners for them to receive notices from staff and to remind them that they are public records and that they cannot discuss town business this way or it will be violating the open meetings law.

MOTION: Commissioner Wickre seconded by Commissioner Peele to adjourn at 6:45pm was approved by the following vote: Ayes: Commissioners Collins, Peele, Wickre and Burke
Noes: none. Absent: Walker and Fry

This the 28 day of May 2014

ATTEST:

Mayor Jamie Daniels

Becky Breiholz, Town Clerk