

FINANCE COMMITTEE

Call to Order

The regular meeting of the **Finance Committee** was called to order on Thursday, **April 26, 2012** at 2:44 PM. Voting members present: Ellen Newbold, Chair; Sterling Webster, RIC Chair; Linda Carlisle, NCDCCR Secretary; Libba Evans; and Malcolm Fearing. Commission members present: Betsy Brown; Angel Khoury; Elmer Midgett; Dale Petty; John Robbins; and Perry White. Also present: Karen Blum, NCDOJ; Dwight Gregory, Friends of *Elizabeth II*, Inc. Board Treasurer; Lars Nance, NCDOJ; and John Wilson, RIC Historian. Staff members present: Kim Sawyer, Executive Director; Andrea Hanganu, Administrative Assistant; and Amy Hinnant, Operations Manager. Absent: Joe Bryan and Warren Judge.

Welcome

Chairman Ellen Newbold welcomed all in attendance and introduced Lars Nance from the Attorney General's Office, DCR Counsel Karen Blum, Friends Board Treasurer Dwight Gregory, and RIC Historian John Wilson. She also welcomed committee member and DCR Secretary Linda Carlisle.

Upon questioning by Malcolm Fearing, Lars Nance verified that he was representing RIC during the meeting, and Karen Blum verified she was representing the Department of Cultural Resources.

Adoption of Agenda

An updated agenda with names of those reporting was adopted by consensus.

Approval of Minutes

On motion by Malcolm Fearing and second by Libba Evans, the committee minutes of January 27, 2012 were approved by consensus.

Old Business

Financial Report
2011/12
Amy Hinnant

RIFP Operations Manager Amy Hinnant provided the Financial Report 2011/12 by reviewing the *State of North Carolina General Ledger System Authorized Monthly Budget Report for the Period Ending February 29, 2012* (previously distributed and filed as an attachment in the official Report Book), noting the following:

- Fund 2584 (Operating) (p. 1): salaries and operating expenses.
 - Revenues (p. 2).
 - Rental Income \$9,911.65; Gate/Admission Fees \$108,358.82; Non-capital Gifts (donation box) \$111.94; Fund 438130 Transfer from Fund 1230 (OBHC) \$8,549.41 (July-December 2011); Appropriation \$995,459.00.
 - Summary (p. 3).
 - Beginning Balance \$676,975.42; committed \$36,226.00 for dryer and concrete project; Current balance \$659,547.63.
- Fund 2585 (Endowment) (p. 4):
 - Interest Earned \$19,618.72; Gate/Admission Fees (25% of Ticket Revenue) \$36,156.98; Beginning Balance \$2,466,111.17; Ending Balance \$2,521,886.87.
- Fund 2586 (RIC Performing Arts) (p. 5):
 - Includes 80% of salaries for employees working with Performing Arts.
 - Majority of Misc. Contractual Services paid are June 2011 performances; verification RIC is on budget.
 - Summary (p. 6).
 - Beginning Balance \$101,829.08, with \$73,272.00 of that for last year's performances; Cash Receipts \$265,490.00; Cash Disbursements \$182,769.30; Ending Balance \$184,549.78.
 - Verification the monthly allotment is \$33,186.00 (p. 5).
- Fund 2587 (RIC Buzzy Lane) (p. 7):
 - New account; set up with \$81,669.55; DCR collected \$6,600.00 in rental; Balance \$88,269.55.

Discussion was held regarding the Financial Report 2011/12, with the following being noted:

- Unaware of any restrictions on the funds (Sawyer); legislation did not encumber funds in any way (Newbold).
- No known restrictions on expenditures; legislation had none; unknown why DCR would add any (Nance).
- Unaware of any grant agreement with the acquisition of Buzzy Lane restricting the \$86K (Nance).
 - Agreement to confirm with Secretary Carlisle and Karen Blum of any restriction imposed otherwise (Nance).

Amy Hinnant continued the Financial Report 2011/12 by noting the following:

- All four accounts added together—Operating, Endowment, Performing Arts, and Buzzy Lane (pp. 8-11):
 - (p. 8) two other RIC accounts: Corridor Trust Account Balance as of 03/31/12 is \$16,413.33; Capital Projects Account \$810,517.79 (Adventure Museum, Wayfinding, and Visitor Center)—designated funds.

Discussion continued regarding the Financial Report 2011/12, with the following being noted:

- Verification that Endowment interest funds have been returned and deposited (Newbold).
 - In the 2584 Operating Fund (Hinnant).

- Verification the funds should go back into the 2585 Endowment (Carlisle); agreement (Webster and Nance).
- Verification that Buzzy Lane Funds go to the RIC Fund (Nance).
- Verification that she stated in a letter that the interest on the Endowment could not be transferred (Blum).
- General statutes say RIC could transfer leftover Operating money not Endowment money (Newbold).
- Need a corrected Endowment balance—RIC needs to know the money that just came in (Fearing).
- Question whether 6% interest on that money needs to be paid back to the Endowment fund; there is legislation, and he has seen information mentioning the 6% (Robbins); G.S. 147-80 (Fearing).
- Request that state ledgers be checked regarding the transfer total of \$320K; any amount over the \$250K should come back (Fearing).
 - Final amount was confirmed by DCR Chief Financial Officer Sarah Dozier after review of the transfers (Carlisle).
 - Determination from the Internal Auditor's report identified the exact amount deposited Monday (04/23/12) (Carlisle).
 - RIC requested the Friends return the two transfers of interest that were deemed inconsistent with legislation; amount discussed from day one has been returned (Carlisle).
 - \$253K+ (Newbold); that was just the principal of it (Fearing); it was the amounts of the transfers (Carlisle).
 - Verification that an internal auditor's report was done, in which Mr. Fearing has a copy (Carlisle).

Proposed Budget
2012/13
Sterling Webster

RIC Chairman Webster reviewed the *Summary of Income and Expenses (Reflects Performing Arts and Operating Together)* (distributed and filed as an attachment in the official Report Book):

- Not in a position to approve the 2012/13 budget.
- Shows 2584 and 2586 income based on present legislation, with use of some Performing Arts funds.
- Legislator will propose legislation change allowing RIC more control over the 2486 budget, as shown.
- \$388,260.00 shortfall filled with: \$129,420.00 in cuts; \$129,420.00 from Friends; \$129,420.00 carry over.
- If legislation fails, another \$119K must be picked up; this committee would make recommendation.
- Upon legislation approval, committee will meet for budget approval before July 1 with RIC approval in July.
- Verification the Performing Arts proposed amount is \$119,492.00.

Discussion was held regarding the proposed 2012/13 budget, with the following being noted:

- Verification the \$80K for Performing Arts salaries and marketing is in \$82,299.00 Total Expenses (Hinnant).
- Request for an amended budget showing what was presented to the House Appropriation Committee with the Friends contribution of \$296K (Fearing).
 - Nothing is a budget until voted on; a budget is a roadmap or projection; cannot hold anybody to it (Evans).
- Verification that his assessment was funds were transferred at the Commission's request (Nance).
 - Disagreement: funds were transferred without a RIC vote, not at RIC's request but by DCR Secretary Carlisle (Fearing).
- He has a letter stating that nowhere is the DCR Secretary involved in any internal audit of the Friends or Commission; he has documents from the DCR Internal Auditor saying DCR is attempting to take money transferred to the Friends without a vote of the RIC and wrap around them as grants; should do it in cooperation; Finance Committee has statutory authority by the bylaws; monies transferred to the Friends come under the authority of this Committee (Fearing).
 - In actual legal issues, the RIC acts by vote; Finance Committee can make recommendations to the RIC (Nance).
 - Finance Committee does not have any power (Newbold and Nance); it merely recommends (Nance).
 - Bylaws are not statutes (Evans); bylaws are not governing (Webster); agreement (Evans).
 - Finance Committee only makes the recommendation to transfer funds (Newbold); to the Commission (Nance).
- Question to Secretary Carlisle of who the RIC is to make recommendations to, who controls the RIC budget; question if RIC controls its budget—*control* meaning make decisions on budgetary matters (Fearing).
 - It is very clear that the RIC is in charge of its budget and funds appropriated to it (Carlisle).
 - All funds that come in the RIC's possession are under RIC's control (Fearing); but they flow through DCR (Newbold).
- Joshua Davis, Internal Auditor—his name and title; it was not an internal audit but a *process audit* done in short order (Carlisle).
- Question of specific recommendations made by the Internal Auditor (Fearing).
 - Verification that Mr. Fearing has them in front of him as provided (Carlisle).
 - There is an appearance that funds were transferred without the full vote of the RIC (Fearing).

Motion
(Motion Failed)

Malcolm Fearing made a motion that all funds transferred without a vote of the Commission to the Friends be returned and be spent consistent with G.S. 2011-CULRES-H1C. The motion failed for lack of a second.

Motion

Libba Evans made a motion that if there is some question that the motion Ellen Newbold made in 2001 would happen automatically, that it be put back on the table at the RIC meeting tomorrow to ensure retroactively RIC did the right thing. Discussion was held with the following being noted:

- Problem is the minutes do not record the vote (Newbold).
- Make sure RIC agrees that was the intent and the intent was carried out like it should have been (Evans).

Secretary Linda Carlisle seconded the motion. Discussion continued as follows:

- DCR auditor affirmed that the transfers made were consistent with the ability of the RIC to make them; given that affirmation that everything is right and legal, there should be a means of RIC affirming that action (Carlisle).
- (Chairman Newbold read out loud the motion in question from the April 20, 2001 RIC minutes regarding transfers to Friends, including that the motion carried.)
 - Purpose of the motion (Khoury, Newbold, Nance, and Fearing).
- Agreement that Ms. Evans' motion is not needed based on the motion passed in 2001.

Motion Withdrawn

Chairman Newbold recommended that staff come up with the potential real 2012/13 budget and send it out soon to this committee. Chairman Newbold requested verification that the \$296,759.00 number, as reported the day before in Raleigh as a contribution from the Friends, was a combination of carry over funds from 2009, carry over funds from 2010, and the 80% for last year—the \$142K. She stated it is money offered that has not been used. She said Malcolm Fearing questioned where that \$296K came from, which is money Friends already said they are holding for RIC. Discussion continued as follows:

- Clarification the \$41K ticket sales projection includes summer concerts and any ticket sales (Sawyer and Newbold).

New Business

Commission
Policy/Requesting
Funds from Friends
of *Elizabeth II*
Kim Sawyer
Motion
Vote

Kim Sawyer reviewed and read out loud the draft *Policy/Procedure 1 – Roanoke Island Commission Request of Funds from Friends of Elizabeth II, Inc.* (previously distributed and filed as an attachment in the official Report Book). She noted that Fiscal Research staff wanted to ensure RIC had a policy in place for requesting funds from the Friends. Libba Evans made a motion to accept the policy as written. Secretary Linda Carlisle seconded the motion. Discussion was held, with the following being noted:

- Verification the second bullet states it is forwarded to the full Commission (Carlisle).
 - The only way it would not go to the full Commission first is in case of an emergency (Newbold).

With no further discussion, the motion carried by unanimous vote.

Review Request of
Friends of *Elizabeth II*
Funds
Kim Sawyer

Kim Sawyer reviewed the *Report as of 3/31/12*, a request of the Friends of *Elizabeth II* funds (distributed and filed as an attachment in the official Report Book), noting the following:

- Capital Improvements total \$54,885.04.
- Ship repairs on approved deferred maintenance list had been put on hold a year.
 - Bids through the state, a first-time event, ranged from \$138,720.00-\$241,762.00.
 - Suggests using the person that normally did the ship repairs since it was built; their bid is unknown.

Discussion was held regarding the funds request of the Friends, with the following being noted:

- Ship haul out was done (Newbold); requesting those funds as well (Sawyer).
- Question if funds would come from those transferred to Friends or restricted funds belonging to RIC (Fearing).
 - It is up to the Friends to determine if they give RIC the funds and where it comes from (Newbold).
- Earlier committee discussed Museum Store repairs and a request by DCR for emergency funds (Sawyer).
 - Two projects are needed: 1) Museum Store repair that RIC has on its budget for \$20K max; 2) canal needs dredging; DCR can fund the Museum Store repair and is asking RIC to pay for the dredging since it cannot come up with funds for that purpose; DCR Capital Projects Director Mark Cooney should have a cost estimate in a week to ten days; should be less than \$20K; \$20K is currently anticipated for the Museum Store structural repair (Carlisle).
- Verification there have been reasonable complaints on dredging; source is unknown; survey done shows a certain area has narrowed significantly; a fairly short but important area needs to be dredged; important in terms of DCR living up to commitments that were made (Carlisle).
 - Details and history of the dredging item (Sawyer).
- MOU between the Governor/state and the Corps of Engineers is sitting on the Corps to provide money for dredging Oregon and Hatteras Inlets; option to request local dredging be done with any leftover funds (White).
 - Potential long term idea; for now DCR must move forward; similar issue will exist five or so years ahead (Carlisle).
 - Corps hopper dredge would be too large to get in (Midgett).
- Verification the request for emergency funds went through OSBM, which has no dredging funds (Carlisle).
- Clarification the \$20K is the Museum Store repair cost (Sawyer); not the renovation (Carlisle).
- History of the MOA between the Town of Manteo and DCR regarding dredging (Wilson).
- Complaints were of some sailboats bumping in Dough's Creek; charts are available to see the extent; working on a dredge project in Scarborough Creek that has a 50-50 grant matching program with the Department of Water Resources and Tom Reeder; does not foresee the RIC project at \$20K (Robbins).
 - Mr. Robbins has not seen the scope of the project; it is a small amount of money to get within minimum compliance; a longer term, bigger project must be examined and determined how to fund (Carlisle).
- Knows where spoil can be offloaded more efficiently, with uncontaminated sand, and cost savings (Robbins).
- Reasons for and against supporting dredging (Webster, Midgett, and Evans).

Motion

Libba Evans made a motion that RIC swap that cash with DCR. Discussion continued as follows:

- Question whether the RIC is setting a precedent in doing so (Robbins).
- If DCR does not have the money to dredge, then in effect there is no agreement; question of dredging in perpetuity for two sailboats—if that the way tax payer’s money is being spent (Petty).
 - If RIC says *no* then lawyers get involved and the cost is twice as much; somebody will pay; taxpayers will pay; cycle never ends; dredging in perpetuity because that is the agreement that was signed (Evans).
 - A one-time deal would not be setting a precedent (Newbold).
 - Abstains from this (Carlisle).

(Motion Failed)

The motion failed for lack of a second.

Motion

Malcolm Fearing made a motion that RIC requests from the Friends the funds that have been presented for the RIC as of this 3/31/12 report. Discussion was held as follows:

- Problem is the request includes the Museum Store money, the capital improvement he wants the state to pay for because it is state property (Webster).
 - No R&R funds exist for that repair; DCR has serious issues all over the state without enough funds (Carlisle).
 - OSBM has given approval to move funds from a different project to make it possible for DCR to meet the dredging commitment; OSBM will not approve money for dredging because it must be used for capital (Carlisle).
 - Verification that this recommendation came from OSBM (Carlisle).

(Motion Failed)

The motion failed for lack of a second.

Motion

Libba Evans made a substitute motion that over the next ten days when the exact amount to do the dredging is found, RIC gets the \$20K from the state to do the Museum Store repair; RIC uses the Friends money for the dredging up to \$20K and no more could be used, the Commission’s money. Sterling Webster seconded the motion. Kim Sawyer stated the Museum Store structural work was completed today with an estimate of \$20K, so the final bill should be received soon. Ms. Evans clarified the motion upon request: *the motion is that we are requesting from the Friends everything but the \$20K, and that \$20K will be paid from R&R money out of the Cultural Resources budget. As a result of the Cultural Resources budget’s paying \$20K, this Commission or this Board will use up to \$20K to satisfy the Memorandum of Understanding with the Town of Manteo for the dredging, but only up to \$20K. If the dredging cannot be done for \$20K that it be re-opened and discussed again because we do not want to start a project we cannot finish.* Sterling Webster seconded the motion as re-stated. With no further discussion, the motion carried with one opposed (Malcolm Fearing).

Motion Clarified

Vote

Kim Sawyer agreed to provide a copy of the MOA between the Town and DCR to anyone interested.

Commission Recommendations

Two Commission recommendations were previously noted.

Announcements

Announcements and final comments were made as follows:

- Request for a balance sheet of the Friends financial information of monies transferred (Fearing).
 - Suggestion to pull Friends’ 990 (Evans); minutes indicate all such requests go to the RIC Chairman (Khoury).
- Appreciates the cooperation with DCR, RIC, and Town; thanks to Secretary Carlisle for attending (Wilson).
- Like any boat, the big ship bumps harder at that same spot (Gregory).
- Were good suggestions/options as to the dredging; input is welcome for saving time and cost (Carlisle).
- Verification the bump needing dredging is not out beyond the island (Carlisle); it is in the channel (Robbins); connecting the canal to the channel; it is part of the agreement (Wilson).

Adjournment

The next meeting of the Finance Committee will be Friday, July 27, 2012, starting time to be determined.

There being no further business, and on motion by Libba Evans and second by Secretary Linda Carlisle, the meeting was adjourned at 4:19 PM.

Minutes submitted by: Andrea Hanganu, Administrative Assistant

Upon a vote by the Finance Committee, approved by: _____
Ellen Newbold, Chair, Finance Committee