



Robert C. Edwards
Mayor

Susie Walters
Mayor Pro Tem

Cliff Ogburn
Town Manager

Town of Nags Head

Post Office Box 99
Nags Head, North Carolina 27959
Telephone 252-441-5508
Fax 252-441-0776
www.nagsheadnc.gov

M. Renée Cahoon
Commissioner

John Ratzenberger
Commissioner

Marvin Demers
Commissioner

MEMORANDUM

To: Mayor and Board of Commissioners

From: Town Manager

Date: May 6, 2015

Re: Recommended Budget for Fiscal Year 2015-2016

For your consideration is the manager's recommended budget for Fiscal Year July 1, 2015 through June 30, 2016. The budget has been prepared in accordance with the NC Local Government Fiscal Control Act as required by NC General Statute Chapter 159-11. This budget was a result of a great deal of hard work from a number of people, particularly Deputy Town Manager Andy Garman, Finance Director Kim Kenny, PIO Roberta Thuman, Human Resources Director Bonita Hurdle and Town department heads.

As part of the budget process, department heads were asked to directly relate requests for new or expanded programs to the Town's vision/value statements. These statements continue to be relevant to our community and integral to the budget process. These values are:

1. We value a healthy, natural environment.
2. We value a customer friendly, financially stable, and technologically-forward government.
3. We value livable, well-maintained neighborhoods.
4. We value a safe, nurturing, and family friendly environment.
5. We value high standard, efficient infrastructure.
6. We value our local businesses.

Additionally, the Board developed five strategic areas in which to specifically focus the Town's resources. The manager's recommendations also allocate funding towards these areas, which include:

1. Parks and Recreation
2. Sanitation and Recycling
3. Nags Head Promotion
4. Shoreline Management
5. Stormwater Management

The Town focuses on providing effective, efficient programs to Nags Head's citizens while being mindful of current economic conditions. Our mission is to provide open governance lead by professionally trained decision makers who value the service needs of all the residents, businesses, and visitors of Nags Head.

Budget Overview

This year's General Fund budget totals \$19,178,811, an increase of \$948,764 or 5.20% from last fiscal year. This budget maintains the current tax rate of \$.0267.

Mandatory Town contributions to the State Retirement System decreased from 7.07% to 6.67% for General and Water Fund employees and decreased 7.41% to 7.15% for law enforcement officers.

In reviewing the town's position roster, I find substantial changes in the nature and level of duties and responsibilities for several positions. There is also the need for new positions to better serve the citizens and tax payers of Nags Head. Included in the budget is several proposed position upgrades as well as the request for three new positions.

The cost of the proposed changes with salary and salary benefits are as follows:

Administration

- Deputy town clerk/office assistant reclassification
- Administrative assistant/PIO reclassification

Administrative Services:

- Accounting supervisor to deputy finance officer
- Customer service/payroll clerk to payroll & benefits specialist

Planning & Development:

- Director of planning combined with deputy town manager
- Building inspector reclassified to senior building inspector
- New administrative assistant position beginning October 2015
- Water Quality Coordinator reclassified to environmental planner and split with Water Fund
- Principal planner reclassification

Police Department:

- Reclassification of the deputy police chief position to a lieutenant position due to retirement
- 1 lieutenant position beginning October 2015
- Office/systems manager reclassification

Public Works:

- Sanitation operator reclassified to sanitation supervisor
- Seven sanitation equipment operators reclassified
- Facilities maintenance technician reclassified to facilities maintenance supervisor
- Eight facilities maintenance technicians reclassified
- New facilities maintenance technician position

A cost of living allowance is recommended at 1.5% per employee with a total amount of \$90,959 for the General Fund and \$9,329 for the Water Fund. A pay and class study at \$15,000 is recommended in this budget.

Health insurance premiums were originally projected to increase by 36 percent. However, due to the Town's satisfactory prior claims history, the League of Municipalities capped the increase at 25 percent. This budget includes the recommendation that the Town's employees absorb 6% of the additional increase in premium. This compares to the prior year budget in which employees absorbed 6% of the premium increase.

The breakdown for employees hired prior to July 1, 2010 is as follows:

MONTHLY PREMIUMS				
	Current Premium	New Premium	New Town's Share	New Employee's Share
Emp	588	735	692.22	42.78
Emp/Child	999	1,249	1,076.24	172.76
Emp/Spouse	1,235	1,544	1,296.58	247.42
Family	1,587	1,984	1,625.22	358.78

The breakdown for employees hired after July 1, 2010 is as follows:

MONTHLY PREMIUMS				
	Current Premium	New Premium	New Town's Share	New Employee's Share
Emp	588	735	692.22	42.78
Emp/Child	999	1,249	1,016.1	232.9
Emp/Spouse	1,235	1,544	1,201.94	342.06
Family	1,587	1,984	1,479.12	504.88

Budgeted Health Insurance	FY 2014-2015	FY 2015-2016	25% Increase
General Fund	\$1,222,559	\$1,565,106	\$342,547
Water Fund	\$166,187	\$ 181,907	\$15,720
Total	\$1,388,746	\$1,747,013	\$358,267*

*The increase is recommended to be split between the Town and the employees, with the Town absorbing 19% of the increase and the Town's employees absorbing the remaining 6 percent.

General Fund

Revenues

Property Values

	Adopted FY 2014-2015	Recommended FY 2015-2016	Difference
Real / Personal	\$2,284,106,278	\$2,299,405,964	\$15,299,686
Motor Vehicles (16 months vs 12)	\$29,201,779	\$30,037,641	\$835,862
Total Valuation	\$2,313,308,057	\$2,329,443,605	\$16,135,548

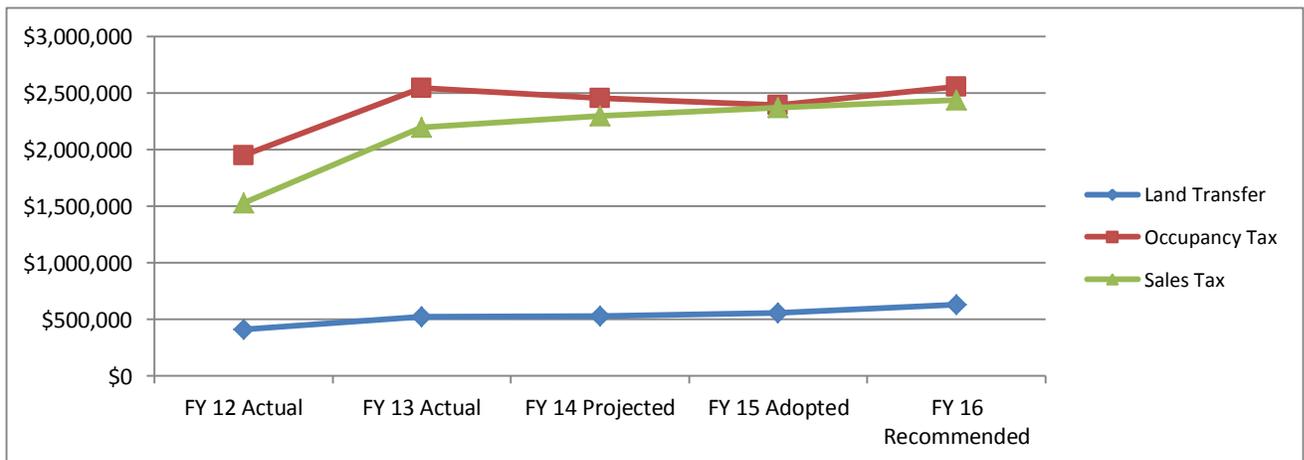
Taxes Collected

	Adopted FY 2014-2015	Recommended FY 2015-2016	Difference
Ad Valorem	\$7,973,154	\$8,039,041	\$65,887
Sales Tax	\$2,370,000	\$2,438,781	\$68,781
Powell Bill	\$115,000	\$119,500	\$4,500
Occupancy Tax	\$2,397,000	\$2,558,005	\$161,005
Land Transfer tax	\$558,000	\$627,436	\$69,436
Building Permit	\$175,000	\$211,000	\$36,000
Business License	\$23,000	\$2,903	\$(20,097)
Business Registration	\$0	\$28,450	\$28,450
Other	\$4,618,893	\$5,153,695	\$534,802
Total	\$18,230,047	\$19,178,811	\$948,764

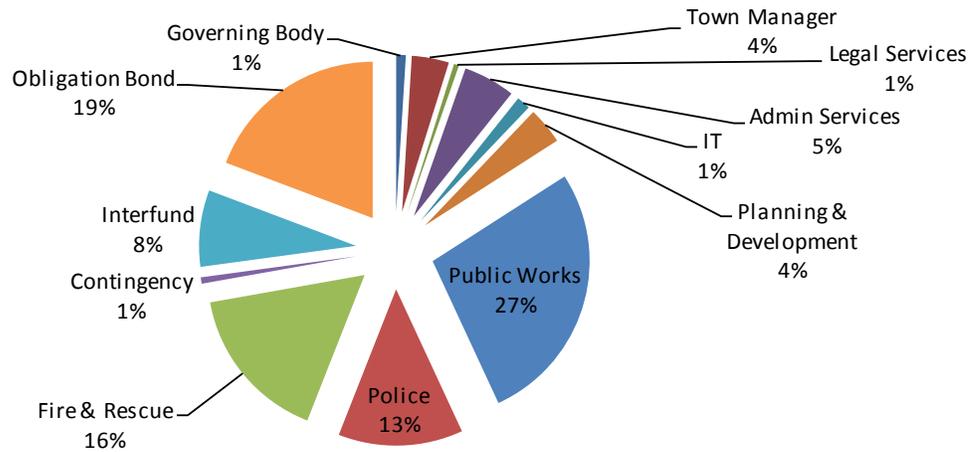
Included is increased revenue from a recommendation to include a business registration fee of \$25. This recommendation is based on guidance from the University of North Carolina's School of Government that a flat rate per NCGS 160A-194 maybe charged whereby all businesses in town must register annually so that we may track for zoning and annual fire inspections compliance.

Also included is the first year of implementation of a town-wide mandatory residential recycling program. This program is structured whereby the Town with its own forces will service every residential property once a week by substituting a day of trash with recycling year round on the west route and during the months of October 1 through April 30 on the east route. This service would be provided by a 96 gallon roll out cart to be used for commingled recyclable materials. Through a competitive bid process and a committee recommendation a contractor would service the Town during the remaining months on the east route. Service would begin December 1, 2015. The Fiscal Year cost is \$85,392 less \$30,000 in grants and \$29,614 tipping fee savings.

Significant Revenue Trends



Expenditures



	Adopted FY 2014-2015	Recommended FY 2015-2016	Difference
Governing Body	\$195,977	\$189,602	\$(6,375)
Town Manager	\$612,014	\$734,376	\$122,362
Administrative Services	\$984,565	\$1,024,311	\$39,746
Information Technology	\$331,670	\$271,009	\$(60,661)
Legal	\$175,000	\$100,000	\$(75,000)
Planning	\$928,240	\$728,228	\$(200,012)
Public Works	\$4,401,487	\$5,220,415	\$818,928
Police	\$2,267,165	\$2,462,833	\$195,668
Fire, Volunteer Fire & Ocean Rescue	\$2,964,426	\$3,115,097	\$150,671
Contingency	\$139,431	\$125,000	\$(14,431)
Interfund	\$1,451,512	\$1,518,660	\$67,148
Beach Nourishment Debt	\$3,778,560	\$3,689,280	\$(89,280)
Total	\$18,230,047	\$19,178,811	\$948,764

Non-Profit Funding Requests

- Nature Conservancy \$10,000
- Interfaith Outreach \$3,000
- League of Women Voters \$100
- Room at the Inn \$750

Contribution to the Capital Reserve Fund is the annual offset for the collection of facility fees budgeted at \$50,000, shared revenues from the municipal service district levy as described by General Statute budgeted at \$555,310 and \$683,984 in excess municipal service district and town wide taxes not needed for debt service on bonds from the excess of tax revenues received to fund beach nourishment debt over the annual debt service for repayment of the bonds to be used for beach nourishment in the future.

In the 2013-2014 fiscal year the Board approved a \$.01 (penny) tax increase, or the equivalent of \$229,366 to set aside funding in the Capital Reserve Fund for Parks and Paths.

Recommended expenditures from this funding for FY 2015-2016 includes:

- Dowdy Park purchase debt (year 3 of 5) \$103,540
- Dowdy Park phase 1 development \$150,000
- Beach Road multi-use-path repairs \$40,500

Capital Improvement Projects

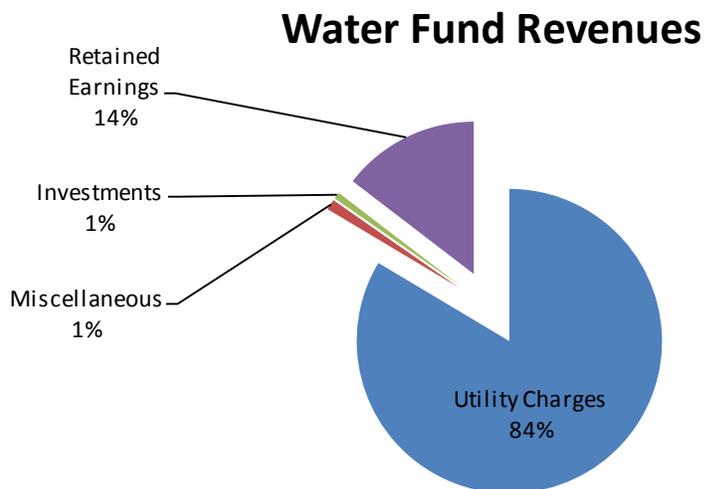
- Dowdy Park \$600,000
- Land use plan \$20,000
- Causeway lot \$102,000
- Skate Park \$21,000
- Garage construction \$57,500
- Access walkways \$60,000
- Dingo walk behind \$21,330 (financed)
- Ventrac attachment \$6,750

Included in Sanitation capital outlay is \$570,000 (financed over 5 years at \$124,837, which includes vehicle tax) for a front loading dumpster truck and a residential truck. This is the first replacement of our side loading dumpster trucks with front loaders. We expect to recommended additional front loading replacement trucks in future budgets.

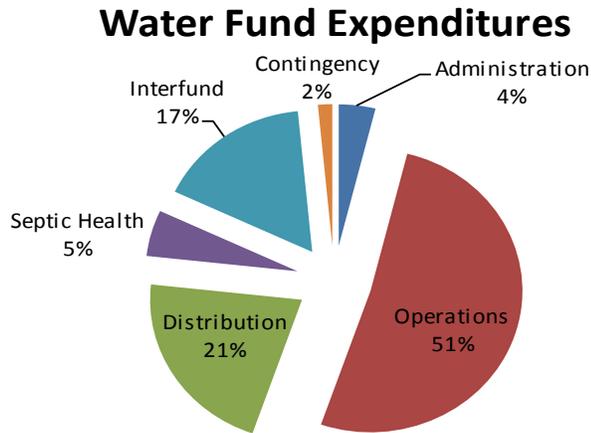
Water Fund

Revenues

There are no water rate increases included in the recommended budget. In order to meet a recommendation by the North Carolina Local Government Commission (LGC), water rates were increased in the present fiscal year resulting in an additional \$400,000. This increase is within budgeted expectations and is helping to meet LGC expectations that our revenues meet our expenditures.



Expenditures



	Adopted FY 2014-2015	Recommended FY 2015-2016	Difference
Water Fund			
Water Administration	\$138,269	\$128,303	\$ (9,966)
Septic Health	\$171,798	\$173,797	\$1,999
Water Operations	\$1,591,870	\$1,692,893	\$101,023
Water Distribution	\$530,043	\$706,076	\$176,033
Contingency	\$50,000	\$50,000	\$0
Interfund	\$515,000	\$542,618	\$27,618
Total	\$2,996,980	\$3,293,687	\$296,707
Stormwater Fund			
Stormwater	\$145,350	\$256,360	\$111,010

	Total Cost/ FY 15-16 Budget	
Capital Projects		
Waterline Extension Baltic to North of Bonnett	\$310,000	From retained earnings
Septic Health Pick Up Truck	\$27,000	Financed
4 Inch Valve and Pump	\$15,000	

In Fiscal Year 2014-2015, the North Carolina Department of Transportation agreed to repair the ocean outfall located near the 2400 block of S. Virginia Dare Trail. The Town was asked to contribute financially to this project as stormwater from some of our street rights of way flow through this outfall. The Department of Transportation agreed to allow the Town's portion to be paid over two fiscal years; therefore, a second \$125,000 expenditure is recommended in Fiscal Year 2015-2016 from revenue generated from the stormwater fee and use of stormwater fund balance.

Stormwater Fund-

This budget recommends an increase to the stormwater fee from \$4 every other month to \$8 every other month.

Capital Projects	Total Cost/FY 15-16 Budget
Mile Post 18 Repairs	\$15,000
Mile Post 19-21 Repairs Phase II	\$50,000
Red Drum Outfall	\$125,000

Summary

In closing, below are the total budgets included in the Fiscal Year 2015-2016 budget.

General Fund	\$	19,178,811
Water Fund	\$	3,293,687
Stormwater Management Fund	\$	256,360
Capital Reserve Fund	\$	1,518,660