

Robert C. Edwards
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Cliff Ogburn
Town Manager



Town of Nags Head

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M. Renée Cahoon
Commissioner

John Ratzenberger
Commissioner

Marvin Demers
Commissioner

MEMORANDUM

To: Mayor and Board of Commissioners

From: Town Manager

Date: May 4, 2016

Re: Recommended Budget for Fiscal Year 2016-2017

For your consideration is the manager's recommended budget for Fiscal Year July 1, 2016 through June 30, 2017. 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 Amy Miller, Deputy Finance Director Kim Blankenburg, PIO Roberta Thuman, Human Resources Director Brie Floyd 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 \$16,229,920, a decrease of \$3,216,364 or 16.54% from last fiscal year. This budget recommends an increase in the tax rate of \$0.03 bringing the town wide rate to \$0.297. Of the \$0.03 recommended tax increase, \$0.01 is recommended to set aside funding in Capital Reserve Funding for stormwater management in lieu of the previous fee. \$0.01 generates \$230,904.

Mandatory Town contributions to the State Retirement System are estimated to increase from 6.67% to 7.25% for General and Water Fund employees and increase from 7.15% to 8% for law enforcement officers.

Funds are budgeted to implement recommendations from a pay and classification study that was performed in early 2016. \$44,486 is budgeted to address compression in the General Fund and \$3,963 in the Water Fund. A salary adjustment for all employees is budgeted at \$126,537 for all employees in the General Fund and \$10,855 in the Water Fund. Salary grades are recommended to be adjusted to begin with Grade 1 instead of the current entry level grade of Grade 9, with changes also recommended in position grade and title for nine positions. We are proposing to eliminate the current step system and implement a merit based system

This budget recommends a new Water Distribution Technician with total salary and benefits of \$58,802

The Town has contracted with a health Insurance brokerage firm in an effort to ensure a balance between the cost and benefit of health insurance premiums, which resulted in a 6% decrease compared to FY 2016 rates.

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	735	652	652	0
Emp/Child	1,249	1,014	924	91
Emp/Spouse	1,544	1,523	1,306	218
Family	1,984	1,980	1,648	332
Emp/Children	1,255	1,199	1,062	137

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	735	652	652	0
Emp/Child	1,249	1014	870	145
Emp/Spouse	1,544	1,523	1,175	348
Family	1,984	1,980	1,449	531
Emp/children	1,255	1,199	980	219

Budgeted Health Insurance	FY 2015-2016	FY 2016-2017	Difference
General Fund	\$1,531,588	\$1,379,116	(\$152,472)
Water Fund	\$163,134	\$ 167,022	\$3,888
Total	\$1,694,722	\$1,546,138	(\$148,584)

General Fund Revenues

Property Values

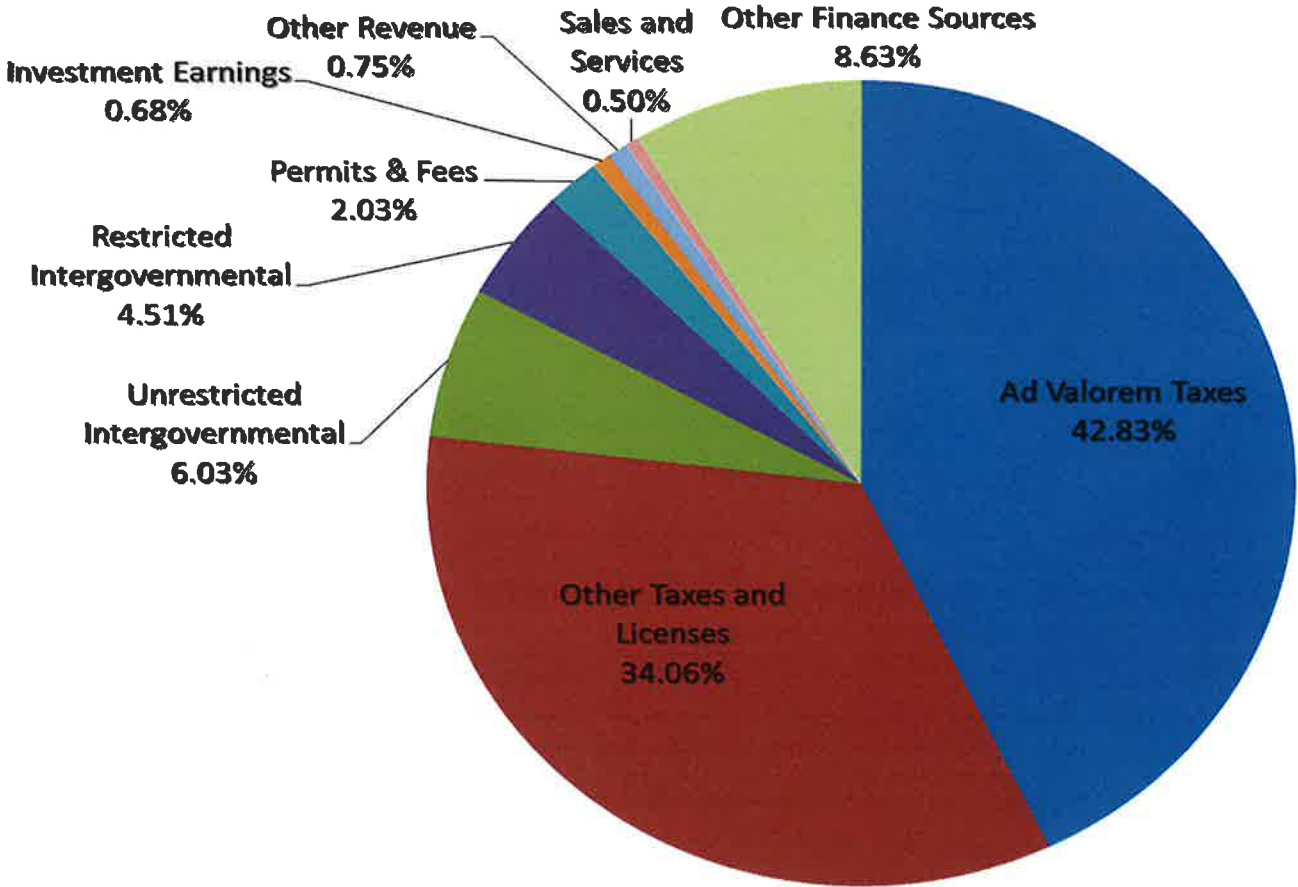
	Adopted FY 2015-2016	Recommended FY 2016-2017	Difference
Real / Personal	\$2,299,405,964	\$2,314,829,805	\$15,423,841
Motor Vehicles	\$30,037,641	\$27,050,000	(\$2,987,641)
Total Valuation	\$2,329,443,605	\$2,341,879,805	\$12,436,200

Taxes Collected

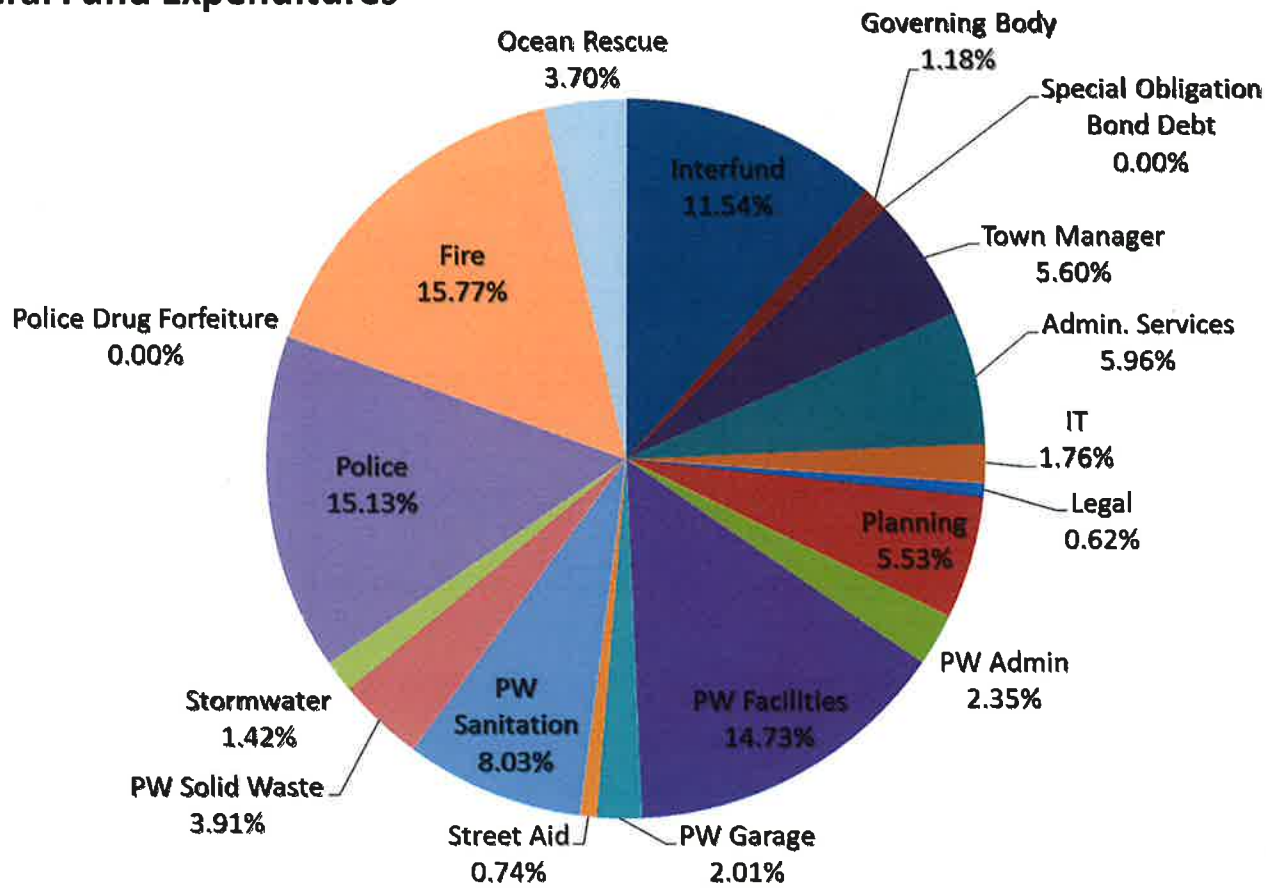
	Adopted FY 2015-2016	Recommended FY 2015-2016	Difference
Ad Valorem	\$8,039,041	\$6,951,016	(\$1,088,025)
Sales Tax	\$2,438,781	\$2,467,510	\$28,729
Powell Bill	\$119,500	\$120,000	\$500
Occupancy Tax	\$2,558,005	\$2,449,850	(\$108,155)
Land Transfer tax	\$627,436	\$591,634	(35,802)
Building Permit	\$211,000	\$200,000	(\$11,000)
Stormwater	\$256,360	0	(\$256,360)
Utilities Sales Tax	\$500,000	\$650,000	\$150,000
Other	\$4,696,161	\$2,799,910	(\$1,896,251)
Total	\$19,446,284	\$16,229,920	(\$3,216,364)

Also included is the first full year of implementation of a town-wide mandatory residential recycling program. The Fiscal Year cost is \$97,193 less \$15,000 tipping fee savings.

Revenues



General Fund Expenditures



	Adopted FY 2015-2016	Recommended FY 2016-2017	Difference
Governing Body	\$189,602	\$192,165	\$2,563
Town Manager	\$730,433	\$909,024	\$178,591
Administrative Services	\$1,038,683	\$967,199	(\$71,484)
Information Technology	\$270,208	\$286,425	\$16,217
Legal	\$100,000	\$100,000	0
Planning	\$741,605	\$898,108	\$156,503
Public Works	\$5,234,826	\$5,157,105	(\$77,721)
Police	\$2,447,150	\$2,455,883	\$8,733
Fire & Ocean Rescue	\$3,104,477	\$3,159,989	\$55,512
Contingency	\$125,000	\$125,000	0
Interfund	\$1,518,660	\$1,748,118	\$22,9458
Stormwater	\$256,360	\$230,904	(\$25,456)
Beach Nourishment Debt	\$3,689,280	0	(\$3,689,280)
Total	\$19,446,284	\$16,229,920	(\$3,216,364)
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, the reimbursement of \$24,000 from Dare County for sand fencing paid from the shared revenues from the municipal service district levy as described by General Statute budgeted at \$563,868 and \$623,442 in town wide taxes for repayment of the debt service 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 \$230,904 to set aside funding in the Capital Reserve Fund for Parks and Paths.

Recommended expenditures from this funding for FY 2016-2017 includes:

- Dowdy Park purchase debt (year 4 of 5) \$102,360
- Dowdy Park phase 1 development \$120,000
- Beach Road multi-use-path repairs \$25,000
- Dog park \$30,000

Capital Improvement Projects

Cash funded:

- Web site re-design \$25,000
- Replace Station 21 Leased Fiber to Fixed Wireless \$32,000
- Boardwalk Planning (Easement Acquisition) \$15,000
- New Toro Z Master Mower \$8,500
- Hargrove Beach Access Improvements \$45,000
- Outer Banks Medical Center \$25,000
- Station 16 Roof-Additional Funding \$50,000
- Station 21 Roof \$40,000
- Maintenance of PW Garage \$25,000
- Taser Replacements \$6,473
- Ferno Power Stair Chair \$8,000

Financed:

- Financial Software (\$278,855) debt service: \$59,116
- Ford F-350 Service Truck (\$72,000) debt service: \$18,806
- Compressor (\$28,000) debt service: \$7,313

Funded by Reserves:

- Enclose Office Space in Planning Department
- (Admin Facility Fee) \$35,000
- Culvert Cleaner (Stormwater Capital Reserve)
- (\$55,000) debt service: \$14,366

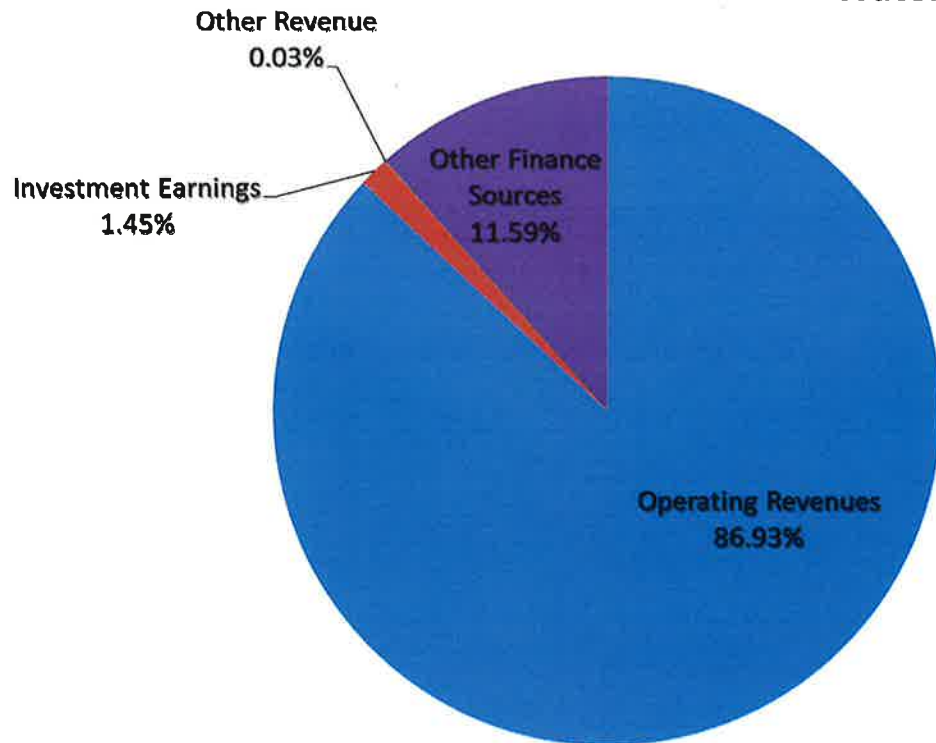
Funded by Grants:

- Dowdy Park Phase II \$500,000
- Active Shooter Project Grant \$24,500

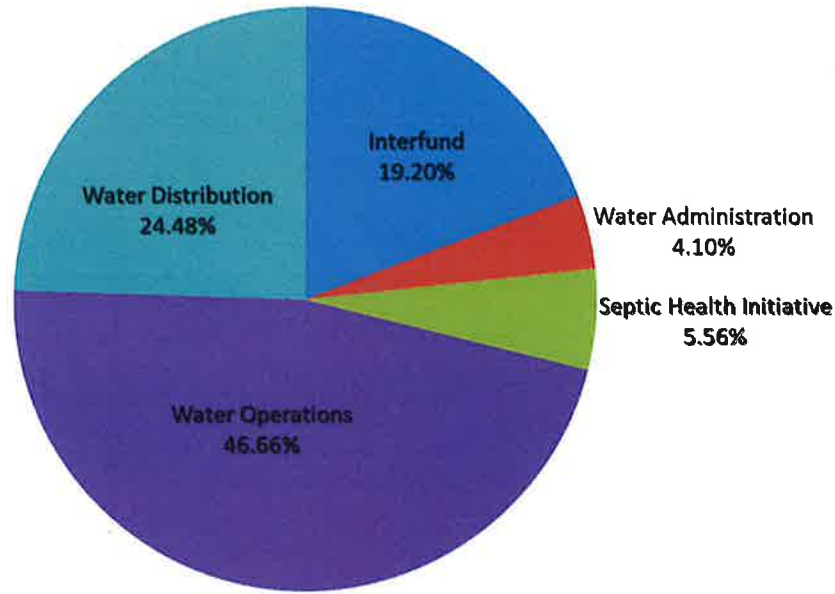
Water Fund

There are no water rate increases included in the recommended budget.

Water Fund Revenues



Water Fund Expenditures



Capital Projects

Project	Total Cost
Water System Master Plan	\$137,500 cash
Waterline Extension Morning View/Becker	\$163,500 cash
Excavator (\$34,000)	\$8,880 financed
Septic Health Oil/Water separator for trucks	\$25,000 cash
Utility billing software (\$39,925) debt service	\$8,464 financed

This budget recommends a new Water Distribution Technician with total salary and benefits of \$58,802

Stormwater Management Capital Reserve

This budget recommends a \$.01 (penny) tax increase, or the equivalent of \$230,904 to establish and set aside funding in the Capital Reserve Fund for Stormwater management, eliminating the stormwater fee of \$8 every other month.

Projects	Total Cost
Infrastructure Mapping	\$57,500
Draining Improvement Projects	\$18,000
Red Drum Outfall (2400 block of S. VDT)	\$62,500
Soundside Road	\$37,000

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 in installments; therefore, \$62,500 is recommended in Fiscal Year 2016-2017 from revenue generated from the stormwater capital reserve.

Summary

In closing, below are the total budgets included in the Fiscal Year 2016-2017 budget.

General Fund	\$ 16,229,920
Water Fund	\$ 3,160,726
Capital Reserve Fund	\$ 4,412,382