

Town of Nags Head, North Carolina

Adopted Fiscal Year 08-09 Budget and Fiscal Year 08-09 through 12-13 Capital Improvement Program



Mayor

M. Renée Cahoon

Mayor Pro Tem

Anna D. Sadler

Commissioners

Wayne Gray

Bob Oakes

Doug Remaley

Town Manager

Charlie Cameron

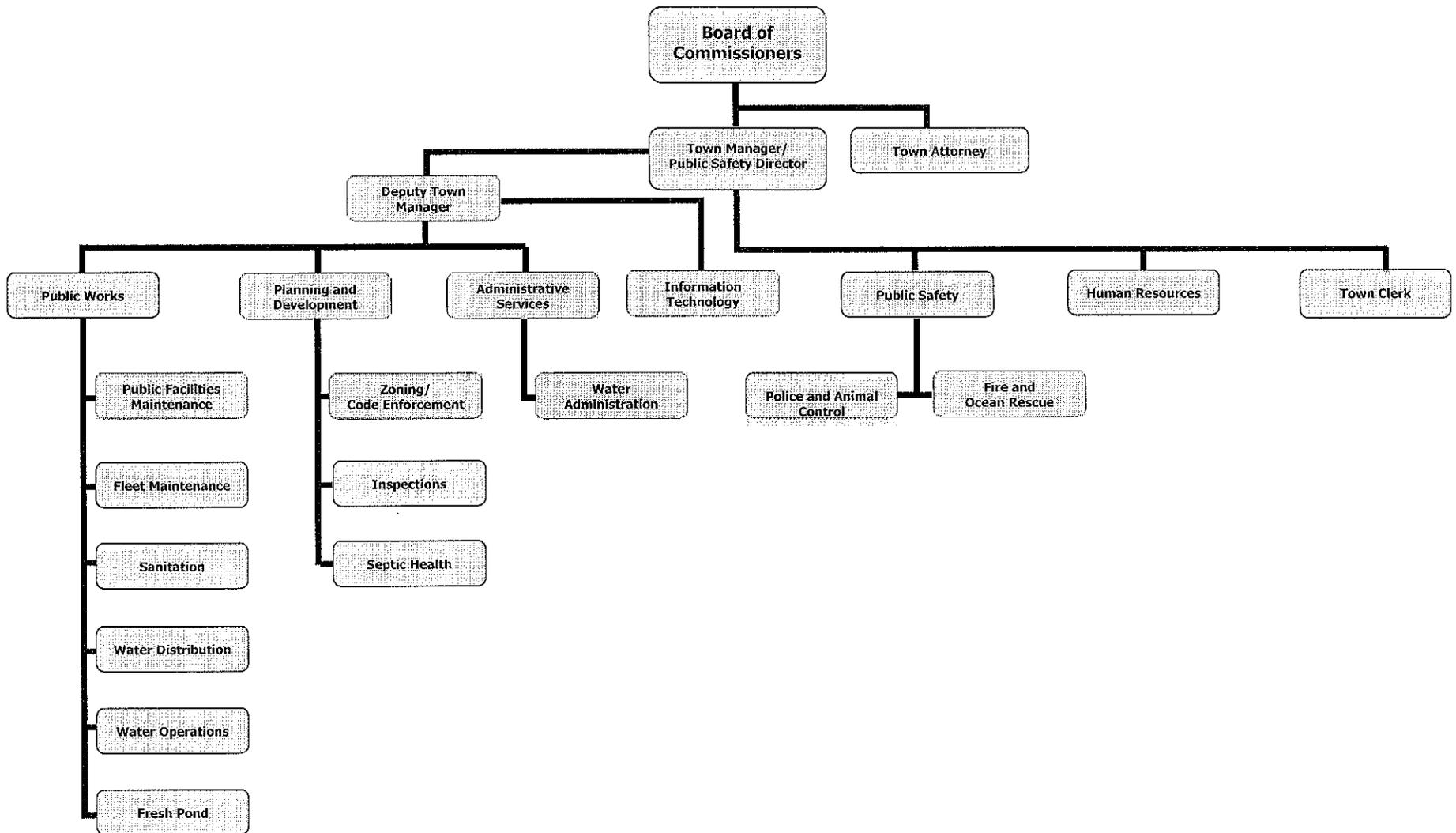
Budget Staff

Cliff Ogburn, Deputy Manager

Kim Kenny, Finance Officer

Roberta Thuman, Administrative Assistant/PIO

Town of Nags Head Organization Chart



M. Renée Cahoon
Mayor

Anna D. Sadler
Mayor Pro Tem

Charlie Cameron
Town Manager/
Public Safety Director



Town of Nags Head

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

Wayne Gray
Commissioner

Bob Oakes
Commissioner

Doug Remaley
Commissioner

MEMORANDUM

To: Mayor and Board of Commissioners

From: Town Manager/Director of Public Safety

Date: May 1, 2008

Re: Recommended Budget for Fiscal Year 2008-2009

Dear Mayor and Board of Commissioners:

I am pleased to submit, for your consideration, the Town of Nags Head's recommended budget for Fiscal Year 2008-2009, which has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. This recommended budget recognizes the present economy and its impact upon our residents and property owners. Therefore, this budget submittal does not include or recommend either an ad-valorem tax rate or water rate increase. This budget submittal recommends and maintains the current tax rate of \$.1475 per \$100.00 valuation, which is based on an estimated tax collection rate of 99.0%.

The Town remains in excellent financial condition as reflected in both the FY 2006-2007 Annual and Audit reports. The Town's excellent financial condition is due to the diligence of present and previous Boards of Commissioners and by a Town Administration, Departments, Divisions and Units who have recognized both the present economy and the economic forecasts. This recommended budget, for the second budget year in a row, proposes no new programs and is presented as an austere/maintenance budget.

In addition, the budget does not recommend the funding of any new positions for either full or part-time employees. It does, however, include recommended position re-classification changes for six (6) positions.

General Fund Revenues

The total General Fund revenues for Fiscal Year 2008-2009 are recommended at \$12,153,062 versus the adopted FY 2007-2008 budget of \$12,217,830, an overall decrease of \$64,768 or -0.53%.

The property tax base as of January 1, 2008 used for budgeting ad-valorem taxes for the FY 2008-2009 budget year is \$3,046,607,165 versus \$3,025,919,536 in the previous fiscal year. A \$.01 (penny) on the tax rate, based on the January 1, 2008 valuation, is equivalent to \$304,661.

Powell Bill funds are reflected at a slightly lower per unit funding formula in this budget at \$137,000, a decrease of \$2,000 or -1.44% compared to the FY 2007-2008 budget. Occupancy tax continues to show sustained growth and is budgeted for FY 2008-2009 at \$1,940,000, for a 5.43% increase over the FY 2007-2008 amended budget of \$1,840,000. Combined sales tax revenues of \$1,585,000 for FY 2008-2009 are essentially flat compared with last year's budget with a decrease of \$15,000 or -.94%. Land transfer tax for FY 2008-2009 is budgeted at \$500,000, a decrease of \$140,000 or -21.88% versus the FY 2007-2008 budget amount of \$640,000.

Several grants are included in this recommended budget. These include wellness and safety grants from the North Carolina League of Municipalities and the Police Division's Governor's Highway Safety Program/Governor's Crime Commission grants. We also show reimbursement revenue for fire protection that is provided to the U.S. Coast Guard facility at Oregon Inlet and to the National Park Service, Cape Hatteras Seashore north of the Oregon Inlet Bridge. (Note: National Park Service Fire Protection Memorandum of Understanding is still waiting Park Service approval at the time of this budget submittal.)

FY 2008-2009 building permit revenue reflects a \$57,025 decrease based on both the decline in current fiscal year review fees and the continued decline in building permit revenues. Revenues from review fees are also down by \$25,000. Rents of \$528,680 are included to reflect the pass-through of the YMCA debt payments of \$406,430, the fourth full year of the lease for the former Outer Banks Medical Center building in the amount of \$35,000, and revenues from cellular tower leases of \$87,250.

Appropriated Fund Balance represents our standing carry forward of \$300,000, supplemented by \$125,000 carry forward of unused Contingency funding from FY 2007-2008, \$500,000 from use of fund balance budgeted in FY 2007-2008 that was not needed and is now recommended for carry forward funding for the FY 2008-2009 budget, and additional funding from Powell Bill fund balance of \$11,650 to be used for street capital improvements in FY 2008-2009. The Capital Reserve Fund Contribution revenue of \$223,052 versus the prior year's \$158,679 reflects the use of facility fees and designated fund balances to fund various capital costs. Interest

rates have continued to weaken during the current fiscal year and are expected to remain weak for at least the first half of FY 2008-2009 and then may possibly improve for second-half of FY 2008-2009.

General Fund Expenditures

General Fund expenditures include recommended funding for a limited number of new Capital Improvement Projects. Funds are included and recommended to finance capital purchases such as computer workstations, servers, and software upgrades, erosion abatement, replacement of three Public Works vehicles (one pick-up truck and two sanitation trucks), replacement of one Planning Department vehicle, replacement of one Ocean Rescue Unit vehicle, replacement of the fuel pumps at Public Works, and street improvement projects. Contribution to Capital Reserve Fund is the annual offset for the collection of facility fees budgeted at \$100,000. Funding has also been included in each General Fund department for a 2.3% cost of living adjustment totaling \$131,975, which includes the increase in related benefits.

Governing Body

Governing Body includes the regular funding for the operation of the Office of the Mayor and the Board of Commissioners. In addition, Governing Body funding includes: \$20,000 for July 4th fireworks, \$30,000 for erosion abatement, \$14,000 in contributions for environmental education, and \$6,600 in miscellaneous contributions, which includes \$5,000 for the YMCA's Summer Camp Scholarship Program, \$100 for the League of Women Voters, with the remaining \$1,500 to be determined by the Board. Special projects show \$406,430 in pass-through of YMCA debt payments.

Town Manager

The Town Manager's budget shows an overall increase in total budgeted expenditures for FY 2008-2009 of \$72,770 or 17.22% over the prior year's adopted budget, primarily due to an increase in salaries and benefits for the now full time Deputy Town Manager position that was being funded and staffed previously through part time contracted services.

Administrative Services

Administrative Services includes property/liability insurance budgeted at \$133,000 for an increase of \$12,166 or 10.07% versus the FY 2007-2008 property liability premium of \$120,834. Workers' compensation insurance for FY 2008-2009 is budgeted at \$155,000, which is just slightly less than last year's FY 2007-2008 premium. Flood insurance costs of \$32,000 also reflect an increase of 10.00%. The Town's portion of the employees' health care insurance premium for FY 2008-2009 is budgeted at \$959,400 (combined General and Water Funds) for a decrease of \$96,116 or -9.11% from last year's FY 2007-2008 budget of \$1,055,516.

Legal

Legal fees for the Town Attorney and the Board of Adjustment Attorney are budgeted based on the most recent billing history and reflect an increase of \$3,600 or 4.17% for a total of \$90,000.

Planning

The Planning and Development Department budget recommendation shows a decrease to \$909,477 for a decrease of \$8,336 or -.91% for FY 2008-2009.

Public Works

Public Works Administration reflects a slight increase of \$3,743 or .90%. Public Works Administration includes the salaries of the Public Works Director, Deputy Public Works Director, Office Manager, and Office Assistant.

Public Facilities Maintenance also shows a decrease of \$130,139, of which \$151,306 is attributable to the NCDOT West-side Multi-Use Path project for Phase I, which was completed in FY 2007-2008. An additional \$34,016 in salaries and benefits has been allocated to the Storm Water Fund for Public Works Facilities personnel to perform drainage improvement projects and other storm water projects. State Street Aid reflects \$148,650 for use on the priorities identified in the pavement condition survey, with an estimated \$137,000 coming from Powell Bill funds for FY2008-2009 and the remaining \$11,650 coming from carry forward Powell Bill fund balance.

Public Works Sanitation increased to \$1,294,587 in expenditures, a growth of \$35,909 or 2.85% from the FY 2007-2008 budget of \$1,258,678. Included is an additional \$37,000 for increased fuel costs. Also included in the FY 2008-2009 budget are replacement commercial and dump trucks. Tipping fees reflect an increase in the rate of 4.00%, coupled with the new \$2/ton tax, and no change in estimated tonnage.

Public Safety

The Police Division's recommended budget for FY 2008-2009 is \$2,019,505 for an increase of \$36,772 or 1.85% from the FY 2007-2008 budget of \$1,982,733. The Police Division shows funding of \$30,000 of the actuarial funding for the police separation allowance of \$44,638. There was no funding of the police separation allowance in the prior fiscal year.

Animal Control shows a decrease of \$1,189 or -1.66% to \$70,389 in the FY 2008-2009 budget submittal.

The Fire and Rescue Division is budgeted for FY 2008-2009 at \$2,120,015 or a decrease of \$15,635 or -0.73% from the FY 2007-2008 budget of \$2,135,650. Debt Service for the fifth year for the new South Nags Head Fire Station/Public Safety facility is \$137,825. The Nags Head Volunteer Fire Department's recommended budget is \$30,292 and includes funding for the continuation of the volunteer incentive program.

Ocean Rescue is budgeted at \$517,722, a decrease of \$31,945 or -5.81% over the FY 2007-2008 budget of \$549,667. Two (2) replacement ATVs and a replacement pickup truck are included in this budget submittal.

General Fund expenditures consists of \$5,700,663 in salaries, \$1,781,484 in benefits, \$2,911,669 in operating expenditures, \$299,805 in capital outlay and capital improvement, debt payments of \$1,234,441, interfund transfers of \$100,000 and a contingency of \$125,000. Overall group health insurance shows a decrease of \$90,029 within the General Fund for a total budgeted expenditure of \$851,653 based on a decrease in rates from an increased deductible and changes in tier coverage. Retiree group health insurance accounts for a total of \$33,553 within this budget. All departmental budgets reflect higher automotive costs associated with significant increases in the price of fuel, gasoline, and diesel as well as other petroleum based products.

Water Fund

The Water Fund reflects total budgeted revenues of \$3,647,676, an increase of 6.23% due primarily to increased funding for the grant/loan program for sand bottom septic tank replacement initiative in Septic Health. Expenditures in the Water Fund reflect the same decrease in group health insurance as in the General Fund (-\$12,575) and the across the board 2.3% cost of living increase, with the total increase for salary and related benefits of \$14,749. Continuation of the Septic Health Initiative is recommended for funding in FY 2008-2009 in the amount of \$704,163 an increase of \$305,495 or 76.63% compared to the FY 2007-2008 budget year related to the grant/loan program. Capital and capital improvement plan funding in the amount of \$237,849 for the costs of installing new water lines along U.S. 158 and Eighth Street pump motor control improvements in the amounts of \$115,000 and \$95,400, respectively, are recommended for funding in FY 2008-2009. Additional capital funding includes \$17,780 for phase 1 of 3 phases for the actuator replacement project at Fresh Pond and \$9,669 for 3 automatic flushing devices in Water Distribution.

Town Personnel Policy and Allocation to Positions

This budget submittal recommends, for the Board of Commissioners for discussion and consideration, changes in the Town's Personnel Policy as listed below:

- Longevity Compensation Pay Plan
- Career Development Plan
- F.L.S.A. changes of Exempt to Non-Exempt status for two (2) supervisory positions in the Department of Public Works
- Town Travel Policy
- On-Call Compensation
- Town "Drug Free" Testing Program

This budget also recommends the following six (6) positions to salary grade changes:

- Facilities Maintenance Custodian from salary grade 7 to salary grade 9;
- Sanitation Equipment Operator, Water Services Technician, Facilities Maintenance Technician from salary grade 10 to salary grade 11;

- Police Officer and Firefighter EMT from salary grade 14 to salary grade 15;
- Police Officer First Class from salary grade 15 to salary grade 16;

Summary

The recommended budget, by fund, is as follows: General Fund – \$12,153,062; Water Fund – \$3,647,676; Storm Water Management Fund – \$352,008. The total recommended budget, excluding inter-fund transfers, is \$15,537,746. The proposed FY 2008-2009 General Fund budget is -6.73% less than the present/amended FY 2007-2008 budget.

For all Funds, \$8,333,906 (51.60%) of expenditures is for salaries and benefits; \$5,106,567 (31.61%) for operating expenses; \$527,985 (3.27%) for capital outlay and capital improvements; \$1,394,288 (8.63%) for debt service requirements; and \$790,000 (4.89%) for inter-fund transfers and contingency, \$615,000 and \$175,000, respectively.

The budget, as presented for the Board of Commissioners consideration, has been in preparation since late April 2007, and reflects the reality of the existing economy on the Outer Banks. As previously stated, this budget does not contain or recommend either an ad-valorem tax or water rate increase. As a result of recognizing the continuing reality of the existing economy, concerns and expectations for even higher increased costs for fuel and petroleum based products, and concerns that interest rate revenue income, will continue to decrease during Fiscal Year 2008-2009, no new programs or employee positions are recommended in this budget submittal.

The submission of this budget finds senior Town administration and key budget team personnel already looking ahead, and preparing for the Fiscal Year 2009-2010 budget and for even future budget years beyond FY 2009-2010. Future budgetary concerns remain continually increasing fuel and petroleum products costs, employee and retiree health care costs, and property liability insurance. The Town is still considering and planning for the possibility of a joint partnership with the Town of Kill Devil Hills to cost share (50% each) for a fire apparatus, and with Nags Head providing a 1/3 share of Operations and Maintenance for a new fire station hopefully to be built by Kill Devil Hills just north of the Town boundary at Eighth Street. The Town presently awaits further action by the Town of Kill Devil Hills on this project.

This budget submittal also recommends funding of a limited number of capital project(s). This recommendation for funding of a limited number of capital projects is possible due to this and previous Boards of Commissioners who have funded an aggressive Capital Program in past budget years. The Town will continue to provide the current service levels as authorized by the Board of Commissioners. The Town also recognizes our responsibilities as stewards of the environment and we continue to participate in "Green Friendly" initiatives and programs. These "Green Friendly" initiatives/programs include the Septic Health Initiative; continued support of the UNC-CSI program; the Jennette's Pier Project; the NCDNR/ NCDOT partnership to ensure water quality in the ocean outfalls located in the Town through environmental monitoring/testing and improved outfall maintenance. Through a new partnership and Memorandum of Understanding with NCDNR and NCDOT the Town is supporting the establishment of a "first in

North Carolina" ocean outfall water quality pre-treatment test facility to be built at and on the Town's Conch Street beach access. Further the Town is constantly striving to determine and implement energy efficiencies that are also good for the environment.

This budget submittal continues to provide for a good employee salary and benefit package.

This budget represents a continuation of the high service levels that the residents and visitors to the Town of Nags Head have come to enjoy and expect. The efficiency of Town operations have grown in the past along with the Town. This austere/maintenance budget provides the continuation all Town operations at these high levels of operation and quality customer service while taking into consideration the demands of some limited continued development and growth as well as the present economic environment/forecast.

The Town's ability to provide services and manage its development requires strong financial stability and fiscal planning. This FY 2008/2009 recommended budget is scheduled to be presented to the Board of Commissioners at the May 7th, 2008 meeting at 9:00 AM. The Board will also continue the budget review process through the scheduling of budget work sessions. The public hearing on the FY 2008-2009 budget will be held on June 4, 2008 at 9:00 AM with Board of Commissioner consideration and adoption of a budget prior to June 30th, 2008.

I wish to express my appreciation to the Department Heads and the FY 2008-2009 Budget Team composed of Bill Richardson, Deputy Town Manager Cliff Ogburn, Finance Officer Kim Kenny, Administrative Assistant/PIO Roberta Thuman, and Human Resources Coordinator Bonita Hurdle.

I thank you for the opportunity to present the Fiscal Year 2008-2009 recommended budget to the Mayor and Board of Commissioners for your consideration and for the continued privilege to serve the citizens of the Town of Nags Head.

Table of Contents i-viii

GENERAL FUND SUMMARY

Changes from Recommended to Adopted 1
 Personnel Summary 4
 Revenues Summary 5
 Summary Budget by Department 13
 Expenditures by Line Item 17
 General Fund Capital Outlay 25
 General Fund Budgetary Capital 26
 Expenditures by Function 27
 Expenditures by Percentage 28

GENERAL GOVERNMENT

Governing Body Department

Department Overview 29
 Objectives and Performance Indicators 30
 Expenditures by Function and History 31
 Expenditure Detail 32
 Capital Outlay 36
 Special Projects – Debt Service History 38
 Special Projects – Expenditure Detail 39

Office of Town Manager Department

Department Overview 41
 Objectives and Performance Indicators 42
 Departmental Organization and Staffing 43
 Expenditures by Function and History 44

Expenditure Detail	45
Legal Services Department	
Department Overview	49
Expenditure Detail	50
Administrative Services Department	
Department Overview	52
Objectives and Performance Indicators	53
Departmental Organization and Staffing	54
Expenditures by Function and History	55
Expenditure Detail	56
Allocation of Merit Funds	62
Allocation of Career Development Funds	63
Allocation of Computer Training Funds	64
General Fund Contingency	65
General Fund Interfund Transfers	68
Information Technology	
Department Overview	70
Objectives and Performance Indicators	71
Departmental Organization and Staffing	73
Expenditures by Function and History	74
Expenditure Detail	75
Capital Outlay	79
Planning and Development Department	
Department Overview	80

Objectives and Performance Indicators	81
Departmental Organization and Staffing	82
Expenditures by Function and History	83
Expenditure Detail	84
Capital Outlay	90

PUBLIC WORKS

Public Works Department

Department Overview	91
Objectives and Performance Indicators	92
Departmental Organization and Staffing	94
Expenditures by Function and History	96
Expenditure Detail – All Divisions.....	97

Public Works - Administration Division

Expenditure Detail	121
--------------------------	-----

Public Works – Public Facilities Maintenance Division

Expenditure Detail	127
Capital Outlay	133

Public Works - Maintenance Garage Division

Expenditure Detail	134
--------------------------	-----

Public Works - State Street Aid

Expenditure Detail	138
Capital Outlay	140

Public Works - Sanitation Division	
Expenditure Detail	141
Capital Outlay	147
Public Works - Solid Waste Disposal Division	
Expenditure Detail	148
PUBLIC SAFETY	
Public Safety Department	
Department Overview	150
Mission Statement / Objectives and Performance Indicators	152
Departmental Organization and Staffing	156
Expenditures by Function and History	158
Expenditure Detail – All Divisions	159
Public Safety - Police Division	
Expenditure Detail	181
Capital Outlay	187
Drug Forfeiture Funds	189
Public Safety - Animal Control Division	
Expenditure Detail	191
Public Safety - Fire Division	
Expenditure Detail	195
Capital Outlay	201

Public Safety - Ocean Rescue Division

Expenditure Detail202
 Capital Outlay206

Public Safety – Volunteer Fire

Expenditure Detail207

GENERAL FUND CAPITAL IMPROVEMENTS PROGRAM/GRANTS

Capital Improvements Projects209
 Grant Projects213

WATER FUND SUMMARY

Changes from Recommended to Adopted214
 Personnel Summary216
 Revenues Summary217
 Summary Budget by Department221
 Expenses by Line Item223
 Water Fund Capital Outlay229
 Water Fund Budgetary Capital230
 Expenses by Function231
 Expenses by Percentage232

Water Administration Division

Division Overview233
 Objectives and Performance Indicators234
 Departmental Organization and Staffing235
 Expenses by Function and History236
 Expenditure Detail237

Allocation of Merit Funds	241
Allocation of Career Development Funds	242
Water Fund Contingency	243
Water Fund Interfund Transfers.....	246
Septic Health Division	
Division Overview	248
Objectives and Performance Indicators	249
Departmental Organization and Staffing.....	250
Expenses by Function and History.....	251
Expense Detail.....	252
Water Operations Division	
Division Overview	256
Objectives and Performance Indicators	257
Departmental Organization and Staffing.....	259
Expenses by Function and History.....	260
Expense Detail.....	261
Capital Outlay	267
Fresh Pond Division	
Division Overview	268
Objectives and Performance Indicators	269
Expenses by Function and History.....	270
Expense Detail.....	271
Capital Outlay	275

Water Distribution Division

Division Overview 277
 Objectives and Performance Indicators 278
 Departmental Organization and Staffing 279
 Expenses by Function and History 280
 Expense Detail 281
 Capital Outlay 287

WATER FUND CAPITAL IMPROVEMENTS PROGRAM/GRANTS

Capital Improvements Projects 289
 Grant Projects 293

APPENDIX

Budget Calendar for Fiscal Year 2008-2009 294
 General Fund Revenues by Source 295
 General Fund Expenditures by Department 296
 General Fund Revenues and Expenditures (Pie Chart) 297
 Funding From Ad Valorem Taxes (Graph) 298
 Property Tax History 299
 Uncollected Property Taxes 300
 Top Ten Principal Taxpayers 301
 Historical Trends of Property Tax Rates (Graph) 302
 Water Fund Revenues and Expenditures (Pie Chart) 303
 Tax Collection Comparison (Graph) 304
 Number of Employees As Adopted General Fund (Graph) 305
 General Fund Lease Maturity Schedule 306
 Water Fund Lease Maturity Schedule 307
 Lease Maturity Schedule by Bank 308
 Capital Reserve Fund Revenues Summary 309

Capital Reserve Fund Expense Detail.....311
Capital Reserve Fund Summary Budget by Department.....313
Capital Reserve Fund Summary Budget by Line Item315
Nags Head Leasing Revenues Summary317
Nags Head Leasing Expense Detail.....319
Nags Head Leasing Interfund Transfers.....321
Changes from Recommended to Adopted – Storm Water Management Fund.....323
Storm Water Management Fund Revenues Summary.....324
Storm Water Management Fund Expense Detail326
Storm Water Summary Budget by Department.....330
Storm Water Summary Budget by Line Item.....332
Capital Improvements – Storm Water Fund336

GLOSSARY337