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Anna D. Sadler
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Susie Walters
Commissioner

MEMORANDUM

To: Mayor and Board of Commissioners

From: Town Manager

Date: May 1, 2013

Re: Recommended Budget for Fiscal Year 2013-2014

Mayor and Board of Commissioners:

Presented for your consideration is the manager's recommended budget for the Fiscal Year July 1, 2013 through June 30, 2014. 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 Finance Director Kim Kenny, PIO Roberta Thuman, Humans Resources Director Bonita Hurdle and all the Town department heads. Department Heads were asked to directly relate requests for new or expanded programs to the Town's vision/value statements. These statements were adopted by the Board in 2011 and continue to be relevant to our community and are now being directly reflected in the budget process. Those 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.

Our focus is to provide effective and efficient programs to our citizens while being mindful of the present economic conditions.

Budget Overview

This year's General Fund budget totals \$17,940,888. As a result of Dare County's revaluation process, the Town's revenue neutral tax rate is 24 cents. The recommended budget maintains that rate for operating and maintenance expenses. A \$.01 (penny) on the tax rate, based on the January 1, 2013 valuation, is equivalent to \$232,435. Included is a recommendation for a 1 cent increase to set aside funding in the Capital Reserve Fund for Parks and Paths. Potential uses of these funds are recommended for:

- continuing west side multi-use path
- maintenance of S. Virginia Dare Trail/Beach Road/S. Old Oregon Inlet Road multi-use path
- installation of new playground equipment
- replacement of outdated playground equipment
- development of soundside board walk

The FY 2013-14 operating budget follows the reappraisal of real property in Nags Head. State law requires the inclusion of a revenue-neutral tax rate in the budget immediately following the completion of a general reappraisal of real property to provide citizens with comparative information. The revenue neutral rate is defined as the rate that is estimated to produce revenues for the next fiscal year equal to the revenue for the current fiscal year if no reappraisal had occurred. The rate is then adjusted by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

The reappraisal produced a tax base of \$2,324,345,368 for Nags Head. The tax levy for the current fiscal year as of January 1, 2013 is \$5,772,352 and the growth factor since the last general reappraisal is .72%. Using the formula mandated by state law, the revenue-neutral tax rate for Nags Head is 24 cents. The recommended property tax rate for FY 2013-2014 is 25 cents, which represents an increase from the property tax rate of 17.75 cents for FY 2012-13.

This is the third year of a five year plan to off-set the pledge of the Town's occupancy tax revenue to pay the five year debt service on the issuance of an \$18 million special obligation bond for the beach nourishment project, which began in May 2011. Years one and two of the plan called for a \$.02 rate town wide and \$.16 within the municipal service district (MSD). As a result of revaluation, funding for the special obligation bond will be 1.5 cents town wide and 23 cents in the MSD, per \$100 of property valuation.

Of the recommended town wide 25 cent tax rate for FY 13-14, 1.5 cents will be the new town wide beach nourishment rate and one cent will be for the capital reserve fund for parks and paths. The new tax rate for the MSD will be .23.

As in recent years, careful consideration has been given to the organizational structure and efficiency of the Town. As a result of this review, and in an effort to meet the changing needs of the organization, you will again find a request to fund a fire marshal/deputy fire chief and an additional police officer that will be assigned to Nags Head Elementary School as a Resource Officer and to beach patrol in the summer. Funding is also provided for reclassifying a Zoning Officer in Planning to the Deputy Planning Director/Zoning Officer and reclassifying the Deputy Public Works Director to Public Works Director.

Part-time positions for residential trash cart-roll back/litter control and seasonal bathhouse cleaning are being recommended. Mandatory recycling is being recommended as a pilot project for those receiving the cart roll back service, with an associated fee to offset the cost. The recommended budget also includes an additional lifeguard stand and an increase in part time hourly wages of \$.25, the first increase in ten years.

A cost of living allowance is recommended at 2% along with performance pay.

General Fund Revenues

The total General Fund revenues for Fiscal Year 2013-2014 are recommended at \$17,940,888, versus the adopted Fiscal Year 2012-2013 budget of \$16,860,783, an overall increase of \$1,080,150 or 6.8%.

The property tax base as of January 1, 2013, which is used for budgeting ad-valorem taxes for the Fiscal Year 2013-2014, is \$2,324,345,368 versus \$3,112,748,809 in the previous fiscal year. A \$.01 (penny) on the tax rate, based on the January 1, 2013 valuation, is equivalent to \$232,435. Property tax revenue is based on 99.5% collection.

Powell Bill funds are reflected at a lower per unit funding formula in this budget at \$114,000, a decrease of \$750 or -.6% compared to the FY 2012-13 budget. Occupancy tax is budgeted at a decrease for FY 2013-2014 at \$2,403,017 or -5.8% from the 2012-2013 amended budget of \$2,550,000. Combined sales tax revenues of \$2,287,932 for 2013-2012 are up compared with last year's budget, with an increase of \$99,932 or +4.6%. Land transfer tax for 2013-2014 is budgeted at \$543,800, an increase of \$13,800 or 2.6% versus the 2012-2013 budget amount of \$530,000. Land transfer revenue had been on a steep decline from 2004-2005 when land transfer tax revenues were \$1,518,682. This year's projected increase marks the fourth year of an increase.

Building permit revenue shows a reversal of the downward trend at \$150,000, up by \$20,931 compared to a decrease of \$13,341 in 2012-2013. Revenues from review fees are flat at \$20,000. Revenues from cellular tower leases equal \$109,000. Appropriated Fund Balance represents our standard carry forward of \$300,000 and use of Powell Bill Fund Balance of \$52,850.

General Fund Expenditures

General Fund expenditures for capital improvement projects include recommended funding for the Westside Multi-use Path Phase VI in the amount of \$264,582 plus \$10,700 of Powell Bill funds for a deceleration lane into the North Ridge subdivision, with a grant request of \$137,641 from the Dare County Tourist Bureau. Funds are included and recommended for capital purchases including:

- Pick-up truck (Public Works)
- Loader (Public Works)
- Residential trash truck trailer (Public Works)
- ATV replacement for cart roll back (Public Works)
- Dumpster truck (Public Works)
- Two marked patrol cars (Police)
- Unmarked SUV (Police)
- Marked SUV (Police)
- Duty weapon replacement (Police with 100% grant)
- Video/audio surveillance equipment (Police with 100% grant)
- Two oxygen replacement packs (Fire)
- Jet ski replacement (Ocean Rescue)
- Service utility truck (Water)
- Backhoe (Water)
- Ground storage tank improvements (Water)
- Pick-up truck (Water)
- Vehicle (Septic Health)
- Gas heaters in the Water bay (work area) (Water)

Contribution to the Capital Reserve Fund is the annual offset for the collection of facility fees budgeted at \$50,000, \$558,484 in shared revenues from the municipal service district levy as described by General Statute, and \$256,160 in excess MSD 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 renourishment in the future. In addition, \$227,843 is budgeted for parks and paths generated from a one cent tax increase.

State Retirement System mandatory Town contributions increased from 6.74% to 7.07% for general employees (including Water Fund employees) and 6.77% to 7.28% for law enforcement officers, an increase of \$19,900.

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: \$10,000 in contributions to the Nature Conservancy for environmental education, \$4,000 for the Outer Banks YMCA, \$100 for the League of Women Voters and videotaping of the Nags Head Candidate's Forum, \$3,000 for Interfaith Community Outreach, and \$500 for Bike to Build. Funding for the Community Care Clinic is not recommended in exchange for reduced rent of the Outer Banks Medical Center building.

There are funds included in the FY 2013-2014 budget for the July 4th fireworks celebration as well as holiday decorations with a partial grant from the Dare County Tourist Bureau.

Town Manager

The town manager's budget shows an overall decrease in total budgeted expenditures for Fiscal Year 2013-2014 of \$126,243 or -2.3% over the prior years adopted budget.

Administrative Services

Administrative Services includes property/liability insurance and workers' compensation insurance budgeted at no change over the 2012-2013 fiscal year. The Town's portion of the employees' medical insurance package premium for 2013-2014 is budgeted at \$1,234,159 (combined General, Water, Storm Water and Retiree Funds), for an increase of \$48,884 or 4.1% from last year's 2012-2013 budget of \$1,185,275. Combined cost (General and Water Fund) for a 2% cost of living allowance is \$126,882. A new fuel efficient travel vehicle is recommended at \$22,000 through the Capital Improvement Program; an office installation at Town Hall, funded through Administrative Facility Fees, is recommended at \$40,000; and fiber installation from Town Hall to Public Works is recommended at \$23,950.

Legal

Legal fees for the Town attorney and the Board of Adjustment attorney are budgeted based on the most recent billing history and reflect no change with funding at \$175,000.

Planning

The Planning and Development Department budget recommendation shows an increase to \$771,376 for an increase of \$20,589 or+ 2.7% for FY 2013-2014.

Public Works

Public Works Administration reflects an increase of \$159,106 or +48%. Public Works Administration includes the salaries of the public works director, project coordinator (transferred from town manager's office to Public Works), office manager, and office assistant.

Public Facilities Maintenance also shows an increase of \$293,826 or +22.8%, which includes \$40,000 for Town Hall office improvements and \$86,500 for Islington Street public beach access construction. State Street Aid reflects an increase of \$52,100, which reflects revenues of \$114,000 and \$52,850 use of Powell Bill Fund Balance.

Public Works Sanitation increased to \$1,127,623 in expenditures, an increase of \$119,156 or +11.8% from the 2012-2013 budget of \$1,008,517. Tipping fees increased as a result of a Dare County policy to charge for C&D by \$64,274 or 10.8%.

Recommended through the Capital Improvement Plan is a stadium vacuum attachment for litter collection at \$18,500, a construction of a beach access at Islington Street at \$86,500.

Police

The Police Department's recommended budget for 2013-2014 is \$2,250,708, an increase of \$186,833 or +9% from the FY 2012-2013 of \$2,063,875, which includes funding for a new police officer position. Funding/debt service for the 800 MHz radio system totals \$34,688.

Fire

The Fire Department is budgeted for FY 2013-2014 at \$2,245,134, an increase of \$106,025 or +5% from the FY 2012-2013 budget of \$2,139,109. Debt Service for the tenth year for the south Nags Head Fire Station/Public Safety facility is \$119,289. Funding/debt service for the 800 MHz radio system is included at \$6,775. The Nags Head Volunteer Fire Department's recommended budget is \$33,230, an increase of \$6,532 or +24%, which includes funding for the continuation of the volunteer incentive program, turnout gear and physical assessments.

Ocean Rescue is budgeted at \$579,710, an increase of \$42,245 or 7.8% over the 2012-2013 budget of \$537,465, which includes new fixed stands in 2013 and 2014. Funding/debt service for the 800 MHz radio system is included at \$18,172. This will mark the third year of a five year plan of requested funding for new lifeguard stands.

Recommended through the Capital Improvement Plan are a turnout gear washer at \$5,750 and a thermal imager at \$13,000.

General Fund expenditures consist of \$7,789,965 in salaries and benefits, \$3,614,676 in operating expenditures, \$583,627 in capital outlay, debt payments of \$4,436,133, interfund transfers of \$1,392,487, and a contingency of \$125,000. Employee/Retiree Group Health/Dental/Vision/Life shows an increase of \$48,028. within the General Fund for a total budgeted expenditure of \$1,099,691 based on a 7% increase in health premium rates and 9% decrease in dental premium rates with no changes to the current plan. Retiree group health insurance accounts for a total of \$65,164 within this budget.

Water Fund

The Water Fund reflects total budgeted revenues of \$2,807,623 a decrease of \$79,180 or - 2.7%. Continuation of the Septic Health Initiative is recommended for funding in 2013-2014 in the amount of \$164,000, an increase of \$18,115 or 12.4%. The vacancy created by the Water Utilities Director retirement is not recommended for funding.

Recommended through the Capital Improvement Program is funding \$13,950 for fire hydrant installation along Well Field Road, and for a water line project at \$97,750 for the Villa Dunes water line extension.

Employee/Retiree Group Health/Dental/Vision/Life shows an increase of \$856 within the Water Fund for a total budgeted expenditure of \$134,468 based on a 7% increase in health premium rates and 9% decrease in dental premium rates with no changes to the current plan. Retiree group health insurance accounts for a total of \$10,861 within this budget.

Summary

The recommended budget, by fund, is as follows:

- General Fund – \$17,940,888
- Water Fund – \$2,807,623
- Storm Water Management Fund – \$149,400
- Capital Reserve Fund - \$86,463

The total recommended budget, excluding interfund transfers, is \$18,990,424. The proposed Fiscal Year 2013-2014 General Fund budget is \$575,820 or 3.1% more than the adopted 2012-2013 budget.

For all Funds, \$8,478,061 (40.40%) of expenditures is for salaries and benefits; \$4,791,987 (22.84%) for operating and maintenance expenses; \$990,368 (4.72%) for capital outlay and capital improvements; \$4,555,008 (21.71%) for debt service requirements; and \$2,168,950 (10.34%) for inter-fund transfers and contingency.