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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 16, 2012

Re: Recommended Budget for Fiscal Year 2012-2013

Mayor and Board of Commissioners:

Presented for your consideration is the manager's recommended budget for the Fiscal Year July 1, 2012 through June 30, 2013. The budget has been prepared in accordance with the NC Local Government Fiscal Control Act as required by NC General Statute Chapter 159-11. The budget maintains the current tax rate of \$.1775 town wide, with an additional \$.16 within the beach nourishment municipal service district, per \$100 of property valuation. This tax rate continues the \$.02 rate town wide and \$.16 within the municipal service district for the second year of a five year plan to offset 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. The budget also maintains current water rates.

Town department heads submitted their budget requests with the understanding that the minimal funding necessary to provide the same level of service was requested. However, an effort has been made for a renewed emphasis on employee training.

Over the course of the last four budget years, economic times have forced us to look at our organization's efficiency. In an effort to combat revenue loss, we have frozen positions, restructured employee benefits, and asked employees to do more with less. This year, 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 find a request to fund a facilities maintenance technician, a fire marshal/deputy chief, and a project manager/Town engineer. I also recommend that the Board continue to give further consideration to unfreezing the police lieutenant position.

Part-time positions for residential trash cart-roll back/litter control and seasonal bathhouse cleaning are being recommended with a revenue source to offset the cost of cart roll-back. The recommended budget also includes an additional lifeguard stand. This recommended budget, for the fifth budget year in a row, is presented as a budget to continue service level expectation at minimal cost, with very little to no effect on our residents and visitors.

General Fund Revenues

The total General Fund revenues for Fiscal Year 2012-2013 are recommended at \$16,817,348 versus the adopted Fiscal Year 2011-2012 budget of \$15,783,082 an overall increase of \$1,034,266 or 6.55%.

The property tax base as of January 1, 2012, which is used for budgeting ad-valorem taxes for the Fiscal Year 2012-2013, is \$3,112,748,809 versus \$3,093,202,818 in the previous fiscal year. A \$.01 (penny) on the tax rate, based on the January 1, 2012 valuation, is equivalent to \$311,275.

Powell Bill funds are reflected at a lower per unit funding formula in this budget at \$114,750, a decrease of \$2,250 or -1.96% compared to the FY 2011-12 budget. Occupancy tax is budgeted at an increase for FY 2012-2013 at \$2,550,000 for a \$618,720 or 32.04% increase over the 2011-2012 amended budget of \$1,931,280. Combined sales tax revenues of \$2,188,000 for 2012-2013 are up compared with last year's budget, with an increase of \$821,000 or +60.06%. Land transfer tax for 2012-2013 is budgeted at \$530,000, an increase of \$106,000 or 25.00% versus the 2011-2012 budget amount of \$424,000. 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 third year of an increase.

Building permit revenue shows the trend continuing downward at \$13,431 compared to a decrease at \$32,500 in 2011-2012. Revenues from review fees are flat at \$20,000. Rents of \$330,260 are included to reflect the pass-through of the YMCA debt payments of \$221,260, and revenues from cellular tower leases of \$109,000. The 2011-2012 Fiscal Year represented the eighth and final year full year of the lease for the former Outer Banks Medical Center building in the amount of \$35,000 and no revenue is currently shown for rent of that facility.

Appropriated Fund Balance represents our standard carry forward of \$300,000.

There is no Capital Reserve Fund Contribution revenue represented, versus the prior year's \$29,163, which 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 most, if not all, of 2012-2013. Interest is budgeted at a decrease from \$75,000 to \$70,000.

General Fund Expenditures

General Fund expenditures for capital improvement projects include recommended funding for the Westside Multi-use Path Phase 5 in the amount of \$185,000, with a grant request of \$84,162 from the Dare County Tourist Bureau. Funds are included and recommended for capital purchases including:

- zero turning radius mower (Public Works)
- replacement dump truck (Public Works)
- replacement roll off truck (Public Works)
- replacement vehicle (Police)
- replacement of an ATV with a 4 x4 utility vehicle (Police)
- replacement of two airpacks (Fire)
- replacement of an Ford F-150 (Ocean Rescue).

Contribution to the Capital Reserve Fund is the annual offset for the collection of facility fees budgeted at \$50,000, an increase of \$10,000 from the previous year, \$527,720 increase in shared revenues from the municipal service district levy and \$425,547 from the excess of 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. The Fiscal Year 2011-2012 budget submittal includes recommended funding for a 2% cost of living allowance and funding for pay for performance.

State Retirement System mandatory Town contributions decreased from 6.95% to 6.74% for general employees (including Water Fund employees) and 7.05% to 6.77% for law enforcement officers, a savings of \$2,942.

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, \$3,000 for Interfaith Community Outreach, \$3,000 for the Community Care Clinic, \$500 for Bike to Build and \$500 for undesignated contributions.

There are funds included in the FY 2012-2013 budget for the July 4th fireworks celebration with a corresponding grant from the Dare County Tourist Bureau.

Town Manager

The town manager's budget shows an overall increase in total budgeted expenditures for Fiscal Year 2012-2013 of \$247,643 or +50.55% over the prior years adopted budget. No funds are budgeted for the deputy town manager position however funds have been recommended for a change in grade for the human resources director from a Grade 21 to Grade 24, senior accountant from Grade 13 to Grade 19. Funding for new positions is included for a project manager/engineer, fire marshal/deputy fire chief and public facilities maintenance technician and \$1,938 for a summer intern.

Administrative Services

Administrative Services includes property/liability insurance budgeted at \$203,076, for an increase of \$20,688 or 11.3% versus the 2011-2012 fiscal year. Workers' compensation insurance for 2012-2013 is budgeted at \$151,410, which is a decrease of \$3,860 or -2.5%. The Town's portion of the employees' health care insurance premium for 2012-2013 is budgeted at \$1,126,932 (combined General, Water, and Storm Water Funds), for an increase of \$103,577 or 10.12 from last year's 2010-2011 budget of \$1,023,355. Combined cost (General and Water Fund) for a 2% cost of living allowance is \$119,545.

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 \$25,000 for the second consecutive year, due mainly to the cost of litigating oceanfront homes that have been declared a nuisance, from the prior fiscal year to \$175,000.

Planning

The Planning and Development Department budget recommendation shows an increase to \$766,160 for an increase of \$63,312 or +9.01% for FY 2012-2013.

Public Works

Public Works Administration reflects a decrease of \$95,038 or -22.42%. Public Works Administration includes the salaries of the, deputy public works director, office manager, and office assistant. The public works director position is recommended to be frozen at this point with the funds transferred to the water fund for a water projects manager position.

Public Facilities Maintenance also shows a decrease of \$26,499 or -2.13%. State Street Aid reflects a decrease of \$2,250 to match revenues of \$114,750.

Public Works Sanitation increased to \$1,026,305 in expenditures, an increase of \$3,028 or +.30% from the 2011-2012 budget of \$1,023,277. Included in the Fiscal Year 2012-2013 budget is replacement of a roll-off truck financed over five years at \$38,663. Tipping fees remain virtually the same

Police

The Police Department's recommended budget for 2012-2013 is \$2,091,007, an increase of \$100,972 or +5.07% from the FY 2011-2012 of \$1,990,035. One unmarked patrol vehicle is budgeted for replacement and financed at \$11,621 for three years as well as a 4 x 4 utility vehicle at \$14,303. Funding/debt service for the 800 MHz radio system totals \$33,453. The recommended budget shows Animal Control being included within the Police Department as one combined department.

At the time of this submittal funding is budgeted in over-time to manage and increased presence along the Town's beach. An alternative option for consideration is hiring non law enforcement officers on a part-time basis to educate the public of the rules and regulations governing the Town's beach.

Fire

The Fire Department is budgeted for FY 2012-2013 at \$2,056,567, an increase of \$62,337 or +3.13% from the FY 2011-2012 budget of \$1,994,230. Debt Service for the ninth year for the south Nags Head Fire Station/Public Safety facility is \$122,996. Funding/debt service for the 800 MHz radio system is included at \$6,775. Two air pack replacements at \$6,500 each are also budgeted. The Nags Head Volunteer Fire Department's recommended budget is \$27,505, an increase of \$2,423 or +9.66%, which includes funding for the continuation of the volunteer incentive program.

Ocean Rescue is budgeted at \$539,275, an increase of \$34,859 or 6.91% over the 2011-2012 budget of \$504,416. Funding/debt service for the 800 MHz radio system is included at \$19,384. This will mark the second year in a row of requested funding for a new lifeguard stand.

General Fund expenditures consist of \$7,457,898 in salaries and benefits, \$3,248,119 in operating expenditures, \$230,596 in capital outlay, debt payments of \$4,748,625, interfund transfers of \$1,002,747, and a contingency of \$129,363. Overall group health insurance shows an increase of \$103,577 within the General Fund for a total budgeted expenditure of \$1,126,932 based on a 4% increase in premium rates and no changes to the current plan. Retiree group health insurance accounts for a total of \$70,983 within this budget.

Water Fund

The Water Fund reflects total budgeted revenues of \$2,771,267, an increase of \$50,298 or +1.85%. Continuation of the Septic Health Initiative is recommended for funding in 2012-2013 in the amount of \$145,885, an increase of \$5,520 or 3.93%. Funding is also included through the freezing of the public works director and transferring the salary to fill a water projects manager position. The contribution to the General Fund for oversight and facilities has been reduced by this amount due to the direct oversight provided by this new Water Fund position.

Funding is included in the amount of \$100,000 for the Villa Dunes water line extension, \$50,000 for a new mixer in the south Nags Head water tank. Also included is funding for repainting the south Nags Head Water Tank in the amount of \$96,000.

Summary

The recommended budget, by fund, is as follows:

- General Fund – \$16,817,348
- Water Fund – \$2,771,267
- Storm Water Management Fund – \$228,736.

The total recommended budget, excluding interfund transfers, is \$18,414,604. The proposed Fiscal Year 2012-2013 General Fund budget is +9.16% more than the adopted 2011-2012 budget.

For all Funds, \$8,271,522 (41.74%) of expenditures is for salaries and benefits; \$4,497,596 (22.70%) for operating expenses; \$580,596 (2.93%) for capital outlay and capital improvements; \$4,885,527 (24.65%) for debt service requirements; and \$1,582,110 (7.98%) for inter-fund transfers and contingency, \$1,402,747 and \$179,363, respectively.

I wish to thank the Mayor and Board of Commissioners for their continued support and patience during the budget planning process. The present budget year has been very challenging, as will next budget year as we try to maintain quality service levels. The Town's staff has done an outstanding job providing incomparable services within a bare bones budget. Future budgets should also return to funding necessary capital improvement projects.

I wish to thank all Town staff for their assistance and cooperation in preparing this year's budget and to especially extend my gratitude to Finance Officer Kim Kenny, Human Resources Director Bonita Hurdle, and Planning and Development Director Elizabeth Teague for a job well done. I would also like to express my appreciation to Roberta Thuman for preparing this recommended budget for presentation to the Board.