



# Budget Workshop

May 21, 2025

# Agenda

Revaluation

Shared Revenues

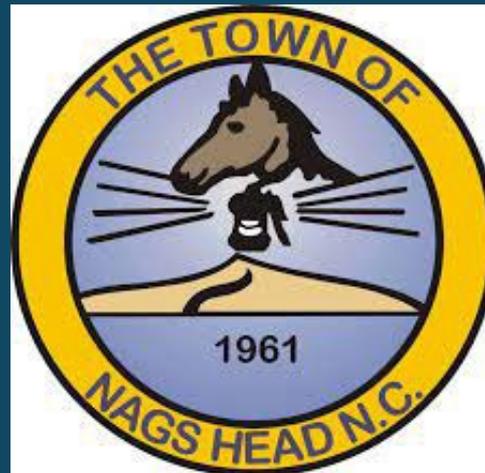
Tax Rate Considerations

Departmental Highlights

Water

Discussion

Adjournment



# Budget Calendar

- Workshops – March 5th, April 2nd, April 16th
- Presentation of Recommended Budget – May 7th
- Workshop on Recommended Budget – May 21st
- Public Hearing – June 11th
- <https://www.nagsheadnc.gov/229/Annual-Budgets>

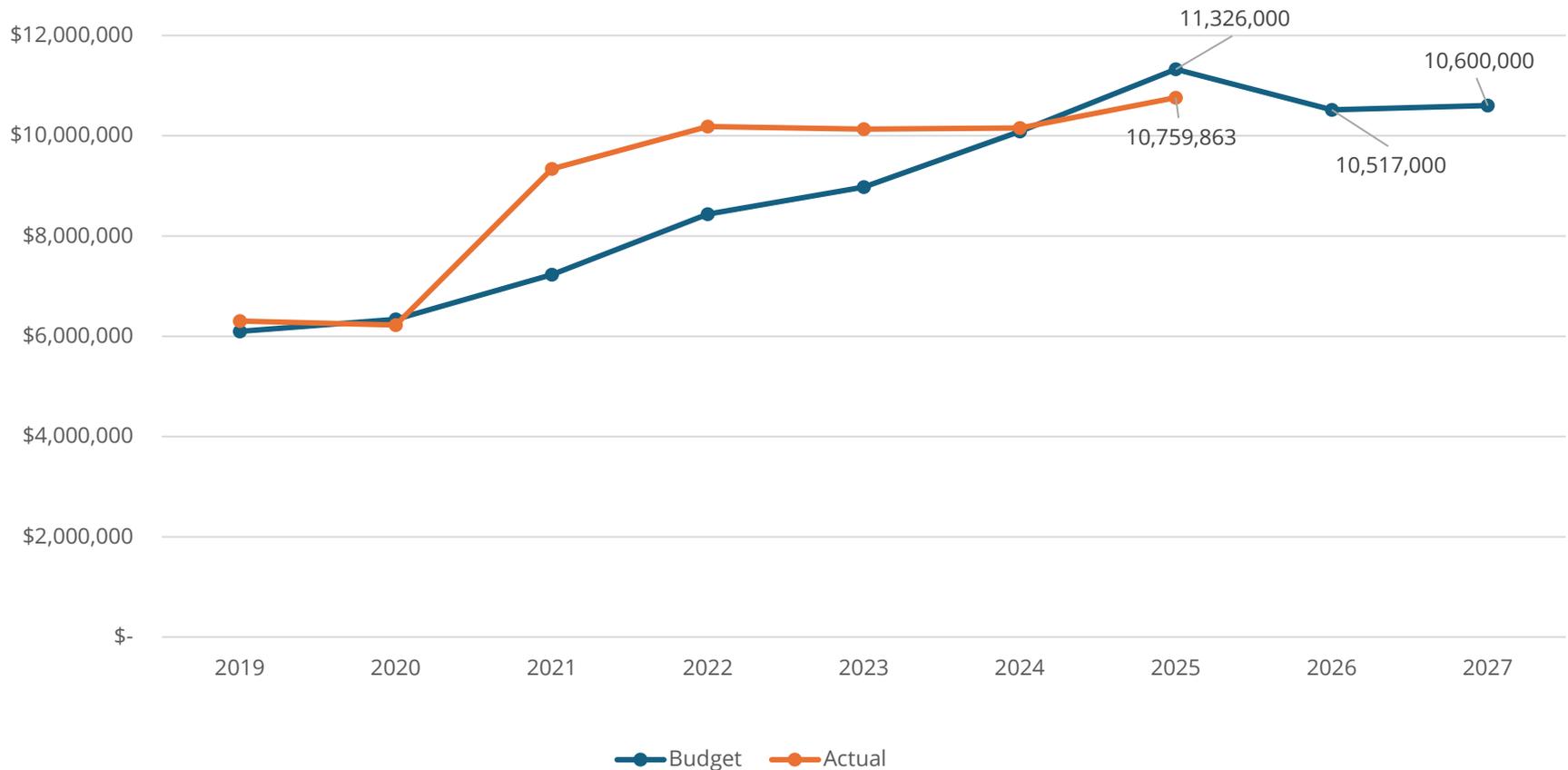
# Revaluation/Tax Rates

## Revaluation

- Property values – 59% increase (\$3,155,933,053 to \$5,014,633,053)
- Current tax rate = 33 cents per \$100 of assessed value
- Revenue neutral tax rate = 20.87 cents per \$100 of assessed value
- Recommended tax rate = 22 cents per \$100 of assessed value

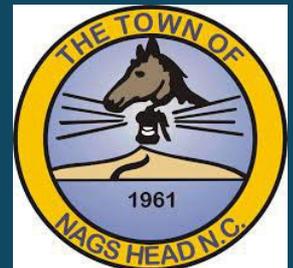
# Shared Revenues (Recommended Budget)

Budget vs. Actual Shared Revenues  
(fiscal year 2025 actual is estimated)



# Recommended Tax Increases

	<u>Tax Increase</u>
Dare County	0 cents
Nags Head	1.13 cents
Duck	2.45 cents
Kitty Hawk	3.00 cents
Southern Shores	4.00 cents
Kill Devil Hills	4.68 cents
Manteo	4.71 cents



# Shared Revenues

- Shared revenue includes occupancy, sales, and land transfer tax.
- Shared revenues represent a significant portion the town's revenue.
- Shared revenue is distributed according to tax levy size.
- When other towns raise taxes, it affects Nags Head's distribution of shared revenue.
- Shared revenue changes lag one year behind changes in the county-wide levy. If the levy percentages change in FY 2025/26, the shared revenue distribution does not change until FY 2026/27.
- Based on the proposed tax increases in Dare County for FY 2025/26, Nags Head is expected to lose \$420,000 in shared revenue in FY 2026/27. This is below what was in the financial plan in the recommended budget (\$10.18 million vs \$10.6 million).

# Tax Rate Considerations

Alternatives to preserve shared revenue:

- We recommended a one-cent tax increase in FY 26/27.
- Move the one-cent tax increase recommended for FY 2026/27 and add it to the 1.13 cent tax increase recommended for FY 2025/26.
- This would increase shared revenues to \$10.5 million in FY 2026/27, which is \$100,000 less than what is in the financial plan year in the recommended budget.
- This would be slightly less than the shared revenue budget for FY 2025/26 (\$10,517,000).
- This would be a 2.13 cent tax increase for FY 2025/26
- With this option the proposed tax rate would be 23 cents.

# Tax Rate Considerations

Another option:

- Adopt a tax rate that would preserve the shared revenue shown in the budget for the financial plan year FY 2026/27 (\$10,600,000). This equals 2.33 cents.
- This would be a 2.33 cent tax increase for FY 25/26.
- With this option, the townwide tax rate would be 23.20 cents.

# Tax Rate Considerations

What would the additional revenue be used for:

- Could offset the \$400,000 fund balance appropriation, helping our FY 24/25 fund balance in making up the shared revenue shortfall.
- Add capacity to CIF.
- Protect against economic uncertainty.
- Continuation of more aggressive CIP.
- Add .5 cents to townwide beach nourishment.

# Tax Rate Considerations

Considerations if Manager's Budget is adopted:

- The other towns' tax increases would not impact the FY 25/26 budget.
- Fund balance is budgeted at \$400,000 – do not recommend increasing.
- Would evaluate capital/CIP in FY 26/27.
- Grant opportunities in lieu of local funding.
- Keep the 1 cent tax increase in FY 26/27 – possibly increase
- FY 26/27 tax increase could help with shared revenue in FY 27/28.
- Will know appeals.

# Highlights - General Government

- **Workforce Housing/Fitness Center:** \$301,925 debt payment based on two story construction w/full apartment buildout (single phase)
- **Lakeside Traffic Signal:** \$175,000 local-cost share remainder
- **Workforce Housing (@ Community Care Clinic):** \$216,375 debt payment
- **Public Services Complex:** General Fund debt portion \$1,243,400
- **Personnel:**
  - Implement performance-based merit structure
  - Health insurance-24% increase
  - Salary study
  - 3% COLA

# Highlights – General Government

- **Insurance:** General Fund portion increase to \$455,000
- **Cloud-based storage:**
  - No longer replacing physical servers for on-premises storage
  - Software as a Service for Enterprise Resource Planning
- **Security:**
  - Additional cameras
  - Service contracts for cameras and key card system
- **IT services contract:** Third year of a 3-year contract
- **Planning and Development Initiatives:**
  - Arts and Culture Committee
  - Digitizing permit records and plan sets
  - Dark Skies, Bright Stars

# Highlights – Public Safety

- **Police:**
  - Three police vehicles
  - Annual payments for Records Management System, License Plate Readers, and In-car/Body-worn cameras
- **Fire/Ocean Rescue:**
  - Increase funding for part-time pool
  - Station 16 generator replacement
  - 4x4 truck (Deputy Chief)
  - Debt payments on two fire trucks and 4222 S. Croatan Hwy.
  - Base pay for lifeguards \$20/hour

# Highlights – Public Services

- **Pedestrian Projects:**
  - East Admiral Street sidewalk
  - Engineering for the multi-use path from Carolisa to Soundside Road
  - Annual multi-use path bulkhead and concrete repairs
- **Improvements:**
  - June Street beach access
  - Funds used to supplement drainage project areas 12-13 contingency/CA
- **Tipping Fees:**
  - Reflect lower occupancy
  - Tipping fees are increasing; C&D tonnages are increasing
- **Vehicles:**
  - Residential truck (replacement) - \$400,000
  - Knuckle boom truck (replacement) - \$200,000



# Water

# Water Rates – 5% Increase

<u>Meter Size – Billed bi-monthly</u>	<u>Minimum</u>
¾ " meter	\$46.95 <del>\$44.70</del>
1" meter	\$70.35 <del>\$67.00</del>
1 ½ " meter	\$135.15 <del>\$128.70</del>
2" meter	\$257.25 <del>\$245.00</del>
2 ½ "meter	\$371.85 <del>\$354.15</del>
3" meter	\$488.25 <del>\$465.00</del>
4" meter	\$796.30 <del>\$758.40</del>
<b>6" meter</b>	<b>\$1,984.85 <del>\$1,890.35</del></b>

<u>Water Rates/Usage – Billed bi-monthly</u>	<u>Year-Round Rate</u>
Minimum 0 - 3,000 gallons	\$46.95 <del>\$44.70</del> (3/4" meter)
3,001 - 15,000 gallons	\$8.20 <del>\$7.80</del> /thousand gallons
15,001 - 40,000 gallons	\$9.20 <del>\$8.76</del> /thousand gallons
40,001 – 75,000 gallons	\$9.80 <del>\$9.32</del> /thousand gallons
75,001 - 200,000 gallons	\$10.80 <del>\$10.28</del> /thousand gallons
<b>200,001 + gallons</b>	<b>\$11.30 <del>\$10.78</del> /thousand gallons</b>

# Water Rates

- 5% water rate across the board ~ \$200,000 increase recommended to balance budget, cover cash flows from operations (LGC indicator) and increasing capital
- Last water rate increase (not for Public Services Complex/AMI)-5% FY22
- Appropriating ~ \$375,000 in net position offsets the addition to net position in FY 24
  - Not raising rates to grow net position
- Recommend a more complete picture in looking a new concept for water rates, but recommend rate increase to keep up with covering costs

# Highlights - Water

- \$500,000 loan will be incorporated into the Water Capital Project Fund
- \$30,000 budgeted for septic loans as scope evolves
- Increase pump-out credits to \$250 - covers half the cost of a pump out
- Wholesale purchase budget remains stable builds in capacity for price increase
- **Engineering costs at both locations:** -Disinfection system conversion and engineering for upgrades/improvements
- Driftwood St. to Outer Banks Sports Club - 1,600 feet PVC water line
- Public Services Complex/AMI debt service - \$443,600
- South Nags Head ditch maintenance
- Annual water tank and tower maintenance contract



# Discussion