



**MINUTES
TOWN OF NAGS HEAD
BOARD OF COMMISSIONERS
CIP WORKSHOP (COVID-19)
WEDNESDAY, MARCH 31, 2021**

The Nags Head Board of Commissioners met in the Board Room of the Nags Head Municipal Complex located at 5401 S Croatan Highway, Nags Head, NC 27959 on Wednesday, March 31, 2021 at 9 am, and via the Zoom Platform, in order to conduct a Capital Improvement Program (CIP) Workshop.

Board members Present: Mayor Ben Cahoon; Mayor Pro Tem Michael Siers; Comr. Renée Cahoon; Comr. Webb Fuller; and Comr. Kevin Brinkley

Board members Absent: None

Others present: Interim Town Manager Greg Sparks; Dep Town Manager Andy Garman; Finance Director Amy Miller; Department Heads: Michael Zehner, Phil Webster, Shane Hite, Randy Wells, Shane Hite; David Ryan; and Town Clerk Carolyn F. Morris

CALL TO ORDER

Mayor Cahoon called the CIP Workshop to order at 9 am.

DISCUSSION

Interim Town Manager Sparks provided a brief recap to include a review of items to be purchased in the current fiscal year.

Stormwater issues at Seven Sisters and Old Nags Head Place Subdivisions were discussed.

Finance Officer Amy Miller's memo which included where the Town is currently with revenues read in part as follows:

"Staff was asked to prioritize deferred items included in the FY 21/22 operating and capital budget requests, including items in the fiscal year 2020/2021 CIP that did not get an opportunity to be reviewed or discussed. These items are to be considering funded by the Board of Commissioners in FY 20/21. Items requested include deferred maintenance and replacement items that are impacting operations. Most of these items are being requested due to the high lead times between being ordered and received. Consideration is requested for design work to be initiated in the current fiscal year for certain projects ahead of construction in FY 21/22 (if adopted) in order to have greater flexibility of project implementation timelines being initiated after the summer season. A list of items for Board consideration is attached as well as revised CIP and debt schedules to illustrate how this would impact their respective funds.

'A high-level revenue overview has been compiled to assist in analyzing debt and capital expenditures with our fiscal capacity.

'Sales tax-July through January

Sales tax revenues are in at \$2,234,992, or 80.05%, of the \$2,791,946 budget. This compares to the prior year of 68.23% of the \$2,786,954 budget. Please note all the prior year figures were before any COVID restrictive measures had taken place.

'Occupancy tax-July and January

July through January occupancy tax revenues are in at \$2,523,335, or 81.07%, of the \$3,112,469 budget. This compares to the prior year of 68.54% of the \$2,828,885 budget.

'Land transfer tax-July through December

July through December land transfer tax revenues are in at \$764,993, or 83.99%, of the \$910,839 budget. This compares to the prior year of 54.19% of the \$719,818 budget. The January through March distribution will be received in April. According to the Dare County web site, January 2021 collections (the latest month posted) were over 200% higher than January 2020 collections (\$1,193,840 compared to \$575,462).

'Total sales, occupancy, and land transfer taxes are conservatively estimated to be over budget by \$985,923

'Ad Valorem taxes

The revaluation includes a growth factor in the calculation of the revenue neutral tax rate, which was adopted. In calculating the revenue neutral tax rate, Dare County advised a 5% decrease in their estimated valuations due to property appeals. Additionally, the tax collection rate was budgeted at a relatively modest 98.5% to account for COVID unknowns. Currently our currently town-wide levy collection percentage stands at 99.857%. Our current valuation is \$3,042,823,730 as compared to the valuation estimated by Dare County at \$2,920,155,126. These are contributing factors to current ad valorem revenues (not including the beach nourishment ad valorem portion) being \$396,204 over budget.

'June 30, 2020 fund balance

The general fund unassigned fund balance on June 30, 2020, is \$8,634,215. This represents 23% of total general fund expenditures for the fiscal year or 48% of general fund expenditures excluding bond debt. The unassigned fund balance on June 30, 2019 was \$6,981,462, for an increase of \$1,652,753. This increase is addressed in the Management Discussion and Analysis of the FY 19/20 CAFR starting on page four. However, keep in mind two main factors in planning the FY 21/22 budget that will impact the FY 20/21 fund balance:

- Any fund balance appropriation in the adopted FY 21/22 budget will reduce the FY 20/21 unassigned fund balance by that same amount. The fund balance appropriation for the fiscal year 2019/2020 adopted budget was \$411,332, and no fund balance was appropriated in FY 20/21.
- The FY 21/22 CIP is requesting a \$600,000 fund balance appropriation to the streets and stormwater capital reserve.
- The general fund encumbrances carried forward to fiscal year 2021/2022 will reduce FY 20/21 unassigned fund balance by that same amount. The FY 19/20 encumbrances totaled \$1,188,722.04, as compared to FY 18/19 totaling \$1,918,908.88. By state statute, the general fund encumbrances restrict fund balance.

'As a point of reference, the fiscal year 2018/2019 general fund unassigned fund balance increase over the prior year was \$602,774.

'Revenues budgeted in FY 21/22

The town-wide only portion of ad valorem taxes for next fiscal year are budgeted \$385,245 higher than FY 20/21, with a 99.5% collection rate (assuming the same tax rate). As compared to the current adjusted budget, occupancy taxes are estimated to hold steady, sales tax is estimated at a \$236,784 increase and land

transfer tax is estimated at a (\$173,371) decrease. The Town's shared revenue percent for occupancy and land transfertaxes will decrease by (.1791%).

'Water Fund

The water utility sales revenues for fiscal year 2020/2021 were budgeted at a reduced amount of \$3,280,368 to account for the unknown impact COVID would have on tourism. They are estimated to actually be \$3,411,631. The fiscal year 2019/2020 utility sales revenues (charges for services) was \$3,318,439. Water fund unrestricted retained earnings on June 30, 2020, were \$2,788,535. No retained earnings were used to balance the FY 20/21 budget. Water utility sales are currently budgeted at \$3,452,713 for FY 21/22, with no rate change factored in.

Comr. Fuller said that he had heard that other communities are considering going back and fully budgeting their requests and he also heard others are going to request tax increases.

In response to Mayor Cahoon, Comr. Fuller stated that the attorneys are still looking at the purchase of the Town's portion of the Soundside Event Site.

Items deferred for funding in current budget

MOTION: Mayor Pro Tem Siers made a motion to approve as presented the list of deferred items (provided as page 4) for funding from the current budget. The motion was seconded by Comr. Brinkley.

Comr. Brinkley confirmed a budget amendment would be provided for consideration at the April Board meeting. Comr. Renée Cahoon requested a running update of funds the Town is receiving each month; she also thanked the Finance Director for her memo provided today which clearly outlined items.

CONTINUATION OF MOTION: The motion passed unanimously.

The list of items approved for funding in the current budget (provided as page 4) are as follows:

Purchase items

- Bay doors (Fire)
- Bay heat (Fire)
- Front load truck (Sanitation)
- Residential truck (Sanitation)
- Roll offs (Sanitation)
- Five police vehicles
- Military/Storm truck (Police)

Design work in FY 20/21

- Nags Head Cove waterlines
- S Memorial Ave drainage
- Epstein bath house

Mayor Cahoon thanked staff in the room for responding after being put on the spot and outlining critical items for purchase.

Comr. Fuller noted that Dare County Tourism Board (DCTB) grants have not yet been discussed by the DCTB; staff noted the Town requested five such grants for FY 22.

Comr. Renée Cahoon confirmed with staff that if PARTF grants were approved, staff would be able to plan accordingly.

Soundside Boardwalk - Guidance to staff for FY24

The Board discussed an access point to the sound - not just the Soundside Boardwalk; Comr. Fuller pointed out that the DCTB is going to discuss the design of the Sound Side Event site structure soon. Mayor Cahoon said that staff is to work with them to provide input concerning accesses needed.

Village at Nags Head multi-use path extension request

Comr. Renée Cahoon said she does not feel that the Village request for the multi-use path extension, while a worthy project, should be moved up in priority; they can always pay for their own sidewalk via an assessment process if necessary.

Comr. Fuller does feel that it is a missing link for the Village – if the Town did it, it would need to be done with a bulkhead to keep swales open but would be more costly.

Mayor Pro Tem Siers said that the drainage issue needs to be addressed more so than the sidewalk.

Engineer Ryan pointed out that NCDOT is not maintaining that ditch which has been a continual problem – piping in the ditch would help move stormwater the two miles needed to get to the outfall. The bulkhead option was explored but DOT said they would not permit that; Engineer Ryan also pointed out that there is a lack of DOT funds. Mayor Cahoon questioned if it would be worth it to discuss the issue with DOT.

CIP Policy

It was Board consensus that appropriate wording for a policy be developed for an upcoming agenda for Board consideration stating that funds provided for a project stay with that project - and no funding transfers between projects - and that CIP funds should stay in the CIP. Comr. Renée Cahoon asked for a policy concerning the painting of Town buildings/facilities. Staff is to modify the Budget Ordinance wording as appropriate and to look at the current CIP policy for review.

Review of CIP Spreadsheets line-by-line

Town Manager budget

Building security

In response to Comr. Fuller, Interim Manager Sparks said that the study was completed first and this takes a more pro-active approach. Mayor Cahoon wants to prioritize the access to the building. Comr. Brinkley pointed out that, right now, anyone can get to the entire Town Hall building and all offices if wanted - except for Police Dept.

Public Works Facilities Master Plan - Phase I - Comr. Fuller confirmed with Dep Manager Garman that the Board consensus was to keep the Area of Environmental Control (AEC).

Bonnett St sidewalk extension – concur

Barnes St sidewalk extension – concur

Soundside boardwalk – already discussed

Admiral St sidewalk extension – concur

West side MUP Phase IX – Finance Director Miller said that the design and construction is scheduled for continuing the path in FY 2023; Staff is to bring back information as the project moves forward.

Planning Dept

Skate park – concur

Emergency Operations Plan (EOP) update – not been told definitive “no” yet for Hurricane Dorian funds for cost of consultant; A more realistic cost in the amount of \$45,000 instead of \$75,000

Records management/digitization

Whalebone Park restrooms

Estuarine master plan

Risk and vulnerability assessment – this can be removed.

Public Works Facilities Maintenance

FY 2022 items

Replacement loader – being moved to brush yard and the one there will be surplus

Stormwater projects – makes sense to tie streets into that project.

Comr. Fuller does not see doing stormwater projects without streets and waterline at the same time

Mayor Cahoon emphasized that today’s workshop is more about understanding the items, not necessarily checking off items ready for purchasing.

Side-load dumpsters

Comr. Renée Cahoon questioned what is being done to make front-load dumpsters work in areas/streets where they don’t work; we can’t expect subdivisions to pay for sideload dumpsters the Town requires.

Mayor Cahoon wants to make sure the public is aware that the Town is committed and to put folks on notice when there are no more as we can only maintain equipment as best we can. Dep Manager Garman said that dumpsters will be slowly converted. It was Board consensus to make sure property owners are aware of the issues moving forward with the front-load dumpsters.

Police

Message Board and Radar trailer - Per Police Chief Webster the more immediate request is for the radar trailer.

Fire

Comr. Fuller asked about a replacement pumper or a replacement Quint – Fire Chief Wells said he’d like to surplus the two pumpers and move the Quint into reserve status. Dep Fire Chief Hite said that the ladder truck does not always allow them to get to the top level of houses which is why the Quint is needed.

Comr. Renée Cahoon asked about vehicle extraction tools in FY 2024; Fire Chief Wells said he should know something later this year - the entire cost to the Town would not be \$155,000. Finance Director Miller is to make a note of this on the list.

Water Operations

It was noted that the one million gallon treatment train needs to stay on the CIP schedule but the Town is not anywhere near the limit required to take action.

Water Distribution

Comr. Renée Cahoon does want to upgrade the Town’s water meter infrastructure but not at the listed cost. Dep Manager Garman explained the new system would be a cell tower system – there would be savings on investments as well as a savings on staff.

