

Bob Oakes
Mayor

Wayne Gray
Mayor Pro Tem

Cliff Ogburn
Town Manager



Town of Nags Head

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

Doug Remaley
Commissioner

Anna D. Sadler
Commissioner

M. Renée Cahoon
Commissioner

MEMORANDUM

To: Mayor and Board of Commissioners

From: Town Manager

Date: May 18, 2011

Re: Recommended Budget for Fiscal Year 2011-2012

Mayor and Board of Commissioners:

Presented for your consideration is the Manager's recommended budget for Fiscal Year beginning July 1, 2011 and ending June 30, 2012. 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 increases the current tax rate of \$.1575 to \$.1775 town wide with an additional \$.16 increase within the beach nourishment municipal service district, per \$100 of property valuation. This tax increase is due to the need 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 scheduled to begin in June 2011. The tax collection rate is budgeted at 99.0%. The budget includes an additional fee for trash cart roll-back for properties facing Hwy 12 and SR 1243 in the General Fund, and a 5% increase in water rates due to a recommendation from the Local Government Commission and an effort to narrow the gap between expenditures and revenues.

Town department heads submitted their budget requests with the understanding that the minimal funding necessary to provide the same level of service was to be requested.

The current economic times have forced us to look at our organizational efficiency. We have asked employees to do more with less in an effort to combat revenue loss, for a third consecutive budget year. One of the decisions that resulted in a considerable savings was made

by the Board of Commissioners in 2008 to freeze positions when they became vacant. While the recommended budget does not include funding for any new full-time positions, careful consideration needs to be given to funding these vacancies in the near future.

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, which will require no supplementary funding.

This recommended budget, for the fifth budget year in a row, proposes no new programs and is presented as a budget to continue service level expectation at minimal cost.

General Fund Revenues

The total General Fund revenues for Fiscal Year 2011-2012 are recommended at \$15,399,269, versus the adopted Fiscal Year 2010-2011 budget of \$10,975,194, an overall increase of \$4,424,075 or 40.31%.

The property tax base as of January 1, 2011, which is used for budgeting ad-valorem taxes for the Fiscal Year 2011-2012, is \$3,093,202,818 versus \$3,089,935,959 in the previous fiscal year. A \$.01 (penny) on the tax rate, based on the January 1, 2011 valuation, is equivalent to \$309,320.

Powell Bill funds are reflected at a higher per unit funding formula in this budget at \$117,000, an increase of \$12,610 or +10.70% compared to the FY 2010-11 budget. Occupancy tax is budgeted at an increase for FY 2011-2012 at \$1,931,280 for a \$161,280 or 9.11% increase over the 2010-2011 amended budget of \$1,770,000. Combined sales tax revenues of \$1,367,000 for 2011-2012 are up compared with last year's budget, with an increase of \$141,900 or +11.58%. Land transfer tax for 2011-2012 is budgeted at \$424,000, an increase of \$76,000 or 21.84% versus the 2010-2011 budget amount of \$348,000. 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 second year of an increase.

Building permit revenue shows the trend continuing downward at \$32,500 compared to a decrease of the same figure in 2010-2011. Revenues from review fees have declined at \$20,000. Rents of \$369,020 are included to reflect the pass-through of the YMCA debt payments of \$239,020, the seventh 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 \$105,000.

Appropriated Fund Balance represents an outstanding carry forward of \$300,000, supplemented by a \$125,000 carry forward of unused Contingency Funds from FY 2010-2011. This recommended Appropriated Fund Balance carry forward totals \$425,000 for FY 2011-2012.

The Capital Reserve Fund Contribution revenue of \$29,163, versus the prior year's \$134,630, 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 2010-2011.

General Fund Expenditures

General Fund expenditures do not include recommended funding for any new capital improvement projects. Funds are included and recommended for capital purchases including: replacement of a server in Information Technology, Microsoft Office updates, replacement of the knuckle boom truck in Sanitation, replacement of four Police patrol vehicles, two air packs for Fire and Rescue, and street improvement projects.

Contribution to the Capital Reserve Fund is the annual offset for the collection of facility fees budgeted at \$40,000, reduced from \$100,000 the previous year and \$306,638 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, but does not include funding for merit.

An increase of \$19,249 has been budgeted as a mandatory increase from 6.43% to 6.96% to the state retirement system.

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: \$15,000 for erosion abatement, \$10,400 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, and \$2,000 for undesignated contributions.

There are no funds included in the FY 2011-2012 budget for the July 4th fireworks celebration at the time of this recommended submittal.

Town Manager

The Town Manager's budget shows an overall increase in total budgeted expenditures for Fiscal Year 2011-2012 of \$3,990 or +.83% over the prior years adopted budget. No funds are budgeted for the deputy town manager position.

Administrative Services

Administrative Services includes property/liability insurance budgeted at \$182,388, for an increase of \$51,258 or 39.1% versus the 2010-2011 fiscal year. Workers' compensation insurance for 2011-2012 is budgeted at \$155,000, which is an increase of \$7,565 or +4.8%. The Town's portion of the employees' health care insurance premium for 2011-2012 is budgeted at \$1,025,616 (combined General, Water, and Storm Water Funds), for an increase of \$46,644 or 4.76% from last year's 2010-2011 budget of \$978,972. Combined cost (General and Water Fund) for a 2% cost of living allowance is \$120,749.

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 \$30,000 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 \$150,000.

Planning

The Planning and Development Department budget recommendation shows a decrease to \$702,848 for a decrease of \$99,090 or -12.36% for FY 2011-2012.

Public Works

Public Works Administration reflects a slight increase of \$9,071 or +2.17%. 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 an increase of \$36,877 or +4.20%. An additional \$26,528 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 an increase of \$12,610 to match revenues of \$117,000.

Public Works Sanitation increased to \$1,017,247 in expenditures, an increase of \$30,062 or +3.05% from the 2010-2011 budget of \$960,682. Included in the Fiscal Year 2011-2012 budget is replacement of the knuckle boom truck financed over five years at \$33,186. Tipping fees reflect no change in the rate or in estimated tonnage based on a slight decrease in actual tons.

Police

The Police Department's recommended budget for 2011-2012 is 1,911,024 for an increase of \$116,352 or +6.48% from the FY 2010-2011 of \$1,761,222. Four marked patrol vehicles are budgeted for replacement and financed at \$50,592 for three years. Funding/debt service for the 800 MHz radio system totals \$36,297.

Animal Control shows an increase of \$2,446 or 3.19% to \$79,011 in the 2011-2012 budget submittal. Funding/debt service for the 800 MHz radio system includes \$1,361.

Fire

The Fire Department is budgeted for FY 2011-2012 at \$1,994,230 or an increase of \$892 or +.04% from the FY 2010-2011 budget of \$1,956,950. Debt Service for the eighth year for the new south Nags Head Fire Station/Public Safety facility is \$126,703. Funding/debt service for the 800 MHz radio system is included at \$7,227, down considerably from the \$30,000 projected due to grant funding. Two air pack replacements at \$6,100 each are also budgeted. The Nags Head Volunteer Fire Department's recommended budget is \$25,082 for an increase of \$7,668 or +44.03%, which includes funding for the continuation of the volunteer incentive program.

Ocean Rescue is budgeted at \$504,416, a decrease of \$14,048 or 2.71% over the 2010-2011 budget of \$518,464. Funding/debt service for the 800 MHz radio system is included at \$19,384.

General Fund expenditures consist of \$5,236,476 in salaries, \$1,788,743 in benefits, \$2,772,290 in operating expenditures, \$222,434 in capital outlay and capital improvement, debt payments of \$4,907,688, interfund transfers of \$346,638, and a contingency of \$125,000. Overall group health insurance shows an increase of \$40,535 within the General Fund for a total budgeted expenditure of \$893,557 based

on a 5% increase in premium rates and no changes to the current plan. Retiree group health insurance accounts for a total of \$59,073 within this budget.

Water Fund

The Water Fund reflects total budgeted revenues of \$2,720,969, an increase of \$366,659 or +14%. Continuation of the Septic Health Initiative is recommended for funding in 2011-2012 in the amount of \$140,365 an increase of \$1,254 or .90%.

An increase of \$2,874 is shown to reflect the mandatory increase from 6.43% to 6.96% in state retirement system contribution.

Summary

The recommended budget, by fund, is as follows: General Fund – \$15,399,269; Water Fund – \$2,720,969; Storm Water Management Fund – \$312,113. The total recommended budget, excluding interfund transfers, is \$17,571,712. The proposed Fiscal Year 2011-2012 General Fund budget is +35.99% more than the adopted 2010-2011 budget.

For all Funds, \$7,781,484 (42.21%) of expenditures is for salaries and benefits; \$4,226,295 (22.93%) for operating expenses; \$341,758 (1.85%) for capital outlay and capital improvements; \$5,047,358 (27.38%) for debt service requirements; and \$1,036,638 (5.62%) for inter-fund transfers and contingency, \$861,638 and \$175,000, respectively.

I wish to thank the Mayor and Board of Commissioners for their 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 with reduced staff. Future budget years will be equally difficult and should focus on reinstating staffing at the right level for the future direction and philosophy that the Board deems appropriate. 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 and Human Resources Director Bonita Hurdle 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.