MINUTES
TOWN OF NAGS HEAD
BOARD OF COMMISSIONERS
RECESSED SESSION
WEDNESDAY, APRIL 16, 2025

The Nags Head Board of Commissioners met at the Board Room located at 5401 S Croatan Highway, Nags Head, North Carolina on Wednesday, April 16, 2025 at 9:00 AM for a Recessed Meeting.

Board Members Present:	Mayor Ben Cahoon; Mayor Pro Tem Michael Siers; Comr. Bob Sanders; and Comr. Megan Lambert
Board Members Absent:	None (One vacancy)
Others Present:	Town Manager Andy Garman; Amy Miller; Kelly Wyatt; Randy Wells; Chris Montgomery; Nancy Carawan; Karen Snyder; Shane Hite; Katie Anzalone; Jan Mielke; Donna Creef; Mark Browder; and Town Clerk Brittany A. Phillips

Mayor Cahoon called the meeting to order at 09:00 a.m.

ADOPTION OF AGENDA
MOTION: Comr. Sanders moved to approve the April 16th agenda as presented. The motion was seconded by Mayor Pro Tem Siers, which passed unanimously.

PUBLIC COMMENT
There was no one present who wished to speak during Public Comment.

ITEMS REFERRED TO AND PRESENTATIONS FROM TOWN MANAGER
Presentation and Consideration of Staff Medical Plan
Human Resources Director Jan Mielke introduced Mark Browder from Mark III to present medical plan options for Board consideration.

His presentation is attached to and made a part of these minutes as shown in Addendum "A".

The cost increase at renewal from our current provider, Aetna, would be 58.8%, which equates to approximately $1.2 million to the Town. This is due in part to the influx of unpaid claims from Medcost that Aetna took on when we switched providers last year.

There are three medical plan funding strategies that an employer can choose from: Fully Insured, Balance Funded/Guaranteed Cost, or Self-Funding. It is being recommended that we join the Carolina Public Entity Cooperative (CPEC) which will be administered through Blue Cross Blue Shield of NC (BCBSNC). This is a unique funding model using pooling to reduce volatility. CPEC is organized by an Intergovernmental Agreement and governed by NC Statutes and regulated by the NC Department of Insurance. Each participating entity is an owner and partner in the Cooperative. A representative from the Town of Nags Head would be on the CPEC Board of Trustees.

Mayor Cahoon asked about guardrails that are provided with this approach. Mr. Browder explained that MIT avoided making a difficult decision to raise premiums. Mark III will let the Board know what needs to be done to keep things in a stable condition. Comr. Sanders asked if we should expect to see four-eight percent increases. Mr. Browder stated that increases are claim-driven and usually average in the mid-single digits. They will likely recommend having small incremental increases even in the good years.

Manager Garman noted that Town staff has done research, and they believe this is the best option over the five-year timeframe.

Mayor Cahoon questioned the forecast for the future of Mark III. Mr. Browder explained that they are transitioning from a small business to a mid-size employer and are the last of the independents. They have been established for 50 years and have third generation family members in the business.

The Board noted that they trust the work and research of the Town staff.

MOTION: Mayor Pro Tem Siers moved to approve the CPEC plan as presented. The motion was seconded by Comr. Lambert, which passed unanimously.

BOARD OF COMMISSIONERS AGENDA
Board members had nothing new to report.

MAYOR'S AGENDA
Mayor Cahoon provided an update on pending state legislation that poses significant challenges to local government planning and zoning authority, particularly for coastal communities like Nags Head. He referenced ongoing communications from himself and Manager Garman regarding several proposed bills currently under consideration by the General Assembly. Of chief concern is House Bill 765 (H765), an omnibus bill containing a broad range of provisions that would restrict municipalities' ability to manage land use, density, parking requirements, and development patterns. The towns of Duck and Kill Devil Hills adopted formal resolutions in opposition at their last meetings. Nags Head was able to submit a detailed letter to the bill's primary sponsor, Representative Zenger. The letter outlined local concerns and offered constructive suggestions. Although the legislator's initial response was not receptive, they did invite further input, which the Town provided. The Town will consider if a Resolution will be needed at the May meeting.

Mayor Cahoon reported a phone conversation with Senator Hanig during the legislative session. Senator Hanig expressed support for the Town's concerns and described the legislation as "bad." Mayor Cahoon also noted that the Town is benefiting from increased advocacy in Raleigh this year, with both professional support and connections within the legislature. He is coordinating with other Dare County mayors to organize a group visit to Raleigh to further discuss the implications of these bills with lawmakers. Ward and Smith has offered to arrange meetings with legislators during this visit, which is tentatively being scheduled for the weeks following the legislature's upcoming spring break.

Manager Garman added that while H765 is a key focus, the Town's letter also addressed other bills of concern:

- H876 and S495, which would mandate the allowance of Accessory Dwelling Units (ADUs) in all residential districts without local regulatory control.
- S587, which would prevent the Town from creating non-conformities through zoning ordinance updates unless the affected property owners provide written consent.
- S493, which would eliminate municipal authority over extraterritorial jurisdiction (ETJ). This is concerning for Nags Head as it regulates ocean and sound activities in these areas. Manager Garman noted that elimination of ETJ authority is also being considered as part of the state budget.

Mayor Cahoon emphasized that this update was being shared not only for the Board's awareness but also for the benefit of the public, given the complex and far-reaching nature of the proposed bills and the difficulty many residents may have in tracking state-level legislative developments amidst their day-to-day responsibilities.

Mayor Cahoon and Manager Garman emphasized some practical impacts these bills could have on Nags Head. For example, state-mandated density standards could lead to inappropriate development in sensitive areas like Nags Head Woods (SED-80 district), where current lot sizes are 80,000 square feet. Under the proposed mandates, the Town could be required to allow four or more dwelling units per acre, significantly changing the character of the area and creating infrastructure, parking, and environmental challenges. He warned that the inability to regulate parking or density could result in serious conflicts in already constrained areas such as Beach Road. Mayor Cahoon noted that while the Town supports increasing housing availability, blanket state requirements that override local planning and infrastructure considerations are not appropriate for every community.

The Mayor and Manager reiterated their intent to maintain ongoing communication with legislators and keep the Board informed.

ADJOURNMENT/RECESS TO FY 25/26 BUDGET WORKSHOP
MOTION: Mayor Pro Tem Siers moved to recess to the FY 25/26 Budget Workshop. The motion was seconded by Comr. Sanders, which passed unanimously. The time was 9:53 a.m.

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Brittany A. Phillips, Town Clerk

Date Approved: **May 7, 2025**

Mayor: ________________________________
Benjamin Cahoon

MINUTES
TOWN OF NAGS HEAD
BOARD OF COMMISSIONERS
BUDGET WORKSHOP
WEDNESDAY, APRIL 16, 2025

The Nags Head Board of Commissioners met in the Board Room located at 5401 S Croatan Highway, Nags Head, North Carolina on Wednesday, April 16, 2025 for a FY 25/26 Budget Workshop that followed the Recessed Meeting.

Board members Present:	Mayor Ben Cahoon; Mayor Pro Tem Michael Siers; Comr. Bob Sanders; and Comr. Megan Lambert
Board members Absent:	None (One vacancy)
Others present:	Town Manager Andy Garman; Amy Miller; Randy Wells; Shane Hite; Karen Snyder; Jan Mielke; Katie Anzalone; and Town Clerk Brittany A. Phillips

CALL TO ORDER
Mayor Cahoon called the Budget Workshop to order at 09:53 a.m.

BUDGET PREPARATION FOLLOW UP
Manager Garman introduced the budget workshop. Deputy Town Manager/Finance Director Miller's slides for this meeting are attached to and made a part of these minutes as shown in Addendum "A".

Shared Revenues

Town Manager Garman provided an update on shared revenues, noting that current projections are below expectations, contributing to a shortfall in the current budget cycle. Finance Director Miller elaborated on the financial outlook, referencing a projected $500,000 shortfall in shared revenues (sales, occupancy, and land transfer taxes) and explaining the impact of the Town of Duck's recent three-cent tax increase on revenue distribution. For FY26, the Town is budgeting approximately $660,000 less in shared revenues compared to the current year.

Deputy Manager/Finance Director Miller emphasized the importance of a disciplined, incremental approach to rate setting—citing parallels with health insurance and water rates—rather than spiked, irregular increases. She reported an anticipated $350,000 surplus in interest income and a $140,000 surplus in utility sales tax revenues, which will help offset the overall shortfall. The Town's fund balance remains within the 25–35% target range, though it may dip below the 35% cap. To balance the FY26 budget, staff anticipates the need to appropriate $400,000 from fund balance, consistent with the prior fiscal year.

Revaluation

Deputy Manager/Finance Director Miller provided an overview of the recent countywide tax revaluation and its implications for the Town. She noted that the townwide revenue neutral tax rate is approximately $0.21, consistent with earlier projections. Seven separate revenue neutral rates were calculated for the Town and its Municipal Service Districts (MSDs), all of which have changed due to revaluation. The new rates reflect statutory calculations, including a state-mandated growth factor based on average valuation growth since the last revaluation.

Miller explained that under the new valuation, the value of one penny on the tax rate has increased from approximately $315,000 to $500,000. The valuation figure includes real property, motor vehicles, corporate utilities, and personal property, though only real property is subject to revaluation. In line with county guidance, the Town has reduced real property values by 5% to account for anticipated appeals, a higher rate than previous years due to the simplified appeals process.

Manager Garman emphasized that all municipalities in the county are following the same methodology and statutory requirements. He noted the resulting variations in MSD rates, where previously identical rates now differ due to district-specific valuations. The Board was asked to consider whether to maintain precise revenue neutral rates or round them for consistency and simplicity. Garman also acknowledged that while the Town is currently planning to maintain revenue neutrality without a tax increase, future revenue needs—including impacts from reduced occupancy tax and increased health insurance costs—may necessitate a rate increase in coming years.

Capital
Deputy Manager/Finance Director Miller stated that one of the creative responses to the current budget challenges might include reducing or shifting capital projects within the Capital Improvement Plan (CIP), not with the intention of deferring, but of making smart decisions in light of rising and volatile market costs. She noted that these considerations have been discussed with staff. She highlighted several major budget items, including:

- Health insurance increases and shared revenue losses, both of which are significant hits to the budget.
- The fitness center/workforce housing, with funding first appearing in FY26. This assumes full apartment buildout in a single phase, but breaking the project into two phases could save approximately $100,000. Miller suggested that this could be considered, pending board guidance.
- The Lakeside traffic signal, with $175,000 currently in the CIP, is expected to cost nearly double that amount. The Town anticipates cost sharing with NCDOT and has budgeted only the local portion.
- The Ocean Rescue housing project has over $200,000 in debt payments. A $4 million grant from the Land and Water Fund is expected but is not yet budgeted.

Manager Garman added that the $4 million Land and Water Fund grant is tied to an easement the Town is placing on the Fresh Pond property. Once the easement is recorded with the state, the Town expects to receive the funding. This money may be used in FY27 or later to offset capital project costs. Garman stressed that this is a positive long-term development.

Miller noted increased operating costs associated with the new Public Services Complex due to its larger size and features such as air conditioning. This will likely result in higher insurance, utility, and contracted maintenance costs. She reiterated that there is a current budget shortfall, and the CIP must remain flexible. She mentioned the possibility of returning to financing vehicles and equipment, potentially over three years, which would reduce upfront costs. With vehicle prices now reaching $70,000 or more, original assumptions no longer hold. She included a placeholder tax increase in FY27 to balance the plan, noting that this is not an adopted increase and is subject to board direction. She clarified that only FY26 will be adopted in the budget ordinance, and FY26 currently reflects no tax increase, only the revenue-neutral rate.

Mayor Cahoon asked what neighboring municipalities plan regarding tax increases.

Miller responded she had not yet asked but would do so and already had information about their appeals percentages.

Garman noted that Dare County has publicly stated an intent to adopt the revenue-neutral rate, and Duck already adopted a tax increase this fiscal year.

Miller said she would follow up with other municipalities via email.

Mayor Pro Tem Siers requested confirmation from the county as even a small increase could significantly impact Nags Head residents.

Garman confirmed they would reach out to get this information.

Mayor Cahoon emphasized the need to be transparent and acknowledged that while avoiding a tax increase is preferable, the Town must do what's necessary to serve the community.

Commissioner Lambert expressed concern about delaying action, citing the example of the health insurance company's annual increases potentially compounding over time.

Garman reflected on past planning efforts, including the CIP developed with the Carters, noting that assumptions about costs have drastically changed. For example, outfitted police vehicles have risen from the mid-$40,000 range to $65,000, and construction costs continue to rise. He emphasized the right-timing of expenditures rather than deferral. The Town has already adjusted the sanitation vehicle budget from $1.8 million to below $1 million by working with staff to assess vehicle condition and replacement timing.
He stated that the Town will need to make difficult choices unless it increases funding capacity, though it will continue to pursue grants actively. Regarding the water fund, the Town began a water system master plan and rate study, but concluded it needs to wait due to pending appropriations for replacing asbestos cement water lines, which could significantly alter the water CIP. He expects more clarity for the next budget cycle.
Mayor Cahoon appreciated the disciplined approach, calling this a necessary "pencil-sharpening year" and noted both the Town and its residents are operating in a challenging financial climate. He stressed that right-

timing projects is responsible governance.
Commissioner Sanders agreed and supported staff's careful planning.

Mayor Pro Tem Siers reflected on past challenges, particularly years of deferred projects, and urged the board not to let infrastructure plans fall behind again. He emphasized maintaining momentum, especially on stormwater, citing its growing importance due to unpredictable weather. He cautioned against basing estimates solely on recent high-revenue years and suggested looking back at pre-COVID trends (2017–2019) for safer revenue forecasting.

Garman recalled earlier decisions to delay certain stormwater projects based on cost-benefit analysis. Thanks to nearly $6 million in grants, some of those delayed projects are now moving forward with minimal local expense. He highlighted the success of pursuing funding rather than rushing projects into the budget. For FY26, the Town plans to pause streets, water, and stormwater projects to reassess. It may also delay multi-use path projects along the beach road and instead pursue grant opportunities for the remaining segments from Curlew to 8th Street.

Mayor Pro Tem Siers reminded the board that some sidewalk and path grant sources are also facing shortfalls, suggesting that available funding may become more limited in the future.

Garman agreed, noting that some programs such as FEMA's BRIC (Building Resilient Infrastructure and Communities) have been cut, and that Nags Head has benefitted from ARPA and state funds, but those will not always be available.

Water Rates
Finance Director Amy Miller and Town Manager Andy Garman provided an overview of ongoing discussions related to the Town's water rate structure. Miller noted that the current rate structure results in non-residential customers slightly subsidizing residential customers due to tiered rates. Institutional users such as hospitals and schools naturally fall into the highest tier due to high water needs, limiting their ability to conserve. The consultants recommend retaining the existing structure with 3,000 gallons included in the base rate to minimize volatility.

Staff is exploring alternatives, including seasonal rates similar to Dare County's model, which differentiates between high- and low-demand months. Other options include class-based distinctions (residential vs. non-residential), charging irrigation at the highest rate, and simplified tier structures. No structural changes are proposed for FY 26; these are concepts for future consideration.

Garman emphasized that any potential changes would require more analysis, public discussion, and coordination with the Town's Capital Improvement Plan (CIP) to ensure alignment with long-term financial needs. He expressed that changes should not be rushed and will be better suited for the next budget cycle.
Mayor Pro Tem Siers raised concerns about timing, especially with potential increases from Dare County to fund waterline projects. Miller stated the County rate is trued up in December, which underscores the importance of keeping pace with annual cost increases. She added that the recently installed water meters have helped reduce water loss and detected leaks, which has been well received by residents.
Commissioners and staff discussed the Town's current bi-monthly billing cycle. Miller mentioned exploring a possible shift to quarterly billing for efficiency, though Mayor Pro Tem Siers expressed concern about the impact on residents with fixed incomes and suggested monthly billing might be more beneficial.
Miller concluded by noting a proposed 5% rate increase is included in the draft FY 26 budget to help cover costs, consistent with Local Government Commission (LGC) guidance requiring rates to cover operating expenses. No final decisions have been made, and staff will continue to analyze options.

Personnel
Human Resources Director Mielke presented several personnel-related budget recommendations for the upcoming fiscal year:

1. Pay and Classification Study: The Town last conducted a study around FY21. A new study is proposed for FY26 at an estimated cost of $50,000, with implementation of recommendations in FY27. Based on the previous study, anticipated implementation costs are around $300,000. Nearby jurisdictions, such as Kill Devil Hills, are currently undergoing similar studies, and Dare County completed one in 2023.
2. Police Shift Differential: A proposed $1/hour differential for night shifts (6 p.m. to 6 a.m.) for law enforcement officers, at an estimated annual cost of $23,000. This is not currently offered by any local agencies and is aimed at improving recruitment, retention, and recognizing the demands of overnight work.
3. Cost of Living Adjustment (COLA): A 3% COLA is recommended, aligned with the January CPI, consistent with historical Town practice. Estimated cost is $362,000 (General Fund) and $32,000 (Water Fund). Other local governments are considering similar COLAs.
4. Merit Increases: A merit pool funded at 1.5% of payroll is recommended, with awards targeted to high performers. Individual increases could range from 3–5%, resulting in a potential combined

increase of up to 8% when combined with COLA. Estimated cost is $181,000 (General Fund) and $16,000 (Water Fund).

No objections were noted, and the Board acknowledged the recommendations.

Fire Staffing Overview
Chief Wells provided an overview of current fire department staffing levels and recent improvements. The department maintains 24 full-time personnel across three shifts, in addition to two chief officers. The Ocean Rescue Director transitions into the department following peak season to assist with staffing flexibility and scheduling.

Chief Wells reported that in FY24, $22,000 was allocated for part-time staffing, which increased to $49,000 in FY25—funding approximately 100 24-hour shifts. As a result, part-time staffing hours increased from 222 hours in FY24 to 1,828.75 hours in FY25. Overtime was reduced from 1,022 hours to 290 hours, and average daily staffing improved from 6.5 to 7.09 firefighters per day. These improvements allowed the department to meet its goal of staffing four personnel at Station 16 approximately 50% of the time.

To further improve coverage and meet strategic staffing recommendations, Chief Wells requested a 25% increase in part-time staffing funding, approximately $12,500, to support an additional 122 shifts per year. The department intends to advertise for two additional part-time firefighters to supplement the five currently available, due to scheduling limitations among existing staff.

An update was also provided on the department's volunteer program. The number of active volunteers has increased to 10, the highest in recent years. While most are new and require training and equipment, they are actively participating where possible and contributing positively to the department.

Chief Wells noted these staffing improvements have enhanced operational readiness and expressed appreciation for the Board's continued support. Mayor Cahoon commended the department's progress, particularly the growth of the volunteer program.

DISCUSSION
Mayor Cahoon requested an update on the remaining budget schedule and public outreach efforts regarding the proposed budget. Town Manager Garman responded that the proposed budget will be presented at the Board's first meeting in May, scheduled for May 7. The public hearing on the budget will take place on June 11th.

Manager Garman noted that the Town will advertise the availability of the proposed budget and ensure it is accessible to the public, including posting it on the Town's website. Following adoption, a "Budget in Brief" document will be prepared, and a newsletter summarizing budget highlights will be distributed during the summer. He emphasized that current efforts will focus on publicizing the proposed budget and encouraging public review.

ADJOURNMENT
Comr. Sanders moved to adjourn. The motion was seconded by Mayor Pro Tem. Siers, which passed unanimously. The time was 10:58 a.m.

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Brittany A. Phillips, Town Clerk

Date Approved: **May 7, 2025**

Mayor: ________________________
Benjamin Cahoon