



TOWN OF KILL DEVIL HILLS

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JOHN L. WINDLEY

Mayor Pro Tem
IVY RAY INGRAM

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BERNARD B. MCAVOY, JR.

Town Manager
DEBORA P. DIAZ

Assistant Town Manager
CHARLENE S. ALLEN

Town Clerk
JAMES MICHAEL O'DELL

Town Attorney
CASEY C. VARNELL

Local Government Commission
3200 Atlantic Avenue
Raleigh, North Carolina 27604

Subject: Response to Financial Performance Indicator of Concern:
Capital Assets Condition Ratio

Every 10 years the Town of Kill Devil Hills contracts with an engineer to complete an update to the Water System Master Plan (WSMP). The latest WSMP was completed in January 2022. This update evaluated current and future demands of the Town, evaluated Dare County source water quantity and quality, performed condition assessment on the Town's existing assets, updated the Town's Capital Improvement Plan, and evaluated and updated the Town's rates and fees. The results of this evaluation found:

"The Town continues to do an excellent job of managing both the infrastructure and finances of the water system. The water system is currently in good financial condition and benefits from being largely built out with many redundancies and few weaknesses. There are no imminently critical infrastructure projects required for the operation of the water system within the next 10 years which allows the Town to continue with the AC pipe replacement projects and for budgeting for larger capital projects such as the Eighth street maintenance yard. As described previously, the water system has very little debt and a stable fund balance, allowing for flexibility moving into and beyond the next planning period."

The WSMP update outlined a 10-year capital improvement plan. The engineers also recommended rate increases at 4% per year to allow for sufficient funds to meet the operation and maintenance costs and capital expenditures while maintaining a slight overall increase in fund balance over the 10-year period.

The Town was pleased with the findings of the WSMP update completed in 2022 and is committed to ensuring the water system remains in good financial condition and the infrastructure is able to meet the needs of the Town in the near and long term. This will be accomplished by following both the capital improvements plan outlined by the engineer and staying

committed to annual 4% rate increases. The rate increases and capital projects outlined in the plan will continue to be evaluated on an annual basis to ensure these projects remain feasible for completion to ensure the water system remains in good condition. Though the asset condition formula was slightly below the recommended 0.5 at 0.46, the Town of Kill Devil Hills is taking steps to increase this number by addressing the needs identified in the WSMP. The Town had \$2,577,667 in Construction in Progress as of June 30, 2025 for two large water main projects. In addition, the Town has set aside money in the FY 2025-26 budget to address capital needs including \$2,250,000 for a new Water Systems building, \$300,000 for renovations to the Water Plant building, and \$765,850 for other waterline improvements.

These projects were some of the most crucial identified in the WSMP and their completion will help to increase the capital asset condition ratio to a more desirable level. The Town remains confident in the condition of its assets and remains committed to following the recommendations of the engineers.

John Windley, Mayor

Ivy Ingram, Mayor *Pro Tem*

T. Dillon Heikens, Commissioner

Bernard B. "B.J." McAvoy, Commissioner

Debora P. Díaz, Town Manager

Angell Doughtie, Finance Director