



FY 2022-2023 Budget Message

To: The Honorable Mayor Smith and Town Board, and Topsail Beach Citizens

Date: May 27, 2022

On behalf of the entire Topsail Beach staff, I am pleased to submit to you the Manager's Recommended Budget for FY 2022 – 2023 for your review and consideration. The development of this proposed budget is consistent with the requirements set forth in the North Carolina General Statutes, particularly with respect to the Local Government Budget and Fiscal Control Act. It combines the goals and vision of the Board with the sound financial principles the Town has followed over the years. This year's proposed budget considers impacts from the local, state, and federal levels as the nation continues to deal with the recovery from a global pandemic, the rise of inflation and the associated increase in expenses, and supply chain concerns. Topsail Beach faces natural impacts as well, including sea level rise and increased intensity of storms. These issues can impact groundwater levels, nuisance flooding, and increased stormwater effects. These and many other issues impact how the Town prepares a budget to meet the needs of the entire community.

Budget workshops and the annual Retreat started in February as the Commissioners established its goals and priorities for the Town moving forward. The Department Heads started review of the current budget and explored the needs for FY 2023 starting in January, as they considered the goals of their individual departments, coupled with the knowledge of both service and regulatory needs. The Finance Director reviewed revenue sources and trends to determine the expected funding totals. Based on the goals and priorities established by Board of Commissioners at the annual retreat in February, the staff prepared the departmental needs focusing on the provision of services in the most efficient and cost-effective manner. Once draft documents were prepared, the Board held three workshops starting in April to review and modify the proposed budget figures. The proposed budget considers specific mandates from the state and federal governments, as well as the current proposed changes in legislation that could affect state shared revenues and levels of service.

In developing this budget, staff focused on the top priorities established by the Commissioners in the February Retreat. These priorities helped to guide the development of a comprehensive budget for FY 2023 and position the Town for future budgets. Below is a brief overview of the priorities.

PRIORITY	DESCRIPTION
Water System Improvements	Review existing water system strengths and weaknesses to determine short- and long-term improvements. Address water quality issues and identify water supply options
Improved Fire Service	Continued efforts to provide 24/7 coverage with adequate number of personnel. Provide for the necessary staffing & related needs. Identify necessary fire protection improvements such as hydrant maintenance, major capital improvement needs.
Detailed Emergency Plan	Update and expand the existing Emergency Plan to include multiple hazard scenarios. Coordinate with key agencies and communities for a comprehensive plan
Staff Requirement / Retention	Identify plans / options to assist all departments in recruiting for vacant positions with the Town. Identify benefits and needs to help retain current employees
Wastewater System Planning	Continue efforts to review potential options for a wastewater treatment for the Town to eventually replace septic systems. Identify desired collection and treatment systems and capital /operations costs
Sound Side Planning	Address growing concerns for sound side planning including impacts from King Tides, erosion control, water quality, recreational potential at public accesses. Coordinate with the BIS Committee's goals
Storm Water / Flooding Issues	Identify critical areas of need to address increased flooding impacts resulting from storm events and/or higher than normal water events. Consider both physical improvement needs and policy changes to mitigate water impacts affecting safe travel
Facilities Planning (8)	Expand existing Space Needs / Facilities Study to include increased opportunities with the purchase of new property. Consider possible grants available for planning and construction.

With these priorities as a guideline, an aggressive budget was prepared designed to implement strategies to address these growing concerns. Topsail Beach recognizes that while our goal is to remain the quiet, family-friendly community we all desire, we must plan for and take the necessary steps to meet the changes we are faced with on a regular basis. These changing dynamics help determine the service levels necessary to maintain the high standards for Topsail Beach.

The Town and its staff make every effort to plan for fiscal responsibility in the utilization of all tax dollars. We consistently look to provide for the needs of our citizens and property owners while being cognizant of how these funds are spent. But in order to meet the increasing costs of the daily operations of the Town, as well as to address the needs listed in the priorities, this budget proposes a tax increase of \$0.03 per \$100 valuation. This proposed budget increases the tax rate from \$0.31 per \$100 to \$0.34 per \$100. The entire amount of the increase will go to the General Fund, with a rate of \$0.2775, with BIS remaining at \$0.0625. This budget does not propose any increases to the water rates or solid waste/recycling fees.

Taking into all of these factors, this year’s recommended General Operating Budget is a balanced budget totaling \$8,207,559 for the General Fund, BIS Funds, Special Funds, and the Utility Enterprise Funds. This compares to \$12,203,100 in FY 2021 – 2022. There is no scheduled major Channel Dredging and Beach Nourishment Project in this year’s BIS Fund, accounting in part for the decreased budget total. A closer look at the breakdown of the budget by fund shows the following:

	<u>FY 2022 Amended</u>	<u>Proposed FY 2023</u>
General Fund	\$3,840,200	\$4,985,375
BIS Fund	\$6,626,800	\$1,590,000
Utility Fund	\$1,016,100	\$1,021,100
Session Law 2019-75	\$720,000	\$475,000
Federal ARPA	\$0	\$136,084

In addition to the funding received through taxes, state-shared revenues, fees, and related sources, the Town has also received grant funding in the past. This current year saw unprecedented amounts of money available through grants and related sources from both the federal government and the state legislators. Many of these grants have an impact as to how the FY 2023 Budget was prepared, either directly or indirectly depending on availability and timing of the grants. Each grant has its own guidelines and requirements on how the money is received, how it can be used, and the reporting requirements to the state or local agency overseeing the grant. In some cases, the FY 2023 Budget includes the grant dollars. Other grants will have to be added to the budget if they are awarded to the Town. In all, the Town has received or requested grant funds in the amount of \$3,061,084. It is important to note that there is no guarantee that all funds will be awarded to the Town, or that all of the money will be spent in FY 2023. Below is an overview of the various grants that have been received or application submitted.

GRANT	DESCRIPTION	AMOUNT
<p>Asset Inventory & Assessment Grant</p> <p>NCDEQ</p>	<p>The AIA project includes GPS-GIS mapping for the water system and an update for hydraulic model created in 2008, plus an Asset Inventory Assessment (AIA) providing risk, criticality, and condition evaluation for the four (4) wells, two (2) existing water treatment plant(s), with ground storage tanks plus the elevated tank and water distribution system.</p>	<p>\$180,000</p>
<p>Water Supply Grant</p> <p>NCDEQ</p>	<p>The project will study potential system expansion to meet future needs. This could include expansion of our existing system, or alternative projects that create a new interconnection between systems not previously interconnected. The study will include the information regarding all aspects of regionalization. The outcome of the study could be a recommendation for one or a combination of alternatives.</p>	<p>\$185,000</p>
<p>SAFER Grant</p> <p>FEMA</p>	<p>The Staffing for Adequate Fire and Emergency Response Grants (SAFER) was created to provide funding directly to fire departments and volunteer firefighter interest organizations to help them increase or maintain the number of trained, "front line" firefighters available in their communities.</p>	<p>\$360,000/Year for 3 years (Estimated based on 6 approved positions)</p>
<p>S.L. 2021-180</p> <p>NCGA / NC DEQ/Division of Water Infrastructure</p>	<p>The 2021 American Rescue Plan (ARP) provides funds, through the State Fiscal Recovery Fund, that the NC General Assembly allocated as 100% grants. Topsail Beach received appropriated fund amounts as part of this bill for water system improvements. Topsail Beach will receive funds on a reimbursement basis after the recipient awards a division-approved construction contract.</p>	<p>\$1,070,000</p>

<p>Congressionally Directed Spending/ Community Project Funding</p> <p>Sponsored by Federal Representatives</p>	<p>President Joe Biden signed into law the \$1.5 trillion Consolidated Appropriations Act of 2022 (the Omnibus) (Public Law No. 117-103) on March 15, 2022. Included in the Omnibus for the first time in a decade was a large portfolio of earmarks. Community Project Funding (CPF) is defined as any congressionally directed spending, tax benefit or tariff benefit that would benefit an entity or a specific state, locality or congressional district. Potentially eligible projects range from infrastructure, community programs, university research, hospitals and other local initiatives.</p>	<p>The total project cost is \$540,000. The funding amount requested is \$405,000. The Town of Topsail Beach would provide the required 25 percent match, which equals \$135,000.</p>
<p>Emergency Management Disaster Relief and Mitigation Fund</p> <p>NCDPS</p>	<p>Flood mitigation grants funded through the Emergency Management Disaster Relief and Mitigation Fund allocated as a part of the 2021 state budget. Eligible applicants are state agencies, units of local government, and nonprofit corporations for use in <i>flood mitigation</i> efforts. Projects can be 100% funded with no cost share and are paid on a <i>reimbursement</i> basis.</p>	<p>\$560,000</p>
<p>State Capital and Infrastructure Fund</p> <p>Office of State Budget and Management</p>	<p>OSBM is administering several State Capital and Infrastructure Fund (SCIF) Directed Grants as appropriated by the North Carolina General Assembly</p> <p>Topsail Beach received these funds for the purchase of Emergency Equipment.</p>	<p>\$100,000</p>
<p>Federal ARPA</p>	<p>Signed into law on March 11, 2021, The American Rescue Plan Act of 2021 (“ARPA”) provides \$350 billion in additional funding for state and local governments. Eligible uses of these funds include Revenue replacement for the provision of government services.</p>	<p>\$136,084</p>

Office of State Fire Marshall / 2022 COVID – 19 Financial Relief Grant NCDOI	Available for equipment needs including complete turn-out gear	\$10,000
2022 Supplemental Grant NCDOI	This grant was created to assist fire departments to purchase equipment and make capital expenditures.	\$50,000
NCLM Safety Grant	The NCLM Safety Grant program is provided exclusively for Municipalities' participating in the workers compensation and property and casualty insurance pool programs. The NCLM has allotted \$100,000 in each pool to help members purchase equipment and services that will significantly reduce the potential for future workers' compensation, property/casualty, or liability insurance claims.	\$5,000

SUMMARY

The Topsail Beach FY 2023 Budget is a **Plan and a Commitment** for the future. While it establishes a spending plan for the next fiscal year, it also establishes commitments moving forward beyond one year. It represents a commitment to improved fire services, to providing high quality and reliable water system, to developing advanced protocols for emergency operations, and to address both storm water issues, and “sunny day” flooding caused by continuing rising sea waters. It identifies funding sources to help meet the expenses that the Town anticipates for FY 2023 and beyond.

The FY 2023 budget reflects the priorities of the Town Board of Commissioners and staff and we are committed to providing a high level of service to our residents, property owners, and visitors while maintaining a strong sense of fiscal responsibility. We cannot always control the environment surrounding us, but we can plan to always address our needs with the best interests of our community in mind. As a resort community we face unique challenges, particularly during the tourist season. While we are home to a little over 400 permanent residents, our community is also a place for many second homes and investment rental properties as a resort town. We know that Topsail Beach will continue to be a destination location and as such we must be prepared to provide the critical services. The amount of day trippers to the island is certainly expected to increase as growth in the Wilmington area, and particularly Hampstead and Surf City, which will certainly impact the Town and the services we provide.

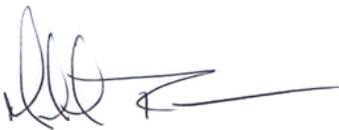
We are committed to provide excellent core services like police and fire, public works and sanitation services, clean water, and safe access while maintaining strong amenities such as Town Center Park and Bush Marina. We are committed to preserving and protecting our beaches and our waterways, as reflected in the completion of our Storm Damage Reduction Plan and Beach Nourishment Project. We are committed to face the challenge of increased impacts from flooding, particularly on the sound side of the island. But mostly, we are committed to providing our residents and property owners the best services in a fiscally responsible manner. We must continue to be vigilant in our efforts and dedicated to the overall goal of providing a safe, affordable, and attractive place for our citizens and our businesses while managing the growth in Topsail Beach. The budget is a tool to help us achieve our goals.

This annual budget provides details of the spending plan for the year and sources of revenue to meet those obligations. Also included are specifically identified goals and objectives for each department. The tables on the following pages highlight both the revenues and expenditures proposed for FY 23 in comparison with the FY 22 budget. Again, this budget represents a forecast of the revenues and expenses for the upcoming fiscal year. As such, it is subject to change as a result of unforeseen events and should therefore be looked at as a fluid document. Although every effort is made to anticipate all needs, the budget is monitored throughout the year and appropriate amendments are brought to Board's attention for consideration.

In closing, I would like to recognize and thank the elected officials and entire Town staff for their efforts in developing this budget. Budget preparation involves many difficult decisions, with needs often greater than resources available. Commissioners and staff have and will continue to devote countless hours to review of the details within the proposed budget in order to shape the best document possible. This budget is not successful without the help of each department head, whose diligence and willingness to be part of this process helped in the preparation of this budget.

We look forward to the implementation of another successful budget and financial operations in Fiscal Year 2023.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Michael Rose', with a long horizontal line extending to the right.

Michael Rose
Town Manager