



FY 2019-2020 Budget Message

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

Date: May 31, 2019

On behalf of the entire Topsail Beach staff, I am pleased to submit to you the Manager's Recommended Budget for FY 2019 – 2020 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. Each year the staff begins its review in January, starting with the current budget and consideration of upcoming needs for the new fiscal year. Department heads consider the goals of their individual departments, coupled with the knowledge of both service and regulatory needs. The Finance Director reviews 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, the staff prepares the departmental needs focusing on the provision of services in the most efficient and cost effective manner. The proposed budget takes into account 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. The FY 20 Budget also takes into account the Property Reappraisal completed by the Pender County Tax Office. North Carolina General Statutes 159-11(e) requires that in a year where property reappraisal is completed, "...the budget officer shall include in the budget, for comparison purposes, a statement of the revenue-neutral property tax rate for the budget." Staff has prepared a review of the calculated Revenue Neutral Tax Rate which is discussed later in this document.

This year's recommended General Operating Budget is a balanced budget totaling \$29,627,475 for the General Fund, Restricted Funds and the Utility Enterprise Funds. This compares to \$28,571,406 in FY 2018 – 2019. In both years, over \$24 million was designated for our next Storm Damage Reduction Project budgeted in the BIS Fund. The project has carried over from FY 2019 as much of the project was held over to this new fiscal year. A closer look at the breakdown of the budget by fund shows the following:

	<u>FY 2019</u>	<u>Proposed FY 2020</u>
General Fund	\$2,988,155	\$3,189,475
BIS Fund	\$24,578,895	\$25,545,000
Utility Enterprise Fund	\$1,004,356	\$893,000

GENERAL FUND

The General Fund is the daily operating account for the Town. The large majority of services available to the residents and visitors of Topsail Beach falls under the General Fund. For the purpose of this budget, the General Fund consists of the following departments and the service they provide:

- ❖ Administration (includes Town Board, Administration, and Inspections/Planning)
- ❖ Police
- ❖ Fire
- ❖ Public Works (includes Powell Bill Funds)
- ❖ Solid Waste
- ❖ Bush Marina
- ❖ Beach Management and Tourism

Department heads were charged with the task of keeping operational costs as close to previous years as possible, and to identify potential cost reductions. Certain annual expenses are dictated by outside considerations, such as health care coverage, state mandated retirement contributions, property and liability insurance, and general inflationary costs. This budget does address staffing needs moving forward for the Town, including two new positions in Administration (Deputy Clerk and Account Technician) and a new full-time Firefighter. The budget also includes an increase to the salary line item for potential merit increases. Capital items within the budget (those large item purchases that are not re-occurring) are included in each department's budget. For the most part, the budget tries to hold the line on most of the operational costs, such as departmental supplies, maintenance and repair needs, staff development, and vehicle operations. Detailed line item expenses are shown in the budget by department later in this document. Funds are appropriated at adequate levels in order to maintain or improve the quality and the level of service that has been provided historically.

For FY 2020, Public Safety accounts for approximately 42.3% of the operating and capital budget within the General Fund. Much of the larger expense is in capital as the Town provides for vehicles and equipment necessary for the provision of services. Personnel costs are also a significant portion of the operational costs as both police and fire provide for protection to

our citizens and businesses. Administration accounts for the next largest percentage of annual cost at 24.9%. The chart on below highlights the General Fund expenses by department for FY 2020.



BIS FUND

Topsail Beach recognizes the vital role that our beach, inlet and sound have as a recreational, environmental, and economical engine for our community. As such, this and previous Board of Commissioners have been prudent stewards of these assets, aided by the Beach, Inlet and Sound (BIS) Committee. The BIS Committee evaluates beach project options and makes recommendations to the Board for future activities. It is also responsible for communication with the public on these matters including hosting several Community Forums.

The Town has been proactive in its efforts to maintain both the beach and the waterways, largely through the development and implementation of its 30 year Storm Damage Reduction Plan. To ensure that adequate funding would be available to supplement federal and state funds, the Town established a separate BIS Fund, utilizing a portion of the tax revenues generated as well as accommodation taxes collected. This allows the Town to be in position to continue its scheduled maintenance projects as well as being prepared for unanticipated disasters such as hurricanes and nor'easters.

This year's budget includes more than \$24 million for the construction of the next phase of the 30 year plan. This project, designed to provide protection to properties from the impacts of storms and erosions, includes among other efforts the development of a new dune and the widening of the public trust beach. Permitting project is underway and schedule to begin in November 2019.

UTILITY ENTERPRISE FUND

The FY2020 Utility Enterprise Fund budget focuses largely on the provision of water to our homes and businesses. This budget allows the Town to address not only current needs and demands, but also begins to prepare for the future needs as well. Efforts are in place to explore future options for both water and a wastewater service as the Town continues to deal with growth and environmental concerns. It is critical that the Town is proactive when it comes to planning for an essential service like water and wastewater management. The Town has made significant capital investment in water projects over the past several years, most notably the construction of the existing water tower. Those necessary improvements were funded through no-interest or low interest loans that created debt service for the fund.

This budget maintains the current rate structure for water usage. It includes a water facility charge designed to maintain funds to offset the debt service, and therefore position the Town to make necessary improvements in the future.

SUMMARY

Topsail Beach is home to a little over 400 permanent residents, but is also a place for many second homes and investment rental properties as a resort town. We provide services for an estimated 8,000 to 10,000 people during the summer months. This increase in activity places a significant strain on the services provided, whether it is from a public safety aspect or the provision of water. Growth in the Wilmington area, and particularly Hampstead, will certainly impact the Town in terms of the number of day trippers to the beach. The new high-rise bridge opened this past winter, and will make access to the area even easier. We do not know yet the full impact the new bridge will have on our daily population. We are confident that we will have a very busy summer and fall even after the effects of Hurricane Florence.

The FY 2020 budget reflects the priorities of the Town Board of Commissioners and staff as we move forward. The Board and staff 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 address our needs with the best interests of our community in mind at all times. As a resort community we face unique challenges, particularly during the tourist season. 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 through our Storm Damage Reduction Plan and Beach Nourishment so that our homes and property are protected while providing the best recreational beaches possible. 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.

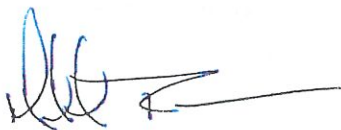
This annual budget provides details of the spending plan for the year and sources of revenue to meet those obligations. Also included are specifically identified goals and objectives for each department. The tables on the following pages highlight both the revenues and expenditures proposed for FY20 in comparison with the FY19 budget. Also shown are actual revenues and expenditures for FY18 and year-to-date FY19. The breakdown of revenues includes Operating Revenues, Grant Proceeds, and Transfers In from Capital Reserves. Expenditures highlight Personnel and Operating Costs, Capital Outlay, and Debt Service.

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 review and action.

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. Board members 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. I would particularly like to recognize Connie Forand, Finance Director, for her efforts.

We look forward to the implementation of another successful budget and financial operations in Fiscal Year 2020.

Respectfully submitted,



Michael Rose
Town Manager

BUDGETARY AUTHORITY

State law defines an annual budget as "a proposed *plan* for raising and spending money for specified programs, functions, activities or objectives during a fiscal year." While this definition may seem simple, budgets usually contain a considerable amount of detailed information. The fact remains however, that a budget exists as the single most comprehensive annually updated financial guide to the services provided to the citizens of a community.

The Town of Topsail Beach, like all local governments throughout North Carolina, prepares, adopts, and administers its budget in accordance with the Local Government Budget and Fiscal Control Act (LGBFCA). This Act establishes responsibilities in the adoption of the budget and most importantly, requires that the budget be *balanced*. In other words, the estimated revenues must equal the proposed spending. North Carolina local governments operate under a July 1 - June 30 fiscal year. A budget must be adopted by June 30th of each year, or interim provisions must occur.

The spending for the coming year is authorized through the Town Board's adoption of a *budget ordinance*. This action authorizes the spending, assures that the budget is balanced, levies the property tax for that budget year, and formally authorizes related fee schedules. Under North Carolina law, local property taxes may not be changed at any point in the year once adopted without input from the State government.

By law, each year a public hearing is held by the Town Board to receive comments from citizens and taxpayers on the recommended budget. That hearing is usually held after the Town Manager formally presents the recommended budget to the governing body. Throughout the budget review period, copies of the recommended budget are kept on file for public review in the Town Finance Director's office and with the Town Clerk.

PUBLIC DOCUMENT

The Fiscal Year 2020 Budget is a public document and is available for review at the Town of Topsail Beach's Town Hall, 820 S. Anderson Blvd., during the Town's normal office hours 8:00 am to 5:00 pm Monday through Friday; the Town's office is closed weekends and for authorized holidays. It is also available for viewing on the Town's website at www.Topsailbeach.org. The public hearing date for the FY 2019 Budget is set for June 12th, 2019.

BUDGET OFFICER

The Town's Manager serves as the budget officer and is authorized to amend the budget within departments and present the amendments for Board approval within the fiscal year.

AUTHORIZATION

The approved budget authorizes the Town Manager to oversee the use of the approved appropriations in accordance with the Town Board's policies and relevant statutes and regulations.