



## FY 2021-2022 Budget Message

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

**Date:** June 1, 2021

On behalf of the entire Topsail Beach staff, I am pleased to submit to you the Manager's Recommended Budget for FY 2021 – 2022 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 the staff and Board of Commissioners worked hard to address the impacts felt from the pandemic. Workshops started in December as the Commissioners discussed capital needs and priorities for the Town moving forward, with later meetings in January to discuss projected impacts to the summer season resulting from paid parking in neighboring communities. The Board and staff reviewed the actual impacts from the pandemic on the budget for FY 2020-2021 and the projections for the upcoming months. Department heads 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.

The FY 22 Budget considers the economic ramifications resulting from the COVID-19 pandemic while looking at the national and state economic forecasts for the coming year. At the time of budget preparation, there is still some unknown economic impacts from the virus at the Federal, State, and Local levels. Federal funding, such as the American Rescue Plan (ARP) are anticipated but it is still unknown exactly how those funds can be utilized. Other grants or similar recovery funds may become available as well and would require some budget adjustments.

Additionally, the FY 22 Budget looks at the growth of our community and the changing dynamics of how we provide the service levels necessary to maintain the high standards for Topsail Beach. Specifically, the Town is exploring several changes that are necessary to meet our needs. Some of the critical changes include:

- 1) **Municipal Fire Services:** More and more it has become necessary for the Town to always have guaranteed firefighters available. Topsail Beach has been fortunate to have a strong Volunteer Fire Department over the years with reliable and competent volunteers to help meet our needs. Throughout the state and including our Town, it is harder to meet the fire service needs based solely on volunteers. As such, the Town is moving towards building a Municipal Fire Department that includes paid firefighters to be available on a 24/7 basis. Volunteers will still be a part of the service, but we cannot rely solely on volunteer efforts. Additional firefighters will also require additional expenses, including but not limited to, housing, uniforms, equipment, and related items.
- 2) **Increased Beach Presence:** As the number of visitors to our town continues to increase, more pressure is placed on our services. The Public Works Department will spend more time on trash collection, crossover maintenance, and general appearance needs. The Police Department will continue its efforts to monitor activity on the beach through its Beach Patrol staff.
- 3) **Household Trash Collection:** The Town currently contracts with Tons of Trash to provide our household waste collection as well as our bulk item and vegetation collection. TOT has not increased contractual costs to the Town in over three years, but a new contract is due. In addition, the Commissioners plan on instituting a roll-back service by the provider to ensure trash cans are removed from the street on the day of collection.

As with all budget preparations, several assumptions were made based on conversations at the Retreat and subsequent workshops. These are as follows:

- 1) **No Tax Increase:** The proposed budget leaves the tax rate at \$0.29 per \$100 valuation. However, staff has expressed concern that the current rate makes it difficult to achieve all the goals discussed in the preparatory meetings. Specifically, at least one firefighting position is not funded until mid-year. Monies for major storm water projects are not included, and very little is set aside for potential projects unidentified at this time. While future revenue resources may be identified (i.e. paid parking, grants), it is clear that a tax increase will be necessary in the near future to continue to provide and expand necessary services. A discussion of the distribution of the tax rate follows later in this report.
- 2) **Water Rates:** This budget does include a proposed water rate increase for the first time since 2013. In the past two years, the Local Government Commission has expressed concern about small water systems, including Topsail Beach, and their ability to maintain services with reasonable debt ratio capacity. In an effort to be proactive, the Town had the North Carolina Rural Water Association prepare a Rate

Study for the Town. The study identified a five-year plan, including a proposed rate increase and facility charge increase. Detailed information can be found in the Utilities section of the budget.

- 3) **Solid Waste / Recycling Charges:** In planning for the anticipated increase in solid waste services and for the provision of the new roll-back trash can services, this budget does propose an increase in the monthly fees from \$15 per can per month to \$17 per can per month. Additionally, the budget proposes an increase in recycling fees from \$3 to \$5 a month to help offset the increasing costs of recycling. The budget also proposes a \$10 a month fee to designated businesses within the Town.
- 4) **Maintain Services Levels:** As mentioned, this proposed budget attempts to maintain current service levels and expand levels where necessary.

This year’s recommended General Operating Budget is a balanced budget totaling \$11,979,100 for the General Fund, BIS Funds, Special Funds, and the Utility Enterprise Funds. This compares to \$19,705,992 in FY 2020 – 2021. The major reason for the significant decrease in the total funding has to do with the majority of the Storm Damage Reduction Project being completed in FY 21. The BIS Fund went from \$13 million in FY 2021 to just over \$6.6 million in the FY 22 budget. A closer look at the breakdown of the budget by fund shows the following:

	<u>Amended FY 2021</u>	<u>Proposed FY 2022</u>
General Fund	\$3,938,625	\$3,634,200
BIS Fund	\$13,065,000	\$6,608,800
Utility Enterprise Fund	\$1,035,700	\$1,016,100
Session Law 2019-75	\$1,666,667	\$720,000

## SUMMARY

The Topsail Beach FY 2022 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 providing for our recreational opportunities while protecting our natural resources. As a coastal community, we face threats unique to our area and we must plan in advance for those possibilities. Since 2016, Topsail Beach faced these unique challenges that, as a community, we have been able to stand together and persevere. In 2016 it was Hurricane Matthew, followed by Hurricane Florence in 2018, Hurricane Dorian in 2019, and Hurricane Isaias in 2020. We did this and dealt with a global pandemic and maintained our financial stability. It is difficult to continually take on the devastating impacts from these major events, but with sound fiscal planning the Town will make it work.

The FY 2022 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. 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. As we transition into the various phases of recovery from the Coronavirus pandemic, we anticipate an even greater demand on our resources as more people enjoy our newly renourished beach strand. 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. In FY 2021, the Town began efforts to address the sound side with the development of Living Shoreline Projects at Rocky Mount, and plans for Haywood Avenue, and Ward Ave. These projects are designed to protect our homes and property while providing the best recreational beaches possible. Protecting our natural environment is critical for our long term sustainability. 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 22 in comparison with the FY 21 budget. Also shown are actual revenues and expenditures for FY20 and year-to-date FY 21. 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.

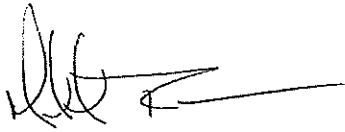
Again, this budget represents a forecast of the revenues and expenses for the upcoming fiscal year. As such, it is subject to change as a result of unforeseen events and should therefore be looked at as a fluid document. Although every effort is made to anticipate all needs, the budget is monitored throughout 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 2022.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'MR', with a long horizontal line extending to the right.

Michael Rose  
Town Manager