



FY 2018-2019 Budget Message

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

Date: May 31, 2018

On behalf of the entire Topsail Beach staff, I am pleased to submit to you the Manager's Recommended Budget for FY 2018 – 2019 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 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 Town 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 both 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 budget document provides detailed line item information that describes revenues and expenditures for each annually-budgeted fund.

This year's recommended General Operating Budget is a balanced budget totaling \$28,571,406 for the General Fund, Restricted Funds and the Utility Enterprise Funds. This compares to \$29,430,333 (as amended) in FY 2017 – 2018. 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 2018 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 2018</u>	<u>Proposed FY 2019</u>
General Fund	\$3,716,060	\$2,988,155
BIS Fund	\$24,807,100	\$24,578,895
Utility Fund	\$907,173	\$1,004,356

This proposed budget recommends leaving the tax rate level at \$0.3125 per \$100 valuation. The General Fund tax rate would remain at \$0.1925 per \$100 valuation, while the BIS Fund would remain at \$0.12 per \$100 valuation. The combined tax rate for Topsail Beach of \$0.3125 is still in line with similar coastal communities in the area, and in many cases considerably lower. This budget does propose a change in the Recycling Fee currently charged to support the community Recycling Center. Currently a fee of \$1.00 per month is charged to each residential property. This budget increases this by \$2.00, totaling \$3.00 per month for each housing unit. The average household will experience a \$24.00 annual increase in the fee, but it will generate over \$30,000 in revenue to help offset the cost of recycling.

Although Topsail Beach has a little over 400 permanent residents, it easily services anywhere from 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 will make access to the area even easier. Visitors from every state in the United States visit Topsail Island, many of which spend time at our beach or in our waterways. Providing services to our residents, property owners, and visitors takes a lot of effort by the Town, and its huge success in our Beach Nourishment Programs and erosion control efforts has made Topsail Beach a premier location.

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 FY18 in comparison with the FY19 budget. Also shown are actual revenues and expenditures for FY17 and year-to-date FY18. 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.

FY 2019 BUDGET HIGHLIGHTS

The first step in the budget process is to review the revenue estimates for the upcoming year and to explore the needs of each department in an effort to begin the development of a comprehensive balanced budget. Provided below are the highlights of the key budget indicators and projections.

Revenues

This year's estimated revenues are relatively consistent with previous years. In general, revenues can be divided into five major categories: Property Tax, Fees and Other Taxes, Unrestricted Intergovernmental Revenues, Restricted Funds and Capital Reserve Funds. The revenues are categorized by type and designated as restricted or unrestricted funds. Unrestricted funds can be used for any service provided by the Town, while restricted funds are earmarked for specific purposes. Much of the revenue estimates are consistent with the current budget, however there is one significant change proposed in this budget. Currently the Town charges \$1/month per household for recycling. This helps to cover a portion of the cost of our Recycling Center. In FY 17 we generated nearly \$17,000 in revenue, but had over \$46,000 in expenses. This plan includes a \$2/month increase in the recycling fee. This will allow the Town to generate an additional \$34,000 while costing each individual property an increase of \$24/year.

Below are highlights for both revenues and expenses for this budget. More detailed explanations can be found later in this document.

PROPERTY TAX

Property Tax includes Ad Valorem Tax, DMV Tax, and Interest – Ad Valorem Taxes.

- ❖ According to the Pender County Tax Assessor's Office, the total assessed value for property in Topsail Beach for FY 2019 is \$630,610,269. This represents real and personal property and motor vehicle tax. This compares to \$627,558,003 for FY 2018, or roughly 0.48% increase.
- ❖ Each penny on the tax rate is worth \$63,061.

OTHER TAXES AND FEES

Included in this category is Topsail Accommodations Tax, Tower Lease, Solid Waste Fees (including Recycling), and Fees and Receipts (Several of the departments charge various fees for services, rentals, or other activities. These include, but are not limited to zoning and building

permit fees, temporary permits, compliance permits, and similar items. These fees are designed to cover much of the costs incurred for the provision of related services).

- ❖ Accommodations tax (both for Topsail Beach and Pender County) are anticipated to increase by 4.5% over last year for a total amount of \$860,000. Of this amount, \$215,000 is allocated to the General Fund. (The rest is for the BIS Fund).

UNRESTRICTED INTERGOVERNMENTAL REVENUES

These are largely state-shared revenues and include Utilities Franchise Tax, Alcohol Beverage Tax, Local Sales Tax, and County Option 4 Tax

- ❖ According to State Revenue sources, the distribution of Utilities Franchise Fees at the state level is expected to be relatively stable over the next year. It should be noted however that the funds are impacted by the weather. Mild winters and summers can cause a decrease in revenues.
- ❖ Sales tax figures (both Local Option Sales Tax and County Option 4) are projected to increase by \$55,000 in this budget.

RESTRICTED REVENUES

In particular these include Powell Bill Funds and Fire Grants. The Powell Bill Funds are provided through the state to be used for work on town-maintained roads only. Powell Bill funds shall be expended primarily for the purposes of resurfacing streets within the corporate limits of the municipality but may also be used for maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare within the municipal limits or for planning, construction, and maintenance of bikeways, greenways or sidewalks.

Fire Grant funding is available for use to smaller fire departments to help pay for equipment needs and similar functions.

CAPITAL RESERVE FUNDS

In FY 2017 the Town established a policy to fund the Capital Reserve Fund which is designed to plan for larger one-time capital needs in the future. This proposed budget includes approximately \$329,100 transferred from the Capital Reserve Fund to meet this year's needs.

BEACH INLET AND SOUND (BIS) FUND

The projected BIS Fund budget revenues of \$24,578,895 for FY 2019 include approximately \$13.8 million from the NC Shallow Draft Navigation Channel Maintenance and Aquatic Weed Fund and \$9.2 million from FEMA as a result of Hurricane Matthew.

Expenses

Much of the operational expenses have not changed significantly over the previous year. The proposed budget shows health care costs remaining stable. The data also includes an increase to the salary line item for potential merit increases. This budget includes two new positions (Planning and Public Works) and additional Capital Items. 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. Department heads were charged with the task of keeping operational costs as close to previous years as possible, and to identify potential cost reductions. Any increased costs within individual departments are generally related to larger capital needs. 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. The major expenditures by function are shown as follows:

GENERAL FUND / CAPITAL FUND

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

ENTERPRISE FUNDS

- ❖ Utility

Public Safety accounts for approximately 39.6% 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 23.5%. The chart on below highlights the General Fund expenses by department for FY 2019.



Expenses are divided into four major categories - personnel, operating expense, debt service, and capital outlay. These categories are summarized below:

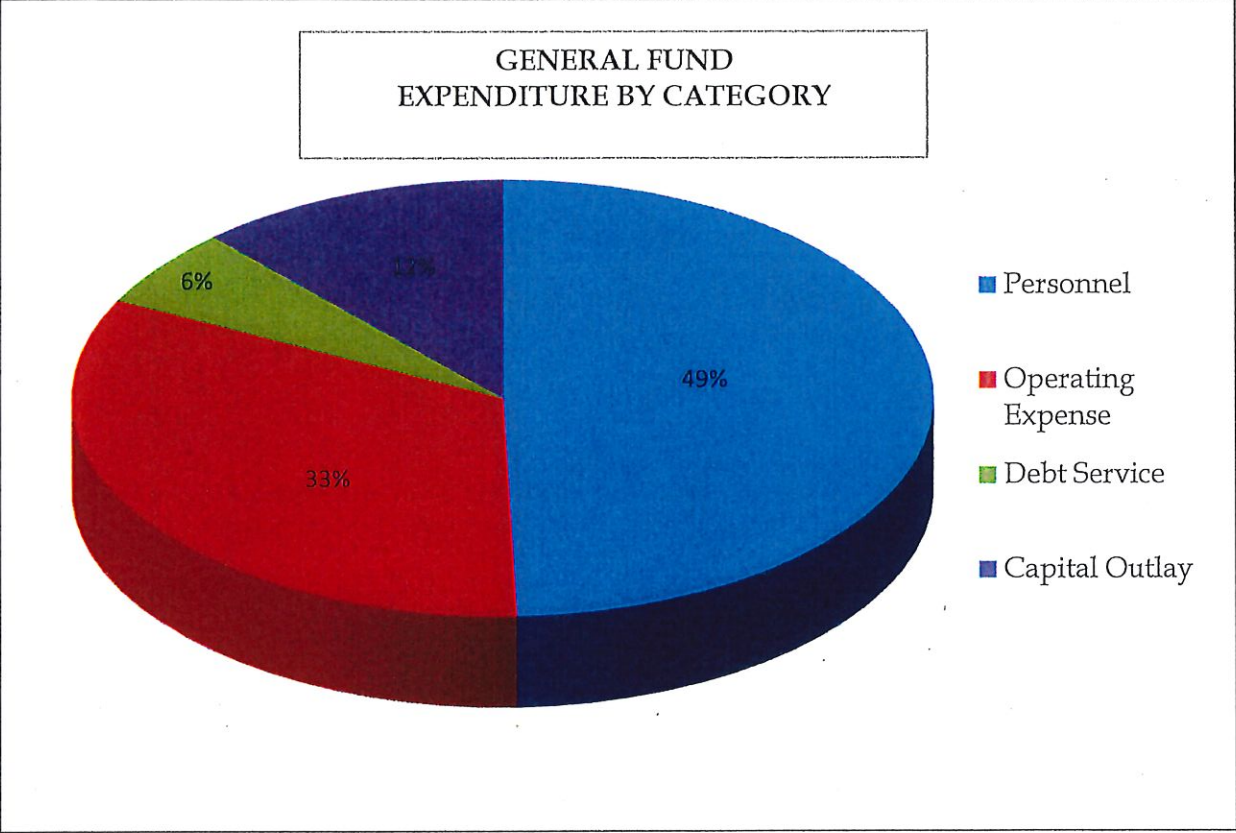
Personnel - Expenses which can be directly attributed to the individual employee. These expenses include salaries, wages, insurance benefits, retirement, 401k, and FICA. The costs of such expenditures have been budgeted within each operating department to give a more accurate cost of departmental operations.

Operating Expenses - Costs other than personnel and capital outlay that are required for the operations of the Town. Operational line item expenditures are directly affected by increasing costs of goods and materials, greater service demands and enforcement of government regulations. Examples of operating expenses include departmental supplies, motor fuels, utilities, and equipment or vehicle maintenance. Operating expenses also include contracts with outside agencies.

Debt Service - North Carolina General Statutes also require that provisions be made to meet annual payments on debt issued within prior years and commitments of the current year's budget. The Town is contractually obligated to provide the annual funding to meet these obligations.

Capital Outlay - Capital outlay includes expenditures for the purchase and/or construction of land, buildings, vehicles, equipment, fixtures and other infrastructure (including roads, sidewalks, storm water drainage) which are too permanent in nature to be considered expendable at the time of purchase. Generally capital items should have a value of \$5,000 or more with an expendable life of more than one year.

The chart below shows a breakdown of expenditures by category. As with most towns, personnel makes up a significant portion of the expenses (49%), followed by the daily operating expenses (33%). An overview of the combined expenses for the General Fund can be found on the later sections of this report.



SUMMARY

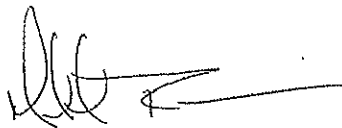
The FY 2019 budget reflects the priorities of the Town Board of Commissioners and staff as we move forward. The Board and staff are committed to providing a high level of service to our residents, property owners, and visitors while maintaining a strong sense of fiscal responsibility. We cannot always 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.

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 2019.

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 2019 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.TopsailBeachnc.org. The public hearing date for the FY 2019 Budget is set for June 13th, 2018.

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.