



FY 2016-2017 Budget Message

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

Date: May 23, 2016

On behalf of the entire Topsail Beach staff, I am pleased to submit to you the Manager's Recommended Budget for FY 2016 – 2017 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. The budget process started in January 2016 as the staff began its review of departmental needs, focusing on the provision of services in the most efficient and cost effective manner. It 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 \$5,224,406 for the General Fund, Restricted Funds and the Utility Enterprise Funds. This compares to \$7,838,922 in FY 2015 – 2016, a decrease of approximately \$2.61 million. The General Fund, which comprises the core services provided by the Town, accounts for \$2,749,790 of the total budget, while Powell Bill transportation-related improvements (\$17,000), and the Beach, Inlet, and Sound (BIS) Capital Fund (\$1,576,700) account for the remainder of the General Fund budget. The Utility Enterprise Fund is budgeted at \$880,916. Under this proposal, the budget addresses current departmental needs and anticipates future needs as the Town continues to provide key services to meet the needs of our residents and property owners.

In order to meet the needs of the community and provide the high level of service that citizens have come to expect, this budget proposes a two cent increase to the tax rate, increasing it from \$0.2925 per \$100 valuation to \$0.3125 per \$100 valuation. The General Fund tax rate would increase from \$0.1725 per \$100 valuation to \$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.

In preparing this budget staff considered many factors that impact Topsail Beach today. Although relatively small in geographic size and population, Topsail Beach provides services to a large number of people, particularly during the vacation season. As part of the greater Wilmington region, Topsail Beach is host to many weekly renters and day trippers that come to experience our large, clean beaches and easy-going lifestyle. Providing these services 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 is evidenced by the recognition we received from the American Shore & Beach Preservation Association (ASBPA) as one of the Top 5 Best Restored Beaches for 2016 in the nation! This was accomplished by hard work, smart planning, and cooperative efforts by our elected officials, citizens, and staff, along with the help of the State. The Town must remain diligent in these efforts to maintain our pristine beaches, as well as continuing to provide our core services at a high level.

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 FY17 in comparison with the FY16 budget. Also shown are actual revenues and expenditures for FY15 and year-to-date FY16. 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 2017 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. Significant differences lie in the decreased amount of Federal money (i.e. FEMA Funds) anticipated for FY 2017. As mentioned earlier, this budget recommends a two cent tax rate increase reflected in these numbers.

- ❖ The total assessed value for property in Topsail Beach for FY 2017 is \$623,475,257. This represents real and personal property and motor vehicle tax. This compares to \$618,032,798 for FY 2016.
- ❖ Each penny on the tax rate is worth \$62,347.
- ❖ Ad Valorem Property Tax (real and personal) is proposed to be divided into General Fund (\$0.1925) and BIS Fund (\$0.12).

- ❖ Accommodations tax (both for Topsail Beach and Pender County) are anticipated to generate an additional \$120,000 in revenue combined over last year's budgeted amount. This represents an increase of \$99,000 for the BIS Fund and \$21,000 for the General Fund over the FY 2016 Budget.
- ❖ Changes to the distribution of Utilities Franchise Fees at the state level have increased our receipts by an estimated \$52,000.
- ❖ Sales tax figures (both Local Option Sales Tax and County Option 4) are projected to increase by \$26,400 in this budget. This estimate is based on recent changes to the distribution of sales tax instituted by the General Assembly. Since this is the first year of the changes, we do not know the full extent of the impact to our budget.
- ❖ The proposed budget includes \$225,000 in grants for the Fire Department towards the purchase of a mini-pumper. The total match for the Town would be \$15,000 if the grant is awarded.
- ❖ There is an additional \$116,000 in revenues that represents the transfer of Capital Reserve Funds to the General Fund.
- ❖ The FY 2016 Budget included \$285,460 in reimbursement from FEMA. This money is not available for FY 2017.
- ❖ By comparison, General Fund Revenues for FY 2016 (amended Budget) was \$3,934,699 compared to early estimates of \$2,766,790 for FY 2017.
- ❖ The BIS Fund budget revenues of \$2,991,087 for FY 2016 compared to \$1,576,700 for FY 2017.

Expenses

Much of the operational expenses have not changed significantly over the previous year. Increased costs are generally related to larger capital needs (i.e. a Mini-Pumper for the Fire Department). Some other changes are a result of shifting costs from the General Fund to the BIS Fund, where warranted. The proposed budget also includes a three percent increase to the salary line item for potential merit increases. 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

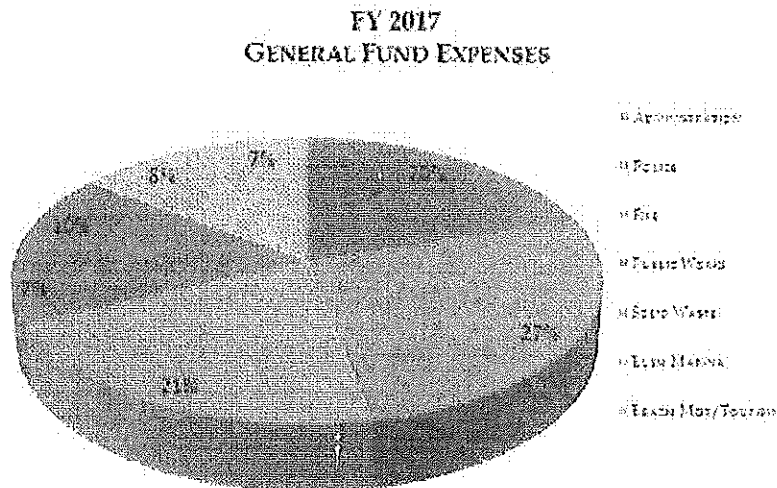
- ❖ Administration (includes Town Board, Administration, and Inspections/Planning)
- ❖ Police
- ❖ Fire
- ❖ Public Works

- ❖ Solid Waste
- ❖ Bush Marina
- ❖ Beach Management and Tourism
- ❖ BIS

ENTERPRISE FUNDS

- ❖ Utility

Public Safety accounts for approximately 48% 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 on a 24/7 basis. Administration accounts for the next largest percentage of annual cost at 20%. If you add BIS to the general fund totals, it would account for 36% of the budget, with Public Safety equaling 30% and Administration at 13%. The chart on below highlights the General Fund expenses by department for FY 2017.



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.

An overview of the combined expenses for the General Fund, BIS Capital Project, and Utility Fund can be found on the following tables.