



## FY 2020-2021 Budget Message

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

**Date:** June 1, 2020

On behalf of the entire Topsail Beach staff, I am pleased to submit to you the Manager's Recommended Budget for FY 2020 – 2021 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 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 21 Budget faces unique challenges resulting from the COVID-19 pandemic. At the time of budget preparation, there is still many unknown economic impacts from the virus at the Federal, State, and Local levels. Both revenue and expenditure calculations are affected by the difficulty in knowing the extent of the damage to the economy and the length of time that the virus will affect key indicators. In preparation of the budget, several assumptions were made based on conversations at the Retreat and throughout the recent crisis. These are as follows:

- 1) **No Tax Increase:** In light of the pending economic impacts from COVID-19, this budget leaves the tax rate at \$0.29 per \$100 valuation. A discussion of the distribution of the tax rate follows later in this report.
- 2) **No Change in Water Rates:** Like the tax rate, the budget does not suggest an increase in water rates. However, a rate study is suggested moving forward.
- 3) **Maintain Services Levels:** The budget attempts to maintain current service levels and address some needs to addressing growing concerns.

- 4) Plan for impacts on Revenue Sources: Key revenue sources, particularly state shared revenues and for accommodation taxes are anticipated to take a significant loss.

This year's recommended General Operating Budget is a balanced budget totaling \$17,444,325 for the General Fund, BIS Funds and the Utility Enterprise Funds. This compares to \$32,270,768 in FY 2019 – 2020. 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 20. The BIS Fund went from \$27.5 million in FY 2020 to just over \$13 million in the FY 21 budget. A closer look at the breakdown of the budget by fund shows the following:

	<u>FY 2020</u>	<u>Proposed FY 2021</u>
General Fund	\$3,832,768	\$3,438,625
BIS Fund	\$27,545,000	\$13,065,000
Utility Enterprise Fund	\$893,000	\$940,700

## SUMMARY

Since 2016, Topsail Beach has been faced with unique challenges that, as a community, we have been able to stand together and persevere. In many cases, we have come out of the adversity stronger as we learned from each event and prepared mentally, physically, and financially. In 2016 it was Hurricane Matthew, followed by Hurricane Florence in 2018 and Hurricane Dorian in 2019. This year, as a community and as a nation we are currently battling the impacts of the Coronavirus, or COVID-19. While our emphasis is on the safety and well-being of our citizens throughout each of these events, we must also consider the impact on our budget and ultimately our ability to provide the level of service that we pride ourselves in accomplishing. 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 impacts to our budget from COVID-19 are not completely known at this time, and in fact it may be months before we truly know how far reaching the effects of this disease will have on our budget. With this knowledge, we must build a budget that is both sound, but flexible enough to adjust as we learn more. It will take local, state, and federal assistance to make everyone whole again.

The FY 2021 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 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 flock to the coast for a brief respite. The amount of day trippers to the island is certainly expected to increase as growth in the Wilmington area, and particularly Hampstead, which will certainly impact the Town and the services we provide.

As we prepare a balanced budget for the Town, there are key factors that were considered in its development. It should be noted that it is recommended that the Budget be fully reviewed throughout the year to determine the impacts related to the Coronavirus. Among the factors considered:

- 1) Key revenues for the Town are projected to decline in FY 2021 as a result of the impacts from COVID-19 from a Federal, State, and Local perspective. Most notably, revenues collected from Accommodations Tax, Local Sales Tax, Interest Income, and County Option 4 Tax are all expected to see decreasing totals.
- 2) Several obligated expenses have increased for the Town. In particular, health care coverage for employees is expected to increase by nearly \$37,000 over last year. Additionally, the percentage the Town is required to pay into the State Retirement System has increased as well.
- 3) Capital costs continue to be funded through the Capital Reserve Fund. At this point, no further funding is included for Facility Upgrades or an EOC, however that can be amended.

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 FY 21 in comparison with the FY 20 budget. Also shown are actual

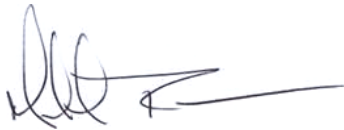
revenues and expenditures for FY19 and year-to-date FY 20. The breakdown of revenues includes Operating Revenues, Grant Proceeds, and Transfers In from Capital Reserves. Expenditures highlight Personnel and Operating Costs, Capital Outlay, and Debt Service.

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 economic impacts related to the Coronavirus and other 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 2021.

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

***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 30<sup>th</sup> 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 2021 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](http://www.Topsailbeach.org). The public hearing date for the FY 2020 Budget is set for June 10<sup>th</sup>, 2020.

### ***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.