

Town of North Topsail Beach

Joann M. McDermon, Mayor
Mike Benson, Mayor Pro Tem



Alice Derian, ICMA-CM
Town Manager

Aldermen:
Richard Grant
Don Harte
Connie Pletl
Bob Swantek

Kate Winzler, NCCMC
Deputy Town Clerk

Nature's Tranquil Beauty

Board of Aldermen
Special Meeting Regular Minutes
Wednesday, June 8, 2022
North Topsail Beach Town Hall
2008 Loggerhead Court, North Topsail Beach, NC 28460

Present: Mayor McDermon; Mayor Pro Tem Benson; Aldermen Grant, Harte, Pletl, and Swantek; Town Manager Derian; Finance Officer Elliott; Planning Director Hill; Deputy Town Clerk Winzler.

CALL TO ORDER

Mayor McDermon called the meeting to order at 1:12 P.M.

APPROVAL OF AGENDA

Alderman Swantek made a motion to approve the agenda. Mayor Pro Tem Benson seconded the motion. The motion passed unanimously, 5-0.

FY 2022-2023 BUDGET MESSAGE AND ORDINANCE

Town Manager Derian presented the following Budget Message to the Board:

June 8, 2022

To the Honorable Mayor McDermon and Town Board of Aldermen: With this letter, I am pleased to present the proposed 2022-2023 fiscal year budget for your review and consideration.

This budget is the culmination of efforts by the Mayor, Board, and Staff, with department head meetings that go back to February 2022. This budget reflects a proactive approach which provides for the Town to continue to deliver high quality services while planning and providing for its future.

Priorities established for the FY 2022-23 Budget are as follows:

- ✓ Remain fiscally sound with a healthy fund balance
- ✓ Continue to provide and enhance public safety
- ✓ Maintain a high level of preparedness to respond to and recover from emergencies
- ✓ Address blighted properties
- ✓ 30-year beach plan

- ✓ Employ technology to engage, improve and expand service and public safety opportunities

The budget was prepared in accordance with North Carolina General Statutes, and the North Carolina Local Government Budget and Fiscal Control Act. All funds in the proposed budget are balanced, and all revenues and expenditures are identified for the fiscal year 2022-23.

REVENUES & EXPENDITURES

Revenue projections are conservative. The Town's largest source of revenue comes from ad valorem property taxes. As a result of the recent re-valuation completed by Onslow County, we have shown what the revenue neutral rate of \$.2894 looks like, as well as a table of varying rates. Revenue neutral implies that changes in the tax levy result in no change in the amount of revenue coming into the Town's coffers. The budget is proposing a three cent (\$.03) tax decrease for this upcoming year making the total rate forty-three cents (\$.43). This will allow the Town to continue to provide and expand necessary services, as well as plan for upcoming improvements and purchases. The total levy for next year is \$1,572,100,000, provided by the Onslow County Tax Department. This makes the estimated revenue at \$6,760,030. The budget assumes a 90% collection rate, totaling \$6,084,027 which will be divided among the town's three funds as follows:

General Fund - \$0.26
 Capital Improvement Fund - \$0.07
 Shoreline Protection Fund - \$0.10

The second largest source of revenue comes from the local sales tax which is estimated at \$2,518,373. This revenue source is also divided among funds – the General Fund as well as the Shoreline Protection Fund.

In years past, the Town has had paid parking at the northern most end of the town as well as seasonal passes to drive on the north end of the beach. These revenues were originally allocated to the General Fund. Last FY the Town enhanced our paid parking program, therefore the revenues that were generated from the north end parking were left in the General Fund, with the new revenues collected for the Shoreline Protection Fund. It is estimated that we will collect \$730,000 in parking revenue. The budget reflects 25% going into the General Fund and 75% into the Shoreline Protection Fund.

Our Accommodations Tax rate remains 3% for this upcoming fiscal year and the revenues collected will solely go towards the Shoreline Protection Fund. Staff is anticipating revenue collections to be \$1,500,000.

The Budget Officer (Town Manager) and the Finance Officer compiled and formulated the expenditures based on requests and justifications submitted by department heads, guidance provided at the budget workshops, current contracts, as well as reviewing historical data.

The Town is committed to provide professional services to include police and fire, inspections, permitting, public works and town planning. Our employees are the number one asset for the Town and account for 52% of the operating budget.

This year the Town has one new position that has been added. The position of IT Director was recently created and filled therefore new to this operating budget.

The budget also provides for a 4% COLA and a 2% Merit maximum opportunity for employees. Survey information obtained from the NC League of Municipalities was used to show where we stand in comparison beyond what the surrounding municipalities are implementing. 46% of those respondents are offering both COLA and Merit. We further looked at the breakdown by population group. North Topsail Beach is comparable to populations below 2,500. 77.3% offer COLA and/or Merit in this population group. When looking at the COLA Summary and Merit Increase summary, there is a reported 4.7% statewide average for COLA and in our population group 2% was considered the low end. In regards to the Merit increase summary, the ranges varied by region, with a statewide average of 1.8% to 3.7%. Our population group showed a low-end average of 2%. We are in unprecedented times, and this is a matter that we will continue to monitor and assess.

An additional mandatory increase for the Town's portion of the contribution to the North Carolina Local Government Retirement System will go into effect this fiscal year. General Class employees' contribution rates will increase to 12.23% and Law Enforcement Officers rate will increase to 13.04%. This increase was established by the Board of Trustees for the Local Government Employees Retirement System (LGERS). The Town's rates that are contributed to employee's 401(k) accounts remain the same at 3% and 5% for general class and law enforcement, respectively.

This year we are making an additional investment to the Capital Improvements Fund, or Fund 12. Seven cents (\$0.07) of the proposed tax increase will be exclusively allocated to this fund for the planning and preparation of future needs for the town. Specifically, Police Department expansion, an off-site EOC location/storage, South End Fire Department replacement, as well as preparation for the need of new fire trucks in years to come. This fund allows the Town to fiscally prepare for upcoming needs.

The American Rescue Plan Fund, or Fund 15 was created last fiscal year when President Biden signed the ARP into law as of March of 2021 which distributed funding to North Carolina cities and towns. Per guidance from the US Treasury as well as the State of North Carolina, a separate fund was created for the revenues to be kept separated from normal town operations and funds.

This budget reflects the diligent work of both Staff and the Board of Aldermen in its preparation. The budget is a solid plan and commitment for the Town's future. It represents the priorities of the Board and Staff as we move forward as a Town. It makes every effort to keep

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costs at a minimum and provide the necessary services to the citizens of North Topsail Beach in the most efficient and effective manner possible while also preparing for future needs. I would like to give special thanks to all the departments for their assistance in contributing to the budget process.

Respectfully Submitted,

Alice Derian, ICMA-CM
Town Manager

Town Manager Derian explained that the \$.43 tax rate in the proposed budget was arrived at during previous budget workshops with much discussion, including real-life examples of both a revenue neutral rate and the \$.43 rate scenario illustrating the tax effects on properties valued at \$400,000, \$170,000, and \$675,000, respectively.

Alderman Grant clarified that the average home value in North Topsail Beach is about \$400,000 and \$.01 in property tax increase for a \$400,000 property equates to \$40 per year.

Town Manger Derian provided a high-level look at each fund. In the General Fund \$135,000 has been allocated to address blighted properties, proceeding with condemnations throughout the next fiscal year; new equipment purchases for the Public Works Department include a used dump truck, new loader, and a used street vacuum truck; in Recreation, \$25,000 is allocated for special events, \$15,000 for a Christmas tree, park maintenance includes new playground mulch, landscape maintenance, and bathroom renovations. The Beach Fund shows a negative one hundred percent strictly because those funds were moved to Fund 30, the Beach Fund, to represent the use of those funds more accurately. Included in Fund 30 are the 2022 Special Obligation Bond (SOB) payments, \$30,000 for a thirty-year beach plan, a \$50,000 sea oats initiative, lobbyist expenses, and the North Carolina Beach, Inlet and Waterway Association (NCBIWA) Conference expenses for the Beach, Inlet, and Sound Committee (BISAC).

Mayor McDermon requested the Board give input on the budget.

Alderman Pletl expressed sympathy for folks with fixed incomes and unhappiness that the Board must raise the tax rate. Ms. Pletl praised Town Manager Derian and the Town for doing an excellent job providing services and public safety in unprecedented times. She offered that there the tax rate may be reduced next year if the Board sees more funds are raised than are needed this year. Ms. Pletl noted that the Board and Town Staff have worked very hard on this budget to provide good services and public safety to the people of the Town.

Alderman Harte offered no comment.

Mayor Pro Tem Benson supported Alderman Pletl’s comments and noted that North Topsail Beach is just coming into its own. Mr. Benson offered that seventy-three percent of the non-CBRS (Cobra/Coastal Barrier Resources System) lots are built out, and sixty-four percent of the CBRS lots are built out. There is still some room to grow, and there are sixty-five new builds currently. He noted that the Capital Improvements Fund in this budget begins to address very important Town projects, such as the south-end fire station. These projects have been

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neglected previously, but this Board is looking to and planning for the future. He suggested the tax rate may be surprising, and that Onslow County's tax rate may also be surprising, but this tax rate will help the Town get on the right track. If there are excess funds next June, the Board can always lower the rate.

Alderman Swantek expressed his happiness with the rate chosen by the Board, especially with the new revenue stream for Capital Improvements which has been needed for a long time. Mr. Swantek noted that the Town is bearing the brunt right now, and hopefully next year it may be lowered again.

Alderman Grant stated that the Town faces an unusual situation with more than ninety percent of properties being second homes and investment properties. He offered that other states, such as South Carolina, may charge a higher tax rate on secondary homes. North Carolina law does not allow this practice. So the revaluation on primary homes affects residents, especially people with a fixed income, more than property owners who rent their North Topsail Beach property for profit to cover the higher taxes. The increase in property value is unprecedented. If the increase in value had been seven percent, and the tax rate was lowered by seven percent, it would be a break-even scenario. Mr. Grant noted that the Town has been pushing off capital projects for a long time, and borrowing money is becoming more expensive. The Town needs to be monetarily self-sufficient rather than relying on financing. He added that the Town intends to file for grants to help off-set the beach planning expenses. Mr. Grant stated he is very comfortable that half of the budget is related to public safety, and that forty percent of revenue is going into the capital fund and beach fund, rather than operating expenses. He expressed that public safety is paramount. He is not happy that taxes are going up and recognizes that those hardest hit live here and do not rent their property for profit. The very unusual revaluation is the bottom line, and he hopes that the values stay up. Mr. Grant highlighted the two biggest concerns for the Board in preparing this budget were selecting a rate that did not need to be increased in the short-term and refinancing the USDA loan at the lower rate unachievable in the current market. He noted that financing for the upcoming FEMA sand project in the fall will be at a higher rate than what the Town has borrowed at previously. He thinks it is a fair budget; he does not like that the revaluation hit property owners hard; he thinks the Board has taken a balanced approach.

Mayor McDermon expressed appreciation for the time and effort put into the budget, specifically by the Staff and Board members. She especially appreciated the forward-thinking approach taken to address the critical capital projects needed to be planned and budgeted for in a responsible fiscal manner, such as a new fire station and new fire trucks. This approach is in the best interest of the Town of North Topsail Beach and its residents. Ms. McDermon noted the importance of continuing to consider compensation and retention of employees as time goes on, possibly as a budget amendment in the future after some analysis.

Alderman Swantek made a motion that we approve the budget as Ms. Derian proposed it. Mayor Pro Tem Benson seconded the motion. The motion passed unanimously, 5-0.

ADJOURNMENT

Alderman Swantek made a motion to adjourn. Alderman Grant seconded the motion. The motion passed unanimously, 5-0.

The Board of Aldermen special meeting adjourned at 1:43 P.M.

APPROVED

This 6th day of September 2022

Joann McDermon
Mayor

CERTIFIED

This 6th day of September 2022

Melinda Mier
Clerk