

Town of North Topsail Beach

Daniel Tuman, Mayor
Joann M. McDermon, Mayor Pro Tem
Aldermen:
Mike Benson
Tom Leonard
Richard Peters
Walter Yurek



Steven H. Foster
Interim Town Manager

Laura Oxley, JD, MPA
Town Clerk

Nature's Tranquil Beauty

May 22, 2018

To: The Honorable Mayor Tuman and Board of Aldermen

From: Steven Foster, Interim Town Manager

Subject: Budget Message for Fiscal Year 2018-19

Please find herein the proposed and recommended budget for Fiscal Year 2018-19 (FY 18/19). This budget is the culmination of efforts of the Mayor, Board, and Staff, with department head meetings since January 2018. Information contained in this document is based on the best information available at the time of creation. The budget was prepared in accordance with NCGS 159.11 and the North Carolina Local Government Budget and Fiscal Control Act. All items within the proposed budgets for the General and Beach Funds balance, and all revenues and expenditures are identified for FY 18/19. The General Fund Budget increased by **6.38%** to **\$4,653,500**; while the budgets for the two Beach Funds decreased reflecting a combined total of **\$10,552,991** for Funds 20 and 30.

REVENUES

National Economic Picture

FY 18/19 economy should continue an upward trend to match in the national economy, as indicated by increased Sales Tax collections **5%** and Accommodations Tax **5.5%**. New construction continues break records across the country and the town's new construction permits exceeded 17%.

Major Revenue Distribution Between Funds by Percent

	Fund 10	Fund 20	Fund 30
Sales Tax	62.61%	11.84%	25.55%
Accommodations Tax	0%	0%	100%
Ad Valorem Tax	60%	0%	40%

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Sales Tax

The Town received a report from the NC League of Municipalities which indicated that the state sales tax revenue is expected to increase by 4.5% for FY 18/19. Based on this projection, Town management and staff calculated a conservative increase of 3% for the Town's FY 18/19 Budget.

Accommodations Tax

The Town is continuing to identify home owners / landlords that have not been remitting accommodation tax payments. The Town has been very successful in identifying and collecting unpaid accommodation taxes this year. Staff is projecting to exceed the current budgeted amount for this year by approximately 12%.

Ad Valorem Tax

This year was the year for Onslow County's horizontal Ad Valorem Tax Revaluations. Counties have the option to have these revaluations every four or eight years, Onslow has chosen to conduct revaluations every four years. Revaluation of property values, *by statute*, requires that the tax rate be adjusted accordingly to produce the same amount of property tax revenue as the year prior to the revaluation. Therefore, in accordance to State statute, the tax rate for FY 18/19 will reflect a **tax revenue neutral rate of \$0.3435 per \$100**, which is a decrease from the current FY 17/18 tax rate of **\$0.3932 per \$100**, or a **\$0.055** cent reduction.

Municipalities can count new construction revenue into their total ad valorem taxes levied. From ongoing construction and this year's property tax revaluation, the Town's overall ad valorem amount for FY 18/19 has increased from FY 17/18 by 15.37%, or \$955.4M from \$828M.

Percentage increased new construction valuation for comparison for the last three years since the last revaluation

- FY 17/18 0.91% \$828,126,775
- FY 16/17 1.43% \$820,678,391
- FY 15/16 .02% \$809,138,108

The adjusted tax rate for FY 18/19, at the **revenue neutral rate of \$0.3435**, will produce a total of \$3,281,702 in property tax revenues and adheres to the State statute regarding tax rates after property revaluations.

With a tax base value of \$955,400,000, the expected current FY 18/19 property tax collections are projected to be \$3,239,694. Given last year's 98.72% collection rate, the amount of uncollectable taxes is projected to be approximately \$42,008. From the current projected tax forecast, \$1,943,817 will be applied to the General Fund for operational services, and \$1,295,877 will be applied to Fund 30.

Other Revenue Sources

FY 18/19 Fee Schedule

Other than the change in the property tax rate, the only other recommended change is for solid waste. Based on Waste Industries CPI increase of 1.6% and the increase in recycling expenditures, we propose a rate increase of \$0.28 for this service. Beginning on July 1, 2018, the solid waste fee will go from \$17.40 per month to \$17.68 per month.

Hurricane Matthew Beach Restoration Project

FEMA and the State will reimburse the Town in the amount of \$7,027,997 for the restoration of sand lost in Phase 5 Engineered Beach due to Hurricane Mathew. The Town plans on using the USDA sinking fund to pay for related expenses until reimbursements are received from FEMA. Construction is expected to begin in mid to late November 2018.

EXPENDITURES

Accepted accounting practices allow funds to be transferred or reimbursed from certain other funds. Therefore, in the upcoming budget year, the General Fund (Fund 10) will be reimbursed by the Beach & Capital Fund (Fund 30) for beach related activities charged to Fund 10; such as, salaries, equipment, materials and supplies. This will provide a complete, accurate and transparent picture of cost by activity.

General Fund (Fund 10)

1. Proposed is a **2.5 % COLA** (cost of living) for FY 18/19 for employees hired prior to April 1st, 2018 and a 2% merit maximum. The Consumer Price Index for Consumers rose 2.4% from March 2017 to March 2018. It was the largest 12-month increase since the period ending March 2017 and higher than the 1.6 % average annual rate over the past 10 years. Therefore, it is recommended that qualifying staff receive a 2.5% cola increase for FY 18/19, which is higher than the 1% COLA given for the past two years.
2. Health Insurance – Health insurance premiums are expected to increase/decrease by the following:

Health	4.27 %
Vision	-8.95%
Dental	-10.70%
Life	-11.1%
3. Local Government Employees Retirement System (LGERS) – Mandatory increase in the Town's portion of the contribution to the North Carolina Local Government Retirement System. General Class employee's contribution rates will increase to 7.90% and Law

Enforcement Officers rate will increase to 8.5%. This increase stems from the 5-year plan set by the LGERS Board of Trustees.

4. Administration Department

Replacement of Town servers, computer equipment and software.

5. Police Department

Replacement of two patrol vehicles.

No additional officers.

6. Fire Department

Three additional full-time positions are recommended:

To maintain our current Insurance Service Office “4” rating.

Response time and public safety — A minimum of four personnel are required to respond to a major structural fire. Non-resident volunteers are expected to have a slower response time than paid, on-site staff. With north and south end stations fully staffed, the department is better prepared to respond to multiple calls, including calls for EMS service, townwide.

7. Sanitation Services

- **Waste Industries** indicated a CPI increase of 1.6% for FY 18/19 (based on the January 2018 CPI, Water Sewer and Trash Collection Fees). The contract with Waste Industries (WI) ends early next year, with a notification of termination date in December. The Board indicated a desire to put the service out for bid; however, it may be more advantageous to negotiate with WI for a lower rate on a multiyear contract.
- **Tipping Fee** - Onslow County has projected no increases in the Town’s current tipping fees.
- **Sonoco** has experienced an increase in their recycling costs due to limitations and regulations by China. In reviewing the Town’s recycling cost, Sonoco has projected that our costs will increase from \$12,731 to \$17,150 for the upcoming Fiscal Year.

Beach Maintenance Fund (Fund 20)

The Town has submitted a grant request to Onslow County Tourism Board in the amount of \$350,000. Activities supported by this fund include: crosswalks, Hatteras ramps, public parking and beach access, sea oats cost-share program, public solid waste collection and disposal, and burial of marine life.

Beach & Capital Project Fund (Fund 30)

Payments to the USDA for the Phase 5 Nourishment Project are expensed from Fund 30. The FEMA reimbursement for Phase 5 Engineered Beach will come from Fund 30. Additionally, all other future Beach Capital Projects, as well as other major capital projects will be distributed through Fund 30. The Revetment repair expenses in the amount of \$200,000 will be paid out of this fund.

CONCLUSION

This budget reflects the diligent work of both Staff and the Board of Aldermen in its preparation. It makes every effort to keep costs at a minimum and provide the necessary services to the citizens of North Topsail Beach in the most efficient and effective manner possible. I would like to give special thanks to Ms. Betsy Brothers for her considerable contribution in the production of this document.

Respectfully submitted,

Steven H. Foster

Steven H. Foster
Interim Town Manager

<p>TOWN OF NORTH TOPSAIL BEACH BUDGET ORDINANCE FISCAL YEAR 2018-2019</p>
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BE IT ORDAINED by the Governing Board of the Town of North Topsail Beach, North Carolina:

GENERAL FUND

SECTION 1: The following amounts are hereby appropriated in the General Fund for the operation of the Town government and its activities for the fiscal year beginning July 1, 2018, and ending June 30, 2019, in accordance with the chart of accounts heretofore established for this Town:

Appropriations

GOVERNING BODY	\$ 199,110
ADMINISTRATION	512,087
POLICE SEPARATION ALLOWANCE	24,525
POLICE DEPARTMENT	1,208,401
PLANNING & ZONING	122,089
BUILDING INSPECTIONS	155,140
PUBLIC WORKS	306,863
STREETS	130,600
PUBLIC BUILDINGS & GROUNDS	300,200
SANITATION COLLECTIONS	461,827
RECREATION	51,000
PLANNING BOARD	40,500
CONTINGENCY	6,403
INSURANCE	169,234
FIRE DEPARTMENT	965,521
	\$4,653,500

SECTION 2: It is estimated that the following revenues will be available in the General Fund for the fiscal year July 1, 2018, and ending June 30, 2019:

Revenues

STATE	\$1,417,920
TOWN	176,800
PROPERTY TAX	2,009,725
REFUSE	467,115
INTEREST	41,696
OTHER SOURCE	513,794
POWELL BILL	26,450
	\$4,653,500

TOWN OF NORTH TOPSAIL BEACH
BUDGET ORDINANCE
FISCAL YEAR 2018-19

SECTION 3: There is hereby levied a tax at the rate of \$.3435 (\$.2216 General Fund and \$.1219 Beach Nourishment Fund) per one hundred dollars (\$100) valuation of property as listed for taxes as of January 1, 2018, for the purpose of raising the revenue listed as "Ad Valorem Taxes" in the General Fund in Section 2 of this ordinance. This rate is based on a total estimated valuation of property for the purposes of taxation of \$955,400,000 and an estimated rate of collection of 98.72% percent.

SECTION 4: The Town Manager and Finance Officer are hereby authorized to transfer appropriations as contained herein under the following conditions:

- (A) Town Manager or Finance Officer may transfer amounts between line-item expenditures within a department without limitation and without a report being required.
- (B) Town Manager may transfer amounts up to \$500 between functional areas, within the same fund. He/she must make an official report on such transfers at the next regular meeting of the Governing Board.
- (C) Town Manager or Finance Officer may not transfer any amounts between funds, except as approved by the Governing Board in the budget ordinance as amended.
- (D) Contracts in excess of \$40,000 shall first be approved by Board of Aldermen. The Town Manager has authority for execution under that amount, the item must be budgeted and contain Finance Officer authorization(s).

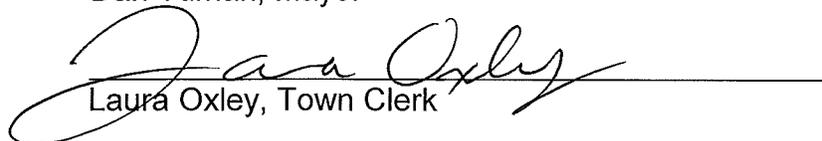
SECTION 5: The attached Schedule of Fees is hereby adopted for the fiscal year beginning July 1, 2018 and ending June 30, 2019. These fees may be amended during the fiscal year by Board action.

SECTION 6: Copies of the budget ordinance shall be furnished to the Clerk to the Governing Board and to the Town Manager and Finance Officer to be kept on file by them to be used in the execution of their duties regarding the disbursement of funds.

ADOPTED THIS 14th DAY OF JUNE, 2018.



Dan Tuman, Mayor



Laura Oxley, Town Clerk

FY18-19 Budget DRAFT

FY2018-2019 Budget DRAFT Summary Page

Department Code

		PROPOSED	Percentage Diference from Current Year
301-399	Total Revenues:	\$ 4,653,500.00	6.38%
	Total Expenditures:		
410	Governing Board	\$ 199,110.00	19.46%
420	Administration Department	\$ 512,087.00	2.07%
490	Planning Department	\$ 122,089.00	6.33%
491	Inspections Department	\$ 155,140.00	8.09%
500	Public Buildings	\$ 300,200.00	31.55%
501	Town Insurances	\$ 169,234.00	1.19%
509	Police Seperation Allowance	\$ 24,525.00	0.00%
510	Police Department	\$ 1,208,401.00	-1.93%
545	Public Works Department	\$ 306,863.00	10.21%
560	Public Streets	\$ 130,600.00	0.96%
580	Sanitation Department	\$ 461,827.00	2.32%
620	Recreation	\$ 51,000.00	-57.68%
690	Fire Department	\$ 965,521.00	13.59%
695	Planning Board	\$ 40,500.00	8000%
999	Contingency	\$ 6,403.00	30.01%
		\$ 4,653,500.00	

FY18-19 Budget DRAFT

FUND 20

BEACH MAINTENANCE FUND

Account Number	Account Description	17-18 BUDGET	18-19 BUDGET ESTIMATE
20-301-00	ACCOMODATION TAX	\$ -	\$ -
20-317-01	OC TOURISM GRANT	\$ 150,000.00	\$ 150,000.00
20-329-00	INTEREST INCOME	\$ 1,000.00	\$ -
20-335-00	MISCELLANEOUS	\$ 200.00	\$ 1,000.00
20-336-03	COST SHARE PLANT PURCHASE (SEA OATS)	\$ 10,000.00	\$ 10,000.00
20-345-00	LOCAL OPTION SALES/USE TAX	\$ 530,000.00	\$ 200,000.00
20-348-09	NOXIOUS WEED GRANT	\$ 1,700.00	\$ -
		\$ -	\$ -
TOTAL REVENUES		\$ 692,900.00	\$ 361,000.00

20-720-08	CONTRACTS, PLANS, SPECS	\$ 48,000.00	\$ 48,000.00
20-720-09	GREATER TOPSAIL CHAMBER OF COMMERCE DONATION	\$ 5,000.00	\$ 5,000.00
20-720-10	BEACH LOBBIST CONTRACT	\$ 45,000.00	\$ 50,000.00
20-720-12	BEACH / ACCESS MAINTENANCE	\$ 150,000.00	\$ 75,000.00
20-720-14	BEACH RELATED TRAVEL CONFERENCES	\$ 14,000.00	\$ 20,000.00
20-720-15	DUNE / CROSSWALK REPAIR & MAINTENCE	\$ 8,000.00	\$ 8,000.00
20-720-30	SANDBAG REPAIR PROJECT	\$ 200,000.00	\$ -
20-720-36	EASEMENT / LEGAL	\$ 1,000.00	\$ 1,000.00
20-720-45	CONTRACTED SERVICES	\$ 37,000.00	\$ 12,500.00
20-720-46	WEED MITIGATION	\$ 3,400.00	\$ -
20-720-53	ASBPA DUES & MEETING	\$ 1,500.00	\$ 1,500.00
20-720-55	SAND PUSH	\$ 120,000.00	\$ 120,000.00
20-720-59	SEA OATS PROGRAM (50/50)	\$ 20,000.00	\$ 20,000.00
20-720-80	STORM DAMAGE	\$ 40,000.00	\$ -
TOTAL EXPENDITURES		\$ 692,900.00	\$ 361,000.00

DECREASED BY: \$ 331,900.00
OR: -47.90%

FY18-19 Budget DRAFT

FUND 30 BEACH & CAPITAL FUND

Account Number	Account Description	CURRENT BUDGET FY17-18	18-19 BUDGET RECOMMENDATION
30-301-00	ACCOMODATION TAX	\$ 1,286,333.00	\$ 1,299,000.00
30-301-01	OC FUNDING - HARDEN STRUCTURE PROJECT	\$ 250,000.00	\$ 196,046.00
30-301-05	AD VALOREM TAX / \$0.15	\$ 1,290,000.00	\$ 1,312,680.00
30-329-00	INTEREST INCOME	\$ 10,000.00	\$ 2,500.00
30-345-00	LOCAL OPTION SALES/USE TAX	\$ 240,800.00	\$ 431,680.00
30-348-08	FEMA/BEACH NOURISHMENT PROJECT	\$ 7,028,000.00	\$ 6,950,085.00
30-350-00	STATE FUNDING / BEACH PROJECT	\$ 1,000,000.00	\$ -
30-383-02	SPECIAL ASSESSMENT TAX	\$ -	\$ -
TOTAL REVENUES		\$ 11,105,133.00	\$ 10,191,991.00

30-720-06	FEMA / BEACH NOURISHMENT PROJECT - MATTHEW	\$ 7,028,000.00	\$ 6,950,085.00
30-720-07	HARDEN STRUCTURE DESIGN / PERMIT	\$ 500,000.00	\$ 392,093.00
30-720-08	CONTRACTS, PLANS, SPECS	\$ 80,000.00	\$ 60,000.00
30-720-36	EASEMENT / LEGAL	\$ 70,000.00	\$ -
30-720-54	CONSTRUCTION	\$ 1,950,000.00	\$ -
30-720-60	PHASE 1 DEBT SERVICE - PNC BANK	\$ 577,883.00	\$ -
30-720-62	PHASE 5 DEBT SERVICE - USDA	\$ 899,250.00	\$ 900,115.00
30-720-XX	SANDBAG REPAIR PROJECT	\$ -	\$ 200,000.00
30-720-XX	DUE TO USDA SINKING FUND	\$ -	\$ 900,115.00
30-720-XX	DUE TO USDA RESERVE FUND	\$ -	\$ 90,000.00
30-720-XX	REIMBURSE GENERAL FUND	\$ -	\$ 513,794.00
30-720-XX	FUTURE PROJECTS FUND	\$ -	\$ 185,789.00
TOTAL EXPENDITURES		\$ 11,105,133.00	\$ 10,191,991.00

DECREASED BY: \$ 913,142.00
OR: -8.22%