



TOWN OF SURF CITY BUDGET MESSAGE

To: The Honorable Mayor Doug Medlin and Town Council

From: Ashley Loftis, Interim Town Manager

Re: FY 2018-2019 Recommended Budget Message

Dear Mayor Medlin and Members of the Council:

In accordance with Section 159-11 of the NC General Statutes, I am pleased to present the proposed FY 2018-19 Budget for the Town of Surf City for your review and consideration. The budget is a sound financial plan and has been prepared with the Council's goals and objectives adopted from their annual planning session and budget workshops. All sections of the proposed budget are in conformance with the Local Government Budget and Fiscal Control Act as amended. A balanced budget for the next fiscal year, or an interim budget, must be adopted by June 30, 2018. Pursuant to N.C.G.S. 159-12, a public hearing on the proposed budget will be held on Friday, June 22, 2018 at 9:00 am in the Town Council Boardroom. This date will be advertised for public notice and copies of the budget will be made available to local news media. With the submittal of the budget proposal to the Council, copies are available for public inspection on the Town's website, in the Office of Town Clerk and at the front desk of Town Hall.

The proposed FY 2018-19 Town of Surf City budget is balanced and totals **\$15,886,662** for all operations. The budget is spread over the following funds: **General Fund \$9,688,749; Accommodation Tax Fund \$1,099,658; Water & Sewer Fund \$5,098,255.**

REVENUES

The Town's largest single source of revenue continues to be from property taxes. Next year this figure is \$5,755,000 and amounts to some 59% of general fund revenues anticipated for FY 2018-19.

At the time this proposed budget was being prepared and based on numbers provided by Pender and Onslow County Tax Departments, the Town is using a tax base figure of \$1,409,430,634 which is a two percent growth rate. This figure is applied to the current tax rate of \$0.41 per \$100.00 valuation, and a tax collection rate of 99.8%, generating \$5,755,000 in property tax revenues. The Town's tax base increased in valuation over 9% with the most recent revaluation in Onslow County based on the 2018 estimates. Each cent of property tax generates about \$136,826 in revenues.

The second largest source of general fund revenue is derived from local sales taxes and anticipated to be \$1,530,999 in FY 2018-19; the third being Solid Waste user fees of \$1,140,000. Water fees collected in the Town's Water & Sewer Fund generate \$5,043,255 for the utility's separate operation.

Other revenue sources such as interest income and a variety of State Collected Local Revenues are projected to be flat or even decline (ie. Telecom & Cable tv) for the foreseeable future. There is a two to three-month lag in receiving some of these revenues so the annual trend is not easily observed.

EXPENDITURES

Expenditure estimates were compiled and formulated by the Budget Officer (Town Manager) based upon written requests and justification submitted by the various department heads. These requests were made available for Council review and included in the Budget Workbook.

Each department's request was given consideration based on current and prior year expenditures, proposed work program needs, inflationary trends and a review of each departmental operation. All revenue estimates in the budget are based upon recommendations provided by the NC League of Municipalities, current contracts, and figures provided by department heads that have revenue collection responsibility and actual revenues received during the current fiscal year.

As a result of the continuing economic conditions, expenditures are being budgeted very conservatively in an attempt to ensure that they do not exceed, to any great extent, anticipated revenues. Personnel costs compose 37% of our expenditures and include salaries, FICA, health insurance, retirement, workers comp, and other related federal /state employer costs.

Workers Compensation, Property & Liability, and Flood insurance rates are estimated to increase by 25%. Budgeted expenditures for Capital Improvements are very limited the next fiscal year because of revenue shortfalls, economic conditions and the desire to conservatively balance the budget.

HIGHLIGHTS

I. General Fund Revenues:

- The General Fund revenues increased over last year by 4.0%.
- No increase in Solid Waste User Fees currently proposed, but we will begin negotiations with Waste Management as their contract draws to a close in 2020 in efforts to reduce the cost of solid waste collection to the Town and the citizens of Surf City.
- Budgeted revenue for Planning & Inspection Fees is held flat even though an increase in building is expected.

II. General Fund Expenditures:

- The total work force is projected for 83 full-time employees, higher than present year with 4 new positions proposed, as follows:

Admin – 4	Police – 23 (1 new position)
Finance – 5	Fire – 24 (3 new positions)
Parks & Recreation – 18	Planning – 4 (No Code Enforcement Officer included)

Part Time:

Police - 2 (seasonal - 2)	
Fire - 13	
Parks & Rec – 3	Parks & Rec Summer Help -12 (seasonal)

- Based upon usage and age/gender trends, the insurance premium rates with Blue Cross Blue shield is estimated to renew with a 3% to 10% increase. Our cost this past year of \$569.42 per employee per month may rise to \$620.68. We will not know the actual cost until August.
- A **2.0% COLA** amount is proposed to all full-time employees as of July 1st. A **2.0%** allocation for increases based upon annual evaluations is available for all departments for those employees not in line to receive increases for certifications, satisfactory probation periods, promotion in rank or duties.
- General Fund Projects funded include:

- **Powell Bill: \$66,000.** This division contains the costs associated maintaining and repairing Town streets, sidewalks, and storm drain issues. Money has been allocated to correct a drainage issue located on Little Kinston Rd along with an issue located at Charlotte Avenue & s. Shore Dr. Both of these issues are drastically affecting the condition of Town streets and the surrounding property.
- **Sanitation: \$181,800.** This division includes allocations that will cover 3-yard debris pick-ups and 1 bulk item pick-up through the year. Money is also allocated for the Town to host a shred event for our citizens. In an effort to minimize the trash located along our beach accesses, we have allocated money to be included with grant funds to purchase items needed for trash and recycle collection at these locations.
- **Parks & Recreation: \$39,040.** We have allocated monies for the following projects: to complete the Master Plan which is needed to apply for grant funds, resurfacing of the tennis court, and replacement of the outdated fitness equipment.
- **Police Department: \$49,401.00.** A new position is being added, School Resource Officer, for the Surf City Elementary & Middle School. A current officer will be moved latterly into this position and an entry level officer will be hired to fill that vacancy.
- **Fire Department:** Three (3) new positions are being added to allow for a minimum staffing of six between the two fire stations. This will allow the fire department to operate in a more efficient manner while also increasing the safety of our firefighters.

III. Capital Outlay. The General Fund and Water & Sewer Fund capital outlay items are as follows:

Non-Departmental

\$ 205, 239 Transfer to Capital Reserve Fund for future capital needs

Facilities & Grounds

\$26,000 Replace 1 Vehicle

Police Department

\$ 76,264 Replace 2 Vehicles

\$ 3,067 Lease for John Deere side-by-Side

\$ 3,850 Replacement of duty handguns (Matching grant)

\$ 49,401 SRO salary and benefit cost

Total: \$ 132,582

Fire Department

\$ 40,500 Replace 1 Vehicle

\$ 30,000 Finish upstairs at Station 25 for Town EOC

\$ 35,625 Protective fire gear, fire hose, pager replacement, and Light Rescue equipment

\$ 119,804 New firefighters (3) salary and benefit cost

Total: \$ 225,929

Powell Bill

\$ 89,421 Repaving of high priority streets

Administration

\$125,000 Design phase for new Town Hall

Total General Fund: \$ 804,171

Water Department

\$ 18,000 Water Plant Filtrate & Brine disposal

\$ 6,000 Primary work for new well site

\$ 25,000 Replacement of Chloramine Analyzer

Total: \$ 49,000

Collections & Distribution Department

\$ 30,000 Replace 1 Vehicle

\$ 24,211 Lease of new Backhoe

\$ 28,620 Lease of new Boom Truck

\$ 87,868 New maintenance tech positions (2) salary and benefit cost

Total: \$ 170,699

Sewer Department

\$ 97,000 Continuous upgrade of WWTP

\$ 30,000 Continuous upgrade of WWTP equipment

Total: \$127,000

Total Water & Sewer Fund: \$ 346,699

IV. Fund Balances

- **General Fund:** We will finish this budget year with an estimated Unassigned General Fund Balance of **\$3,999,499 (52.54%** of GF expenditures). The state recommends a minimum of 8%. State averages of towns our size is 99.8%. Total estimated GF Fund Balance at June 30, 2018 is **\$4,399,449 (62.48%)**.

- **Beach Nourishment:** These funds are left over room tax disbursements as well as a portion of our property taxes. These funds may be used as local matches for Shallow Draft Inlet grants or as funding toward beach nourishment projects. The estimated reserve at June 30, 2018 is **\$13,663,233.51**. At this time, the Council wishes to continue using these funds to start a private project to help improve our beaches by adding sand and protecting our dunes.
- **Utility Fund:** Comprised of the water and sewer activities, this fund closed FY2016-17 with a combined unrestricted net position of **\$1,412,331**.

Summary

I believe the FY 2018-19 Surf City budget reflects the Council's service priorities for the citizens, meets the Council's stated goals and objectives, and is responsive to town-wide needs while reflecting a conservative approach to municipal revenues and expenditures. On behalf of the administrative and finance operations staff, department heads and employees, I am pleased to present this proposed budget of the Town of Surf City for the next fiscal year to the Mayor and Town Council for their consideration, review and adoption.

We look forward to working with the Council in the delivery of Town services to our citizens in the most professional, businesslike, economical and environmentally sensible manner possible.

Respectfully submitted,
Ashley Loftis
Interim Town Manager & Finance Director