



Town of Surf City

201 COMMUNITY CENTER
POST OFFICE BOX 2475
SURF CITY, NORTH CAROLINA 28445
(910) 328-4131 | FAX (910) 328-1746

Douglas C. Medlin, Mayor
William J. (Buddy) Fowler, Mayor Pro-Tem
Dwight Torres, Councilman

Donald R. Helms, Councilman
Teresa B. Batts, Councilwoman
Jeremy Shugarts, Councilman

To: The Honorable Mayor Doug Medlin
Members of the Surf City Town Council

From: Kyle M. Breuer, Town Manager

Date: April 16, 2021

Re: FY 2021-2022 Budget Message

Dear Mr. Mayor and Council:

In accordance with Section 159-11 of the NC General Statutes, I am pleased to present the proposed North Carolina Fiscal Year 2021/2022 (FY 21-22) 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 upcoming fiscal year, or an interim budget, must be adopted by June 30, 2021. Pursuant to N.C.G.S. 159-12, a public hearing on the proposed budget will be held on Tuesday, May 4, 2021 at 4:30 pm at the Surf City Welcome Center. 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 21-22 Town of Surf City budget is balanced and totals **\$23,306,298** for all operations. The budget is spread over the following funds: **General Fund \$13,747,990; Accommodation Tax Fund \$1,298,122; Water & Sewer Fund \$5,848,969; Beach Renourishment Fund \$2,411,217.** The Town's Capital Improvement Budget is being included for consideration within the budget ordinance adoption process.

REVENUES

The Town's largest single source of revenue continues to be from property taxes. Next year this figure is estimated at **\$6,648,421** and amounts to some 48.4% of general fund revenues anticipated for FY 21-22. 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 \$1,560,084,862. This figure is applied to the current tax rate of \$0.41 per \$100.00 valuation, and a tax collection rate of 98%, generating \$6,648,070 in property tax revenues. Each cent of property tax generates about \$152,888 in revenues.

The second largest source of general fund revenue is derived from local sales taxes which is anticipated to be \$2,127,055 in FY 21-22; the third being Parking fees of \$1,302,298; the fourth being Solid Waste user fees of \$1,275,000. Water and sewer fees collected in the Town's Water & Sewer Fund generate \$5,848,969 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 slightly increase (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) and Finance Director 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 thorough consideration based on current and prior year expenditures, proposed work program needs, inflationary trends and a review of respective departmental operations. 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.

Expenditures are being budgeted very conservatively to ensure that they do not exceed, to any great extent, anticipated revenues. As we are currently faced with a pandemic and expenditures related to the construction of the new Municipal Complex, conservative spending is of utmost importance. The potential disposal of assets in the form of the Police Department and surrounding land may present opportunities during the fiscal year to address the additional requests however, that is to be determined and should not be anticipated on a fiscal perspective.

Personnel costs compose 45.3% 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 decrease by 3%. Budgeted expenditures for Capital Improvements are conservative over the next fiscal year because of revenue shortfalls, economic conditions and the desire to conservatively balance the budget.

HIGHLIGHTS

General Fund Revenues:

General Fund revenues increased over last year by 22%.

No increase in Solid Waste User Fees proposed.

No property tax increase is proposed.

Personnel:

Employees of the Town serve as the number one asset of the organization. The total work force is projected for 96 full-time employees, 5 permanent part-time, 20 seasonal, and 18 part-time fire personnel. These figures include the addition of four (4) new full-time positions:

Communications Coordinator (newly created position)

Fields and Grounds Director (newly created position)

Police Officer (make up for School Resource Officer)

Collections and Distribution Maintenance Technician (additional personnel for Utilities)

Based upon usage and age/gender trends, the insurance premium rates with Blue Cross Blue shield are estimated to renew with a 6% increase. Our cost this past year of \$636.29 per employee per month may rise to \$676.85. We will not know the actual cost until August.

A cost-of-living adjustment (COLA) is proposed to all full-time employees as of July 1. Tracking current Consumer Price Index (CPI) figures through March 2021, all categories have increased 0.6% over the last month with an adjusted rate above 2.0%. It is anticipated that this figure will fluctuate throughout the year with fuel being the primary driver. Due to the fluctuation as well as recent federal stimulus payments, it is recommended that the Town not exceed that percentage and provide employees a 2.0% COLA within this budget year.

General Fund Capital Projects funded include:

Parks and Recreation: \$147,000. Matching grant funds for the Earl G. and Inez Batts Recreation Complex
Facilities and Grounds/Public Utilities: \$217,888.95. Dump Truck and Chipper (5-year acquisition timeline)
Facilities and Grounds: \$203,590.95. Street Sweeper (5-year acquisition timeline)
Facilities and Grounds: \$90,000. Streets project per Pavement Condition Survey
Emergency Management: \$80,000. Handheld radios (4-year acquisition timeline)
Fire Department: \$130,000. Fund allocation to equip two (2) new fire trucks that will be purchased through expenditures in the current fiscal year and FY 22-23.
Stormwater: \$90,000. Island stormwater project

Fund Balances

General Fund: We will finish this budget year with an estimated General Fund Balance of **\$2,441,826 (22%** of GF expenditures). In comparison, the total GF Fund Balance at June 30, 2020 was \$6,840,882 (**63.50%**). The Town expects fund balance to increase by \$4.4 million in fiscal year 21/22. The \$4.4 million increase is due to the expected sale of property owned by the Town on the Island as well as receiving reimbursement from Pender County for debris pick up during Hurricane Florence.

Beach Nourishment: These funds are left over occupancy 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, 2021 is **\$17,672,527**. At this time, the Council wishes to continue using these funds to start the federal project to help improve our beaches by adding sand and protecting our dunes. **Please note that this balance includes reimbursements from FEMA in the amount of \$10,644,249. If these monies are not received in a timely manner, the estimated fund balance will be \$7,028,278.**

Water & Sewer Fund: Comprised of the water and sewer activities, this fund closed FY2019-20 with a combined unrestricted net position of **\$5,492,049**.

Summary

The FY 21-22 Budget represents many hours of review and work by the Town Council, Department Heads, and Staff. Overall, this 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. Through the presented Budget, it shows a reflection of the good stewards you are of the Town's resources. On behalf of the Administrative and Finance 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.

With regards,



Kyle M. Breuer, AICP
Town Manager