



Town of Surf City

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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: May 29, 2020

Re: FY 2020-2021 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 FY 20-21 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, 2020. Pursuant to N.C.G.S. 159-12, a public hearing on the proposed budget will be held on Friday, June 19, 2020 at 10:00am in the Community Center Gymnasium. 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 the Community Center (Town Hall).

The proposed FY 20-21 Town of Surf City budget is balanced and totals **\$18,102,021** for all operations. The budget is spread over the following funds: **General Fund \$11,281,493; Accommodation Tax Fund \$1,200,000; Water & Sewer Fund \$5,620,528.** This year, 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 **\$6,526,972** and amounts to some 58% of general fund revenues anticipated for FY 2020-21. 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 \$1,646,631,162 which is a four 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 97%, generating \$6,526,972 in property tax revenues. Each cent of property tax generates about \$152,940 in revenues.

The second largest source of general fund revenue is derived from local sales taxes which is anticipated to be \$1,686,099 in FY 20-21; the third being Solid Waste user fees of \$1,235,000. Water and sewer fees collected in the Town's Water & Sewer Fund generate \$5,620,528 for the utility's separate operation. I am recommending an adjustment to the fee structure for providing water and sewer services which is directly generated based on operational expenditures as well as debt service on existing and ongoing projects.

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. Also, the Town was notified mid-fiscal year the withholding of local ABC profit distributions.

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 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.

As a result of the continuing economic conditions, expenditures are being budgeted very conservatively to ensure that they do not exceed, to any great extent, anticipated revenues. Personnel costs compose 35% 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 10%. 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.

Also, unique to the current fiscal year and anticipated revenue shortfalls due to the global pandemic, COVID-19, it is anticipated that Staff will present an update to Council mid-fiscal year for additional considerations of capital expenditures.

HIGHLIGHTS

I. General Fund Revenues:

- The General Fund revenues increased over last year by 8.0%.
- No increase in Solid Waste User Fees currently proposed.
- No property tax increase is proposed.

II. General Fund Expenditures:

- The total work force is projected for 95 full-time employees, higher than present year with 3 new positions proposed, as follows:

Police Department: 3 new additional entry level police officers

- 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 \$651.71 per employee per month may rise to \$684.30. We will not know the actual cost until August.
- A **2.0% COLA** amount is proposed to all full-time employees as of July 1. 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. A revised pay and classification scale will accommodate this and is broken down by 2.5% increments.

- General Fund Projects funded include:

Powell Bill: \$140,000. This division contains the costs associated maintaining and repairing Town streets, sidewalks, and storm drain issues. Money has been allocated to repair & repave several streets throughout the Town. Projects to repair and/or construct sidewalks will be identified based on the Town's current Bike and Pedestrian Plan.

Emergency Management: \$30,000. We have allocated monies to replace our current EAS radio which contains our AM radio station used during emergency situations.

Fire Department: \$26,000. Monies have been allocated for the purchase of an Exhaust Capture System located at Station 23 & 25. This system will improve the environment inside of the fire department bays where there is a large amount of exhaust due to the fire engines. This system will be purchased with grant funds. The total cost of this project is \$199,772.

III. Capital Improvement Plan:

Major projects outlined in the Capital Improvement Plan between the General Fund and Enterprise Fund:

General Fund

Public Facilities & Grounds

\$6,758,281.00: Construction of a new Municipal Complex including Town Hall and Police Department

Parks, Recreation, and Tourism

\$1,205,000.00: Purchase of mainland property to construct a new park, fishing pier and gazebo, and inclusive playground

Enterprise Fund

Public Utilities

\$1,950,000.00: WTP Brine Disposal
\$1,710,000.00: WTP Iron Irrigation Disposal
\$120,000.00: Little Kinston Stormwater Replacement
\$650,000.00: Subaqueous Crossing ICW
\$2,140,000.00: Addition of Well #6
\$200,000.00: WTP Filter Media
\$1,600,000.00: Headworks
\$6,000,000.00: Juniper Swamp Expansion
\$1,870,000.00: Juniper Swamp Disposal P1-P5

Total Enterprise Fund: \$16,240,000.00 – Through multiple years

IV. Fund Balances

- **General Fund:** We will finish this budget year with an estimated Unassigned General Fund Balance of **\$6,244,296 (78.53%** of GF expenditures). The state recommends a minimum of 8%. State averages of towns our size is 99.8%. In comparison, the total estimated GF Fund Balance at June 30, 2019 was **\$5,722,434 (72.45%)**.
- **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, 2020 is **\$15,295,446.63**. 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 \$12,563,754.00. If these monies are not received in a timely manner, the estimated fund balance will be \$2,731,692.63.**
- **Water & Sewer Fund:** Comprised of the water and sewer activities, this fund closed FY2019-20 with a combined unrestricted net position of **\$2,740,500**.

Summary

The FY 20-21 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.

With regards,



Kyle M. Breuer, AICP
Town Manager