



## TOWN OF SURF CITY BUDGET MESSAGE

To: The Honorable Mayor Doug Medlin and Town Council

From: Ashley Loftis, Town Manager

Re: FY 2019-2020 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 2019-20 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 Tuesday, June 4, 2019 at 6:30 pm 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 2019-20 Town of Surf City budget is balanced and totals **\$17,086,892** for all operations. The budget is spread over the following funds: **General Fund \$10,466,499; Accommodation Tax Fund \$1,200,000; Water & Sewer Fund \$5,420,393.**

## **REVENUES**

The Town's largest single source of revenue continues to be from property taxes. Next year this figure is \$6,142,000 and amounts to some 59% of general fund revenues anticipated for FY 2019-20.

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 \$1,590,272,768 which is a thirteen 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 \$6,329,009 in property tax revenues. The Town's tax base increased in valuation over 17% with the most recent revaluation in Pender County based on the 2019 estimates. Each cent of property tax generates about \$154,366 in revenues. Pender County completed their most recent property reappraisal for all properties including Surf City. As a part of this local governments are required to prepare a revenue-neutral tax rate for consideration. The rate is required to be calculated and published by local governments but need not actually be adopted for the coming fiscal year. As you can see late in this document, the revenue-neutral tax rate calculated is \$0.3789 per \$100 of valuation.

The second largest source of general fund revenue is derived from local sales taxes and anticipated to be \$1,661,099 in FY 2019-20 the third being Solid Waste user fees of \$1,185,000. Water fees collected in the Town's Water & Sewer Fund generate \$5,420,393 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 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 15%. 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 8.0%.
- No increase in Solid Waste User Fees currently proposed.
- 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 94 full-time employees, higher than present year with 0 new positions proposed, as follows:

Admin – 3	Police – 22
Finance – 5	Fire – 21 (Includes Fire Marshall position)
Parks & Recreation – 19	Planning – 5 (Code Enforcement Officer included)
Emergency Management - 1	

#### Part Time:

Police - 5 (seasonal - 4)	
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 \$620.68 per employee per month may rise to \$651.71. 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: \$90,000.** 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.
  - **Facilities & Grounds: \$25,000.** We have allocated monies for improvements to the Welcome Center. These improvements include repairs to siding, improved restrooms, repainting of the interior, replacement of flooring, and replacement of the back door.
  - **Police Department, Emergency Management, Parks & Recreation: \$30,000.** Monies have been allocated for the purchase of a digital message board. This is a multi-departmental project and will be used to notify the public in emergencies, during street closures, and of any upcoming events.
  - **Parks & Recreation: \$ 75,000.** Monies have been allocated to replace the playground equipment at Soundside Park. This money will be the matching portion of a grant that we will receive as well as being combined with a grant from Kiwanis in the amount of \$15,0000. The total equipment cost will be approximately \$150,000.

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

**Non-Departmental**

\$ 155,877 Transfer to Capital Reserve Fund for future capital needs

**Facilities & Grounds**

\$ 31,000 Replace 1 Vehicle

**Police Department**

\$ 116,000 Replace 3 Vehicles

\$ 8,271 Replace Speed Trailer

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

Total: \$ 119,067

## **Fire Department**

\$ 26,750 Finish upstairs at Station 25 for Town EOC

\$ 80,015 Protective fire gear, fire hose, pager replacement, radio purchase, thermal imaging camera

Total: \$ 106,765

## **Powell Bill**

\$ 90,000 Repaving of high priority streets

## **Emergency Management**

\$11,000 Mobile radios

\$38,362 New vehicle & equipment

Total: \$49,362

## **Total General Fund: \$ 560,342**

## **Collections & Distribution Department**

\$ 18,400 Engineering for a new well site

\$ 60,000 Relocation of Automatic Valve

\$ 31,157 Replace 1 Vehicle

\$ 22,644 Lease of new Backhoe

\$ 23,286 Lease of new Boom Truck

Total: \$ 155,487

## Sewer Department

\$ 97,000 Continuous upgrade of WWTP

\$ 30,000 Continuous upgrade of WWTP equipment

Total: \$127,000

**Total Water & Sewer Fund: \$ 282,487**

## IV. Fund Balances

- **General Fund:** We will finish this budget year with an estimated Unassigned General Fund Balance of **\$4,399,449 (62.48%** 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, 2019 is **\$3,560,408 (53.38%)**. **Please note that this decrease is due to appropriations made for Hurricane Florence recovery and these FEMA reimbursements have not been received.**
- **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, 2019 is **\$12,673,689**. 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.
- **Water & Sewer Fund:** Comprised of the water and sewer activities, this fund closed FY2018-19 with a combined unrestricted net position of **\$2,255,902**.

## Summary

I believe the FY 2019-20 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  
Town Manager & Finance Director

# Neutral Property Tax Increase

Town of Surf City

Note: The top part of this worksheet is used as working papers to make it easier for you (counties and municipalities) to calculate amounts that should be used in the actual

## Revaluations as of:

January 1, 2017 and 2009

Fiscal year	Assessed Valuation as of June 30	Annexation (Deannexation)	Total Adjusted for Annexation or Deannexation	Valuation Increase	Percentage change
2017-18	1,395,763,659	-	17-18 16-17	1,395,763,659 1,369,387,922	
2016-17	1,369,387,922	-	16-17	1,369,387,922	26,383,731
			15-16	1,343,004,191	
2015-16	1,343,004,191	-	15-16	1,343,004,191	27,396,718
			14-15	1,315,607,473	
2014-15	1,315,607,473	-	14-15	1,315,607,473	7,661,323
			13-14	1,307,946,150	
2013-14	1,307,946,150	-	13-14	1,307,946,150	3,014,231
			12-13	1,304,931,919	
2012-13	1,304,931,919	-	12-13	1,304,931,919	14,473,975
			11-12	1,290,457,944	
2011-12	1,290,457,944	-	11-12	1,290,457,944	109,999,967
			10-11	1,180,457,977	
2010-11	1,180,457,977	-	10-11	1,180,457,977	(1,499,999,967)
			09-10	2,680,457,944	
2009-10	2,680,457,944	-			
					-5.81%
					<b>Average growth % Doesn't include revaluation increase</b>
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Last year prior to revaluation				Tax rate	Estimated tax levy
2016-17	1,369,387,922			0.4100	5,614,490
First year of revaluation				Tax rate to produce equivalent levy	
2017-18	1,395,763,659			0.4023	5,614,490
				Revenue neutral tax rate, to be included in budget ordinance, adjusted for growth	
Increase tax rate for average growth rate				0.3789	5,288,394
2017-18	1,395,763,659				
				Increase in Tax Levy	(326,096)
				Average Percentage Increase	-5.81%