



May 24, 2022

To: Mayor Barbee and Town Council Members

From: Bruce Oakley, Town Manager

Re: Recommended Budget for Fiscal Year 22-23

Attached is the recommended 2022-23 fiscal year budget for your review and consideration. Large inflationary increases are offset in this budget with strong revenues which allows for a balanced budget that will maintain a high level of service with no increase in property taxes. There will also be numerous projects completed with money allocated in the North Carolina State budget and with grants.

Of significant note in this budget is an increase in our debt service fund. In February 2022, the Town Council approved the purchase of Freeman Park which will preserve over 300 acres of open space on the north end of the Town in perpetuity. This purchase required obtaining financing and using money from the Town reserves. A conservation grant has been submitted that will, hopefully, payoff the debt and restore some of the reserve money used in the purchase.

Since 2020, the Town has been fortunate to receive over \$7 million dollars in grants as well as federal and state aid. Staff is working on obtaining over \$10 million more dollars that would not come out of Town coffers. These opportunities make it possible to complete needed projects while keeping a low tax rate.

The Town operates with a general as well as utility fund. The general fund revenues include taxes from property, sales, alcohol sales (ABC), franchise, Powell Bill, parking, and occupancy taxes. To a lesser extent, fees and charges also support the revenues of the general fund. The utility fund revenues are primarily fees

collected for water, sewer, and storm water services with rate requirements associated with planned capital improvements.

**General Fund:** The FY 22-23 balanced budget for the general fund is \$19.78 million compared to \$16.54 million that was proposed in the current fiscal year. Total projected revenues are higher than last year because of a continued strong economy that has resulted in higher sales tax, occupancy taxes, and to a lesser extent, property taxes. The Town also implemented a new parking program that has shown increased revenues. Unfortunately, the gain in revenues was offset by inflation. Outside of proposed new positions and COLA increases, most of the increase in expenses are related to the high rate of inflation. There is no proposed change in the property tax rate in this budget and will remain at 21.5 cents per \$100 of value. Each penny of tax rate will generate approximately \$310,000 in revenue at the proposed rate.

**Personnel:** The general fund supports funding for 88 employees. This includes a new Communications Coordinator, a Financial Analyst, and a Human Resource and Executive Support position to help meet the growing demands put on the existing staff. It also includes the addition of three new Firefighter positions to help respond to the rapidly growing number of calls the Fire Department must respond to daily.

This budget also provides funding for additional policing at the Boardwalk during peak times. Thanks to the acquisition of several grants, there are also budget provisions that increase the Police Department's ability to provide service and protection.

The Town's provision for a 401 (k) would remain as it is currently allocated: 1% for all employees, and up to a 2% match based on employee contributions. A tiered 8-10% Cost of Living Allowance (COLA), which was approved by the Town Council in April, is also included.

**Capital Projects:** The general fund includes several significant capital projects this year, including the paving of 4.5 miles of roadway. It also includes the Brandy Myers Memorial Accessible Playground at Carolina Beach Lake Park, a new bathroom facility, and picnic shelter. These will be funded through a combination of state funds and a Land & Water Conservation grant.

**Debt Service:** The TCB debt service amortization for the general fund is listed below. Note the totals include CBP3 debt which is funded in the Non-Departmental budget:

FY22	\$	993,734
FY23	\$	1,384,428
FY24	\$	1,356,475
FY25	\$	1,147,976
FY26	\$	949,504

**Fund Balance:** The Town of Carolina Beach had a general fund balance of \$9.6 million as of 6/30/21, or the beginning of this current fiscal year. The unassigned portion is 35% of the general fund budget. The previous Council had a long-term goal of unassigned fund balance of 50%. Additionally, receivables expected to be received in FY22 are conservatively estimated at \$645,189. Current projections of change in fund balance for FY22 show an expected growth of \$1.1 million. However, this is subject to change if sales tax and other revenues are lower than expected.

**Utility Fund:** The FY 22-23 balanced budget for the utility fund is \$10.16 million compared to \$9.33 million last year. Revenues are supported by a fund balance appropriation of \$238,506. The revenue sources are primarily rates charged for water, sewer, and stormwater. This budget includes a transfer to the general fund of \$750,000 for indirect services provided by the general fund. There is a proposed 4% increase in rates to lessen the impact future revenue bond issuances will have on rates and to help keep up with inflationary impacts on the operation of the Town's water, sewer, and stormwater systems.

**Personnel:** The utility fund employs 32.5 employees. Staff continues to implement more automation and other measures to improve customer satisfaction and service quality. The Town operates two water treatment plants, 14 wells, 13 lift stations, a wastewater treatment plant, 30 miles of sewer, five miles of force mains, 35 miles of water lines, 4,721 water and sewer accounts, and manages the public stormwater system with four pump stations. There are no new positions planned in the budget and COLA increases approved by the Town Council in April increases salaries by 8-10%. The 401 (k) does not change from the current budget.

**Capital Projects:** The first phase of the wastewater treatment plant's new headworks and the required engineering study for the water system upgrades and storage project are included in the FY 22-23. Both projects are crucial to the long-term health of the Town's water and sewer infrastructure and staff is seeking outside funding to complete them. However, the Town may have to seek bonds in the future to complete the full water system upgrade project. Also included are the stormwater retention and stabilization project for Lake Park, which is funded by money approved in the state budget as well as leftover money from a bond issued in 2016. There are also several stormwater improvement projects scheduled for FY 22-23.

**Debt Service:**

The TCB debt service amortization for the utility fund is as follows:

FY22	\$2,525,598
FY23	\$2,515,328
FY24	\$2,358,859
FY25	\$2,273,946
FY26	\$2,149,634

**Fund Balance:** The change in net position as of 6/30/21 was \$1.4 million with a positive fund balance of \$1,089,283. The projection for 06/30/22 is an increase of \$900,000; \$238,506 of this will be used to balance the budget leaving \$1,700,000 in the Utility Fund balance.

The Town of Carolina Beach budget for fiscal year 2022-23 reflects the goals the Carolina Beach Town Council set forth in their January strategic planning retreat. The budget includes increased revenues and inflationary increases in expenses. Staff will closely monitor economic trends and stagger major projects and hires in case the economy slows or moves toward a recession. However, we are confident that the budget as proposed is strong enough to handle any challenges.

Town Department Directors and their staffs worked diligently to put this budget together. The work started in January and included ten public meetings, three public hearings, and one public open house. This is a true public budget. Thank you to the Town staff, to Mayor Barbee and the Town Council, and to the citizens who participated in the process. Through the team effort, the Town of Carolina Beach continues to move forward toward a bright future.