

Town of Atlantic Beach



ANNUAL BUDGET Fiscal Year 2006-07

To: Mayor Vinson and Members of the Town Council
From: Chuck Cooper, Town Manager and Budget Officer
Re: Fiscal Year 2006-07 Budget (as amended and approved)
Date: June 30, 2006

In accordance with the North Carolina Budget and Fiscal Control Act, the Town of Atlantic Beach's proposed budget for the fiscal year beginning July 1, 2006 and ending June 30, 2007 was presented for your review and consideration on May 31, 2006. The North Carolina General Statutes specify that the budget ordinance and tax rate be adopted by July 1, 2006. Also, General Statute 159-12(b) requires that the governing body hold a public hearing on the budget prior to adoption. This public hearing was held on June 15, 2006 at 7:00 PM in the Atlantic Beach Town Board Room and was properly advertised in the Carteret News-Times. A copy of the proposed budget document was made available for public inspection at the Town Hall during normal business hours and on the Town website at www.atlanticbeach-nc.com.

Town of Atlantic Beach Organization and Services

The Town of Atlantic Beach provides a wide range of services to its citizens and visitors. The Town has a Town Council/Manager form of government that is governed by an elected Mayor and five Town Council members that all serve for two year terms. The Town operations are organized into departments (see Organization Chart in Introductory section) to provide the following major services:

- Town Manager (1 staff) – provides overall management of Town functions including serving as Finance and Budget Officer
- Town Clerk (1 staff) – provides Town records and legal documents management and support for Town Council statutory functions
- Police (22 staff) – provides crime prevention including community outreach and enforcement; communications and dispatch services; and animal control
- Fire (14 staff) – provides fire suppression and rescue; fire inspections; EMS including paramedic services; and lifeguard services
- Public Services (16 staff) – provides public works including buildings, grounds and beach access maintenance, and landscaping; solid waste collection; roadways maintenance; and water utility services
- Building Inspections (3 staff) – provides code enforcement, building permits and inspections services
- Planning (2 staff) – provides long-range planning; and code enforcement, zoning and mapping services
- Administrative Services (4 staff) – provides administrative support for all Town departments including budgeting, accounting, purchasing, personnel and other administrative support

The Town also contracts for legal services and independent auditing services from local professional firms.

Budget Organization and Format

The FY 2006-07 Budget is organized by the Budget Officer and staff to provide to the Mayor and Council an informative presentation format to facilitate the decision making process and to provide citizens with a clearer picture of the cost of the services being provided. Key elements that are included in this Budget document include:

- The Town's budgeted funds include the General Fund, Beach Nourishment Fund, Circle Infrastructure Fund, Powell Bill Fund, and Public Utilities Fund (formerly Water Fund) that segregate and account for the diverse activities of the Town and assure adherence to statutory spending requirements.

- All department heads identified and created budgets for their departments based on key programmatic Activities that demonstrate the primary deliverables that they provide to the citizens of Atlantic Beach. These departmental Activities identify labor related FTE's (full time equivalents) that deliver the services, direct expenses uniquely required for the delivery of services, and other indirect expenses proportional to the Activity. All department heads manage and track expenses during the year against these budgeted activities.
- Detail revenue and expense accounts are standardized across all funds and organized into logical groupings of Summary Accounts allowing a more focused and informed analysis of budget changes, impacts, and comparison among the departments.
- The Funds and Summary Accounts are the Town Council's budget approval level, which makes the control and management of the budget more efficient.
- The Chart of Accounts is standardized across all departments to provide effective control and presentation capabilities. The Chart of Accounts implemented in the Town's accounting system on July 1, 2005 remains in effect and has provided effective reporting capabilities to the Town.
- Expansion budget and capital needs were identified by each department for current year consideration by the Council as well as for creation of a long-term inventory of capital requirements. Several key critical capital items have been included by the Council in this year's budget.

Expenditure estimates were compiled and formulated by the Budget Officer and staff of the Administrative Services department based upon written requests submitted by the various department heads, discussions between the department heads and the Budget Officer, and extensive Budget Workshop discussions among the Budget Officer, Mayor and Town Council members. Each department's request was given consideration based on current year expenditures, proposed work program needs, inflationary trends and a review of each department's operations.

All revenue estimates in the budget were based upon recommendations provide by the North Carolina League of Municipalities, current statutory distributions and contracts, figures provided by various department heads who have revenue collection responsibility, and experiences gained from the collection of actual revenues during the 2005-06 fiscal year.

As required by North Carolina General Statute, the budget is balanced by a like amount of revenues and expenditures.

Fund Summary

General Fund

The General Fund is established to account for the majority of all the Town's activities, services and expenses (Police, Fire, Public Services except public utilities services, Building Inspections, Planning, and Administrative Services). Ad valorem property taxes represent the largest revenue source in the General Fund and are based on a tax base of \$894M of property in Atlantic Beach, which is an increase of \$31M over last year's valuation. To arrive at the \$2,300, 211 ad valorem property tax revenue estimated for FY 2006-07, the tax base of \$894M is multiplied times a tax rate of .26/\$100 valuation (a \$.03 tax rate increase in FY 2006-07) times a tax collection rate of 99.0%. One penny of property tax therefore generates \$88,470 in revenues.

Key highlights of the General Fund budget for FY 2006-07 include:

- The Unreserved Fund Balance for the General Fund is estimated to be in excess of \$2,056,445 at June 30, 2006.
- Revenues for FY 2006-07 are estimated to be \$5,740,836, an increase over last year primarily due to increases in the Property Tax valuation, a \$.03 increase in the Ad valorem tax rate, increases in Sales Tax collections, ABC Revenue, increases in the number and value of Building Permits, and a loan from the Circle Infrastructure Reserve fund.
- The \$.03 Ad valorem tax increase represents the first tax increase in Atlantic Beach since FY 2001-02 and will be applied to fund a portion of the total Sewer (\$.02) and Dredging (\$.01) activities planned for this year. This tax increase reflects the recognition by the Town Council of the growing need to properly fund critical services demanded by the citizens of Atlantic Beach. Many of these services are routine and well known to the citizens of the Town, such as police protection, fire prevention and EMS, solid waste collection, road maintenance, grounds and beach maintenance, building inspections and zoning services. However, the Council has undertaken many additional projects to better address citizen requests for services, including:
 - Annual maintenance Dredging program and funding started this year with dredging the InterCoastal Access Channel and other key channel blockages and the creation of a permanent sand disposal site for dredged materials.
 - Public Beach Access issues and opportunities identified to include a major effort to secure public access at Henderson Boulevard and the construction of the Town's first completely ADA compliant beach walkway at Durham Avenue.

- Identification and acquisition of key land, starting with the Coral Bay Shopping Center, for Town use including possible sewer and stormwater mitigation programs and/or Town infrastructure requirements.
- Sidewalk development program continued that will see the completion of the Highway 58 sidewalks to the western edge of Town and the planning for other key sidewalk projects.
- Stormwater mitigation efforts begun along Boardwalk and Commerce Way to work on long-standing flooding issues.
- Town technology improvements implemented including the creation of a Town Web Home Page that improves the citizen access through improved timeliness of information, greatly expanded information, and online forms and payments.
- Causeway irrigation system and other beautification efforts have been undertaken throughout the Town.
- Sand Fences have been placed along the length of the Atlantic Beach shoreline and will be maintained to improve the protective beach dunes.
- Replacement of key Town infrastructure and equipment has received significant funding to address the backlog of departmental requests for the necessary assets to assure continuation of key Town services.
- Expenses related to departmental operations for FY 2006-07 are estimated at \$6,109,943 an increase over last year primarily due to funding employee salary related cost of living adjustments, funding the Pay and Classification Study recommended adjustments to bring the Town's employees into alignment with surrounding municipalities, funding of a portion of the backlog of departmental requests for replacement equipment and new initiatives, and funding a major effort to determine the appropriate strategies for addressing the Town's sewer and stormwater management needs.
- Funding of new departmental requests include:
 - Administrative Services – Funding to begin computerization of critical Town Council records to preserve the Town's legacy and consulting services needed to implement a merit pay plan.
 - Police – Boat lift for new Police boat and three replacement patrol vehicles.
 - Fire – Deputy Chief position to assume major fire inspection/prevention and administrative support functions that have dramatically increased over the years.

- Building Inspections – Building Inspector position to assist Director with the significantly expanding inspections workload.
- Public Services – Administrative Assistant position (50% funded in General Fund) to assist in meeting the increasing departmental administrative workload, two replacement maintenance vehicles and a replacement mower.
- The budget reflects a 2.0 % COLA for all staff and additionally funds the recommendations of the Pay and Classification Study that documented the inequity in Town employee salaries compared with surrounding municipalities. This study recommended the classification re-alignment of many Town staff positions to assure that the Town can be competitive in the recruitment and retention of employees.
- A \$369,107 appropriation of fund balance is required to balance the revenues and expenses of the General Fund.
- All major services are maintained at levels consistent with last year’s budget and operational plans.

Beach Nourishment Fund

The Beach Nourishment Fund, a special reserve fund, was established to account for distributions from the Carteret County Hotel Room Tax that is defined by N.C. General Statute to be used for beach nourishment related expenses. The contributions to this fund ended with the FY 2005-06 distributions. The Fund Balance for this fund is estimated to be in excess of \$370,000 at June 30, 2006. Revenues for the FY 2006-07 will be from interest earnings anticipated at \$7,500 with expenses to be determined as appropriate needs are identified during the year.

Circle Infrastructure Fund

The Circle Infrastructure Fund, a special reserve fund, was established to account for the proceeds from the sale of Town property in the Circle Development District. This fund provides the opportunity for a clear accounting for the collection and use of these funds. The Fund Balance for this fund is estimated to be in excess of \$1,595,000 at June 30, 2006. Revenues for the FY 2006-07 will be from interest earning anticipated at \$35,000. Expenses are budgeted at \$635,874, which is comprised of a loan to the General Fund to fund the Sewer portion of the Sewer and Stormwater project.

Powell Bill Fund

The Powell Bill Fund, a special reserve fund, was established to account for the State of N.C. Powell Bill distributions to counties and municipalities related to the maintenance of roadways. As roadway related projects are identified these funds are transferred to the General Fund where expenditures are properly accounted. The Fund Balance for this fund is estimated to be in excess of \$250,000 at June 30, 2006. Revenues for the FY 2006-07 are anticipated at \$81,000 (\$71,000 Powell Bill distributions and \$10,000 interest earnings) with expenses of \$155,000 planned for roadway improvements in Atlantic Beach. This will result in the use of Powell Bill fund balance of \$74,000 in FY 2006-07.

Public Utilities Fund

The Public Utilities Fund, an enterprise fund, was originally established as the Water Fund to account for the management of the Town's water utility service. This fund is being renamed to more accurately describe the expansion of Town enterprise services to include stormwater management (and ultimately wastewater management). While the Town's water services are fully operational, the stormwater and sewer services are currently in the planning and engineering stages. These activities will incur expenses in FY 2006-07 related to the development of the Town's plan to provide these critical services.

The Public Utilities Fund is a self-supporting enterprise activity of the Town and as such the activities of this fund are appropriately budgeted and accounted for in a separate fund. The rates charged for these services are intended to support current operations, as well as fund the maintenance and replacement of key utility infrastructure.

Key highlights of the Public Utility Fund for FY 2006-07 include:

- The Fund Balance for this fund is estimated to be in excess of \$5.8 M at June 30, 2006, composed of \$3.6 M invested in water plant assets and \$2.2 M in cash on hand.
- Revenues for FY 2006-07 are estimated to be \$1,349,950 from all Public Utilities Fund activities that include Water and Stormwater functions.
- The newly created Stormwater Impact Fee (.5% of Building Permit values) will be levied against the value of building permits for construction projects in excess of \$20,000. The Town is researching the future addition of a Sewer Impact Fee that will follow the same structure as the Stormwater Fee.

- Expenses for FY 2006-07 are estimated to be \$1,384,873. Key elements of the Public Utility expenses include:
 - A continuation of the Water utility services at current service levels with no major increases in costs.
 - One additional position is planned for FY 2006-07 to address the growing administrative requirements for this department. This position is funded 50% in the Public Utilities Fund Water activity and 50% in the General Fund.
 - Engineering services related to development of a comprehensive stormwater management plan and a portion of the debt service payments related to the Coral Bay Shopping Center land purchase (land to be used for stormwater and sewer management) will be funded from the Stormwater Impact Fee.
 - Selected capital expenditures related to the maintenance and repair of the Water plant facilities are also being funded.
- The budget reflects a 2.0 % COLA for all staff and additionally funds the recommendations of the Pay and Classification Study that documented the inequity in Town employee salaries compared with surrounding municipalities. This study recommended the classification re-alignment of many Town staff positions to assure that the Town can be competitive in the recruitment and retention of employees.
- A \$34,923 appropriation of fund balance is required to balance the revenues and expenses of the Public Utility Fund.

Fund Balance Considerations

The North Carolina Local Government Commission (LGC) provides oversight and guidance to all local government in North Carolina. Their oversight has provided an element of security and stability for all our citizens and helped maintain our State's reputation for fiscal responsibility. The Town of Atlantic Beach works closely with the LGC to assure that our operations meet their standards and N.C. Statutory requirements. The LGC requires that all municipalities maintain a minimum General Fund balance of 8.0% as compared to current fund expenditures. The Town's unreserved General Fund Balance at June 30, 2006 is estimated to be \$2,056,445, which will be 36% of FY 2005-06 General Fund expenditures.

The FY 2006-07 Budget reflects an increase in the ad valorem property tax rate to .26/\$100 valuation and an appropriation of Fund Balance estimated at \$369,107. This is estimated to bring the General Fund Balance to 28.0% of General Fund expenses at June 30, 2007. Fund balances available for use by the Town for unreserved

purposes, beyond those accounted for in the General Fund, include the Circle Infrastructure fund balance which is accounted for in a reserve fund. This fund, when combined with the General Fund balances, gives the Town an estimated combined unreserved fund balance of 44.0% of General Fund expenses at June 30, 2007. The purpose of maintaining these reserves is to have the ability to withstand periods of revenue and expense inequity and still provide the services demanded by the Town's citizens. The Town staff is committed to delivering these services in the most cost effective manner possible and reserving funds wherever practical.

Conclusion

It is the mission of the management and staff of the Town of Atlantic Beach to provide services at the levels that the citizens demand and deserve, while maintaining effective controls over the costs of those services. Through the vision and policy setting actions of the Mayor and Town Council we strive to accomplish this each day. The proposed budget is a financial plan that realistically defines the financial structure to meet those objectives. The support of the citizens of Atlantic Beach, the Mayor and all the five Town Council members is greatly appreciated. The staff and I look forward to working with you in achieving these goals.