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TOWN OF ATLANTIC BEACH

BUDGET MESSAGE

May 2, 2011

Honorable Mayor Cooper and Town Council
Town of Atlantic Beach, N.C

Re: Proposed FY 2011-12 Budget

Dear Mayor Cooper and Members of the Board:

In accordance with Section 159-11 of the NC General Statutes, I am pleased to present the proposed FY 2011-12 Budget for the Town of Atlantic Beach for your review and consideration. The budget is a sound financial plan and has been prepared with the Board'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, 2011. Pursuant to N.C.G.S. 159-12, a public hearing on the proposed budget will be held on Monday, May 16, 2011 at 6:00 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 Board, 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 2011-12 Town of Atlantic Beach budget is balanced and totals **\$7,069,535** for all operations. The budget is spread over all the following funds: **General Fund \$5,788,846; Water Utility \$1,066,000; Beach Nourishment Reserve Fund (no appropriation); Stormwater Fund \$120,089; and Powell Bill Fund \$94,600.**

REVENUES

The Town's largest single source of revenue continues to be generated from property taxes. This figure is \$2,770,000 and amounts to some 47.85% of general fund revenues anticipated for the 2011-12 fiscal year.

At the time this proposed budget is being prepared and based on the uncertainty of the final tax base numbers regarding the county wide re-valuation, which will not become final until after budget adoption, the Town is using a tax base figure of \$1,641,934,817. This figure is applied to a tax rate of \$0.17 per \$100.00 valuation, and a tax collection rate of 99%, generating \$2,770,000 in property

tax revenues. This is less than a projected 'revenue neutral' tax rate of 17.5 cents. Next year's property tax levy is a decrease from the current years amount, and is in essence a tax cut following the re-valuation. **Each cent of property tax generates about \$162,000 in revenues.**

The second largest source of general fund revenue is derived from sales taxes and anticipated to be \$837,000 in 2011-2012, and the third being Solid Waste user fees of \$505,000. Water fees collected in the Town's Utility Fund generate some \$1,008,000 in utility fund revenues.

Because of the continuing stalemate in the national, state and local economies, sources of revenue have been difficult to project for the upcoming year. Increases in the Town's tax base are projected to be flat, with little growth anticipated; that trend is expected to continue for the next year or two.

Other revenue sources such as interest income, a variety of State Collected Local Revenues and local permits and fees are projected to be stagnant for the foreseeable future.

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 who 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 in an attempt to insure that they do not exceed, to any great extent, anticipated revenues.

The proposed budget does not include a Cost of Living Adjustment (COLA) increase for town employees. Workers Compensation, Property & Liability, and Flood insurance rates are estimated to increase by some 15%. Budgeted expenditures for Capital Improvements are very limited for the next fiscal year because of revenue shortfalls, economic conditions and the desire to conservatively balance the budget.

Mileage allowances for employee use of personal vehicles, unless other vehicle allowance arrangements have been specified, are based on current rates allowed by the IRS. Pier Diem meal allowances are capped at \$35.00 per day unless higher amounts are authorized by the Town Manager.

HIGHLIGHTS

I. General Fund Revenues:

- The General Fund revenues are less than last year by 8%: \$612,592.00.
- The new re-valuation has resulted in a decrease in tax base of over \$633 million dollars, a 28% decrease.
- We will absorb the loss of \$26,415 in Coral Bay lease payments from Rite Aid closing.

- We will absorb the loss of \$5,500 in cell tower revenues from contract closeouts.
- We have decreased \$30,000 in investment interest income from the estimated \$60,000 budgeted last year due to the severe decline in rates.
- No increase in User fees, Building Inspections fees, or Solid Waste Fees.
- No use of Fund Balance reserves for Operations, used for Capital Outlay only.

II. General Fund Expenditures:

The total work force is projected for 57 full-time employees, a decrease of four full-time positions (three in police dept., one in public works) as follows:

Police-19	Water-4
Fire/Ems-14	Inspections-3
Public Works-10	Finance-3
Admin-2	Planning-1
Clerk-1	

- To contain escalating costs of the employee health insurance program, we received and reviewed multiple proposals from BC/BS and the NCLM health insurance programs. These options include raising the deductibles and co-pays from the current program. Based upon these efforts, we have chosen a new option which actually cuts premiums by 6.6 %.
- No COLA's are provided. A 2% allocation for merit supplement based upon employee performance evaluations, or increased certifications is provided.
- A separate department for "Beach Services" has been created to break out the cost of these services. The new Paid Parking Program should generate the revenues to cover our \$150,000 in costs to provide a paid summer lifeguard program; operation and maintenance of three public beach bathhouses and seventeen public beach accesses; utilities for the Circle public Boardwalk areas ;daily garbage and refuse collection along a five mile beach front ; and the cost of traffic safety and enforcement during the heavy tourist season.. This should offset the subsidy of local tax-payers fully funding these services. The amount exceeds one cent on the tax rate.
- Other current programs funded include:
 - **Local Channel Dredging** \$40,000 (Based upon an estimate of revenue derived from the local property tax on boats)
 - **Storm Drainage** \$ 35,000
 - **Sidewalk/Bikeways** \$25,000
 - **Recreation** \$77,700

III. General Fund Capital Outlay. Appropriation of \$190,000 from the General Fund Balance for capital outlay items as follows:

- \$115,000 – Public Services "Claw" Truck (Replacement of brush/white goods claw truck)
- \$ 75,000 – Three Police Replacement vehicles)

IV. Sales Tax. The Sales tax remains flat from the economy and we have not increased this item. We need to be aware that our distribution of these sales taxes can be adversely affected by other towns and especially the County raising their tax rates, as the formula is based on the ratios of valuations. With all the Fire/Rescue Districts rates and Beach Sand Tax rates, these are extremely volatile if we remain at the same tax rate and other units raise their property tax rates. The end result may mean less sales tax for us next year.

V. Coral Bay Property. Obviously, the Debt Service on this property is a big part of our General Fund budget. The \$360,267 amount next year equals 2.22 cents of the tax rate. We continue to utilize the entire Stormwater fee proceeds (\$120,089) to pay one-third (1/3) of the annual debt service on this item as a transfer to the General Fund.

VI. Debt Service. General Fund debt service of \$454,180 is down \$40,154 from last year due to our re-financing of the loans. It includes annual loan payments for the Coral Bay property, a fire rescue truck, and a fire truck. There is no current debt service in the Water Utility fund.

VII. Water Utility Fund:

- Estimating Revenues at \$1,008,000.
- No increase in rates or fees.
- Appropriation of \$58,000 from the Water Fund Balance for capital outlay items as follows: Propose to purchase two (2) pickup trucks and transfer two (2) existing Water Department trucks to Public Services Department as replacement vehicles. Fleet totals will not increase, as two vehicles being replaced will be sold as surplus.

VIII. Fund Balances

- **General Fund:** We will finish out this budget year with an estimated Available Fund Balance of \$4,566,227 which represents 74% of currently budgeted expenditures. State averages of towns our size are 65%, but this average amount is also \$888,000.
- **Beach Nourishment Reserves:** \$335,557, (from prior room tax disbursements) with no planned usage.
- **Powell Bill Reserves:** \$111,389 estimated balance remaining, which includes FY10-11 revenues / expenditures and proposed FY11-12 revenues / expenditures. This is about two years of Powell Bill receipts.

IX. Grand Total ALL Funds: \$7,069,535 is a \$612,592 (8%) decrease from the current year.

Summary

I believe the FY2011-12 Atlantic Beach budget reflects the Board's service priorities for the citizens, meets the Board'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 Atlantic Beach for the next fiscal year to the Mayor and Town Council for their consideration, review and adoption.

We look forward to working with the Board in the delivery of Town services to our citizens in the most professional, businesslike, economical and environmentally sensible manner possible.

Respectfully submitted,

David R. Walker
Town Manager