



700 Sunset Boulevard North • Sunset Beach, NC 28468
Telephone: 910-579-6297 • Fax: 910-579-1840
Website: www.sunsetbeachnc.gov • Email: sunsetbeach@atmc.net

Hiram J. Marziano II Town Administrator

**Honorable Mayor, Town Council and
the Citizens of the Town of Sunset Beach:**

In accordance with §159-11 of the North Carolina General Statutes, I am pleased to present a draft of the Proposed Budget for the Town of Sunset Beach for the fiscal year beginning July 1, 2020 and ending June 30, 2021.

THE FUNDS OF THE BUDGET

General Fund

The General Fund contains the Town's general governmental services such as Governing Body, Administration, Finance, Public Infrastructure, Police, Fire, Planning & Zoning, Inspections, Streets, Stormwater, Sanitation, and Environmental Protection. The proposed General Fund operating budget for FY 2020-2021 totals \$6,862,930, which represents a decrease of \$575,617 (7.7% decrease) from the current fiscal year General Fund budget of \$7,438,547. No appropriation of General Fund (Fund Balance) is included in this budget proposal.

Special Revenue Funds

The Town continues to account for restricted monies and those set aside for specific purposes through the use of four Special Revenue Funds. This method of accounting for these monies allows an extra level of accountability and transparency to show that tax or grant dollars are being used for their intended purposes.

The four Special Revenue funds included in the proposed budget are: the Powell Bill Fund, the Sunset at Sunset Festival Fund, the Accommodations Tax Fund and the Beach Erosion/Protection Fund.

- **Powell Bill Fund**

This fund accounts for the revenues and the expenditures associated with State-shared revenues that are restricted by statute for uses related to Town-owned streets and sidewalks. A total of \$142,000 is budgeted for this fund. Of this amount, \$142,000 is estimated to be received in current revenues.

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- Sunset at Sunset Festival Fund

This fund accounts for the revenues and the direct expenditures that are generated by this annual Town event. The \$21,180 budget for this fiscal year budget is balanced with proposed festival revenues and an appropriation of their Fund Balance which equals the fund's planned expenditures.

- Accommodations Tax Fund

This fund houses the revenues from the three percent (3%) on gross revenues portion of the Town's Occupancy Tax. The expenditures from the fund offset the Town's cost for the provision of services to its seasonal tourist population. According to the enabling legislation, S.L. 1997-364.12(a1), these funds are to be used for tourism-related expenditures. The act further defines the intended meaning of "tourism-related expenditures" to include "the following types of expenditures: criminal justice system, fire protection, public facilities and utilities, health facilities, solid waste and sewage treatment, and the control and repair of water front erosion". A total of \$400,000 is budgeted for this fund.

- Beach Erosion/Protection Fund

This fund accounts for the revenues from the two percent (2%) on gross rental revenues portion of the Town's Occupancy Tax. According to the legislation, these funds may only be used for beach re-nourishment and hurricane protection. This has been further defined by the state to also include the construction and maintenance of beach accesses and engineering expenditures related to beach nourishment or sand management. The total revenues anticipated for this fund are \$250,000. Of the expenditures proposed for this fund, \$150,000 is proposed to be reserved for future expenditures for beach nourishment or protection.

(As a note, the total of the Town of Sunset Beach's two occupancy taxes levied is 5%. The Town also collects an additional 1% on behalf of Brunswick County and those revenues are forwarded to the County on a monthly basis.)

Capital Reserve Funds

The Town may establish a resolution to create a Capital Reserve Fund for any purpose for which the law allows a Capital Project to be established.

Capital Project Funds

The Town uses Capital Project Funds to account for projects that may span across fiscal years and results in the construction or acquisition of a Capital Asset. These funds are budgeted through a Capital Project Ordinance and this is handled outside of the Annual Operating Budget appropriations. Currently the Town has one Capital Project underway; the Shoreline Management and Pre-Dredge Analysis Project. In accordance with the Town's Fiscal Policy, the Capital Project Ordinance is separate from the Town's annual Operating Budget Ordinance as these Budgets typically span across fiscal years for the life of the Capital Project.

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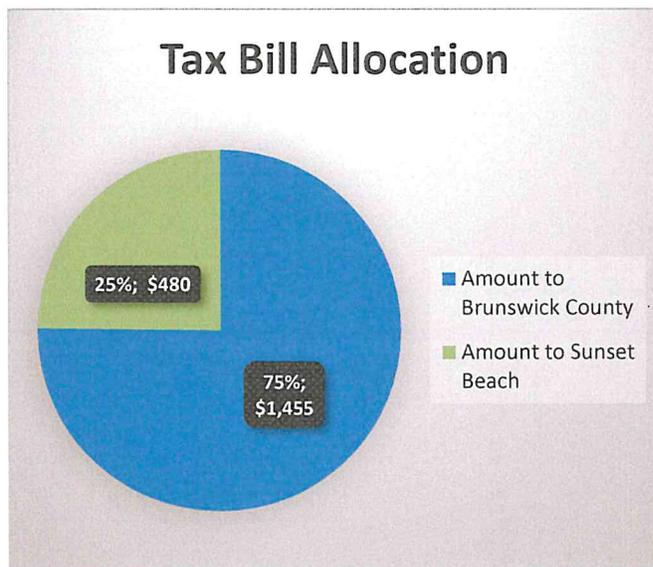
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BUDGET OVERVIEW

The staff uses a comprehensive list of sources (i.e. North Carolina League of Municipalities estimates, Bureau of Labor Statistics data, Consumer Price Index, historical trends, etc.) to project revenues and estimate expenditures to fund current programs and services with our existing workforce. In addition, staff reviews processes and programs to discover any cost efficiencies and any needed resources to continue to effectively carry out the programs while meeting governmental requirements.

The Tax Rate

Brunswick County conducted a reappraisal effective January 2019. North Carolina General Statutes require each county to conduct a Reappraisal at least once every eight years. Brunswick County conducts a Reappraisal every four years. This proposed Fiscal Year 2020-2021 Town of Sunset Beach budget includes an Ad Valorem Tax rate of 16 cents per \$100 valuation. This rate represents no change from the current fiscal year tax rate. As of April 20, 2020, the estimated property valuation of \$1,689,732,143 creates revenues of approximately \$164,512 for each penny on the tax rate when applying the collection rate of 97.36%. Thus, a tax rate of 16 cents per \$100 valuation produces estimated ad valorem tax revenues of \$2,632,260.



Tax Rates

Brunswick County	0.485
Sunset Beach	0.160

Residential Tax Bill Breakdown

Example Home Value	\$300,000
Total Annual Tax Bill	\$1935
Amount to Brunswick County	\$1455
Amount to Sunset Beach	\$480

Every Town Department Head contributed to the budget process through reviewing service levels, staffing levels and capital asset needs. Staff revised budgets to remove unnecessary operating expenditures while also during this uncertain time postponing all needed Capital and some other expenditure items.

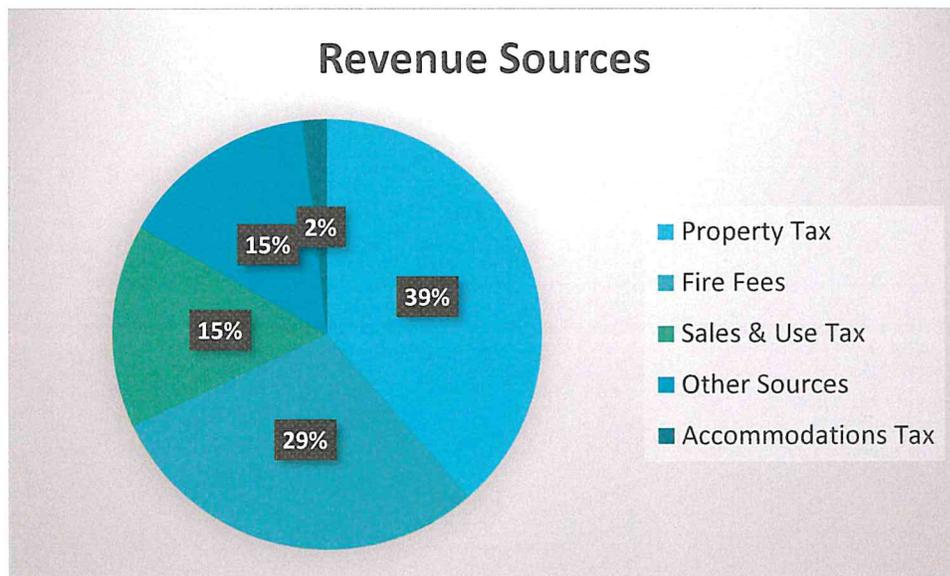
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The Grand Total of all funds' appropriations in the budget is \$6,845,690, which represents a reduction of 7.97% or \$592,857 from the current amended budget. In addition to property tax revenues and other various taxes and fees, the Town budget includes \$122,050 in interfund transfers. These include a transfer for the reimbursement of expenditures from the Accommodations Tax Fund (Fund 21) to the General Fund for \$122,050 Public Safety expenditures (Police and Fire) and Public Works labor costs in the General Fund Streets budget associated with the seasonal Beach Trash pick-up.

Revenue Items

- Recommended Property Tax Revenue is based on the Ad Valorem Tax Rate of 16 cents per \$100 assessed valuation. There is no change from the prior year tax rate of 16 cents per \$100 assessed valuation.
- Each cent (\$0.01) on the real property tax rate is equivalent to approximately \$164,512, after adjusting for the tax collection rate.
- Sales and Use Taxes of \$1,050,000 are budgeted with an anticipated decrease of \$100,000 from the current year's budgeted revenues due to COVID-19.
- Fire fees of \$2,015,000 reflect this year's collection estimate from Brunswick County. Current year revenues do not include an increase in Fire Fees.
- A decrease in the revenues in the Accommodations Tax Fund and the Beach Tax Fund reflects the decreased revenues noted in the current fiscal year's occupancy tax collections.

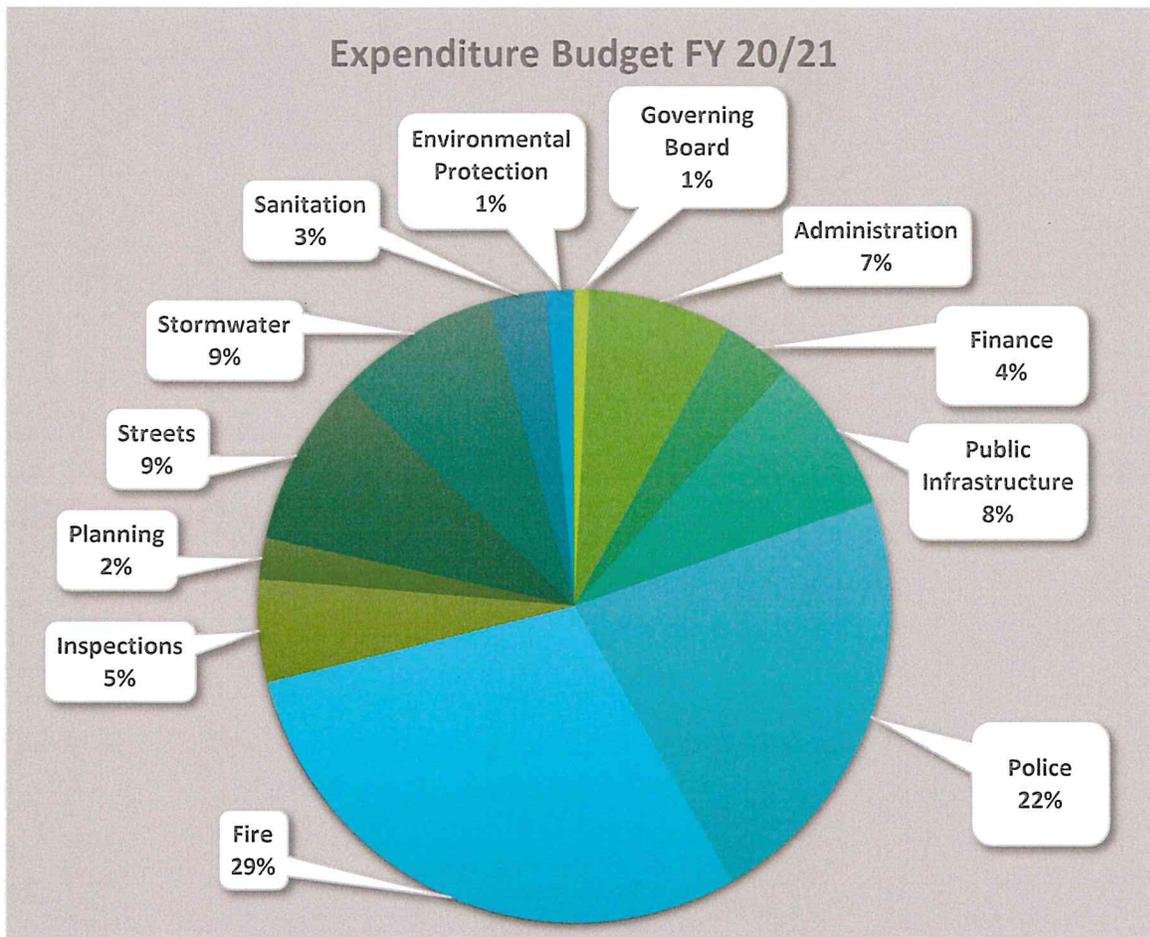


Expenditure Items

- The Governing Board shows a decrease of \$7,500. This is due to this fiscal year not being an election year.
- Administration includes an adjustment to Contract Services due to prior year not including an adjusted amount from vendors.
- The Finance Department reflects a decrease due to staff changes.

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- The Public Infrastructure budget has a decreased budget with no planned infrastructure repairs or projects.
- The Police Department budget includes no Capital Expenditures.
- The Fire Department budget includes no Capital Expenditures. There is currently \$114,450 budgeted to be transferred to a reserve fund for future Fire Department Capital needs.
- The Inspections and Planning Departments have been separated and neither have any Capital Expenditures budgeted.
- There is a decreased amount budgeted in Streets department for the year's anticipated expenditure for the Town's Street Paving program. This adjustment is due to using Powell Bill funds for street paving only. This also created an adjustment in the other Streets Department Lines with no overall effect on the budgeted total amount.
- The Stormwater Department will continue to follow the 10-year plan.
- The Sanitation Department reflects an adjustment to Leaf & Limb and the managing of GFL in the budget.
- The changes in the Environmental Protection budget reflect a minimal increase in Pond Management.



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Capital/Asset Replacement Noteworthy Items

The recommended budget includes \$0 in Capital expenditures. This is due to extenuating circumstances amid uncertain times. There has been guidance from the same sources we receive Revenue Forecasting from that have suggested an operating budget be created until we are further into the pandemic. As revenues begin to come in and we are better able to see a trending, then we can begin to amend this year's budget if possible.

The requested capital from departments was comprised of the following:

Administration Department:

Salary & Benefits Study	\$ 30,000
Parking Study	\$ 25,000
Marketing Firm	\$ 100,000
Website Overhaul	\$ 20,000
Total	\$ 175,000

Public Buildings:

Council Chamber Furniture	\$ 6,100
Town EOC Center Upgrade	\$ 10,000
Key FOB Door Entries	\$ 16,000
Server	\$ 10,000
Finish Lot Adjacent Town Hall	\$ 60,000
Upgrade Kitchen	\$ 8,000
Upgrade Bathrooms	\$ 25,000
Landscaping	\$ 30,000
ATMC - Channel 99 upgrade	\$ -
Total	\$ 165,100

Police Department:

Contracted Service Addition	
Lexipol	\$ 35,000
Total Additional Contracted Service	\$ 35,000
EQUIPMENT	
5 Portable Radios	\$ 18,132
Interview Room Camera Update	\$ 5,733
VEHICLES	
2 replacement Vehicles & 2 Add't Vehicles	\$ 215,250
Total	\$ 239,115

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Fire Department:

EQUIPMENT	
Jacobs Ladder	\$ 5,000
Radios	\$ 30,000
Total Additional Equipment	\$ 35,000
VEHICLES	
Vehicle for Deputy Chief	\$ 45,000
Total Vehicles	\$ 45,000
Total	\$ 80,000

Streets Department:

EQUIPMENT	
1/2 Mini Excavator	\$ 42,500
Total Equipment	\$ 42,500
VEHICLE	
Truck	\$ 37,000
Total Vehicles	\$ 37,000
Total	\$ 79,500

Stormwater:

EQUIPMENT	
1/2 Mini Excavator	\$ 42,500
Total Equipment	\$ 42,500
VEHICLE	
Truck	\$ 37,000
Total Vehicles	\$ 37,000
Total	\$ 79,500

The Capital Improvements associated with the Town's Street Resurfacing Program is budgeted at \$300,000 by including \$158,000 in the General Fund Streets budget and another \$142,000 in the Powell Bill Fund budget. This would allow the costs of the street resurfacing program to be shared between the Powell Bill's current revenues that are restricted for street purposes and the Town's Street Department. The roads planned for inclusion in the 2019-2020 fiscal year are:

- Planters Ridge Dr
- Surry Ct
- Ox Cart Place
- Bermuda Walk
- Forest Walk
- Discovery Lake Dr
- Deacon Ct

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A Capital expenditure is included within the Beach Tax Fund for \$100,000 in planned beach access walkway maintenance and improvements expenditures. The source of funds for this expenditure is the anticipated current revenues produced from the 2% occupancy tax, which are recorded in the Beach Tax Fund.

Staffing

The Town employs 50 full-time employees. The proposed budget includes no additional employees at this time due to the uncertainty of revenues during this time due to the effect of the pandemic, COVID-19. There were requests made during the budget sessions that I am noting in this message due to the possibility of amending the budget at a later date when revenue trends become more certain.

- Economic Development Associate
- Police Department requested 2 new positions.
- Streets Department requested 2 new positions.
- Stormwater Department requested 2 new positions.

Merit/Bonuses

The Town recognizes the valuable contribution of its staff. Thus, a merit pool of three percent (3%) has been included in this proposed budget. The total of the proposed Merit results in a possible salary increase of \$75,394 which includes all salary and benefits costs. The Town has removed the annual bonus for full-time employees in the amount of \$26,944.

Benefits

The Town provides health, life, dental and vision benefits for its employees and it provides a 50% match to the employee for the cost of dependent health and dental insurances. The Town portion of these expenditures in the proposed budget totals \$471,880. No changes in employee benefits have been included in this proposed budget.

Fee Schedule Changes

The Town's department heads have reviewed the Town's Fee Schedule to review existing fees and do not have any suggested changes or additions.

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Non-profit Agency Funding

The Town has the option of funding non-profits that extend the work of the municipality, by providing services that the Town would otherwise be authorized to perform. This Budget Includes \$10,500 for non-profit funding.

Fund Balance

The difference from the Town's yearly revenues minus all annual expenditures results in the amount that is added (or taken away from) the Town's Fund balance, or reserves, at the end of each fiscal year. The Town has operated with Council direction to maintain a minimum available fund balance of 75% of General Fund expenditures. The Town continues to operate in a manner that seeks to ensure that fiscal resources are available to meet the Town's current and projected needs.

I would like to take this opportunity to thank Department Heads and staff who worked and reworked their budget submittals and assisted in putting together the data to provide the Town's Proposed Budget.

Respectfully submitted the 1st day of June 2020 and amended on the 16th of June 2020.



Tara L. Dropp
Finance Director/ Budget Officer



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