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**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 Ordinance for the Town of Sunset Beach for the fiscal year beginning July 1, 2023, and ending June 30, 2024.

**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 2023-2024 totals \$10,025,220, which represents a decrease of \$2,233,167 from the current fiscal year General Fund amended budget of \$12,430,387. This decrease is due to the purchase of park land and a transfer to the Dredging Project in FY 2022-2023 which had a combined total of \$3,706,517. If you remove these extraordinary items, then there is in fact an increase in the budget of \$1,301,350.

There is no appropriation of Fund Balance included in the budget for FY 2023-2024.

**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 \$160,000 is budgeted for this fund. Of this amount, \$160,000 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 \$35,000 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 this 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 waterfront erosion". A total of \$775,000 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 and expenditures anticipated for this fund are \$530,000.

*(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 monthly.)*

### **Capital Reserve Funds**

The Town has allocated a transfer of \$150,000 to start using the Capital Reserve Fund for future needs.

### **Capital Project Funds**

The Town uses Capital Project Funds to account for projects that may span across fiscal years and result 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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## **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 review 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 2023. Due to the revaluation in 2023 the revenue neutral tax rate is 10.34 cents per \$100 valuation. I have attached to this Budget Message the worksheet for the calculation of the revenue neutral tax rate. Reappraisal is a process in which all real estate values are assessed at their market value as of a specific date. The purpose of a Reappraisal is to provide equalization among all types of properties. 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. The last Reappraisal was effective January 1, 2019. This proposed Fiscal Year 2023-2024 Town of Sunset Beach budget includes an Ad Valorem Tax rate of 16 cents per \$100 valuation. As of April 16, 2023, the estimated property valuation of \$2,761,850,161 creates revenues of approximately \$269,000 for each penny on the tax rate when applying the collection rate of 97.4%. Thus, a tax rate of 16 cents per \$100 valuation produces estimated ad valorem tax revenues of \$4,307,600.

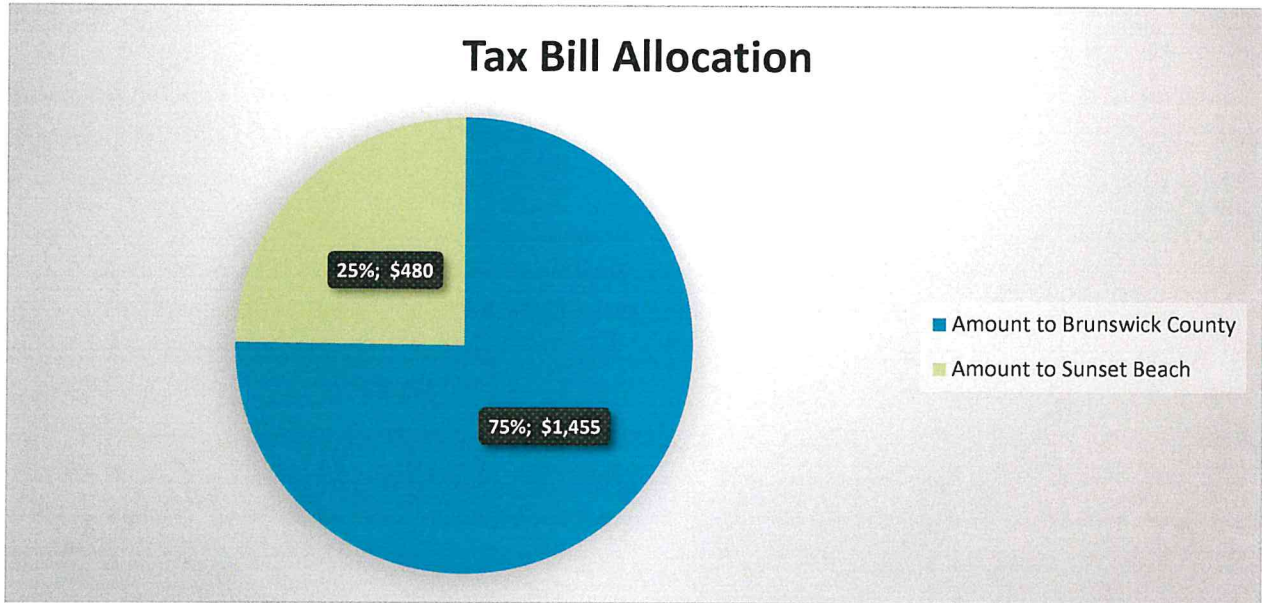
The Town of Sunset Beach staff and Town Council have decided to make future planning a priority. The decision not to remain Revenue Neutral was a thoughtful process where we looked at the services we offer and the need to sustain these services in order to keep up with the growth of the town. Some notable examples are found in the Fire Department, Police Department, Public Works, and Stormwater. For example, the Fire Department has shown the need for a Fire Truck as part of their Capital Replacement Plan, this will take nearly 3 years to accomplish once ordered. The cost of the Fire Truck will be close to \$1,000,000. Planning ahead and setting aside the funds each year in the Capital Reserve Fund will allow us to avoid bank financing and will save taxpayer money through not having to pay interest. While the Fire Truck is more of a large-scale purchase, we also need to plan for the annual replacement needs. The Police Department, Public Works Department, Stormwater Department, and Inspections Department all have vehicle and equipment replacement needs that the town will be able to better plan for as part of the Capital Improvement Plan as we look forward. Part of this process has been for every Town Department Head to contribute to the budget process through reviewing service levels, staffing levels and capital asset needs. Staff revises budgets to remove unnecessary operating expenditures while also working to identify needed Capital and other expenditure items.

Some of the other known future needs of the Town are the Public Works/Stormwater facility near Fire Station 2, completion of the park at Majestic Oak, a Fire training center, Renovations and Expansion at Town Hall.

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The chart and information shown below is an illustration of how an individual's tax bill is allocated between Brunswick County and the Town of Sunset Beach.



**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

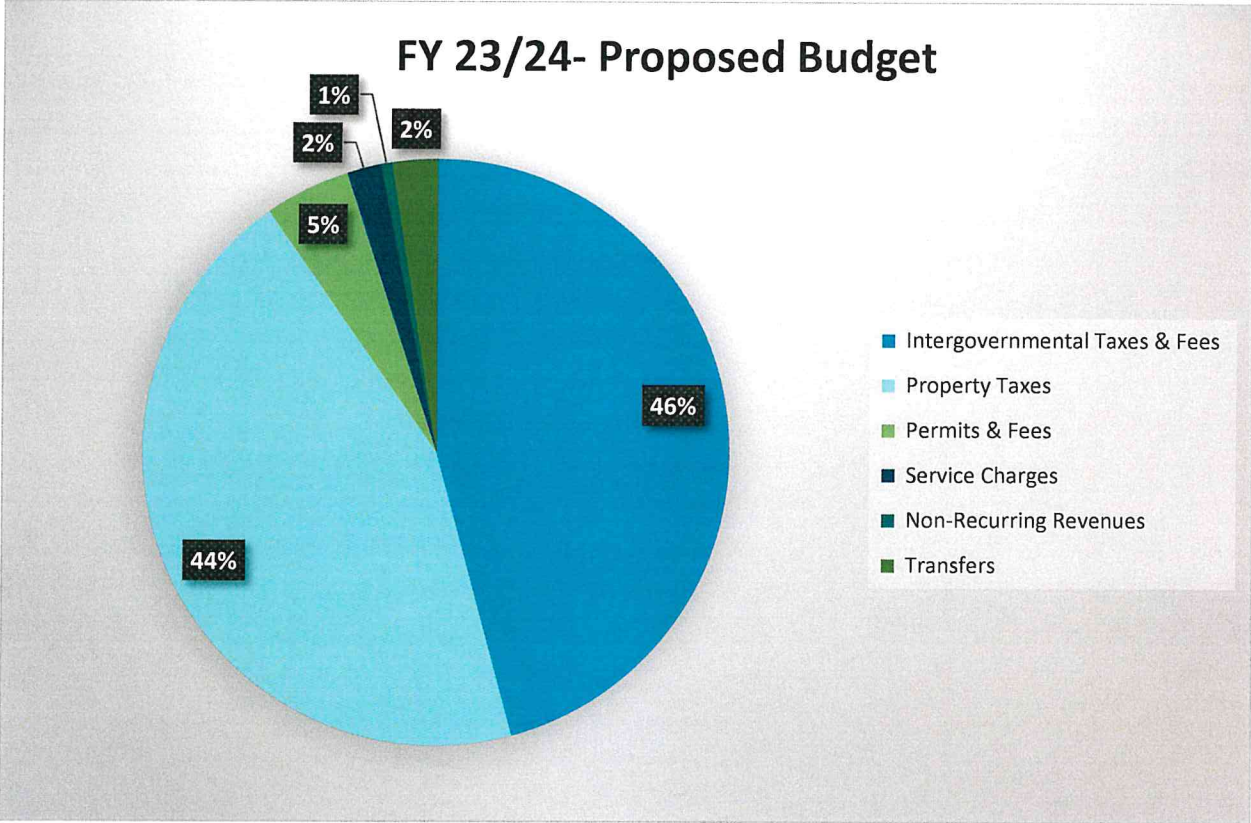
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In addition to property tax revenues and other various taxes and fees, the Town budget includes \$253,200 in interfund transfers. This includes a transfer for the reimbursement of expenditures from the Accommodations Tax Fund (Fund 21) to the General Fund for \$253,200 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

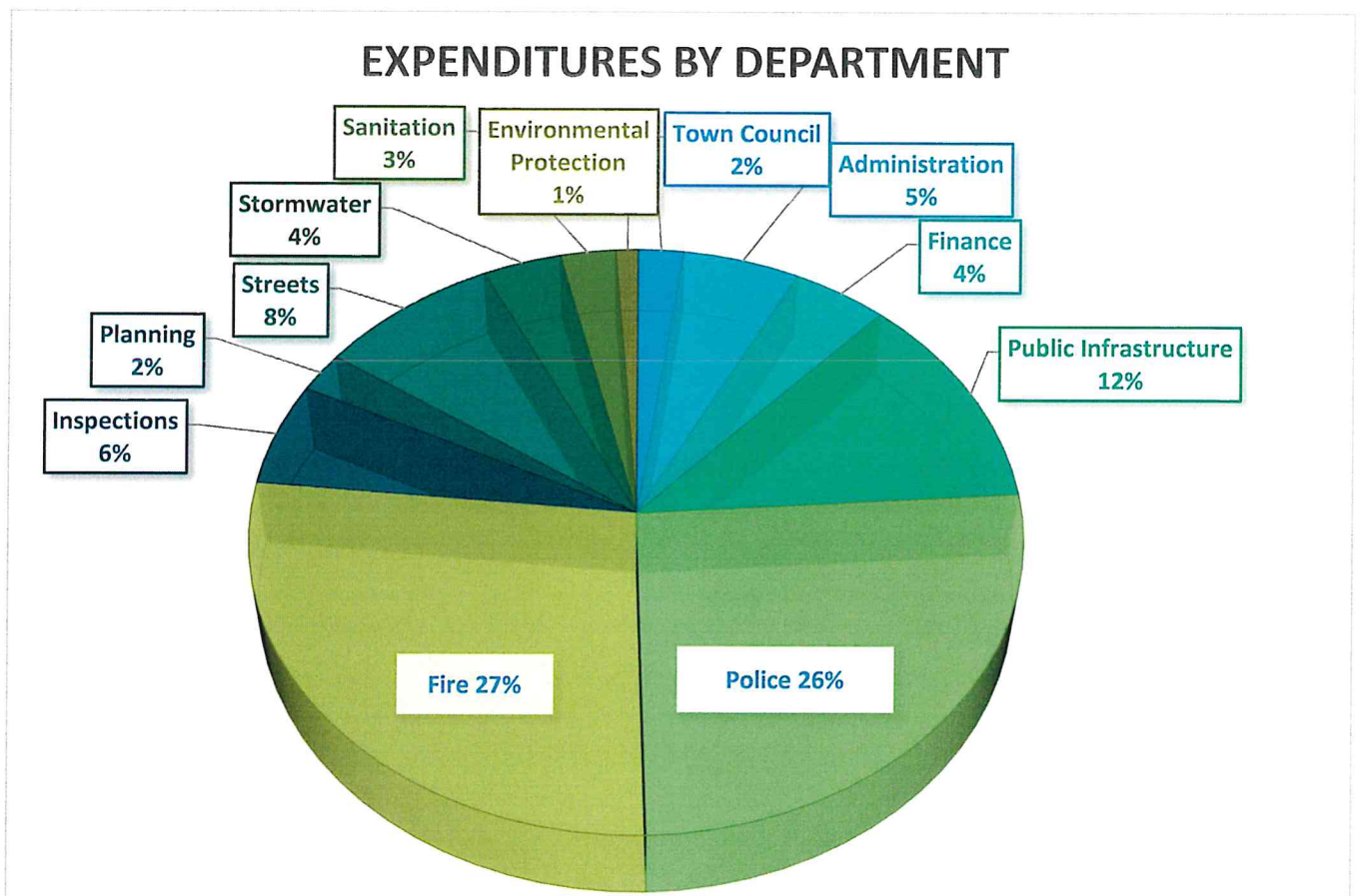
- Recommended Property Tax Revenue is based on the Ad Valorem Tax Rate of 16 cents per \$100 assessed valuation. There is no change from the prior year tax rate of 16 cents per \$100 assessed valuation.
- Each cent (\$0.01) on the real property tax rate is equivalent to approximately \$269,000, after adjusting for the tax collection rate.
- Sales and Use Taxes of \$1,850,000 are budgeted with an anticipated increase of \$100,000 from the current year’s budgeted revenues. This increase is due to FY 22/23 being collected at approximately 11% above expected collections and includes the NCLM projected increase for FY 23/24.
- Fire fees of \$2,263,900 reflect this year’s collection estimate from Brunswick County. The current year’s revenues do not include an increase in Fire Fees.
- Revenues in the Accommodations Tax Fund and the Beach Tax Fund are budgeted with no change, which reflects the current year’s trend.



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## Expenditure Items

- The Governing Board shows the addition of funds for an election to reflect a municipal election year. This expense is related to the actual costs that the Town will reimburse to the County Board of Elections. There is also an allocation set aside for a transfer to a Capital Reserve Fund.
- The Public Infrastructure budget has an increased budget due to the need for engineering and design for the following projects: Majestic Oak Park, Public Works, Town Hall improvements, and training center for the Fire Department.
- The Police Department budget changes include capital expenditures.
- The Fire Department budget includes a deposit for the purchase of a Fire Truck.
- The Inspections Department budget includes an additional employee as approved in FY 22/23.
- The Streets Department has no significant changes.
- The Stormwater Department will continue to follow the 10-year plan with the anticipation of early completion.
- The Sanitation Department reflects an increase due to the managing of GFL contract in the budget.
- The Environmental Protection budget includes an increase for potential of natural disaster needs.
- The Planning Department includes the Cape Fear COG for the UDO audit and update.



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### Capital/Asset Replacement Noteworthy Items

The recommended budget includes \$620,000 in Capital expenditures. This is comprised of the following:

- Public Infrastructure includes funding for Engineering and Design for potential upcoming projects.
- The addition of a radio at Town Hall, vaults systems for vehicles, and 3 replacement vehicles in Police Department.
- The Fire Department has the funding for a down payment on a Fire Truck.

The Capital Improvements associated with the Town's Street Resurfacing Program is budgeted at \$320,000 by including \$160,000 in the General Fund Streets budget and another \$160,000 in the Powell Bill Fund budget. This would allow the costs of the street resurfacing program to be shared between Powell Bill's current revenues that are restricted for street purposes and the Town's Street Department.

The Capital Improvements associated with the Beach Tax Fund are budgeted in the amount of \$530,000. The Town of Sunset Beach contracted with an engineer to develop a planned beach access walkway maintenance and improvements schedule. The source of funds for these expenditures are the anticipated current revenues produced from the 2% occupancy tax, which are recorded in the Beach Tax Fund.

### Staffing

The Town employs 57 full-time employees. The proposed budget includes no additional full-time employees at this time.

### COLA/Merit/Bonuses

The Town recognizes the valuable contribution of its staff. Thus, a Cost-of-Living Adjustment has been included in this year's proposed budget of 7% along with a merit pool of two percent (2%). The proposed Merit results in a possible salary increase total of \$72,540. The Town has also included an annual bonus for full-time employees in an amount totaling \$28,500.

### 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 \$520,000. No changes in employee benefits have been included in this proposed budget.

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### Fee Schedule Changes

The Town's department heads have reviewed the Town's Fee Schedule to review existing fees and their suggestions are as follows:

The fee schedule includes changes to the Temporary Event and Filming Industry Fees, which is the removal of on-site Firefighter/EMT fee in the amount of \$25 per hour to be replaced with on-site fire FD pick-up truck/side by side which includes 2 Firefighters/EMTs for \$100 per hour up to 6 hours.

### 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 provide. This Budget Includes \$14,000 for non-profit funding.

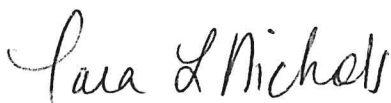
### Fund Balance

The difference from the Town's yearly revenues minus all annual expenditures results in the amount that is added to (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 on and reworked their budget submittals and assisted in putting together the data to provide the Town's Proposed Budget. We look forward to working with you, the Town Council, as you consider this draft budget.

Respectfully submitted the 22<sup>nd</sup> day of May 2023.



Tara L. Nichols  
Finance Director/ Budget Officer

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**Neutral Property Tax Increase (Decrease)**

**Town of Sunset Beach**

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 budget ordinance.

**Revaluations as of:**

**January 1, 2023 and 2019**

Fiscal year	Assessed Valuation as of June 30	Annexation (Deannexation)	Total Adjusted for Annexation or Deannexation	Valuation Increase (Decrease)	Percentage change
<b>2023-24</b>	2,761,850,161	-	20-21 2,761,850,161 19-20 1,753,955,334		
<b>2022-23</b>	Revaluation 1/1/2020 1,753,955,334	-	19-20 1,753,955,334 18-19 1,721,757,123	32,198,211	1.87%
<b>2021-22</b>	1,721,757,123	-	18-19 1,721,757,123 17-18 1,695,743,602	26,013,521	1.53%
<b>2020-21</b>	1,695,743,602	-	17-18 1,695,743,602 16-17 1,666,713,632	29,029,970	1.74%
<b>2019-20</b>	Revaluation 1/1/2016 1,666,713,632				1.72% Average growth % Doesn't include revaluation increase (decrease)
<hr/>					
<b>Last year prior to revaluation 2022-23</b>	1,753,955,334			<b>Tax rate</b> 0.1600	<b>Estimated tax levy</b> 2,806,329
<b>First year of revaluation 2023-24</b>	2,761,850,161			<b>Tax rate to produce equivalent levy</b> 0.1016	2,806,329
<b>Increase (decrease) tax rate for average growth rate 2023-24</b>	2,761,850,161			<b>Revenue neutral tax rate, to be included in budget</b> 0.1034	2,854,465
					<b>Increase (Decrease) in Tax Levy</b> 48,137
					<b>Average Percentage Increase (Decrease)</b> 1.72%