

Local Government Finance

Fiscal Year 25/26 Budget

Tara Nichols February 7, 2025

Overview

- Types of Funds
- General Fund
- Fund Balance
- Revenues
- Tax Rate
- The Other Funds
- Looking Forward

Sunset Beach Funds

General Fund

Powell Bill Fund

Sunset at Sunset
Fund

Accommodations
Tax Fund

Beach Erosion
Fund

Capital Reserve
Fund

Sunset Beach Park
Project Fund

Dredging Fund

GENERAL FUND

The General Fund is the primary operating fund of a government.
It accounts for all activity, unless required to be accounted for in other funds.

GENERAL FUND - FUND BALANCE

- Fund Balance suggestions from the LGC* are now based on size of the budget and use peer groups as a reference for Municipalities and Counties.
- The chart presented here is from Fiscal Year 22/23 which is the most current year available.
- We must still always consider an individual government’s situation. For Sunset Beach, this refers to the threat of natural disasters, reliance on tourism, etc.

Group Statistics:	Fiscal Year Ending June 30, 2023
General Fund Expenditure Grouping	
\$1,000,000 to \$9,999,999	
Range:	Fund Balance Available as % Percent GF Exp
Lowest Fund Balance %	(0.48) %
Highest Fund Balance %	563.52 %
Average Fund Balance %	98.78 %
Median Fund Balance %	97.60 %

** LGC - Local Government Commission - a division of the State Treasurer’s Office and is designed to provide resources, guidance, and oversight to NC Local Government units subject to North Carolina General Statute 159.*

Purposes for a Strong General Fund - Fund Balance

Cash flow

Maintain stable tax rate with consistent service levels

Avoid short-term borrowing

Reserve for emergencies, unforeseen events, unexpected opportunities

Increased investment income

Helps protect credit rating & obtain lower interest rates on borrowings

Avoids LGC warnings

TYPES OF REVENUE

Ad Valorem Tax – Property Tax

County Fire Fees

Motor Vehicle Tax

Sales & Use Tax

Other Governmental Revenue from County & State

Permits and Fees

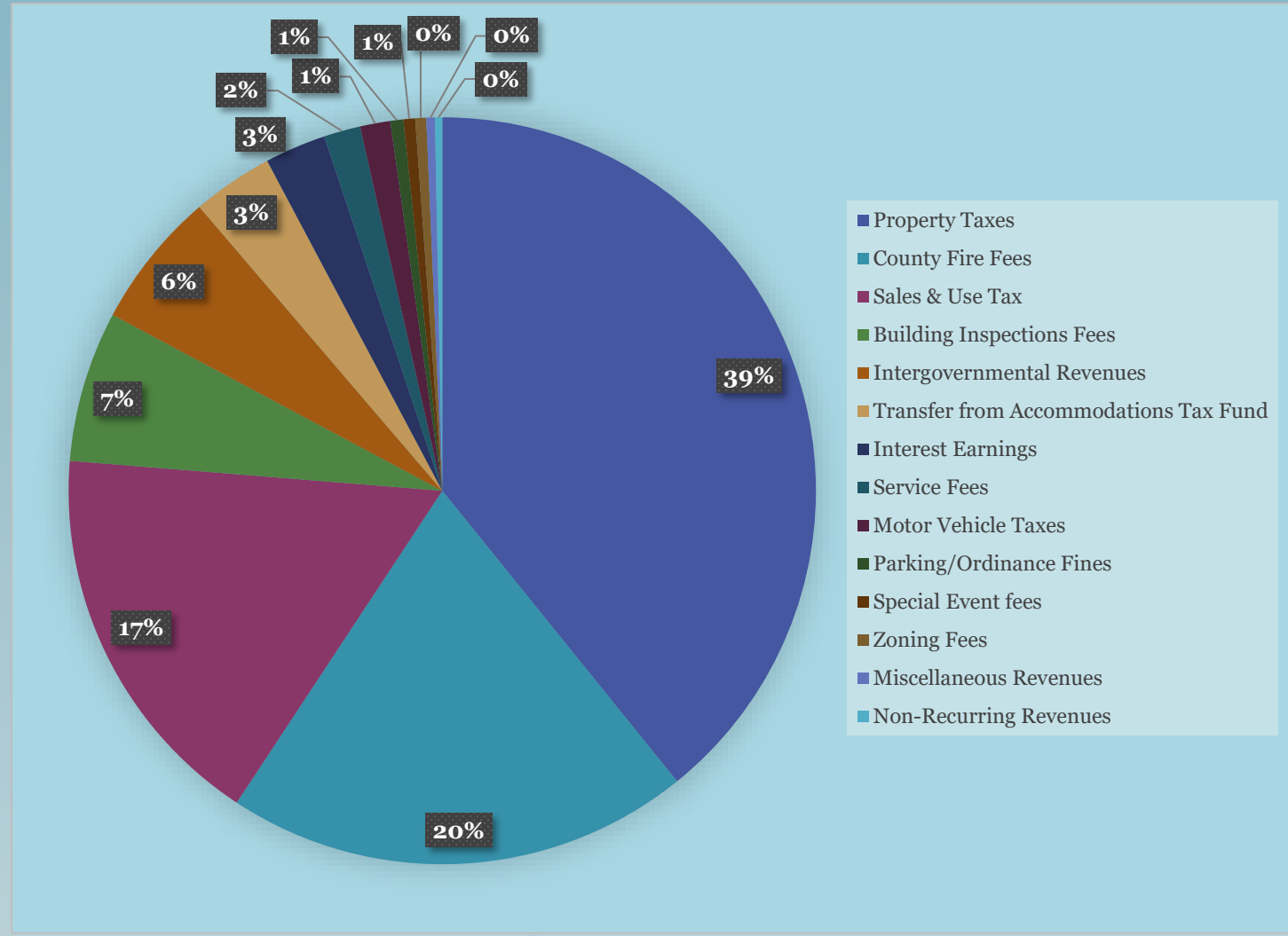
Service Charges

Grants, Special Assessments, and other miscellaneous Revenues

Occupancy Tax

Fiscal Year 23/24 Actuals

Property Taxes	\$	4,442,286.06
County Fire Fees	\$	2,276,919.95
Sales & Use Tax	\$	1,928,118.68
Building Inspections Fees	\$	739,603.88
Intergovernmental Revenues	\$	672,902.13
Transfer from Accommodations Tax Fund	\$	396,596.57
Interest Earnings	\$	300,289.15
Service Fees	\$	179,125.80
Motor Vehicle Taxes	\$	148,524.81
Parking/Ordinance Fines	\$	63,583.00
Special Event fees	\$	57,376.00
Zoning Fees	\$	53,569.00
Miscellaneous Revenues	\$	41,820.61
Non-Recurring Revenues	\$	35,741.65



Ad Valorem – Property Tax

Ad Valorem Tax is the revenue we have control over.

Ad Valorem tax made up 44% of our Budget for FY 23/24

In our Budget vs Actual for FY 23/24, Ad Valorem was around 39% of our total actual Revenue.

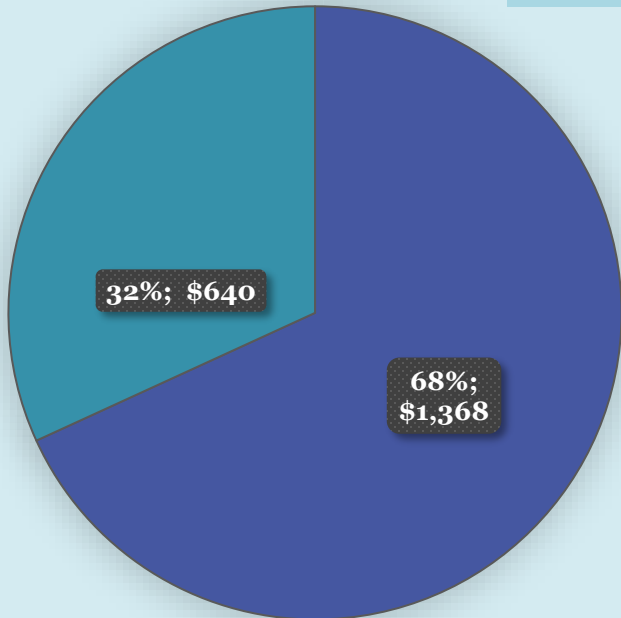
Local Government classes I have attended suggest Property Tax make up between 40-50% of Budgeted Revenues.

Sunset Beach is in a good place as far as Ad Valorem Tax to Budget percentage.

Ad Valorem – Property Tax

Tax Bill Allocation

- Amount to Brunswick County
- Amount to Sunset Beach



Tax Rates		Residential Tax Bill	
Brunswick Co. Tax	0.3420	Home Value	\$ 400,000
Sunset Beach Tax	0.16	Total Annual Tax Bill	\$ 2,008
		Amount to Brunswick County	\$ 1,368
		Amount to Sunset Beach	\$ 640



County Fire Fees

- Fire Fee Revenue can only be used for the Fire Department.
- The Sunset Beach Fire Department operating costs are covered by Fire Fees.
- Fire Fee revenue increase over the years is not due to significant rate increases, but mostly due to an increase in homes.
- Continued growth in new construction both within the Town Limits and the County Jurisdiction is projected to drive further increases in fire fee revenue.
- Brunswick County also states that fire departments have changed, including a reduction in the number of volunteers and an increase in the number of paid staff needed.



Motor Vehicle Tax

- Collection rate close to 100%
- This tax became more reliable when it was tied to vehicle registration.
- Motor vehicle tax only makes up about 1.3% or \$148,500 in Revenues



Sales & Use Tax

- County levies sales tax.
- Businesses remit sales tax to NCDOR.
- NCDOR allocates the sales tax to the county of origin.
- Annually the County Commissioners choose the method of allocation to the municipalities.
- Brunswick County currently uses the per capita method.
- If Brunswick County Commissioners decide to change the method to the Ad Valorem based allocation, we could lose approximately 28% of our Sales and Use Tax Revenue.
- Brunswick County would gain revenue from sales tax if they changed methods.
- There was legislation passed that now gives municipalities a full year to find a way to accommodate for changes in sales tax distribution methods made by counties. This is due to the significant impact it can have. For Sunset Beach, the potential impact could be a 2-cent tax increase.



Other
Governmental
Revenues from
County and State

- Includes Revenues Such As:
 - Utility Sales
 - Beer & Wine
 - Solid Waste Disposal
 - ABC Local
 - ABC Law Enforcement
- As a municipality we have no control over these revenues and must project them conservatively in conjunction with projections from NC League of Municipalities.
- As we have seen in the past, there have been attempts to remove some of these revenues from Municipalities, such as ABC Local.



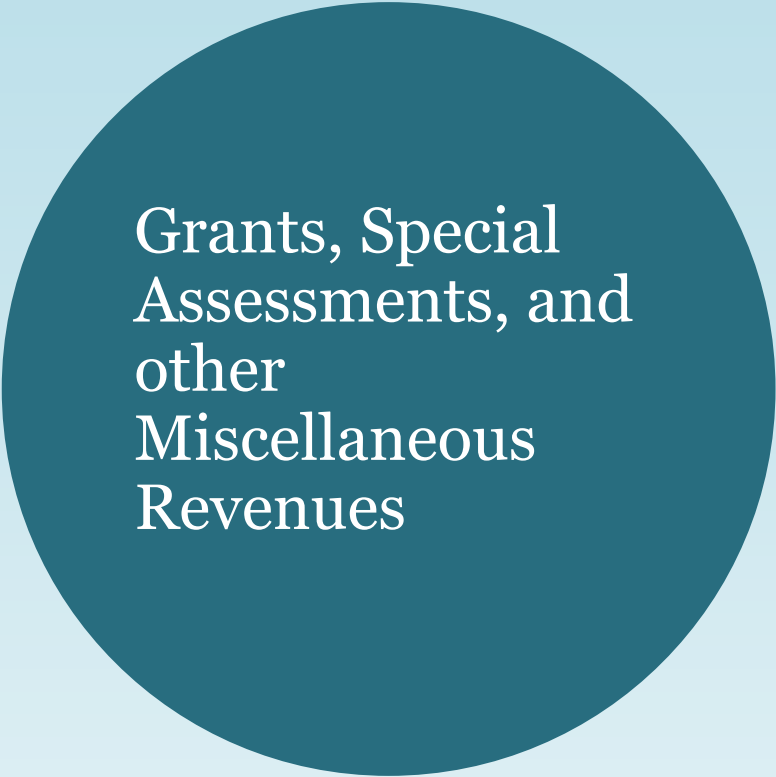
Permits and Fees

- Includes Fees Such As:
 - Building Inspections – These fees are restricted to be used only for the Inspections Department Expenditures.
 - Zoning Fees
- Variable
- Sensitive to Economic Changes



Service Charges


- Specific to programs
 - Recycling
 - Beach Wheelchair Rentals
 - Special Events
- Also Includes Violations and Fines
 - Contingent on Compliance



Grants, Special
Assessments, and
other
Miscellaneous
Revenues

- Non – Recurring Revenues are going to be different every year!
- In 22/23 the dollar amount was \$2,914,452, which includes Grant Funds, Loan Proceeds, Sale of Surplus, Donations, the transfer from ARP, etc.... We can't budget for these items as they are not guaranteed each year. In 22/23 this would have been equal to 10.8 cents.
- In 23/24 we had approximately \$71,000 of non-recurring revenue. Multiple factors contribute to the difference from year to year.

TAX RATES AND OTHER COMPARISONS



40.68 CENTS
PER \$100
VALUATION

This is what our tax rate would have to be if we lost Federal, State and County Revenues and needed to rely solely on Property Tax from Sunset Beach Taxpayers

Tax Rate Comparison – Brunswick County

Municipality or Entity	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Brunswick Count	0.485	0.485	0.485	0.485	0.485	0.485	0.485	0.342	0.342	Brunswick County
Smithville Township	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	Towns with limited Services and No Police Department
Bolivia	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	
Varnamtown	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	
Calabash	0.0875	0.0875	0.0875	0.0875	0.0875	0.0875	0.0875	0.058	0.058	
St. James	0.05	0.05	0.05	0.06	0.06	0.06	0.06	0.06	0.06	
Carolina Shores	0.1016	0.1016	0.1016	0.1016	0.1016	0.1016	0.1016	0.1	0.1	
Belville	0.09	0.09	0.09	0.09	0.09	0.09	0.12	0.11	0.11	
Ocean Isle Beach	0.1875	0.1875	0.1875	0.1639	0.1639	0.1639	0.1639	0.1089	0.13	Increased 24/25
Holden Beach	0.22	0.22	0.22	0.2	0.2	0.2	0.2	0.14	0.14	
Oak Island	0.29	0.31	0.31	0.28	0.28	0.28	0.28	0.16	0.16	
Sunset Beach	0.16	0.16	0.15	0.16	0.16	0.16	0.16	0.16	0.16	
Caswell Beach	0.22	0.24	0.24	0.24	0.24	0.27	0.28	0.17	0.19	Increased 24/25
Boiling Spring Lakes	0.21	0.21	0.23	0.23	0.23	0.282	0.282	0.19	0.19	
Leland	0.1833	0.21	0.21	0.21	0.21	0.25	0.25	0.23	0.27	Increased 24/25
Navassa	0.2	0.2	0.2	0.2	0.23	0.23	0.23	0.23	0.25	Increased 24/25
Sandy Creek	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
Northwest	0.24	0.24	0.24	0.24	0.24	0.24	0.27	0.27	0.27	
Southport	0.2456	0.2956	0.2956	0.2956	0.2956	0.2956	0.3956	0.275	0.275	
Shallotte	0.35	0.35	0.345	0.3525	0.3525	0.3525	0.3525	0.2876	0.31	Increased 24/25
Bald Head Island	0.6663	0.6663	0.6863	0.6863	0.6863	0.6863	0.7213	0.5779	0.6277	Increased 24/25
BHI MSD Zone A	0.7471	0.7471	0.7771	0.7771	0.7771	0.7771	0.8121	0.0668	0.0668	Bald Head Island with Zones
BHI MSD Zone B	0.7169	0.7169	0.7419	0.7419	0.7419	0.7419	0.7769	0.0383	0.0383	

THE OTHER FUNDS

POWELL BILL FUND

- Powell Bill Funds are determined annually through the North Carolina State Budget. They are then distributed through a formula that they use: Seventy-five percent (75%) of the funds are appropriated by municipal population and twenty-five percent (25%) of the funds are appropriated by mileage of public streets the municipality maintains.
- Powell Bill funds are distributed to qualifying municipalities to assist them in maintaining, constructing, reconstructing, repairing, and improving streets or public thoroughfares, bikeways, greenways, and sidewalks within their corporate limits.
- Powell Bill has a website that clearly states how you can and cannot use Powell Bill Funds.
- All recipients of Powell Bill Funds have annual reporting requirements. Sunset Beach has consistently remained compliant and on-time with all reporting.

CAPITAL RESERVE FUND

- The Capital Reserve Fund is a budgeting tool for funds to be set aside specifically for future capital needs.
- The funds once designated for capital needs must remain that way, but the specific project/item can be amended.
- For example, we have the funds designated for the purpose of purchasing a fire truck. Something changes and the town needs to purchase a different vehicle. An amendment can be presented to Town Council. However, there cannot be an amendment to designate these funds for operating expenditures or supplies that would not count as a capital purchase.

CAPITAL PROJECTS FUNDS AND CAPITAL PROJECT ORDINANCES

Capital Projects Funds. - Accounts for financial resources to be used for the acquisition or construction of major capital.

Capital Project Ordinances are another budgeting tool for large scale projects that will cross fiscal years. The Capital Project Ordinances that will allow for budgeting over the life of the project.

- Sunset Beach Park
- Dredging



Occupancy Tax

- A Local Act gives us the authority to collect Occupancy tax
- Sunset Beach is authorized to levy a 6% tax on short-term rentals
- 1% is remitted to Brunswick County
- 2% is allocated to the Beach Erosion Fund
- 3% is allocated to the Accommodations Tax Fund
 - Per our Local Act the 3% revenue is for tourism-related expenditures. As used in this act, the term 'tourism-related expenditures' includes 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.



Accommodations Tax

Accommodations Tax is one of the hardest to forecast because it is directly affected by factors beyond our control such as:

- The Economy
 - People are less likely to travel with poor economy
- The Weather
 - Hurricanes
 - Flooding

An area of caution for budgeting in Accommodations Tax is the shift from secondary homes to primary residences.

This typically generates approximately \$350,000 - \$400,000 transfer into General Fund.



Beach Erosion Fund

The Beach Erosion Fund is the 2% Portion of Occupancy Tax that is restricted.

Sunset Beach has found these funds to be most useful as a supplement to grant funding for the repairing and replacing of the walkways for Beach Access.

LOOKING FORWARD

FY 25/26 Updates:

- Accommodations Tax:
 - Breakdown into 3 departments: Beach Rescue, Beach Patrol, and Community Parks and Recreation
 - Easier to Budget and Maintain
 - More Transparent
- General Fund
 - Look Forward - Be Prepared - Strategic Plan
 - Start with column for budget at 2 years – discuss budget 5 years
 - In City Limits- Possibility of 2200 units within 5-8 years
 - In Fire District – Possibility of 7100 units within 5-8 years
 - Add Community Parks and Recreation Department to General Fund Budget – will include Sunset at Sunset in this Department and have an Assigned Fund Balance for Events if necessary.

QUESTIONS?

THANK YOU!!!

