

Dean Lambeth
Mayor

Emilie Swearingen
Commissioner

Steve Pagley
Commissioner



Craig Bloszinsky
Mayor Pro Tem

David Heglar
Commissioner

Nancy Avery
Town Clerk

TOWN OF KURE BEACH

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May 19, 2015

RE: **TOWN OF KURE BEACH, NORTH CAROLINA
FISCAL YEAR 2016 BUDGET MESSAGE**

The Honorable Mayor Lambeth and Town Council:

In accordance with Section 159-11 of the NC General Statutes (N.C.G.S.), I am pleased to present the proposed fiscal year 2016 Budget for the Town of Kure Beach for your review and consideration. The budget is a sound financial plan and has been prepared with the Council's goals and objectives adopted from their annual retreat and budget work sessions. 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 July 1, 2015. Pursuant to N.C.G.S. 159-12, a public hearing on the proposed budget must be held before adoption. With the submittal of the budget proposal to Council, copies will be available for public inspection on the Town's website and in the Office of the Town Clerk. The public hearing has been scheduled for June 4, 2015 at 6:30 pm.

The proposed fiscal year 2016 Town of Kure Beach Budget is balanced and totals \$6,552,069 for all operations. This total budget is comprised of the following seven funds: General Fund \$4,019,829; Water and Sewer Fund \$1,854,425; Storm Water Fund \$491,150; Powell Bill Fund \$64,030; Beach Protection Fund \$50,000; Federal Asset Forfeiture Fund \$50,000; and Sewer Expansion Reserve Fund (SERF) \$22,635.

The proposed budget supports the fiscal year 2016 goals established by Town Council at their annual retreat held in January 2015. These goals are:

1. Resolution of outstanding issues relating to the Sandman properties
2. Develop a short-term and long-term space plan for Town departments
3. Maintain the current tax rate, if possible
4. Develop a long-term plan for funding beach nourishment, including one new funding stream independent of property taxes
5. Prioritize potential dune infiltration projects
6. Review, decide and implement the Salary Study and any potential salary adjustments
7. Monitor potential revenue shortfalls that may occur in future years

BUDGET HIGHLIGHTS

PROPOSED TAX RATE FOR FISCAL YEAR 2016

The tax rate being proposed for fiscal year 2016 is 26.15 cents (\$0.2615) per \$100 of valuation. This tax rate has remained unchanged since fiscal year 2013, which encompasses four annual budget cycles. Property taxes are the Town's largest single source of revenue. Fiscal year 2016 property tax revenue is estimated at \$2,121,250. This includes both current tax year and prior tax year's collections and represents 52.8% of the General Fund revenue.

The estimated Kure Beach tax base, as provided by the New Hanover County Tax Department, is \$819,500,000. This is an increase of \$6,834,000 (0.8%) over the prior year estimated tax base. Based on historical data, the property tax collection rate is estimated at 98.75%.

GENERAL FUND FEES

There are no General Fund fee increases being proposed as part of this budget.

WATER, SEWER AND STORM WATER RATES

Presently, the water and sewer rates being charged to system users provide funds for the day-to-day operating costs of the Town's water and sewer systems. In addition to these daily costs, the service revenues should be providing for additions to the water and sewer reserve funds for future infrastructure repairs and replacement. To provide for sufficient accumulation of reserves for these projects, this budget includes proposed changes to the water and sewer rate structure. First, for all customer types (i.e., residential, commercial and out of town), the monthly minimum number of gallons will be reduced from 3,000

gallons to 2,500 gallons. Second, the rates for water and sewer usage above the 2,500 gallon per month minimum will be increased. The monthly minimum rates will remain unchanged. The changes to the incremental rates (over the 2,500 gallon minimum) are as follows (rates are per 100 gallons):

<u>SERVICE TYPE</u>	<u>CURRENT RATE/100 GALS.</u>	<u>PROPOSED RATE/100 GALS.</u>
Residential Water	\$0.36	\$0.45
Residential Sewer	\$0.465	\$0.58
Commercial Water	\$0.555	\$0.694
Commercial Sewer	\$0.57	\$0.7125
Out of Town Water	\$0.63	\$0.7875
Out of Town Sewer	\$0.81	\$1.0125

There are no proposed changes to the existing storm water fees as part of this budget.

STAFFING AND COMPENSATION

There are no changes to the number of full-time employees being proposed for fiscal year 2016. The number of full-time personnel will remain at 40, which is consistently fewer than other beach towns of a similar size. The full-time personnel are allocated to Town funds based on the type of work performed, as follows:

<u>FUND</u>	<u>NO. OF EMPLOYEES</u>
General	29
Water and Sewer	9
Storm Water	<u>2</u>
Total	<u>40</u>

This budget includes a proposed merit increase of 3.3% to reward those employees who are performing above expectations. Also, a 1.7% cost of living adjustment (COLA) for all full-time employees is included in the fiscal year 2016 budget. The COLA is consistent with the increase implemented by the Social Security Administration in January 2015. The employee benefits are consistent with prior years.

During fiscal year 2015, a Salary Study was conducted to evaluate the salaries of the Town's full-time employees in comparison to the salaries paid by other municipalities of similar size and providing comparable services. Using the results of this study and as part of this budget, Town Council implemented a strategy to better align the salaries of Town personnel with that of other municipalities. The strategy involves evaluating full-time employee salaries that are six percent or more below the benchmark salary for the respective position. The impact on salaries for each fund is as follows:

<u>FUND</u>	<u>AMOUNT</u>	<u>PERCENTAGE OF BUDGET</u>
General	\$29,393	0.7%
Water and Sewer	\$8,690	0.5%
Storm Water	\$1,658	0.3%

GOVERNING BODY

The budget for Town Council related expenses includes annual compensation for Council members (Mayor - \$3,600, Mayor Pro Tem - \$2,700, and Commissioners - \$2,400), internet service reimbursement of \$3,000 (will be at Council members discretion), travel/training of \$7,000 and dues/subscriptions of \$7,000. The aforementioned expenses will be divided equally amongst the General Fund and Water and Sewer Fund. Also, the General Fund Governing Body budget includes funding for the Pleasure Island Chamber of Commerce concert series (\$8,800), Kure Beach Christmas Show (\$3,300), Katie B. Hines Senior Center (\$2,000), the Island of Lights (\$1,100), The Help Center of Federal Point (\$1,000) and the Federal Point Historic Preservation Society (\$1,000). Additionally, the General Fund budget includes \$5,000 for funding the portion of the Carolina Beach Inlet maintenance dredging requested from the Town.

DEBT SERVICE

General Fund debt service totals \$294,205 and includes payments on existing loans for the Ocean Front Park (acquisition and development loans), Town Hall renovation, downtown improvement project, vacant land and vehicles/equipment. This is an increase of \$38,833 (15.2%) over fiscal year 2015 which is primarily attributable to the purchase of three vacant lots for future expansion of Town operations. The Water and Sewer Fund includes debt service totaling \$109,866 (water tower, infrastructure and vehicles/equipment). This is an increase of \$9,506 (9.5%) over fiscal year 2015. Finally, the Storm Water Fund debt service totals \$88,704 relating to the Cutter Court infrastructure project and equipment. This is an increase of \$8,570 (10.7%) over fiscal year 2015. The increases in both the Water and Sewer Fund and Storm Water Fund pertain to the purchase of equipment.

Debt service for each fund, as a percentage of the applicable fund's total budget is as follows:

General Fund	7.3%
Water and Sewer Fund	5.9%
Storm Water Fund	18.1%

The Town's total outstanding debt (all funds) is estimated to be \$3,054,400 at July 1, 2015. The Local Government Commission (LGC) uses 8% of the assessed value of property subject to taxation as the maximum debt level. The Town's outstanding debt at July 1 will be approximately 0.37% of the assessed value of property, well within LGC guidelines.

ADMINISTRATION AND FINANCE

Since fiscal year 2012, Administration and Finance was considered one department for budget purposes. The fiscal year 2016 budget for the General Fund and Water and Sewer Fund separates Administration and Finance into two departments. During fiscal year 2015, the Finance Officer was elevated to department head prompting the separate budgets beginning in fiscal year 2016. All finance-related expenses, such as personnel-related costs for finance employees, audit fees, banking fees, financial software costs, sales tax, etc., were moved to the Finance Department budget.

OPERATING EXPENSES

The budget for General Fund operating expenses (excluding capital outlay, debt service, contingency and transfer to the Beach Protection Fund) is 7.7% greater than the original fiscal year 2015 budget and 7.2% greater than the fiscal year 2015 amended budget as of May 19, 2015. The primary factors contributing to the increase in relation to the original budget are the previously mentioned employee compensation changes, the fiscal year 2015 mid-year addition of a full-time position for administration and finance activities, increases in maintenance-related costs and general price increases in purchased services and materials.

The fiscal year 2016 operating budget (excluding capital outlay, debt service and transfer to the capital project fund) for the Water and Sewer Fund is 8.7% greater than the original fiscal year 2015 budget and 7.8% greater than the fiscal year 2015 amended budget as of May 19, 2015. The increase in relation to the original budget is the result of higher rates for waste treatment, general price increases in purchased services and materials and employee compensation changes.

The fiscal year 2016 Storm Water Fund operating budget (excluding debt service and transfer to the capital project fund) is 5.0% greater than the fiscal year 2015 budget. This increase relates to employee compensation changes and general price increases in purchased services and materials.

CAPITAL OUTLAY

The General Fund capital outlay totals \$121,000, which includes the following:

- \$25,000 – Fire Department truck and equipment (truck will be purchased using installment financing)
- \$84,000 – Replacement of three Police vehicles (will be purchased using installment financing)
- \$12,000 – Replacement of a “Gator” for Public Works (will be purchased using installment financing)

The fiscal year 2016 budgeted capital outlay for the General Fund is \$42,000 (53.2%) greater than the original fiscal year 2015 budget, however, it is \$367,000 (75.2%) less than the fiscal year 2015 amended budget as of May 19, 2015. The fiscal year 2015 budget was amended to reflect the purchase of three vacant lots, totaling \$409,471, which was not part of the original budget.

The Water and Sewer Fund capital outlay totals \$202,279, which includes the following:

- \$90,000 – Equipment and service truck (will be purchased using installment financing)
- \$20,000 – Sewer rehabilitation work
- \$92,279 – Potential infrastructure improvement projects

The fiscal year 2016 budgeted capital outlay is \$75,073 (59%) greater than the original fiscal year 2015 budget and \$42,857 (26.9%) greater than the fiscal year 2015 amended budget as of May 19, 2015.

FUND TRANSFERS

The General Fund budget includes a \$50,000 transfer to the Beach Protection Fund. The Beach Protection Fund is a reserve fund for beach related expenditures. Refer to page 17 for more information regarding the Beach Protection Fund.

The Water and Sewer Fund includes a \$50,000 transfer to a new Water and Sewer Capital Projects Fund. This new fund is for a water line replacement project that is scheduled to begin in fiscal year 2016 and will be established under a separate Capital Project Ordinance later in fiscal year 2016.

The Storm Water Fund budget contains a \$275,000 transfer to a new Storm Water Capital Projects Fund. This capital projects fund is for a substantial storm water project that is scheduled for fiscal year 2016 in the Kure Beach Village area. This new fund will also be established under a separate Capital Project Ordinance during fiscal year 2016.

CONTINGENCY

A contingency of \$133,684 (3.4% of the budget) is included in the General Fund budget for fiscal year 2016. This contingency appropriation is to provide for unanticipated increases in budgetary needs during the course of the year and to be an additional source of funds in the event that the Town must pay all, or a portion, of future beach nourishment costs.

No actual expenditures can be made from the contingency appropriation. Funds must first be moved from the contingency appropriation to a department or function and then expended. This movement of funds shall be authorized by resolution of the governing body and will be deemed an amendment to the budget ordinance.

GENERAL FUND SUMMARY

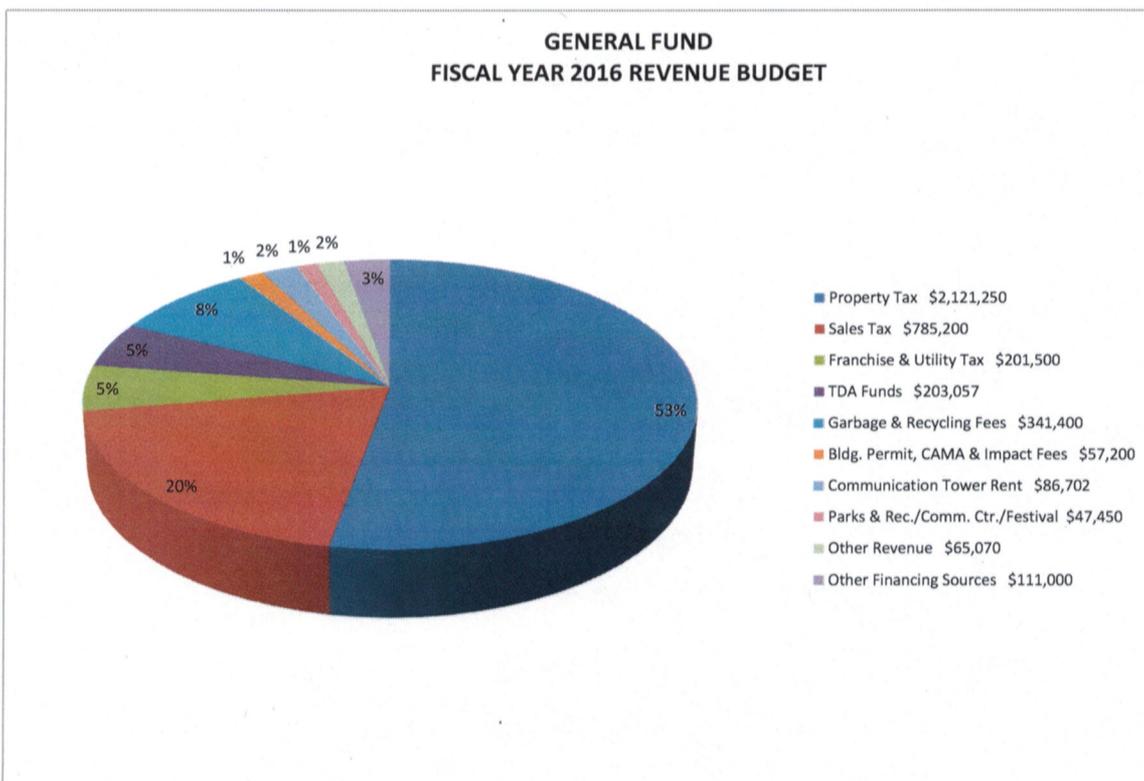
The budget preparation for the General Fund has, as in the past, been the most difficult of all of our funds. The number of non-utility services provided by the Town, as well as the general expenses of operating the government, makes the process of developing and balancing this budget challenging. Issues, including, but not limited to the following have made the allocation of finite General Fund resources difficult:

- 1) The need to build reserves in anticipation of future beach nourishment costs.
- 2) The desire to maintain the level of service provided to Town residents and property owners.
- 3) General price increases for purchased services and materials.

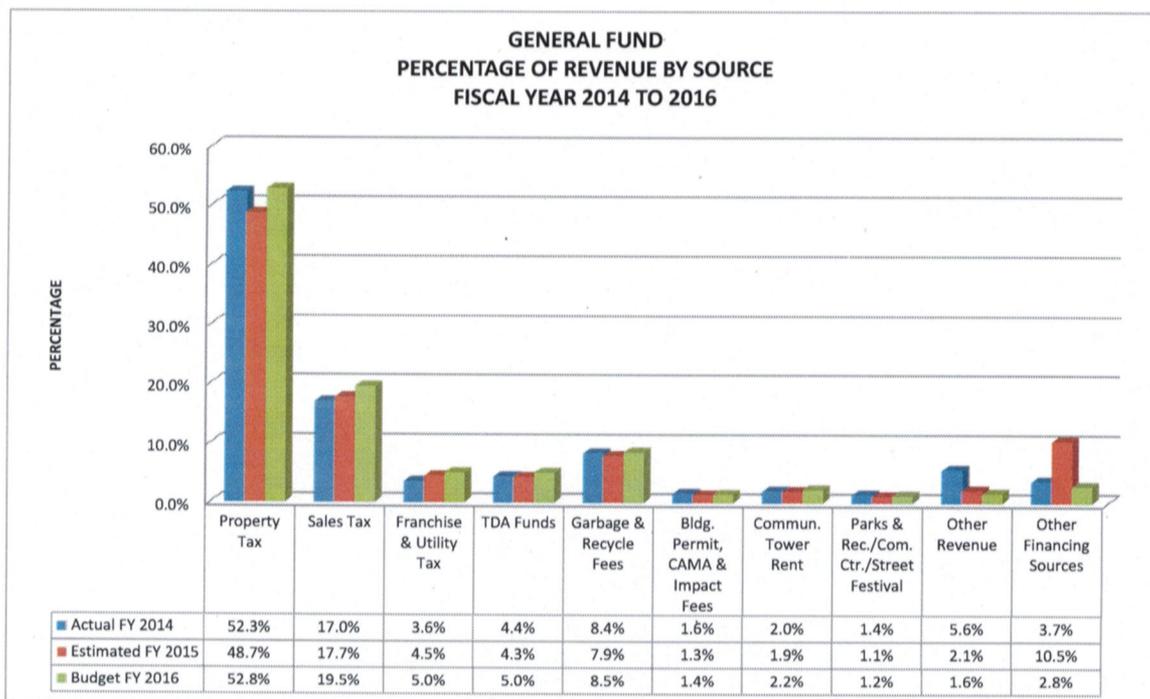
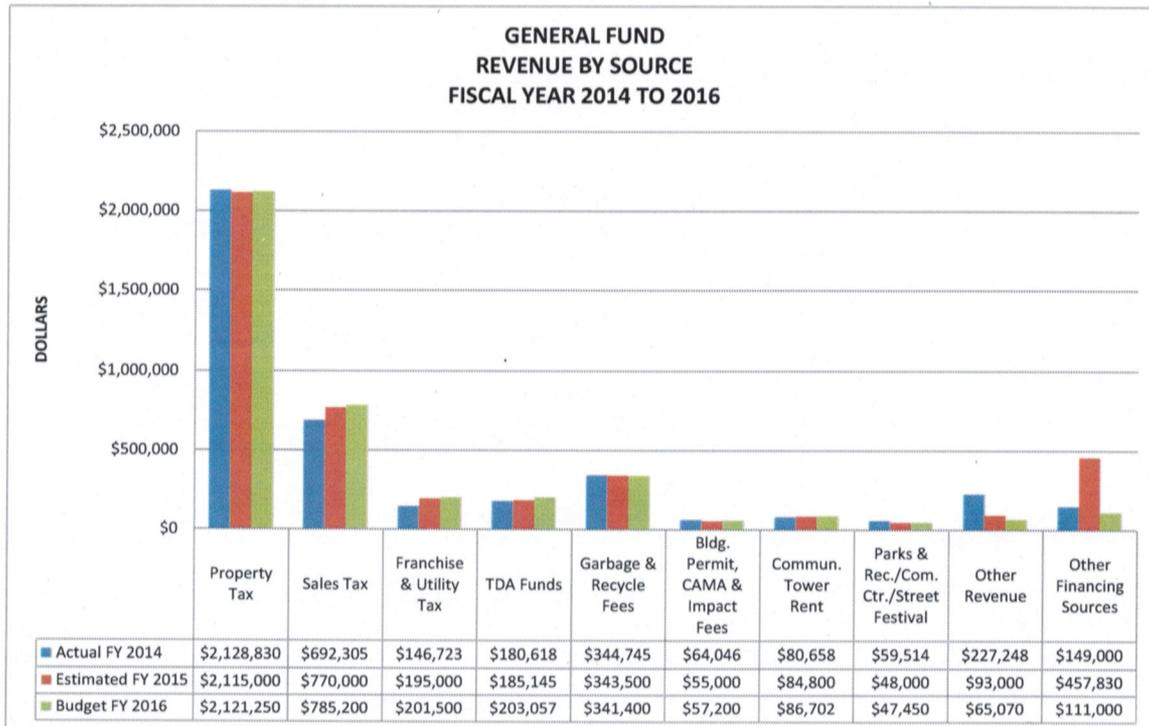
As noted earlier, the issues listed above have been addressed in the fiscal year 2016 budget without increases in the property tax rate or General Fund fees.

When comparing the total fiscal year 2016 General Fund budget to the fiscal year 2015 original budget and amended budget as of May 19, 2015, the total 2016 budget has increased by 6% in relation to the original budget, however, in relation to the amended budget it has decreased by 4.5%. In comparison to the fiscal year 2015 original budget, operating expenses have increased 7.7%, capital outlay increased 53.2%, fund transfers decreased 51.5% and the contingency decreased 26%.

The breakdown of budgeted revenue, by major source, for fiscal year 2016 is as follows:

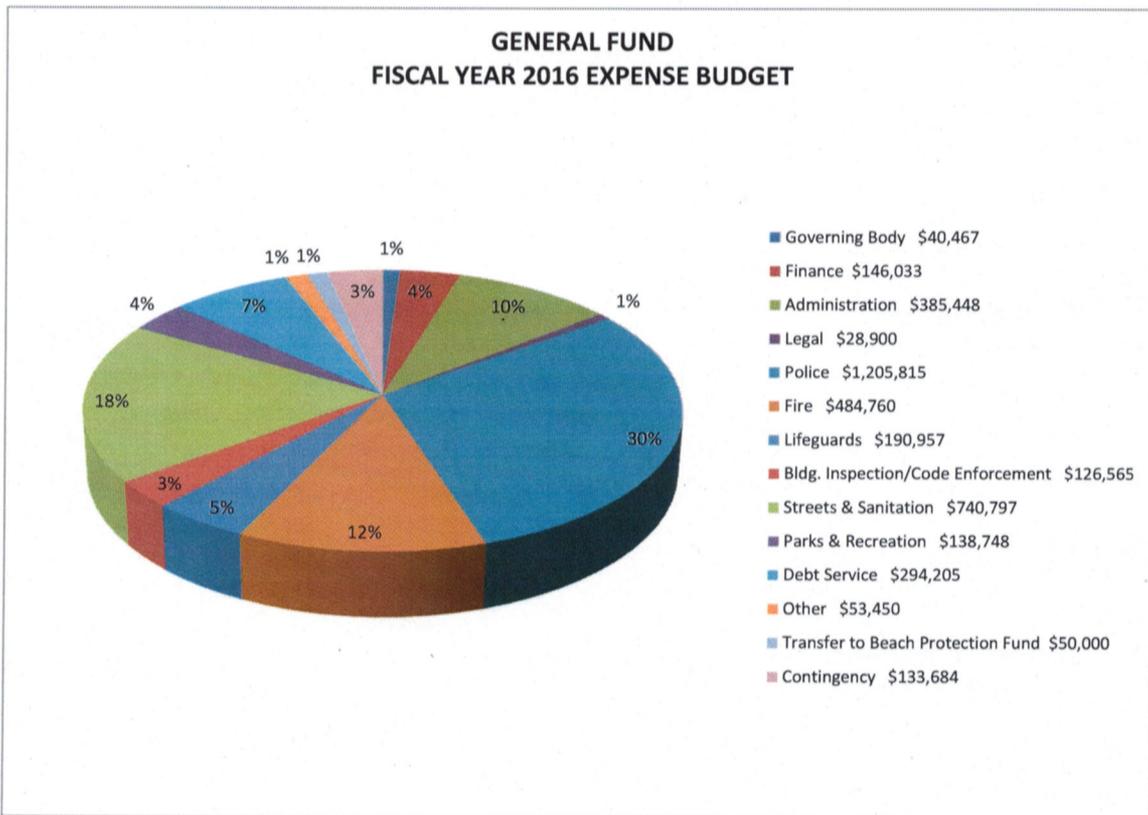


For comparative purposes, the charts below present the revenue by source and the percentage of revenue by source budgeted for fiscal year 2016 in relation to the estimated revenue for fiscal year 2015 and the actual revenue for fiscal year 2014.

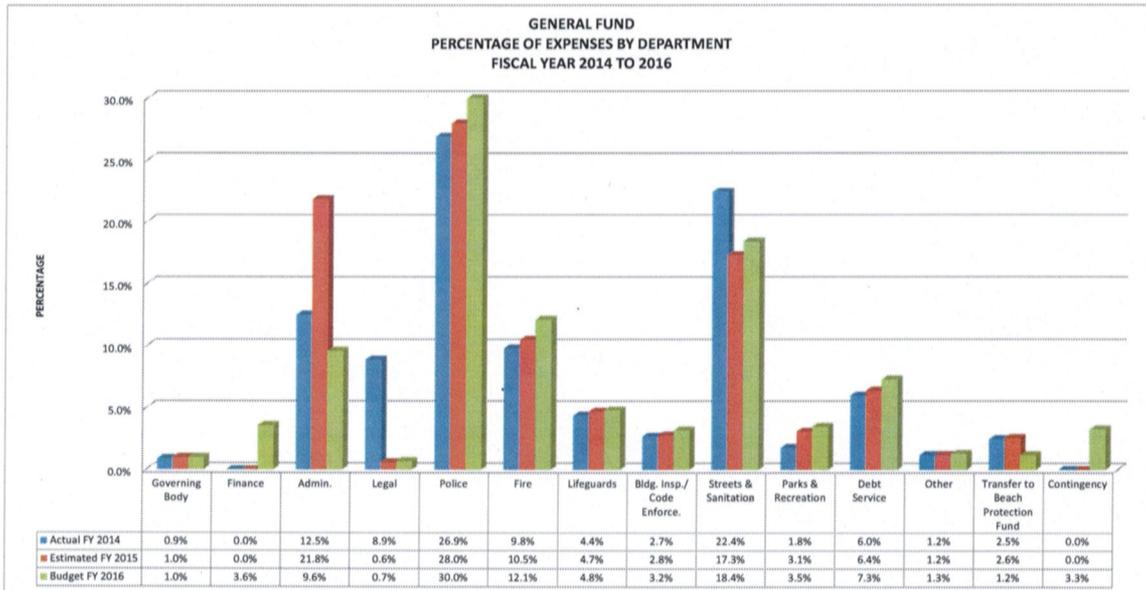
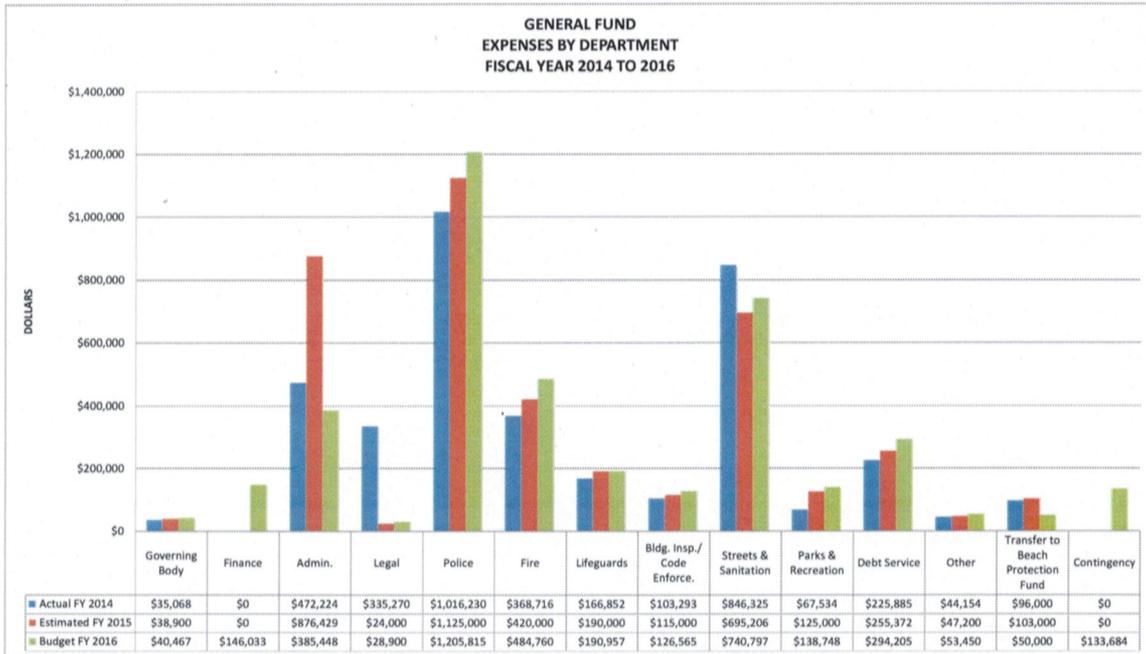


As the charts on the previous page depict, revenue from property taxes consistently approximates 50% of the General Fund's total revenue. The other categories have remained fairly consistent from year-to-year with the exception of "Other Revenue" in fiscal year 2014 and "Other Financing Sources" in 2015. "Other Revenue" was impacted by a transfer from the Water and Sewer Fund in 2014 relating to the Ocean Front Park litigation settlement. "Other Financing Sources", which are installment loans, vary based on the level of capital outlay. Fiscal year 2015 includes a loan of \$409,471 for the purchase of three vacant lots for future expansion of Town operations.

The breakdown of budgeted General Fund expenses, by department/function, for fiscal year 2016 is as follows:



The charts on the next page present the expenses by department/function and the percentage of expenses by department/function budgeted for fiscal year 2016 in relation to the estimated expenses for fiscal year 2015 and the actual expenses for fiscal 2014.



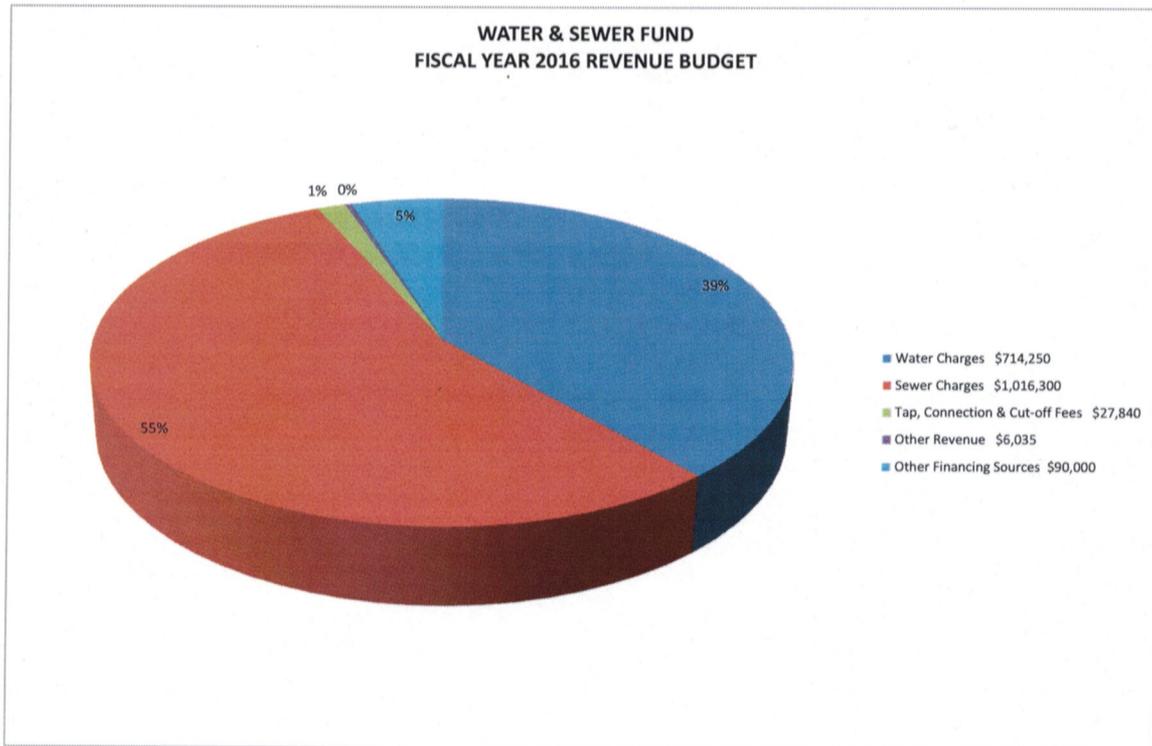
The General Fund expenses by department/function, both dollars and percentage, have remained relatively consistent. Many of the fluctuations relate to the amount of capital outlay for the given year. For example, Administration is significantly higher in fiscal year 2015 due to the purchase of three vacant lots. Also, the higher level for legal expenses in fiscal year 2014 relates to the Ocean Front Park litigation and settlement.

Refer to Exhibit A (on pages 20 to 22) for a summary of the most significant changes, by General Fund department/function, between the budgets for fiscal years 2016 and 2015.

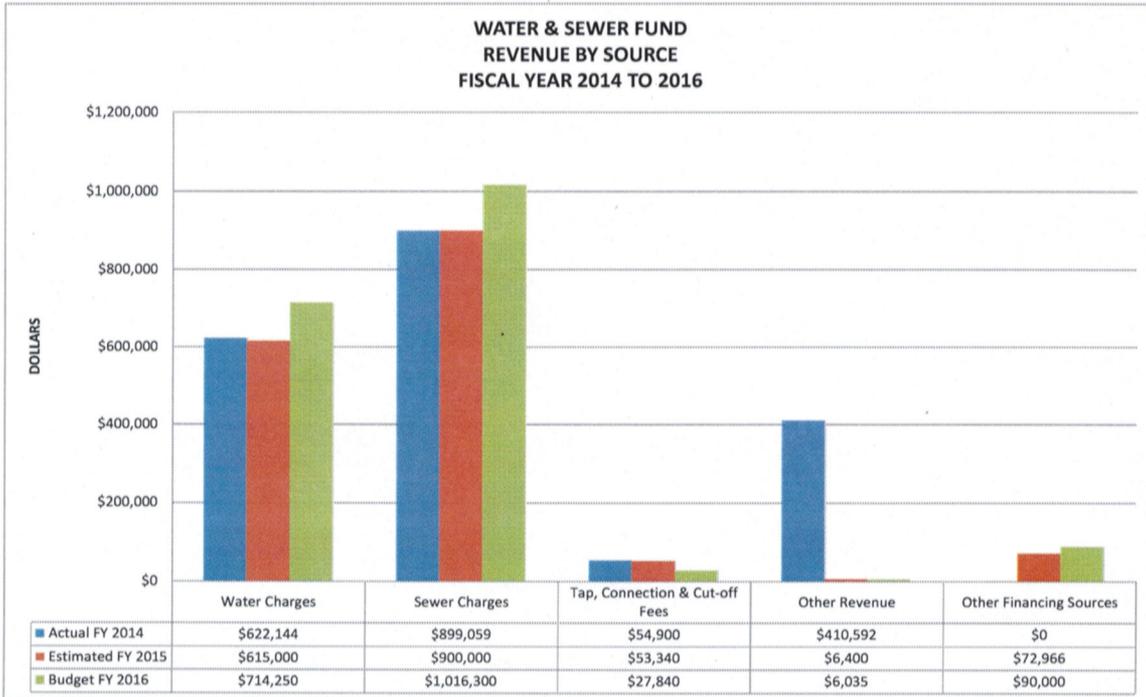
WATER AND SEWER FUND SUMMARY

Overall, the fiscal year 2016 Water and Sewer Fund budget is 15.9% greater than the fiscal year 2015 original budget and 12.8% greater than the amended budget as of May 19, 2015. In relation to the fiscal year 2015 original budget, operating expenses have increased 8.7%, capital outlay/reserves have increased by 59% and fiscal year 2016 includes a transfer of \$50,000 to the Water and Sewer Capital Projects Fund. Also, as previously noted, to provide for sufficient accumulation of reserves for future infrastructure projects, changes to the water and sewer rates are being proposed. First, the number gallons comprising the monthly minimum will be reduced from 3,000 gallons to 2,500 gallons. Second, the rates for water and sewer usage above the 2,500 gallon per month minimum will be increased. The monthly minimum rates (for 2,500 gallons) will remain unchanged.

The breakdown of Water and Sewer Fund budgeted revenue, by major source, for fiscal year 2016 is as follows:

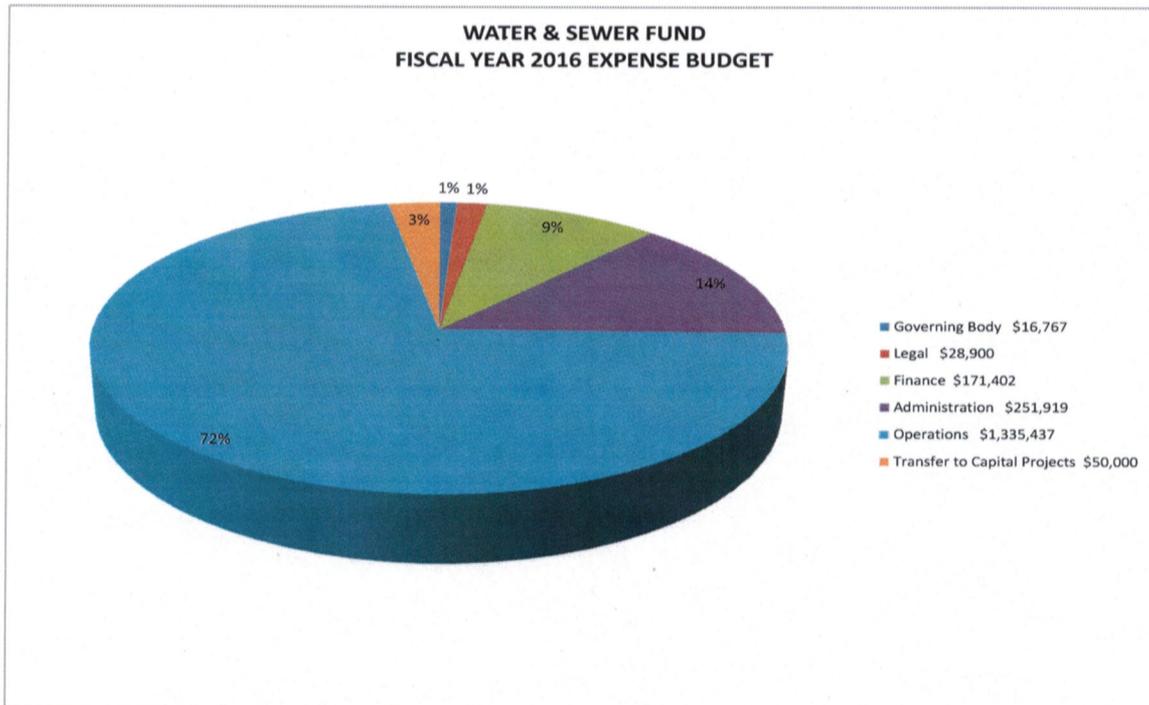


The chart on the next page shows the Water and Sewer Fund revenue by source budgeted for fiscal year 2016 compared to the estimated revenue for fiscal year 2015 and the actual revenue for fiscal year 2014.

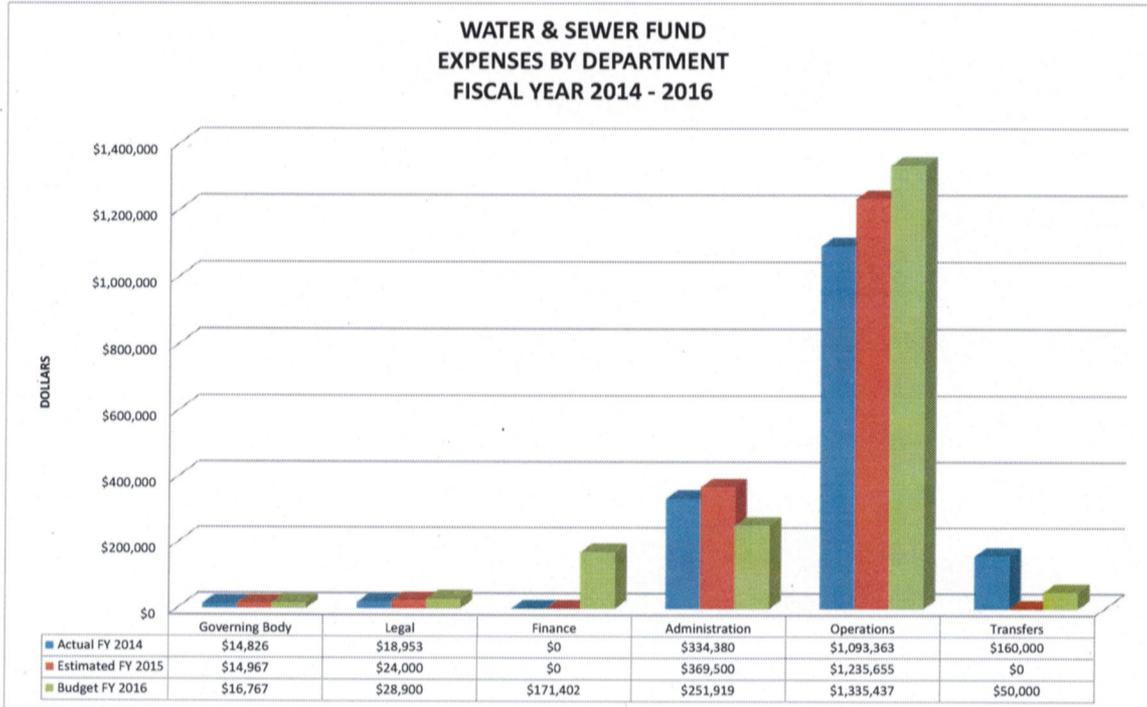


The most significant revenue sources, water and sewer charges, have remained relatively constant. The projected increases for fiscal year 2016 reflect the proposed rate changes. Also, “Other Revenue” was significantly higher in fiscal year 2014 due to a refund of Carolina Beach treatment facility charges pertaining to prior fiscal years.

The breakdown of budgeted Water and Sewer Fund expenses, by department/function, for fiscal year 2016 is as follows:



The chart below shows the expenses by department/function for the Water and Sewer Fund budgeted for fiscal year 2016 in comparison to the estimated expenses for fiscal year 2015 and the actual expenses for fiscal year 2014.



The variations in “Operations” expenses relate to the amount of capital outlay for the given year. In regard to “Transfers”, fiscal year 2014 includes a transfer to the General Fund relating to the Ocean Front Park settlement and fiscal year 2016 includes a transfer to the Water and Sewer Capital Projects Fund.

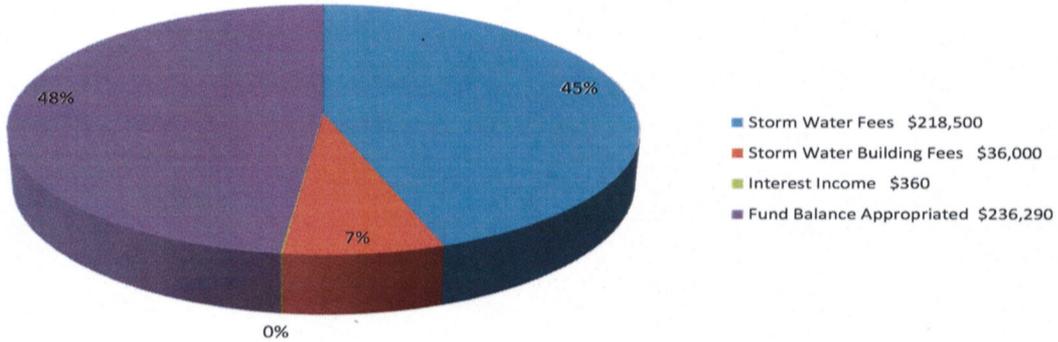
Refer to Exhibit B (on pages 23 and 24) for a summary of the most significant changes, by Water and Sewer Fund department/function, between the budgets for fiscal years 2016 and 2015.

STORM WATER FUND SUMMARY

Overall, the fiscal year 2016 Storm Water Fund budget is 70.9% greater than the fiscal year 2015 budget. Operating expenses are 5.0% higher and transfers/capital outlay is 220% higher. The significant increase in transfers/capital outlay is the result of transferring \$275,000 to the Storm Water Capital Projects Fund.

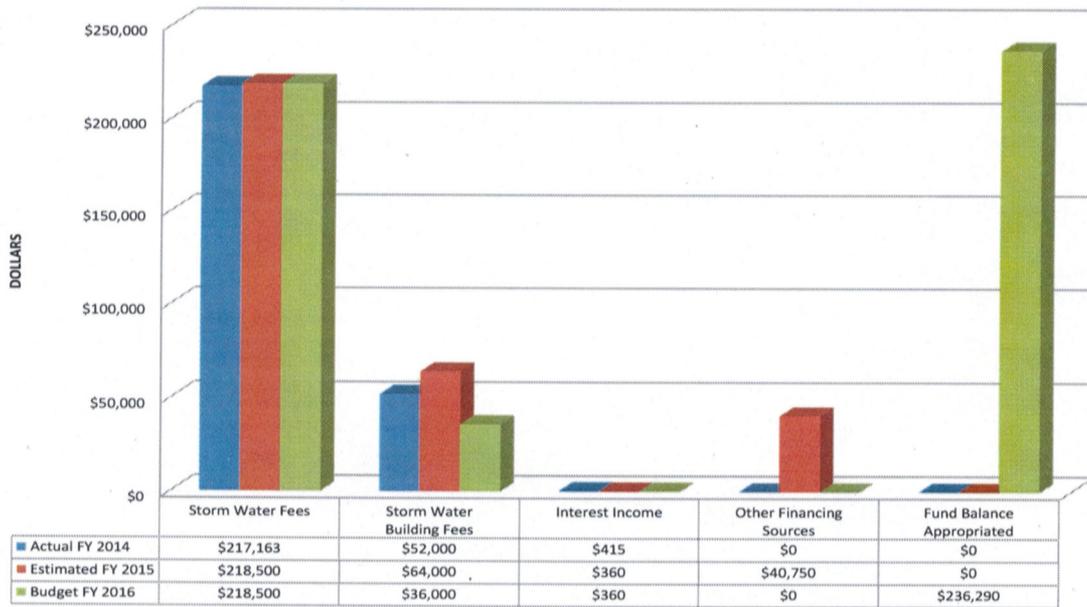
The breakdown of Storm Water Fund budgeted revenue, by major source, for fiscal year 2016 is as follows:

**STORM WATER FUND
FISCAL YEAR 2016 REVENUE BUDGET**

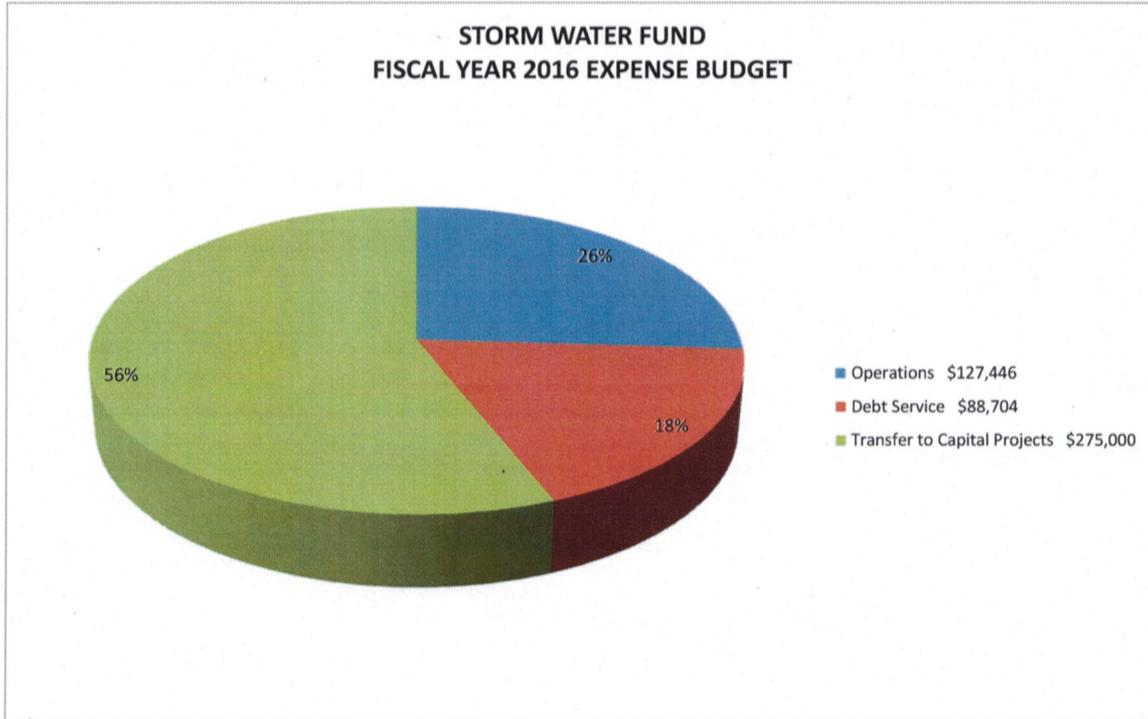


The chart below compares the budgeted fiscal year 2016 revenue to the estimated revenue for fiscal year 2015 and the actual revenue for 2014. As depicted by the chart, the major revenue source, storm water fees, has remained steady. Storm water building fees fluctuate based on the amount of building activity and the fiscal year 2015 budget includes other financing (installment loan) for equipment. Finally, fiscal year 2016 includes an appropriation of fund balance that will be the primary source to transfer funds to the Storm Water Capital Projects Fund.

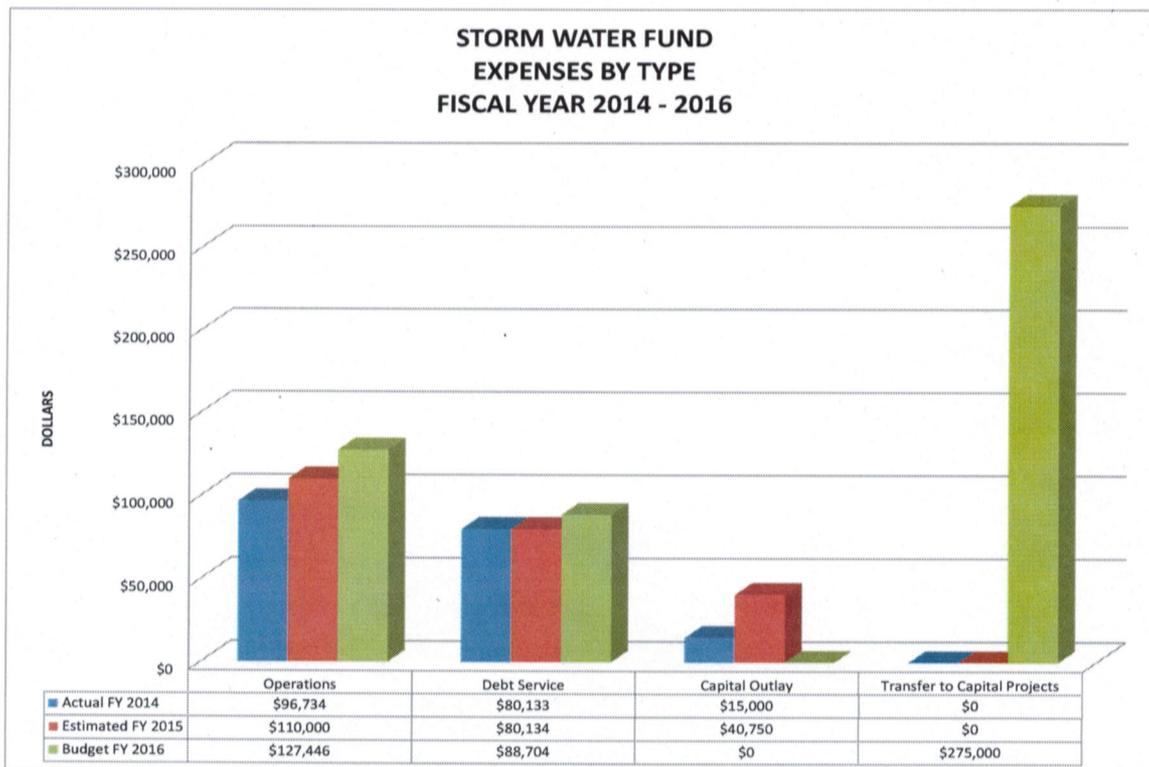
**STORM WATER FUND
REVENUE BY SOURCE
FISCAL YEAR 2014 - 2016**



The breakdown of budgeted Storm Water Fund expenses, by type, for fiscal year 2016 is as follows:



The following chart shows the budgeted fiscal year 2016 expenses by type in relation to the estimated fiscal year 2015 and actual 2014 Storm Water Fund expenses.

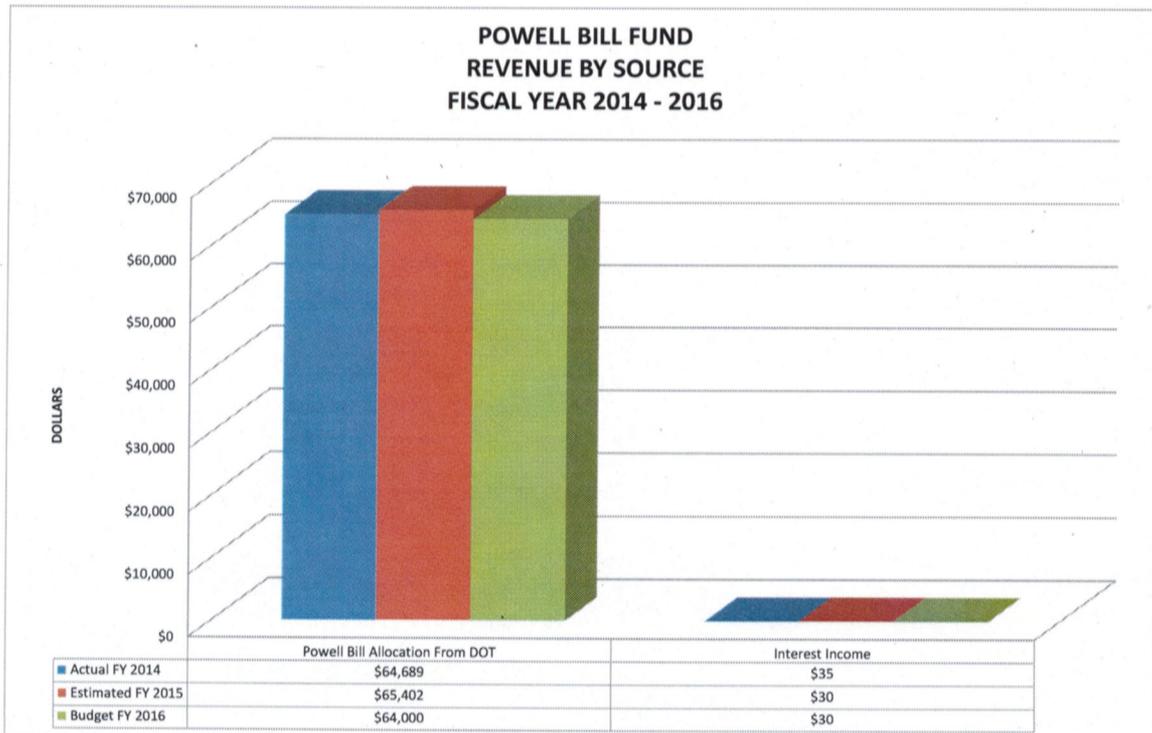


As indicated by the chart on the previous page, the expenses relating to “Operations” have increased due to an increase in storm water related work performed by Public Works. Fluctuations in capital outlay relate to the number and size of projects to be performed in a given year. Lastly, fiscal year 2016 includes a transfer to the Storm Water Capital Projects Fund.

POWELL BILL FUND SUMMARY

Funds received through the Powell Bill may only be used for the purpose of maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare including bridges, drainage, curbs and gutters and other necessary appurtenances within the corporate limits. The N.C.G.S. require the NC Department of Transportation to pay from the Highway Fund two allocations each fiscal year to all active and qualifying municipalities a sum equal to 1 ¾ cents on each taxed gallon of motor fuel. The total amount allocated to each qualifying municipality is 75% on the basis of relative population and 25% on the basis of relative non-State System local street mileage. The total budgeted allocation to Kure Beach for fiscal year 2016 is \$64,000 and interest income is estimated at \$30. Additionally, budgeted Powell Bill eligible expenditures total \$64,030.

The chart below shows budgeted Powell Bill Fund revenue for fiscal year 2016 in comparison to estimated fiscal year 2015 revenue and actual fiscal year 2014 revenue. As indicated by the data, revenue for this fund remains very constant.



BEACH PROTECTION FUND SUMMARY

The Beach Protection Fund was established as part of the fiscal year 2014 Kure Beach Budget Ordinance. It was established as a reserve fund for future beach nourishment expenses, as well as other beach related expenditures including, but not limited to, beach access improvements/repairs, dune maintenance, dune plantings, beach protection signage, dune infiltration systems, etc. The uncertainties surrounding state and federal funding of future beach nourishment projects was the driving force behind the establishment of this fund. For fiscal year 2016, the revenue source for the Beach Protection Fund will be a transfer of \$50,000 from the General Fund. In fiscal year 2014 and 2015, a total of \$199,000 was transferred from the General Fund.

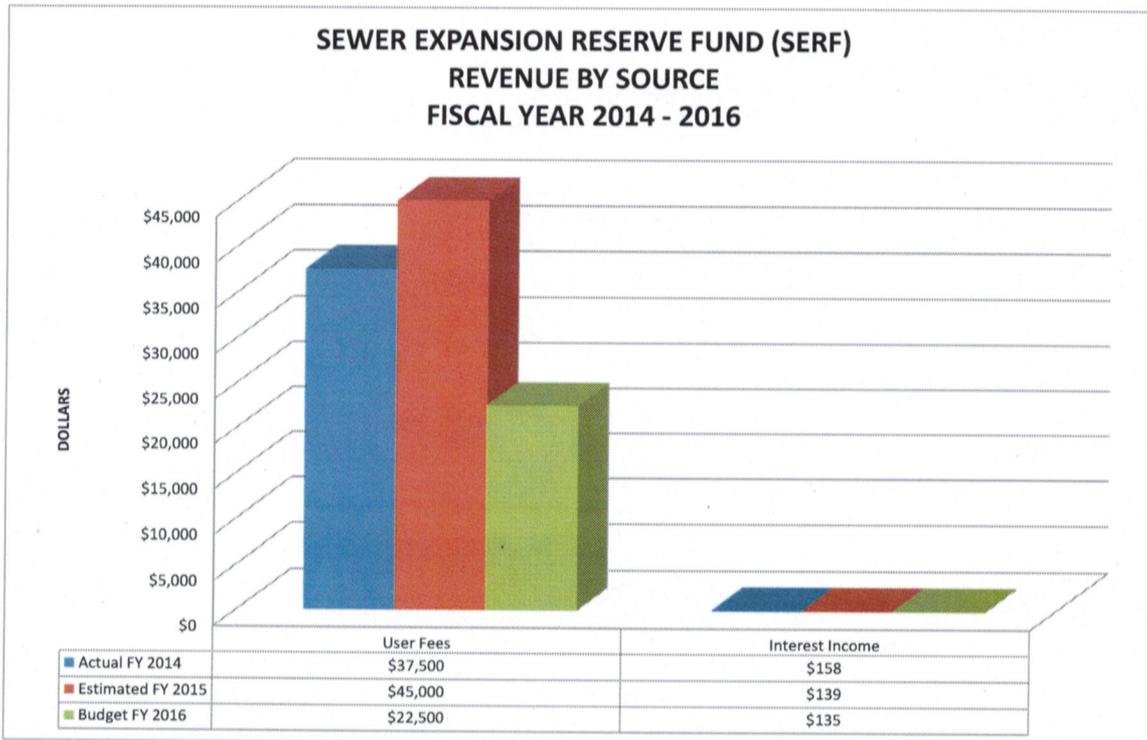
FEDERAL ASSET FORFEITURE FUND SUMMARY

On an as needed basis, the Kure Beach Police Department participates in investigations conducted by several federal agencies. The Police Department shares in the assets that are forfeited based on the outcome of the investigations and the level of resources provided. The funds received may only be used for Police related activities that are beyond the Police Department operating budget (which is a portion of the total General Fund budget). Under no circumstances, can the Police Department operating budget be funded with forfeiture proceeds. For fiscal year 2016, the use of asset forfeiture funds will be appropriated from the fund's balance and is estimated at \$50,000.

SEWER EXPANSION RESERVE FUND (SERF) SUMMARY

As required by Town Ordinance (Sec. 17-127 – User Fees), user fees will be charged on new construction and these user fees shall be recorded in SERF for the purpose of future expansion, construction, repairs or alterations to the system. Currently, this fee is \$2,500. For fiscal year 2016, revenue for SERF is budgeted at \$22,635 (\$22,500 of user fees and \$135 of interest income) and accordingly, the increase in reserves is \$22,635.

SERF revenue budgeted for fiscal year 2016 is presented on the next page in comparison to the estimated revenue for fiscal year 2015 and the actual revenue for fiscal year 2014. The revenue for this fund is fully dependent on the level of construction activity within the Town.



SUMMARY

The fiscal year 2016 Town of Kure Beach Budget reflects a thorough review of Town expenditures and conservative, but reasonable, estimation of revenues.

As discussed during the annual Town Council retreats beginning in 2012, during this budget process and as reported in the news media, the need to increase reserves in anticipation of future beach nourishment costs remains a very significant concern for Kure Beach, as well as other North Carolina beach towns. The availability of future federal and state funds for beach projects continues to be uncertain. As a result, Kure Beach’s share of future tri-annual beach nourishment projects could be in excess of \$1.2 million.

This budget includes a process to continue to build reserves for future beach nourishment needs. The Beach Protection Fund serves as a reserve fund to accumulate funds for future beach related needs, the most significant being beach nourishment. A transfer of \$50,000 from the General Fund to the Beach Protection Fund is included in this budget, while fiscal years 2014 and 2015 included transfers totaling \$199,000. Also, all or a portion of the General Fund contingency, totaling \$133,684, may be available to further strengthen the Beach Protection Fund depending on the extent of contingency usage during the fiscal year. Additionally, in order to build the Beach Protection Fund to the level estimated for future projects, additional funding sources will need to be identified.

In regard to the Water and Sewer Fund, the revenues are presently covering the daily operating costs. However, the reserves for future infrastructure projects are not being sufficiently replenished. With the uncertain future availability surrounding federal and state grants for water and sewer infrastructure projects, the Town needs to have funds available that, in conjunction with bank financing, can pay for the projects that will be necessary in the near future. The changes to the water and sewer rates proposed as part of this budget will continue the process of building the necessary reserves.

The Storm Water Fund revenues continue to address the day-to-day operating costs and are providing a reasonable level of reserve strengthening for future infrastructure projects.

In conclusion, I believe the proposed fiscal year 2016 Kure Beach Budget supports the goals established by Town Council, reflects the Council's service priorities and is responsive to the Town's needs. I would like to express my appreciation to all Department Heads, as well as all Town employees, who participated in the development of the fiscal year 2016 budget.

Respectfully submitted,



Arlen Copenhaver
Finance and Budget Officer

EXHIBIT A

GENERAL FUND BUDGET BY DEPARTMENT/FUNCTION

FY 2016 VS. FY 2015

(as of 5/19/15)

DEPARTMENT	DEPT. NO.	ORIGINAL 2015 BUD.	AMENDED 2015 BUD.	PROPOSED 2016 BUD.	DIFF. 2016 & ORIG. 2015	% CHG.	DIFF. 2016 & AMENDED 2015	% CHG.	SIGNIFICANT CHANGES FY 2016 VS. FY 2015
Governing Body	410	\$39,167	\$39,167	\$40,467	\$1,300	3.3%	\$1,300	3.3%	FY 16 has an increase of \$1,500 (25%) in Governmental Relations for food costs for beach breakfast & retreat/budget meetings, \$1,000 (40%) increase in travel/training, \$500 (16.7%) increase in dues/subscriptions, \$300 (25%) increase in telephone costs & \$2,000 decrease in contributions to outside organizations.
Committees	412	\$7,500	\$7,500	\$7,500	\$0	0.0%	\$0	0.0%	
Finance	415	\$0	\$0	\$146,033	\$146,033		\$146,033		Finance included in Administration Budget in FY 15. FY 16 Budget includes Finance-related personnel costs and expenses from the FY 15 Administration Budget.
Administration	420	\$455,208	\$876,429	\$385,448	(\$69,760)	-15.3%	(\$490,981)	-56.0%	Overall 22.3% decrease in personnel-related costs due to moving the Finance Officer & Finance Specialist to the Fin. Dept Budget. Other changes include moving finance-related expenses (audit fees, unemployment insurance, postage, equipment rental, sales tax, parking lot expense & bank fees) to the Fin. Dept. Budget. Other changes include a \$3,375 (29.6%) increase in retiree medical insurance, \$5,000 (125%) increase in telephone costs, \$2,000 (80%) increase in travel/training and \$8,250 (6.6%) increase in recycle service costs.
Community Center	421	\$14,650	\$14,650	\$17,750	\$3,100	21.2%	\$3,100	21.2%	FY 16 includes an increase of \$2,750 for wifi/phone.
Elections	430	\$0	\$0	\$3,100	\$3,100		\$3,100		Estimate for local election received from New Hanover County.

EXHIBIT A

GENERAL FUND BUDGET BY DEPARTMENT/FUNCTION

FY 2016 VS. FY 2015

(as of 5/19/15)

DEPARTMENT	DEPT. NO.	ORIGINAL 2015 BUD.	AMENDED 2015 BUD.	PROPOSED 2016 BUD.	DIFF. 2016 & ORIG. 2015	% CHG.	DIFF. 2016 & AMENDED 2015	% CHG.	SIGNIFICANT CHANGES FY 2016 VS. FY 2015
Emergency Mgmt.	446	\$300	\$300	\$100	(\$200)	-66.7%	(\$200)	-66.7%	
Tax Collection	460	\$25,000	\$25,000	\$25,000	\$0	0.0%	\$0	0.0%	
Legal	470	\$24,000	\$24,000	\$28,900	\$4,900	20.4%	\$4,900	20.4%	\$4,500 (129%) increase in Professional Legal Service expenses.
Police Dept.	510	\$1,133,547	\$1,133,547	\$1,205,815	\$72,268	6.4%	\$72,268	6.4%	Overall 4.2% increase in personnel-related costs. Other changes are the addition of \$5,000 for Fit for Duty programs, \$10,550 (211%) increase in building maintenance, \$2,500 (5.7%) decrease in auto supplies/gas, \$2,000 (16.7%) decrease in uniform costs & a \$20,000 (31.3%) increase in capital outlay - vehicles.
Fire Dept.	530	\$423,138	\$423,138	\$484,760	\$61,622	14.6%	\$61,622	14.6%	Overall 10.2% increase in full-time personnel-related costs. Other changes include a \$12,480 (200%) increase in part-time pay, \$5,870 (19.7%) increase in Drill Fees, \$2,000 (13%) increase in the Live-In Program & \$10,000 (67%) increase in capital outlay.
Lifeguards	531	\$186,575	\$190,999	\$190,957	\$4,382	2.3%	(\$42)	0.0%	FY 16 includes a 2.8% increase in personnel-related costs.
Parks & Rec.	532	\$132,018	\$132,018	\$138,748	\$6,730	5.1%	\$6,730	5.1%	Overall .04% increase in personnel-related costs. Other changes are the addition of \$4,500 for sponsorship maintenance costs & \$4,200 for the cost of boardwalk fish (previously in Admin.). Other changes include \$2,304 for telephone, \$4,000 (400%) increase in travel/training, \$2,100 (525%) increase in advertising & a \$4,300 (16%) decrease in OFF programs

EXHIBIT A

GENERAL FUND BUDGET BY DEPARTMENT/FUNCTION

FY 2016 VS. FY 2015

(as of 5/19/15)

DEPARTMENT	DEPT. NO.	ORIGINAL 2015 BUD.	AMENDED 2015 BUD.	PROPOSED 2016 BUD.	DIFF. 2016 & ORIG. 2015	% CHG.	DIFF. 2016 & AMENDED 2015	% CHG.	SIGNIFICANT CHANGES FY 2016 VS. FY 2015
Bldg. Inspection	540	\$118,135	\$118,135	\$126,565	\$8,430	7.1%	\$8,430	7.1%	Overall 2.6% increase in personnel-related costs. Other changes include a \$1,000 (67%) increase in Travel/Training, \$4,500 for building maintenance & \$1,000 (67%) increase in contracts (lawn maintenance).
Streets & Sanitation	550	\$695,206	\$695,206	\$740,797	\$45,591	6.6%	\$45,591	6.6%	Overall 5.8% increase in personnel-related costs. Other changes include a \$2,500 (5.9%) increase in utilities, \$5,000 (50%) increase in truck maintenance, \$1,500 (43%) increase in minor equipment, \$1,500 (150%) increase in computer costs & \$12,000 for capital outlay - equipment.
Debt Service	560	\$255,372	\$255,372	\$294,205	\$38,833	15.2%	\$38,833	15.2%	Two new loans added in FY 2015 (vacant lots \$409,471 & Police Vehicles \$48,359)
Contingency	490	\$180,600	\$168,850	\$133,684	(\$46,916)	-26.0%	(\$35,166)	-20.8%	3.4% of appropriations (the maximum allowable amount is 5%).
Transfers	580	\$103,000	\$103,000	\$50,000	(\$53,000)	-51.5%	(\$53,000)	-51.5%	Transfer to Beach Protection Fund.
TOTAL GENERAL FUND		\$3,793,416	\$4,207,311	\$4,019,829	\$226,413	6.0%	(\$187,482)	-4.5%	

EXHIBIT B

WATER AND SEWER FUND BUDGET BY DEPARTMENT/FUNCTION

FY 2016 VS. FY 2015

(as of 5/19/15)

DEPARTMENT	DEPT. NO.	ORIGINAL 2015 BUD.	AMENDED 2015 BUD.	PROPOSED 2016 BUDGET	DIFF. 2016 & ORIG. 2015	% CHG.	DIFF. 2016 & AMENDED 2015	% CHG.	SIGNIFICANT CHANGES FY 2016 VS. FY 2015
Governing Body	410	\$14,967	\$14,967	\$16,767	\$1,800	12.0%	\$1,800	12.0%	FY 16 has an increase of \$1,000 (40%) in travel/training, \$500 (16.7%) increase in dues/subscriptions & a \$300 (25%) increase in telephone costs.
Legal	470	\$24,000	\$24,000	\$28,900	\$4,900	20.4%	\$4,900	20.4%	\$4,500 (129%) increase in Professional Legal Service expenses.
Finance	715	\$0	\$0	\$171,402	\$171,402		\$171,402		Finance included in Administration Budget in FY 15. FY 16 Budget includes Finance-related personnel costs and expenses from the FY 15 Administration Budget.
Administration	720	\$357,750	\$369,500	\$251,919	(\$105,831)	-29.6%	(\$117,581)	-31.8%	Overall 45.5% decrease in personnel-related costs due to moving the Finance Officer, Finance Specialist & Utilities Manager to the Fin. Dept Budget. Other changes include moving finance-related expenses (audit fees, unemployment insurance, postage, equipment rental & bank fees) to the Fin. Dept. Budget. Other changes include a \$5,000 (1.25%) increase in telephone costs, \$2,000 (80%) increase in travel/training, \$1,000 (33%) increase in minor equipment & a \$3,000 (20%) decrease in computer-related costs.
Transfers	999	\$0	\$0	\$50,000	\$50,000		\$50,000		Transfer to the Water Line Replacement Capital Project Fund.

EXHIBIT B

WATER AND SEWER FUND BUDGET BY DEPARTMENT/FUNCTION

FY 2016 VS. FY 2015

(as of 5/19/15)

DEPARTMENT	DEPT. NO.	ORIGINAL 2015 BUD.	AMENDED 2015 BUD.	PROPOSED 2016 BUDGET	DIFF. 2016 & ORIG. 2015	% CHG.	DIFF. 2016 & AMENDED 2015	% CHG.	SIGNIFICANT CHANGES FY 2016 VS. FY 2015
W/S Operations	810	\$1,203,439	\$1,235,655	\$1,335,437	\$131,998	11.0%	\$99,782	8.1%	Overall 5.7% increase in personnel-related costs. Other changes include a \$3,000 (25%) increase in water testing, \$1,500 (27%) increase in permit fees, \$9,770 (54%) increase in debt service & \$35,000 (13%) increase in Carolina Beach treatment facility charges. Decreases include \$4,500 (27%) in equipment/building maintenance, \$7,000 (49%) in minor equipment & \$4,500 (37.5%) in computer costs. Capital outlay for improvements is up by \$20,073 (21.8%) & capital outlay for equipment/vehicles is up \$55,000 (157%).
TOTAL WATER/SEWER FUND		\$1,600,156	\$1,644,122	\$1,854,425	\$254,269	15.9%	\$210,303	12.8%	