



DRAFT

## *Town of Kure Beach*

117 Settlers Lane • Kure Beach, NC 28449

(910) 458-8216 • (910) 458-7421 Fax

[www.townofkurebeach.org](http://www.townofkurebeach.org)

May 17, 2011

RE: **TOWN OF KURE BEACH, NORTH CAROLINA  
FISCAL YEAR 2011/2012 BUDGET MESSAGE**

The Honorable Mayor Dean Lambeth and Town Council:

In accordance with Section 159-11 of the NC General Statutes, I am pleased to present the proposed FY 2011/2012 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 financial 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, 2011. 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 proposed FY 2011/2012 Town of Kure Beach Budget is balanced and totals \$5,062,123 for all operations. The budget is spread over the following funds: General Fund \$3,269,698; Water and Sewer Fund \$1,500,150; Storm Water Fund \$232,275; and Powell Bill Fund \$60,000.**

### **BUDGET HIGHLIGHTS**

#### Tax Rate

The ad valorem tax rate has been increased by 2.75 cents per \$100 of value. This was the first increase in the local property tax rate since 2001. After careful analysis of revenue, expenditures and town services, a budget was developed that requires a property tax rate of 16.25 cents per \$100 of value. This increase is necessary for daily operational costs of providing services and improvements. In regard to a home valued at \$500,000, this will increase annual property taxes by \$137.50.

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### General Fund Fees

Several service fees relating to the General Fund have been added or revised and are included on the Town of Kure Beach Fee Schedule for Fiscal Year 2011/2012. Changes to existing fees include increases to the Community Center deposit and rental rates, increases to the personnel rates for special events and increasing the charge for the first offense for alcohol consumption/open containers on public property. New fees have been added for fire inspections that will now be performed by the Building Inspector, rather than contracted to New Hanover County.

### Water and Sewer Rates and Fees

The minimum monthly residential water and sewer rates have each been increased by \$1.50 for 3,000 gallons to \$13.50 and \$23.50, respectively. Commercial water and sewer rates have each been increased by \$2 to \$18.50 and \$25.50, respectively, and Out of Town (ETJ) water and sewer rates have been increased by \$2 each to \$23.00 and \$40.50, respectively. These increases are necessary for future infrastructure improvements.

Additionally, several water and sewer service fees have been added. Examples include, but are not limited to, technician service fee of \$30, water service meter check fee of \$30, special water meter test fee of \$50, account past due charge of \$10 per month and a returned check fee of \$25.

### Storm Water Fees

The Storm Water fee has been increased by \$4 monthly for both residential and commercial accounts. This increase is necessary for both current and future storm water infrastructure needs.

### Staffing and Compensation

Two full time employees are being added for FY 2011/2012. Both positions, Police Officer and Firefighter, are necessary to address increasing demands on the public safety services provided by the Town. Also, the budget includes an average of two percent merit increase for Town personnel based upon performance appraisals. The budget also includes no change in employee benefits from those of prior years.

### Operating Expenses

The budget for General Fund operating expenses (excluding capital outlay and contingency of \$75,000) is 2.5% higher than the FY 2010/2011 Amended Budget as of May 17, 2011. This increase is the result of adding two full time employees (Police Officer and Firefighter) as previously noted, otherwise, operating expenses have remained flat.

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The FY 2011/2012 operating budget (excluding capital outlay) for the Water and Sewer Fund includes a small increase (.65%) over the FY 2010/2011 Amended Budget as of May 17, 2011. This increase is the result of general price increases for supplies and services.

The FY 2011/2012 Storm Water Fund operating budget (excluding capital outlay) is 1.17% higher than the FY 2010/2011 Amended Budget as of May 17, 2011. This increase is due to increases in the cost of supplies and services.

### Governing Body

Town Council reached a consensus to forego their compensation for FY 2011/2012, which includes their pay (\$13,500 plus related FICA taxes) and cell phone reimbursement (\$3,600). Additionally, the Governing Body budget includes funding for the Pleasure Island Concert series (\$8,000) and the Kure Beach Christmas Show (\$3,300).

### Capital Outlay

The General Fund capital outlay totals \$214,000, which includes the following:

- \$7,000 – Replacement of Community Center HVAC
- \$10,000 – Fire Department equipment
- \$17,000 – Resurface basketball court and other Parks and Recreation projects
- \$180,000 – Replacement of garbage truck

Projects relating to Parks and Recreation (e.g., basketball court) will be paid for from New Hanover County Park Bond proceeds and the garbage truck will be obtained using installment financing.

The Water and Sewer Fund capital outlay includes the purchase of a service truck (\$36,000) that will be obtained using installment financing. The Storm Water Fund capital outlay includes \$92,513 for storm water infrastructure.

### Debt Service

General Fund debt service totals \$286,099 and includes the Ocean Front Park, Town Hall renovation and vehicles/equipment. The Water and Sewer Fund includes debt service totaling \$116,125 (Water Tower, infrastructure and vehicles/equipment). The Storm Water Fund debt service totals \$83,618 and includes the Cutter Court infrastructure project and equipment.

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

General Fund	8.75%
Water and Sewer Fund	7.74%
Storm Water Fund	36.00%

The Town's total outstanding debt (all funds) is estimated to be approximately \$3,190,000 at July 1, 2011. 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 .27% of the assessed value of property, well within LGC's guidelines.

## Contingency

A contingency of \$75,000 (2.35 % of the budget) is included in the General Fund budget for FY 2011/2012. This contingency appropriation is to provide for unanticipated increases in budgetary needs during the course of the year. 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 been particularly challenging for FY 2011/2012. A decade without increases in the property tax rate, while increasing the quantity and quality of services provided by the Town, has finally reached the point where a tax rate increase is necessary. The increase in revenue will allow Town provided services to remain at the levels that residents have come to expect. Several times over the past few years, balancing of the General Fund budget required significant appropriations of fund balance (i.e., using the Town's "savings" to pay for a portion of annual operating expenses). Although this is a permitted practice, the continual appropriation of fund balance will deplete the funds the Town has available for unexpected needs or emergencies. Therefore, the increase in the tax rate is the prudent course of action at this time. As previously highlighted, the FY 2011/2012 budget for General Fund operating expenses is 2.5% higher than the FY 2010/2011 Amended Budget. This 2.5% increase is attributable to the addition of two full time employees, while the total of all other operating expenses remains constant. When comparing the total FY 2011/2012 General Fund budget to the FY 2010/2011 Amended Budget, the budget has increased by approximately 4.9% (operating expense increase of 2.5% and contingency increase of 2.35%).

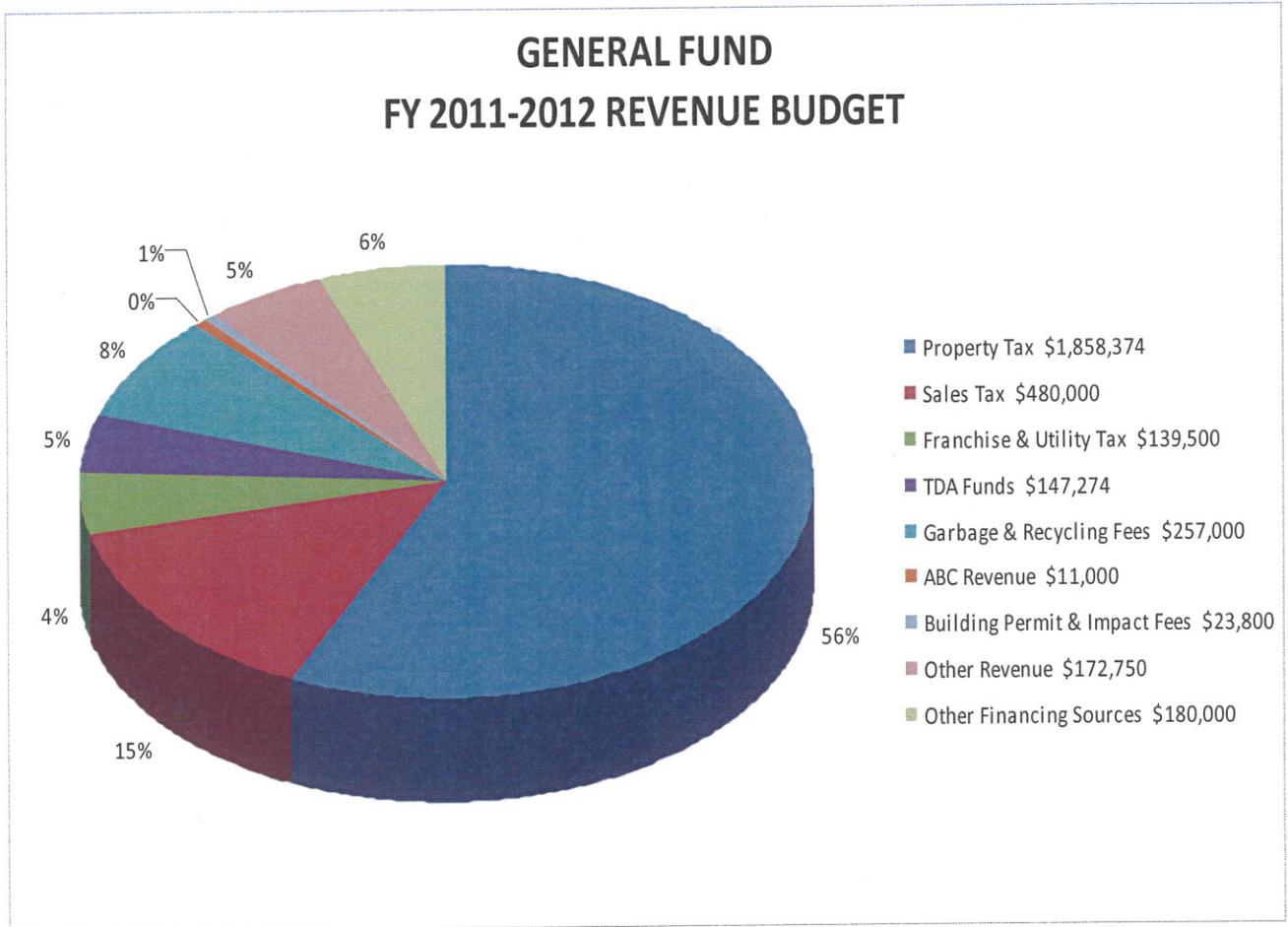
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The breakdown of budgeted revenue, by major source for FY 2011/2012 is as follows:



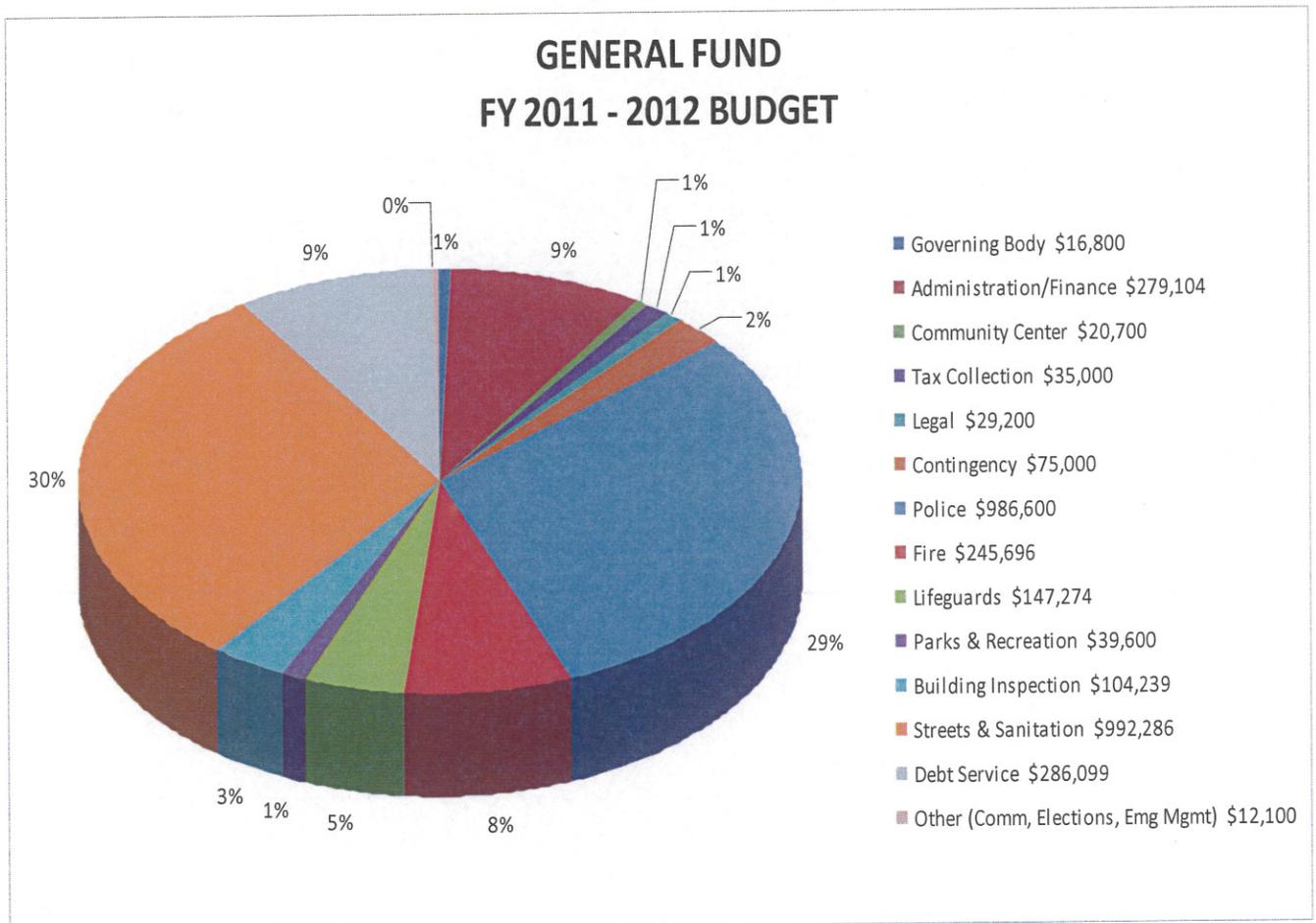
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The breakdown of budgeted General Fund expenses, by department/function for FY 2011/2012 is as follows:



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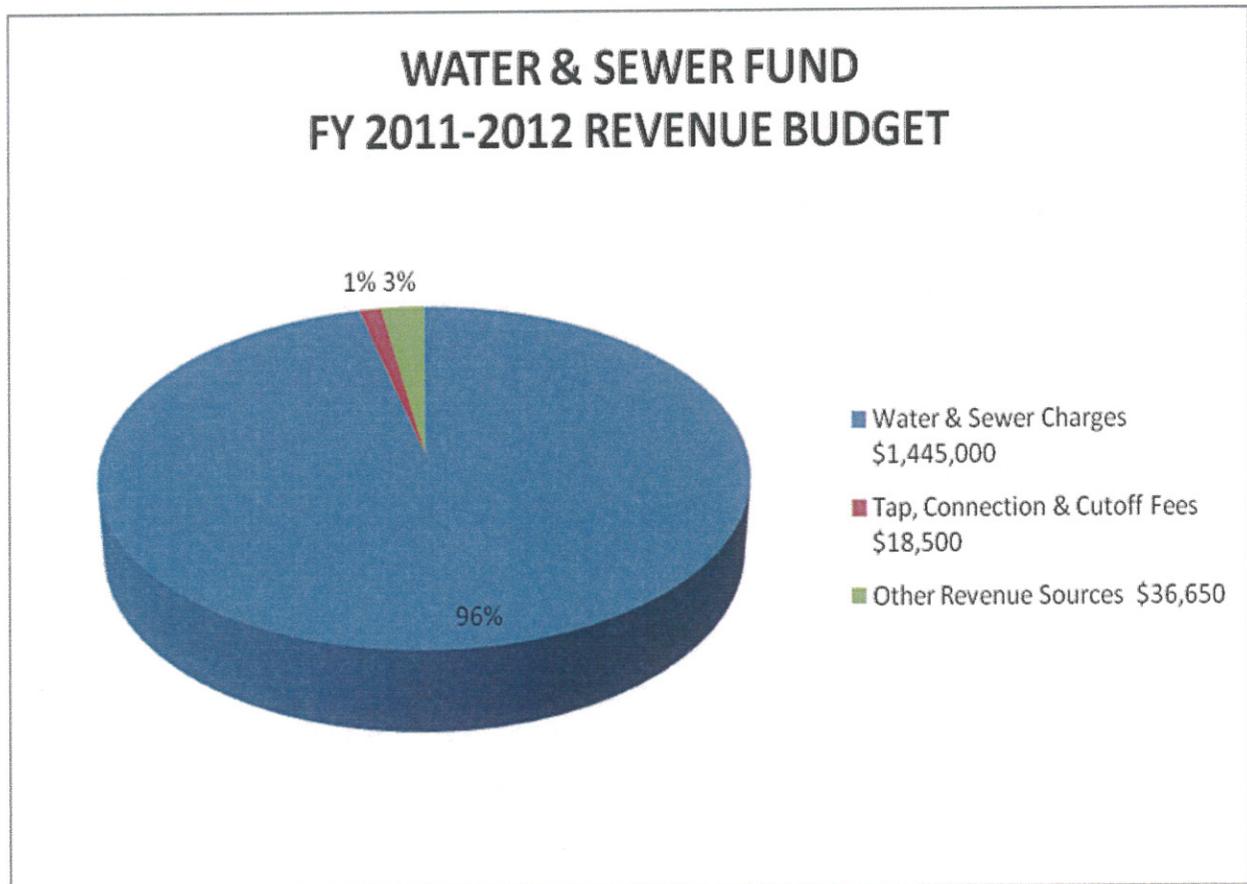
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### WATER AND SEWER FUND SUMMARY

Overall, the FY 2011/2012 Water and Sewer Fund budget is approximately 3.4% less than the FY 2010/2011 Amended Budget as of May 17, 2011. Whereas, operating expenses and depreciation reserve are higher (4.3%), capital outlay is 7.7% lower. Also, as previously noted, the minimum monthly residential water and sewer rates have each been increased by \$1.50 for 3,000 gallons to \$13.50 and \$23.50, respectively. Commercial water and sewer rates have each been increased by \$2 to \$18.50 and \$25.50, respectively, and Out of Town (ETJ) water and sewer rates have been increased by \$2 each to \$23.00 and \$40.50, respectively. These increases are necessary for future infrastructure improvements.

The breakdown of Water and Sewer Fund budgeted revenue, by major source for FY 2011/2012 is as follows:



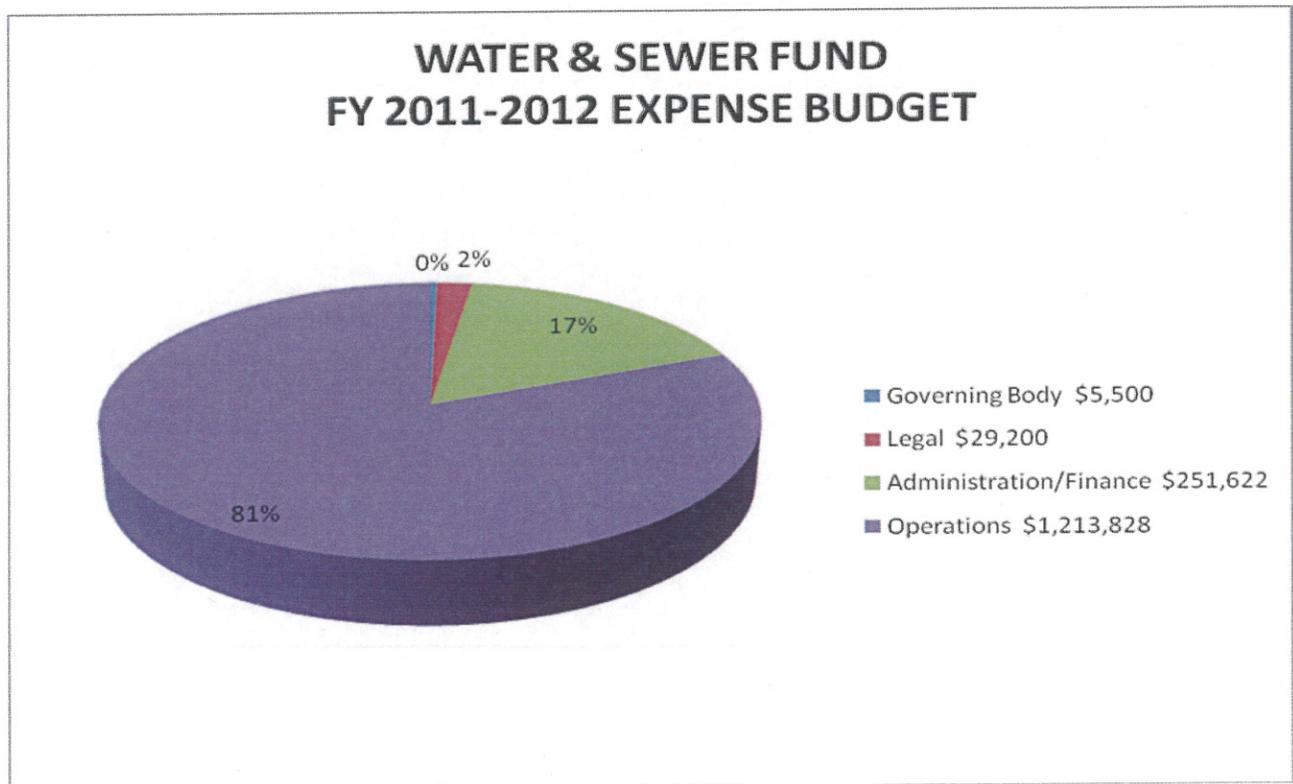
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The breakdown of budgeted Water and Sewer Fund expenses, by department/function for FY 2011/2012 is as follows:



### STORM WATER FUND

A significant increase to Storm Water fees (\$4 per month) was warranted to provide for storm water infrastructure projects needed throughout the Town. The increase in revenue will allow for projects to be performed either via direct payment or through payment of debt service for the more significant projects. Operating expenses, excluding capital outlay for improvements, are slightly higher than the prior year (1.17%).

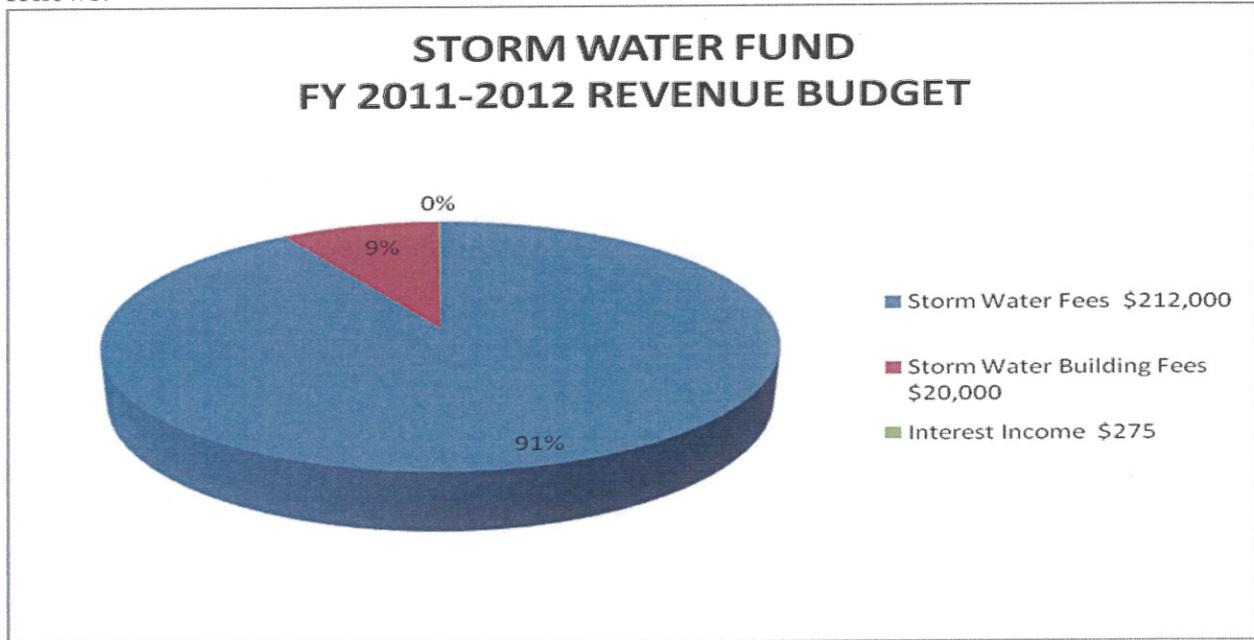
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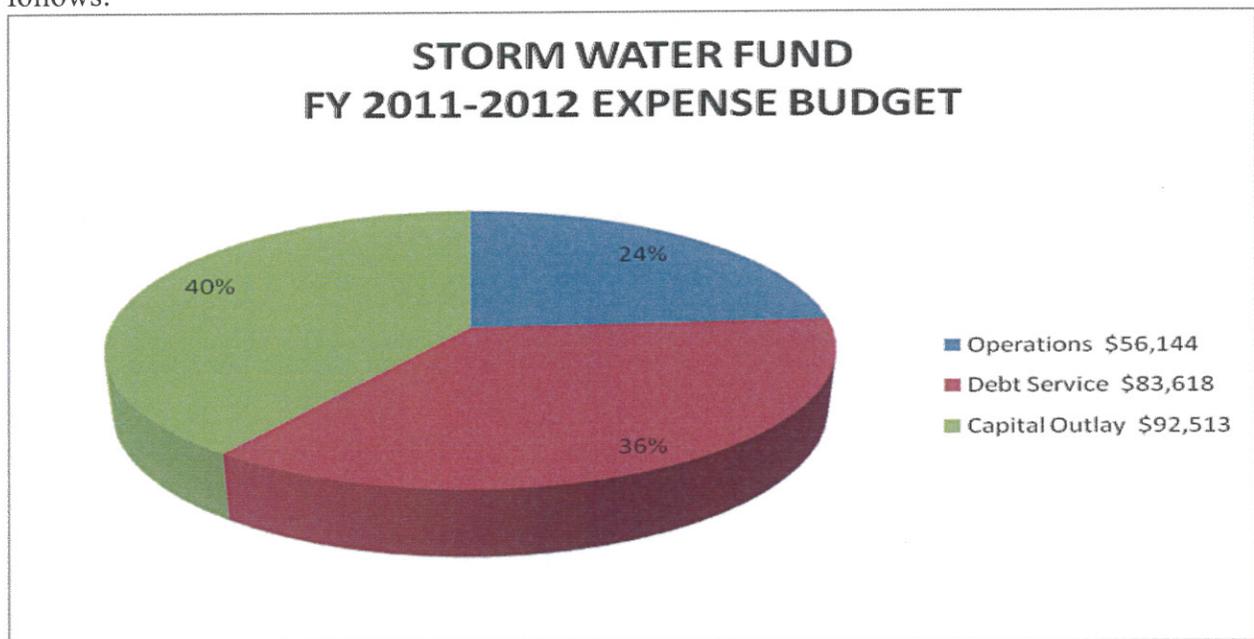
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The breakdown of Storm Water Fund budgeted revenue, by major source for FY 2011/2012 is as follows:



The breakdown of budgeted Storm Water Fund expenses, by type, for FY 2011/2012 is as follows:



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### SUMMARY

The FY 2011/2012 Town of Kure Beach Budget reflects a thorough review of Town expenditures and conservative, but reasonable, estimation of revenues.

Prior to the commencement of the budget process, potential revenue shortfalls in relation to maintaining the Town's existing levels of service were identified. Since the quantity and quality of Town services is not expected to decrease, and, in conjunction with recommendations made by the Citizens Budget and Finance Committee and myself to discontinue appropriation of the General Fund balance as a means to balance the budget, the need for an increase in the property tax rate became evident. Over the past decade, services provided by the Town have increased, the Town's population has increased, costs of materials and services have increased, however, the property tax rate has not increased since 2001.

Additionally, existing rates for water and sewer services, as well, as storm water fees, have not provided for a sufficient accumulation of funds for the infrastructure improvement needs that the Town faces now and in the future. Therefore, these fee increases are also necessary.

I believe the FY 2011/2012 Kure Beach Budget 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 FY 2011/2012 budget.

Respectfully,



Arlen Copenhaver

Budget and Finance Officer