

Memo to Board

28 May 2010

Re: Budget Message and Proposed Budget attached thereto

Per Board discussion I have included the previously omitted appropriation for the Sewer Vector Truck in the Water and Sewer Enterprise Fund proposed budget. A corresponding Water/Sewer Fund Balance Appropriation to cover the resulting \$57k expense increase is necessary. Adequate Water/Sewer Fund Balance is available via the Board's return of the \$464k EOC front money earlier this week.

You may notice some differences in the proposed budgets for the dredging projects versus the recommended budgets worksheets reviewed at the workshop. After consulting with the Institute of Government and reviewing the Local Government Budget and Fiscal Control Act; I am of the opinion that since the dredging projects are almost complete it is best to have the budget reflect the actual revenues and costs incurred with any residual funds being accounted for in expense items titled "Maintenance Dredging Reserve" (Holden Beach Harbor/Harbor Acres) and "Contingency" (Heritage Harbor). The opposite is the case for the Blockade Runner Project because there is still a bunch of work left to do. We'll just carry it forward as is.

VR,
DMP

Atch - Budget message/w / Atch

Fiscal Year 2010/2011 Budget Message

The Town of Holden Beach Budget for Fiscal Year 2010/2011 is herewith presented in accordance with the North Carolina Local Government Budget and Fiscal Control Act.

Tax Rate. A tax rate of six and nine-tenths cents per one hundred dollars of valuation is proposed to be levied at a ninety-eight point seven four percent collection rate on an estimated tax base of two billion two hundred six million thirty six thousand eight hundred ninety nine dollars. The proposed tax rate holds the current fiscal year's tax rate steady and the collection rate of ninety six point three four percent used to calculate the estimated tax revenue is the rate actually experienced during the prior fiscal year. The estimated tax base is baselined from the Brunswick County tax registry taking into account recent decreases in Holden Beach properties effected by the North Carolina Property Tax Commission and the Brunswick County Equalization and Review Board.

Debt Service. New Town Hall: The town's third debt service payment of three hundred thirty seven thousand one hundred and sixty dollars on a twenty year, three point eight one percent, four million dollar loan from BB&T for its new on-island town hall will be made in March two thousand and eleven.

Emergency Operations Center: The second annual debt service payment of sixty five thousand seven hundred twenty dollars on a twenty five year, four point two five percent, one million dollar loan from the United States Department of Agriculture for the Town's new off-island Emergency Operations Center will be also be made in March two thousand eleven.

Sewer Collection System: The town has two loans outstanding with BB&T for the construction of its town wide sewer collection system. The sixth debt service payment of four hundred seventy two thousand three hundred eight dollars ninety five cents on a fifteen year, three point seven nine percent, five million three hundred ten thousand dollar loan (i.e., BB&T Sewer Collection System Loan Number One) will be made in January two thousand eleven. The sixth debt service payment of two hundred ninety four thousand four hundred fourteen dollars eighty one cents on a fifteen year three point seven nine percent, three million three hundred ten thousand dollar loan (i.e BB&T Sewer Collection System

Loan Number Two) will also be made in January two thousand eleven. Collectively these two BB&T Sewer Collection System Loan debt service payments represent an annual obligation of seven hundred seventy six thousand seven hundred twenty three dollars seventy six cents.

Sewer Transmission and Treatment Facilities: In Fiscal Year 10/11 a contractual obligation of an estimated one million two hundred forty eight thousand four hundred dollars is owed to Brunswick County for the Town's portion of the West Brunswick Regional Wastewater Facility whose total financed construction cost of twenty six million four hundred fifty thousand dollars was underwritten by Brunswick County and funded by a combination of a 2004A Series Revenue Bond issue, a 2004 State Revolving Fund Loan and a 2005 State Revolving Loan. Approximately one third of this obligation comes due in November of each year with the residual payable in March. This contractual obligation of approximately one million two hundred forty eight thousand dollars gradually decreases to approximately one hundred ninety two thousand dollars by Fiscal Year 2025/2026 at which time the Town's contractual obligations are programmed to decrease by one half to approximately six hundred thousand dollars annually for an additional three fiscal years.

Vehicles: A Sewer Vactor Truck was procured via lease/purchase in Fiscal Year 08/09; with the resulting Water and Sewer Fund debt service obligation for fiscal year 2010/2011 equaling fifty seven thousand four hundred twelve dollars.

Fund Balance. The Fiscal Year 2008/2009 audit reported the Town's General Fund undesignated fund balance to be one million three hundred fifty three thousand eight fifty five dollars. This resulted in the Town's General Fund Ratio - a gross measurement representing 30 days of General Fund expenses and required to be at least eight percent by the North Carolina Local Government Commission – to increase from thirty to fifty percent for the fiscal year ending 30 June 2009. This apparent increase was a direct result of the infusion of approximately nine hundred twenty eight thousand dollars in USDA loan funds which had previously been expended by the General Fund for the construction of the Emergency Operations Center (EOC). Half (five hundred thousand) of the originally budgeted one million dollars for construction of the EOC came in the form of an advance from the Water and Sewer Fund; which was to be repaid once the USDA loan funds became available. The Fiscal Year 2009/2010 budget has subsequently returned half (four hundred sixty four thousand dollars) of the USDA loan funds disbursed by USDA to date to the Water and Sewer Fund; in addition to

appropriating four hundred thousand dollars from available General Fund balance to satisfy the majority of the new facilities' capital debt, thereby decreasing the available General Fund Balance ratio for the current fiscal year 2009/2010 to approximately seventeen point four percent. Subsequently; the projected available General Fund balance ratio for fiscal year 2010/2011 is twenty one point two percent. This on the surface would appear to indicate adequate liquidity in the General Fund; but is below the minimum General Fund balance ratio of twenty five percent established by the Town's fiscal policy and is significantly lower than that the one hundred percent General Fund balance ratio statewide average of comparably sized towns. I suggest the board review its fiscal policy to determine if a twenty one percent fund balance ratio is adequate for a beach community.

General Fund Revenues.

The following table represents estimates of the projected revenues based on the proposed tax rate, proposed fees and the most recent actual revenues received to date.

Ad Valorem	1,466,454
Prior Years' Taxes	40,000
Vehicle Taxes	6,000
USDA Loan Proceeds	71,042
Penalties	3,500
Vehicle Decals	2,500
Business Priveledge Licenses	7,600
Cable Franchise	7,300
Investment Interest	1,500
Tax payments to be refunded	100
Miscellaneous	500
Christmas Decorations	250
Franchise Utilities Tax	94,000
Sales on Comm - Utility Franchise	12,500
Sales Tax on Video Program	59,900
Beer and Wine Tax	4,000
Powell Bill	40,000
Local Sales & Use Tax	200,000

Court Costs	100
Parking Violations	100
Ordinance Violations	750
Building Permits	55,000
Cama Permits	3,000
Zoning Fees	4,500
Electrical Inspections	21,500
Mechanical Inspections	14,000
Plumbing Inspections	4,500
Admin Fee Inspections	500
Homeowner Recovery Fee	100
Reinspection Fee	100
Demolish Permit	50
Sale of Materials	500
Sale of Fixed Assets	500
Transfer from BPART	186,854
Total General Fund Revenues	2,309,200

General Fund Expenditures

The following table summarizes general fund departmental expenses.

Governing Body	588,301
Administration	562,690
Police	611,500
Inspections	186,809
Public Works	254,300
Sanitation	105,600
Total	2,309,200

Generally speaking; even though the tax burden borne by the property owner is proposed to remain static, a transfer of one hundred eighty six thousand eight hundred fifty four dollars from the BPART fund is necessary to balance the general fund budget.

The proposed budget departs from previous approaches to service provision in that it attempts to more accurately represent the costs associated with seasonal tourism. It is recommended that the cost equivalents of one police officer and one public works employee be billed to the Beach, Parks, Access and Recreation Trust Fund.

Water/Sewer Fund

In terms of finances, capital facilities and operational complexity, the Water and Sewer Enterprise Fund represents the Town’s largest operation.

Rates. The Town purchases wholesale water from Brunswick County for resale to its town customers. Retail sales of water provide revenue to operate the town’s water distribution system. As of this date, any increases to the wholesale rates of water and sewer are unknown. Current town water retail rate is three dollars for each one thousand gallons above a baseline of two thousand gallons which is paid for in each customer’s base rate. Sewer rates are proposed to remain at current levels. A water and sewer rate review is scheduled to be completed during the first quarter of fiscal year 2010/2011.

Water and Sewer Enterprise Fund Revenues.

The following table represents estimates of the projected revenues based on the proposed water and sewer retail rates, fees and the most recent actual revenues received to date.

Interest on Investments Water	5,000
Interest on Capital Reserves	5,000
Share Fund Interest	2,000
Rents and Concessions	110,000
Administrative Fees	250
Residential Impact Fee	20,000
Capital Charges County Sewer	921,000
Interest on Capital Charges	4,500
Sewer Capital Fee 2009	25,000
Capital Charges Town Sewer	651,500
Share Payments	20,000

Water Use Charges	725,500
Special Charges for Utilities - Water	1,500
Irrigation Meter Inspection Fees	11,000
Sewer Use Charges	675,000
Availablility Fee Sewer	8,000
Tap & Connection Fees - Water	7,500
Tap & Connection Fees - Sewer	4,000
Reconnection Fees	700
Penalties & Interest	20,000
Share Fund Penalty Pays	15,000
Transfer from General Fund	35,521
Fund Balance Appropriated	57,413
Total Revenues	3,325,384

Water and Sewer Enterprise Fund Expenditures

The following table summarizes the Water and Sewer Enterprise Fund departmental expenses.

Administration	79,517
Operations	3,245,867
Total Water and Sewer Expenses	3,325,384

No new capital debt is proposed for the Water and Sewer Fund. Major purchases for new vacuum pumps, fire hydrants and a portable gantry for pump maintenance are included in the Operations budget.

Beach Parks and Recreation Tourism Fund

The Beach Parks and Recreation Tourism Fund is a Special Revenue Fund authorized by act of the General Assembly which allows the Town to accrue five cents of an Accommodations Tax for the purposes of beach preservation and tourism related expenses. This year's projected revenue is one million three hundred fifty two thousand dollars. As previously mentioned it is recommended

that an expense equal to two full time equivalent positions be attributed to BPART vice the General Fund for the upcoming budget in recognition of tourism related expenses incurred by the General Fund. Salary and fringes to fund a new Parks and Recreation Programs Coordinator position is proposed to administer parks/recreation associated programs and the development of a Parks and Recreation Master Plan.

Capital Project Funds

The Town has several projects that are more appropriately delineated as “Capital Projects” in accordance with North Carolina General Statute 159-13.2. The Board of Commissioners has previously adopted capital project ordinances as amended and summarized below:

New Town Hall Capital Project Fund	\$4,029,307
Holden Beach Harbor Canal Dredging Capital Project Fund	\$ 508,954
Heritage Harbor Canal Dredging Capital Project Fund	\$ 379,230
Harbor Acres Canal Dredging Capital Project Fund	\$ 320,219
Blockade Runner Paving Project Fund	\$ 108,000

Beginning in Fiscal Year 2009/2010; the Harbor Acres Subdivision Property Owners’ Association requested an assessment of four hundred dollars per lot (as established in the Fiscal Year 2008/2009 assessment district) per year for four years to provide funds for dredging its’ canal system in fiscal year 2012/2013. The proposed Fiscal Year 2010/2011 budget repeats the \$400 per lot assessment for the second year in a row with a resulting estimated assessment/appropriation in the amount of \$117,600 being added to the existing Harbor Acres Canal Dredging Project Fund and escrowed until the Fiscal Year 2012/2013 maintenance dredging cycle is executed.

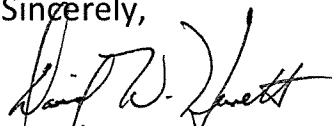
The Heritage Harbor Canal Dredging Capital Project requires an additional estimated revenue of in excess of \$72,000 to meet its programmed cost obligations. An assessment of \$233 per lot (as established in the Fiscal Year 2008/2009 assessment district) is proposed to offset the Heritage Harbor Canal Dredging Capital Project’s existing revenue shortfalls.

Budget Summary.

General	2,309,200
Water & Sewer	3,325,384
BPART	1,352,000
New Town Hall Capital Project	4,029,307
Holden Beach Harbor Dredging Capital Project	508,954
Heritage Harbor Dredging Capital Project	379,230
Harbor Acres Dredging Capital Project	320,219
Blockade Runner Paving Capital Project	108,000
Total All Funds	12,332,294

As required by the Local Government Fiscal Control the budget presented and attached hereto is balanced with revenues equaling expenses. Attached for your information and consideration is the proposed budget which contains line item detail of all revenues and expenses. As a reminder the budget ordinance public hearing is scheduled for the 8 June regular meeting with an action item afterwards for consideration and possible adoption.

Sincerely,



David W. Hewett

Manager

Town of Holden Beach, North Carolina

Atch: Proposed Budget FY2010/2011

General Fund Revenues

Ad Valorem	1,466,454
Prior Years' Taxes	40,000
Vehicle Taxes	6,000
USDA Loan Proceeds	71,042
Penalties	3,500
Vehicle Decals	2,500
Business Priveledge Licenses	7,600
Cable Franchise	7,300
Investment Interest	1,500
Tax payments to be refunded	100
Miscellaneous	500
Christmas Decorations	250
Franchise Utilities Tax	94,000
Sales on Comm - Utility Franchise	12,500
Sales Tax on Video Program	59,900
Beer and Wine Tax	4,000
Powell Bill	40,000
Local Sales & Use Tax	200,000
Court Costs	100
Parking Violations	100
Ordinance Violations	750
Building Permits	55,000
Cama Permits	3,000
Zoning Fees	4,500
Electrical Inspections	21,500
Mechanical Inspections	14,000
Plumbing Inspections	4,500
Admin Fee Inspections	500
Homeowner Recovery Fee	100
Reinspection Fee	100
Demolish Permit	50
Sale of Materials	500
Sale of Fixed Assets	500
Transfer from BPART	186,854
Total General Fund Revenues	2,309,200

Governing Body

Salaries - Mayor & Commissioners	7,800
Professional Services	50,000
Governing Body FICA	550
Communications	1,000
Public Relations	1,200
Community Events	1,500
Travel and Training	3,150
Hurricane Preparation	1,500
Decorations	1,300
Advertising	900
AB - Advertising Meetings	500
AB- Supplies and Materials	500
Holden Beach Flags	1,000
Operational Contingencies	5,000
New town Hall Debt service	337,160
New EOC Debt Service	65,720
New Town Hall Ops, Maint & Repair	30,000
New EOC Ops, Maint & Repair	20,000
Contributions	24,000
Transfer to Water and Sewer Fund	35,521
Total	588,301

ADMINISTRATION

Salaries	236,665
Salaries Overtime	7,500
FICA	21,000
Group Insurance	49,500
Retirement	25,000
401k Match	9,000
Unemployment	23,525
Communications	41,500
Printing	5,000
Travel and Training	11,500
Maintenance Equipment	5,000
Advertising	1,500
Supplies and Materials	5,500
Uniforms	1,500
Rewards and Wellness Programs	2,500
Safety Program for all departments	1,500
Professional Contracting Services	13,500
Dues and Subscriptions	3,500
Insurance and Bonds	85,500
Equipment	12,500
Total	562,690

Police

Salaries	330,000
Salaries - Overtime	27,500
FICA	30,000
Group Insurance	60,000
Retirement	45,000
Communication	22,500
Community Relations Chief	1,000
Travel & Training	7,000
Community Watch Program	500
Maintenance - Equipment	5,000
Maintenance - Vehicles	8,000
Advertising	1,000
Gas, Oil, Tires	30,000
Supplies & Materials	4,000
Community Policing	1,000
Uniforms	4,000
Police Inoculations	1,000
Equipment Purchase	1,500
Capital Outlay - Vehicles	27,500
PD Cars Accident Repairs	5,000
Total	611,500

Inspections

Salaries	98,259
Salaries - Overtime	3,000
FICA	8,000
Group Insurance	23,500
Retirement	8,200
401k Match	4,000
Communication	7,500
Printing	750
Travel & Training	1,500
Maintenance - Vehicles	7,500
Advertising	2,500
Gas, Oil, Tires	4,000
Supplies & Materials	7,000
Uniforms/Footgear	1,000
Contracted Services	5,000
Dues and Subscriptions	1,500
Homeowner Recovery Fund	100
Equipment Purchase	3,500
Total	186,809

Public Works

Salaries	65,000
Salaries - Overtime	6,500
Professional Services	500
FICA	5,000
Group Insurance	26,000
Retirement	7,500
401k Match	3,800
Utilities (Street Lights)	45,000
Buildings Utility Payments	10,000
Travel and Training	500
Buildings and Ground Maint	5,000
Maintenance - Equipment	10,000
Maintenance - Vehicles	1,500
Maintenance - Streets	10,000
Maint - Bulkhead/Retain Walls	18,000
Street Drainage Projects	5,000
Sign Replacement	3,500
Advertising	500
Gas, Oil & Tires	13,500
Supplies and Materials	6,000
Uniforms	2,000
Street Paving Projects	4,500
Maintenance - Sidewalks	5,000
Total	254,300

Sanitation

Salaries	38,000
Salaries - Overtime	2,000
FICA	2,900
Group Insurance	5,500
Retirement	4,000
401k Match	2,000
Travel and Training	500
M&R Equipment	500
Supplies & Materials	10,000
Uniforms	700
Contracted Services	37,500
Solid Waste Tipping Fee	2,000
Total	105,600

Water and Sewer Revenues

Interest on Investments Water	5,000
Interest on Capital Reserves	5,000
Share Fund Interest	2,000
Rents and Concessions	110,000
Administrative Fees	250
Residential Impact Fee	20,000
Capital Charges County Sewer	921,000
Interest on Capital Charges	4,500
Sewer Capital Fee 2009	25,000
Capital Charges Town Sewer	651,500
Share Payments	20,000
Water Use Charges	725,500
Special Charges for Utilities - Water	1,500
Irrigation Meter Inspection Fees	11,000
Sewer Use Charges	675,000
Availability Fee Sewer	8,000
Tap & Connection Fees - Water	7,500
Tap & Connection Fees - Sewer	4,000
Reconnection Fees	700
Penalties & Interest	20,000
Share Fund Penalty Pays	15,000
Transfer from General Fund	35,521
Fund Balance Appropriated	57,413
Total	3,325,384

Administration

Salaries	27,217
Salaries - Overtime	1,000
FICA	2,400
Group Insurance	11,900
Retirement	2,000
401 k Match	500
Communication	15,500
Printing	1,250
EPA - Consumer Confidence Report	750
Travel and Training	1,000
Maintenance - Equipment	1,500
Supplies and Materials	1,500
Contracted Services	10,000
Dues and Subscriptions	3,000
Total Administration	79,517

Operations

Salaries	115,000
Salaries- Overtime	7,000
Professional Services	15,000
Professional Services Irrigation Inspect	7,500
FICA	8,500
Group Insurance	24,000
Retirement	13,000
401k Match	6,500
Communication	2,000
Utilities	3,000
Utilities - Pumping Station	51,000
Travel and Training	2,000
Maintenance Water Tank	16,400
Maintenance Equipment	5,000
O&M - Vacuum System	35,000
Maintenance Vehicles	2,500
Maintenance - Water System	30,000
County Capital Costs - Sewer	1,248,443
Gas Oil & Tires	14,500
Supplies & Materials	3,500
O&M - Vacuum Stations	50,000
Water Meters (New Construction)	5,000
Uniforms	5,500
Contracted Services	40,000
Purchase for Resale	360,000
Brunswick County O&M Charge - Sewer	240,000
Equipment Purchase - Water	2,000
PS II-IV Vinyl Fence	15,000
Capital Outlay - Valve Pits	30,000
Capital Outlay - Major Equipment Sewer	113,413
Transfer to Capital Reserve - Water	8,387
Town Capital Costs - Debt Service Sewer	766,724
Total Operations	3,245,867

Beach, Parks, Access, Recreation Trust Fund

REVENUES

3% Accommodation Tax - Tourism Related	666,000
2% Accommodation Tax - Beach Preserva	444,000
1% Accommodations Tax - TDA	222,000
Accommodations Tax Penalty	250
Interest Earned	5,000
BPART Cap Res Interest	10,000
Miscellaneous BPART	500
Donations Pocket Park 628	250
Donations Jordan Blvd	500
Admin Support - 1.5% TDA	3,500
Total	1,352,000

EXPENSES

Transfer to TDA	222,000
Salaries - Recreation	30,000
Overtime - Recreation	1,500
FICA - Recreation	1,750
Engineering Prof Svs	39,000
ATM Contract Fee	25,000
Professional Services - Mainland	15,000
Professional Services - Beach	50,000
Recreation Programs	7,500
Beautification Club	6,000
Jordan Blvd Facility Ops, Mx and Repair	59,500
Park and Rec Utilities	2,000
Communications	5,000
Public Rest Rooms	2,000
Beach Equipment Maintenance	2,000
Beach Vegetation	15,000
Shoreline Monitoring	25,000
Debris Removal	1,500
Festival Security	6,600
Holden Beach Promotion Program	45,000
Chamber of Commerce	5,000
Contributions BPART (donation)	35,000
Access and Recreation	25,000
Waste Industries 2nd Pick Up	50,000
Sand Fence	40,000
Parks & Rec Fitness Equipment	30,000
Beach Renourishment	150,000
Salaries Beach Project	41,000
Overtime Beach project	1,000
FICA Beach Project	3,500
Salaries Sanitation	30,000
Overtime Sanitation	1,000
FICA Sanitation	2,000
Group Insurance Sanitation	1,500
Retirement Sanitation	1,500
401k Sanitation	1,500
Salaries Police	42,000
Overtime Police	2,000
FICA Police	4,000
Insurance Police	5,000
Retirement Police	2,500
401k Police	1,850
Contributions to Capital Reserve	128,446
Transfer to General Fund	186,854
<u>Total Expenses</u>	<u>1,352,000</u>

New Town Hall Capital Project Fund

REVENUES

Interest on Investments	29,307
Proceeds from Long Term Debt	4,000,000

TOTAL 4,029,307

EXPENSES

Contingency	423,691
Construction	3,154,202
Engineering	158,957
Furnishings	182,457
Transfer to General Fund	80,000
Stormwater Expense	30,000

TOTAL 4,029,307

Holden Beach Harbor Canal Dredging Capital Project Fund

REVENUES

HBH Interest	764
Assessments HBH	268,143
Bond Company Settlement HBH	100,000
Army Corps of Engineers Rebate	16,480
Transfer from General Fund to HBH	123,567
TOTAL	508,954

EXPENSES

Administration - HBH	13,547
Legal Fees - HBH	3,660
Construction - HBH	278,878
Surveying - HBH	11,650
Permitting CAMA - HBH	9,156
Permitting ACE & Other Agencies	102,659
Designs - HBH	5,112
Contract Docs, Plans, Specs	11,278
Construction Management, Insp, Closeout	16,478
Maintenance Dredging Reserve-HBH	56,537
TOTAL	508,954

Heritage Harbor Canal Dredging Capital Project Fund

REVENUES

Heritage Harbor Interest	857
Assessments HH	206,164
Transfer form General Fund to HH	172,209
TOTAL	379,230

EXPENSES

Administration - HH	69
Construction - HH	255,363
Surveying - HH	8,465
Permitting ACE & Other Agencies	79,023
Permitting CAMA - HH	5,951
Designs - HH	3,500
Contract Docs, Plans, Specs	8,267
Construction Management, Insp, Closeout	13,592
Contingency	5,000
TOTAL	379,230

Harbor Acres Canal Dredging Capital Project Fund

REVENUES

Harbor Acres Interest - HA	546
Assessments HA	292,369
Transfer from General Fund to HA	27,304
TOTAL	320,219

EXPENSES

Administration - HA	69
Construction - HA	31,666
Surveying - HA	7,400
Permitting CAMA - HA	4,931
Permitting ACE & Other Agencies	6,592
Designs - HA	8,165
Contract Docs, Plans, Specs	8,063
Construction Management, Insp, Closeout	3,750
HA-Maintenance Dredging Reserve	249,583
TOTAL	320,219

Blockade Runner Paving Capital Project Fund

REVENUES

Assessments - Blockade Runner	54,000
Powell Bill Fund Balance Appropriation	54,000

TOTAL 108,000

EXPENSES

Administration - Blockade Runner	1,000
Engineering - Blockade Runner	18,000
Construction - Blockade Runner	89,000

TOTAL 108,000