

Craig Bloszinsky
Mayor

Joseph Whitley
Commissioner

Allen Oliver
Commissioner



David Heglar
Mayor Pro Tem

John Ellen
Commissioner

Nancy Avery
Town Clerk

TOWN OF KURE BEACH

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May 20, 2019

RE: **TOWN OF KURE BEACH, NORTH CAROLINA
FISCAL YEAR 2020 BUDGET MESSAGE**

The Honorable Mayor Bloszinsky 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 2020 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 priorities 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, 2019. 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 tentatively scheduled for June 10, 2019 at 6:00 pm.

The proposed fiscal year 2020 Town of Kure Beach budget is balanced and totals \$8,477,733 for all operations. This total budget is comprised of the following seven funds: General Fund \$5,559,748; Water and Sewer Fund \$2,424,390; Storm Water Fund \$335,225; Powell Bill Fund \$66,450; Federal Asset Forfeiture Fund \$50,000; Beach Protection Fund \$24,500 and Sewer Expansion Reserve Fund (SERF) \$17,420.

Comparison of the proposed fiscal year 2020 budget for each fund to the original and, if applicable, amended fiscal year 2019 budgets is as follows:

FUND	2019 ORIGINAL BUDGET	2019 AMENDED BUDGET	REQUESTED 2020 BUDGET	DIFF. 2020 & ORIG. 2019	% CHANGE	DIFF. 2020 & AMENDED 2019	% CHANGE
General	\$5,280,032	\$5,363,232	\$5,559,748	\$279,716	5.3%	\$196,516	3.7%
Water/Sewer	\$2,202,085	\$2,202,085	\$2,424,390	\$222,305	10.1%	\$222,305	10.1%
Storm Water	\$358,380	\$551,260	\$335,225	(\$23,155)	-6.5%	(\$216,035)	-39.2%
Powell Bill	\$175,000	\$175,000	\$66,450	(\$108,550)	-62.0%	(\$108,550)	-62.0%
Federal Asset Forfeiture	\$50,000	\$75,000	\$50,000	\$0	0.0%	(\$25,000)	-33.3%
Beach Protection	\$13,397	\$13,397	\$24,500	\$11,103	82.9%	\$11,103	82.9%
Sewer Expansion Reserve	\$16,250	\$16,250	\$17,420	\$1,170	7.2%	\$1,170	7.2%
TOTAL - ALL FUNDS	\$8,095,144	\$8,396,224	\$8,477,733	\$382,589	4.7%	\$81,509	1.0%

BUDGET HIGHLIGHTS

PROPOSED TAX RATE FOR FISCAL YEAR 2020

The proposed tax rate for fiscal year 2020 is 34 cents (\$0.34) per \$100 of valuation. This is an increase of 1 cent (3%) over the prior year's tax rate. The primary reason for this tax rate change is to cover the costs associated with the addition of two full-time employees. This increase in full-time employees is discussed further on page seven.

The impact on a homeowner with property valued at \$350,000 would be as follows:

Annual Kure Beach tax – existing tax rate (\$0.33):	\$1,155.00
Proposed increase (\$0.01):	<u>35.00</u>
Total Kure Beach tax after increase for a home valued at \$350,000	<u>\$1,190.00</u>

Property taxes are the Town’s largest single source of revenue. Fiscal year 2020 property tax revenue is estimated at \$3,044,300. This includes both current tax year and prior tax years’ collections and represents 54.8% of the General Fund revenue.

The estimated Kure Beach tax base, as provided by the New Hanover County Tax Department, is \$903,449,700. This is an increase of \$11,786,700 (1.3%) over the prior year’s estimated tax base. Kure Beach property taxes are billed and collected by the New Hanover County Tax Department and remitted to Kure Beach. Based on historical data, the property tax collection rate is estimated at 99%.

GENERAL FUND FEES

There are no General Fund fee increases included in the proposed fiscal year 2020 budget.

WATER AND SEWER RATES

The water and sewer fees being paid by system users must provide funds for the day-to-day operating costs of the Town’s water and sewer systems and provide for some additions to the water and sewer reserve funds for future infrastructure repairs and replacement. The costs necessary to properly operate the Town’s water and sewer systems continue to increase, as does the need to increase our reserves for future capital projects as our infrastructure ages. To continue to provide for sufficient funding for our water and sewer operations, this budget includes proposed changes to the water and sewer rate structure.

The following table highlights water usage by Kure Beach water customers during the period of April 1, 2018 to March 31, 2019. During this 12 month period, approximately 108 million gallons of water were used by the three primary customer types.

CUSTOMER TYPE	GALLONS USED	PERCENTAGE OF TOTAL GALLONS
Residential	91,555,732	85.0%
Commercial	8,257,800	7.7%
Out of Jurisdiction	7,896,140	7.3%
Total	107,709,672	100%

The proposed changes to the water and sewer rate structure impact the three types of customers noted above.

Residential Customers

For residential customers, the monthly minimum number of gallons will be reduced from 2,500 gallons to 2,000 gallons. Also, the rates for each usage tier above the minimum will be increased by 10 percent. **Residential customers using less than 2,000 gallons in a month will see no change to their bill.** The following is the proposed rate structure for residential customers:

RATE TIER	WATER		SEWER		COMMENTS
	CURRENT (2,500 min. gals.)	PROPOSED (2,000 min. gals.)	CURRENT (2,500 min. gals.)	PROPOSED (2,000 min. gals.)	
Minimum	\$13.50	\$13.50	\$23.50	\$23.50	No change
Minimum to 7,000 gals. (rate per 100 gals.)	\$0.45	\$0.495	\$0.58	\$0.638	10% Increase
7,001 to 12,000 gals. (rate per 100 gals.)	\$0.675	\$0.7425	\$0.87	\$0.957	10% Increase
Over 12,000 gals. (rate per 100 gals.)	\$1.0125	\$1.11375	\$1.305	\$1.4355	10% Increase

Based on historical data, the reduction in the minimum monthly gallons (from 2,500 to 2,000) will result in about 120 additional accounts per month exceeding the monthly minimum. This represents approximately six percent of the monthly residential billings. In regard to the 10 percent rate tier increase, it is estimated that approximately 51% of the residential billings will be impacted.

The following table demonstrates the impact of the proposed rate changes on a residential account at four usage levels. These examples show usage levels of 2,500 gallons, 5,000 gallons, 12,000 gallons and 18,000 gallons and indicate the amount and percentage increase that result from the proposed rate changes.

	EXISTING RATES (2,500 min. gals.)	PROPOSED RATES (2,000 min. gals.)
<u>Monthly Usage of 2,500 Gallons</u>		
Minimum (Water & Sewer)	\$37.00	\$37.00
Minimum to 2,500 gallons	<u>\$0.00</u>	<u>\$5.67</u>
Total	<u>\$37.00</u>	<u>\$42.67</u>
Increase Amount		\$5.67
% Change		15.3%

	EXISTING RATES (2,500 min. gals.)	PROPOSED RATES (2,000 min. gals.)
<u>Monthly Usage of 5,000 Gallons</u>		
Minimum (Water & Sewer)	\$37.00	\$37.00
Minimum to 5,000 gallons	<u>\$25.75</u>	<u>\$33.99</u>
Total	<u>\$62.75</u>	<u>\$70.99</u>
Increase Amount		\$8.24
% Change		13.1%
<u>Monthly Usage of 12,000 Gallons</u>		
Minimum (Water & Sewer)	\$37.00	\$37.00
Minimum to 7,000 gallons	\$46.35	\$56.65
7,001 to 12,000 gallons	<u>\$77.25</u>	<u>\$84.98</u>
Total	<u>\$160.60</u>	<u>\$178.63</u>
Increase Amount		\$18.03
% Change		11.2%
<u>Monthly Usage of 18,000 Gallons</u>		
Minimum (Water & Sewer)	\$37.00	\$37.00
Minimum to 7,000 gallons	\$46.35	\$56.65
7,001 to 12,000 gallons	<u>\$77.25</u>	<u>\$84.98</u>
Over 12,000 gallons	<u>\$139.05</u>	<u>\$152.96</u>
Total	<u>\$299.65</u>	<u>\$331.59</u>
Increase Amount		\$31.94
% Change		10.7%

Commercial Customers

For commercial customers, the monthly minimum number of gallons will be reduced from 2,500 gallons to 2,000 gallons. Also, the rates for each usage tier above the minimum will be increased by 10 percent. The following is the proposed rate structure for commercial customers:

RATE TIER	WATER		SEWER		COMMENTS
	CURRENT (2,500 min. gals.)	PROPOSED (2,000 min. gals.)	CURRENT (2,500 min. gals.)	PROPOSED (2,000 min. gals.)	
Minimum	\$18.50	\$18.50	\$25.50	\$25.50	No change
Minimum to 70,000 gals. (rate per 100 gals.)	\$0.694	\$0.7634	\$0.7125	\$0.78375	10% Increase
Over 70,000 gals. (rate per 100 gals.)	\$0.8675	\$0.95425	\$0.89063	\$0.9797	10% Increase

The table below shows the impact of the rate changes on a commercial account at two usage levels:

	EXISTING RATES (2,500 min. gals.)	PROPOSED RATES (2,000 min. gals.)
<u>Monthly Usage of 20,000 Gallons</u>		
Minimum (Water & Sewer)	\$44.00	\$44.00
Minimum to 20,000 gallons	<u>\$246.14</u>	<u>\$278.49</u>
Total	<u>\$290.14</u>	<u>\$322.49</u>
Increase Amount		\$32.35
% Change		11.1%
<u>Monthly Usage of 118,000 Gallons</u>		
Minimum (Water & Sewer)	\$44.00	\$44.00
Minimum to 70,000 gallons	\$949.39	\$1,052.06
Over 70,000 gallons	<u>\$843.90</u>	<u>\$928.30</u>
Total	<u>\$1,837.29</u>	<u>\$2,024.36</u>
Increase Amount		\$187.07
% Change		10.2%

Out of Jurisdiction Customers

Finally, for Out of Jurisdiction customers, the monthly minimum gallons is being reduced to 2,000 and the usage rate tiers are being increased by 10 percent. The following is the proposed rate structure for Out of Jurisdiction customers:

RATE TIER	WATER		SEWER		COMMENTS
	CURRENT (2,500 min. gals.)	PROPOSED (2,000 min. gals.)	CURRENT (2,500 min. gals.)	PROPOSED (2,000 min. gals.)	
Minimum	\$23.00	\$23.00	\$40.50	\$40.50	No change
Minimum to 70,000 gals. (rate per 100 gals.)	\$0.7875	\$0.86625	\$1.0125	\$1.11375	10% Increase
Over 70,000 gals. (rate per 100 gals.)	\$0.98438	\$1.08282	\$1.26563	\$1.39219	10% Increase

The table below shows the impact of the rate changes on an Out of Jurisdiction account at two usage levels:

	EXISTING RATES (2,500 min. gals.)	PROPOSED RATES (2,000 min. gals.)
<u>Monthly Usage of 20,000 Gallons</u>		
Minimum (Water & Sewer)	\$63.50	\$63.50
Minimum to 20,000 gallons	<u>\$315.00</u>	<u>\$356.40</u>
Total	<u>\$378.50</u>	<u>\$419.90</u>
Increase Amount		\$41.40
% Change		10.9%
<u>Monthly Usage of 400,000 Gallons</u>		
Minimum (Water & Sewer)	\$63.50	\$63.50
Minimum to 70,000 gallons	\$1,215.00	\$1,346.40
Over 70,000 gallons	<u>\$7,425.03</u>	<u>\$8,167.53</u>
Total	<u>\$8,703.53</u>	<u>\$9,577.43</u>
Increase Amount		\$873.90
% Change		10.0%

An added benefit to the rate structure changes for residential, commercial and Out of Jurisdiction customers is that it hopefully will encourage further water conservation.

STORM WATER FEES

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

STAFFING AND COMPENSATION

The fiscal year 2020 budget includes the addition of two full-time employees, increasing the Town's full-time personnel to 48. One of the positions is for an additional Police Officer. As both the Town's year-round population and tourism increase, this position is necessary to ensure there is an adequate law enforcement presence at all times. The second position is within the Building Inspections/Code Enforcement Department. This department has been staffed by one full-time person for numerous years and increasing demands necessitate additional personnel. In particular, this will allow the Town to move toward pro-active code enforcement rather than reactive. Both positions are expected to be filled at the beginning of the fiscal year and are included in the General Fund budget.

The fiscal year 2020 cost (salary, taxes, benefits, insurance, etc.) of adding these full-time employees is estimated to be \$64,300 to the Police Department and \$61,500 to the Building Inspections/Code Enforcement Department. Including the proposed two additional employees, 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	36
Water and Sewer	10
Storm Water	<u>2</u>
Total	<u>48</u>

This budget includes a proposed merit increase of 1.5% to reward those employees who are performing above expectations. Also, a 2.8% cost of living adjustment (COLA) for all full-time employees is included in the fiscal year 2020 budget. The employee benefits are consistent with prior years.

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), cell phone and/or internet service allowance of \$3,782, vehicle allowances of \$4,500, travel/training of \$5,000 and dues/subscriptions of \$8,250. The aforementioned expenses will be divided equally amongst the General Fund and Water and Sewer Fund.

In addition, the General Fund Governing Body budget includes funding for the Pleasure Island Chamber of Commerce concert series (\$9,800), The Help Center of Federal Point (\$1,500), Federal Point Historic Preservation Society (\$1,500), Friends of Fort Fisher (\$1,500) and the Island of Lights (\$1,200).

DEBT SERVICE

General Fund

General Fund debt service totals \$716,925 and includes payments on existing loans for the following:

Equipment & Vehicles	\$133,753
Land & Renovations	70,260
Ocean Front Park	119,287
Fire Station & Town Hall	<u>393,625</u>
General Fund Total	<u>\$716,925</u>

This is an increase of \$8,875 (1.3%) over fiscal year 2019. This increase is attributable to the financing of equipment.

Water and Sewer Fund

The Water and Sewer Fund debt service totals \$426,349 and includes payments on existing loans for the following:

Equipment & Vehicles	\$ 60,625
Water/Sewer Infrastructure	312,050
Town Hall	<u>53,674</u>
Water/Sewer Fund Total	<u>\$426,349</u>

This is an increase of \$167,259 (64.7%) over fiscal year 2019. The increase primarily relates to financing of the Town-wide water meter replacement project to be performed in fiscal year 2020.

Storm Water Fund

Finally, the Storm Water Fund debt service totals \$125,650 relating to the Cutter Court infrastructure project and equipment. This is an increase of \$17,457 (16.1%) over fiscal year 2019. The increase in the Storm Water Fund pertains to financing the purchase of equipment.

Debt service for each fund, as a percentage of the applicable fund's proposed fiscal year 2020 total budget is as follows:

General Fund	12.9%
Water and Sewer Fund	17.6%
Storm Water Fund	37.5%

The Town's total outstanding debt (all funds) is estimated to be \$7,063,500 at July 1, 2019. 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 0.78% of the assessed value of property, well within LGC guidelines.

OPERATING EXPENSES

General Fund

The budget for General Fund operating expenses (excluding capital outlay, debt service, contingency and transfer to the Beach Protection Fund) is 6.7% greater than the original fiscal year 2019 budget for operating expenses. The primary factors contributing to the increase in relation to the original budget include:

- Additions to full-time staff in the Police and Building Inspections/Code Enforcement Departments.
- Anticipated increases in general operating costs relating to the new Fire Station and expanded/renovated Town Hall.
- General price increases for purchased services and materials.
- Previously mentioned employee compensation actions.

Water and Sewer Fund

The fiscal year 2020 operating budget (excluding capital outlay and debt service) for the Water and Sewer Fund is 5.4% greater than the fiscal year 2019 budget. The primary reason for the increase in relation to the 2019 budget are general price increases for purchased services and materials.

Storm Water Fund

The fiscal year 2020 Storm Water Fund operating budget (excluding capital outlay and debt service) is 16.7% greater than the original fiscal year 2019 budget, but 27% less than the 2019 amended budget. The increase in relation to the 2019 original budget is due to increased maintenance costs.

CAPITAL OUTLAY

General Fund

The General Fund capital outlay for fiscal year 2020 totals \$170,050, which includes the following:

- \$35,000 – Replacement of a Police vehicle (will be purchased using financing)
- \$110,000 – Town fuel tank (will be purchased using financing)
- \$25,050 – Replacement of equipment

The fiscal year 2020 budgeted capital outlay for the General Fund is \$37,400 (18%) less than the original fiscal year 2019 budget. The amount of capital outlay varies from year-to-year and is contingent on the useful life of previously purchased capital items.

Water and Sewer Fund

The Water and Sewer Fund capital outlay totals \$202,807 for fiscal year 2020 and includes the following:

- \$90,000 – Telemetry system (will be purchased using financing)
- \$112,807 – Infrastructure projects

The Water and Sewer Fund fiscal year 2020 budgeted capital outlay is \$37,493 (15.6%) less than the fiscal year 2019 budget.

Storm Water Fund

The fiscal year 2020 Storm Water Fund capital outlay totals \$29,500 for infrastructure projects.

The Storm Water Fund fiscal year 2020 budgeted capital outlay is \$66,440 (69.3%) less than the fiscal year 2019 original budget and \$167,020 (85%) less than the 2019 amended budget.

FUND TRANSFERS

The General Fund budget includes an \$18,000 transfer to the Beach Protection Fund. The Beach Protection Fund is a reserve fund for beach related expenditures. Refer to page 22 for more information regarding the Beach Protection Fund.

There are no other transfers proposed in the fiscal year 2020 budget for the remaining funds.

CONTINGENCY

A contingency of \$20,000 (0.4% of the budget) is included in the General Fund budget for fiscal year 2020. 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, 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:

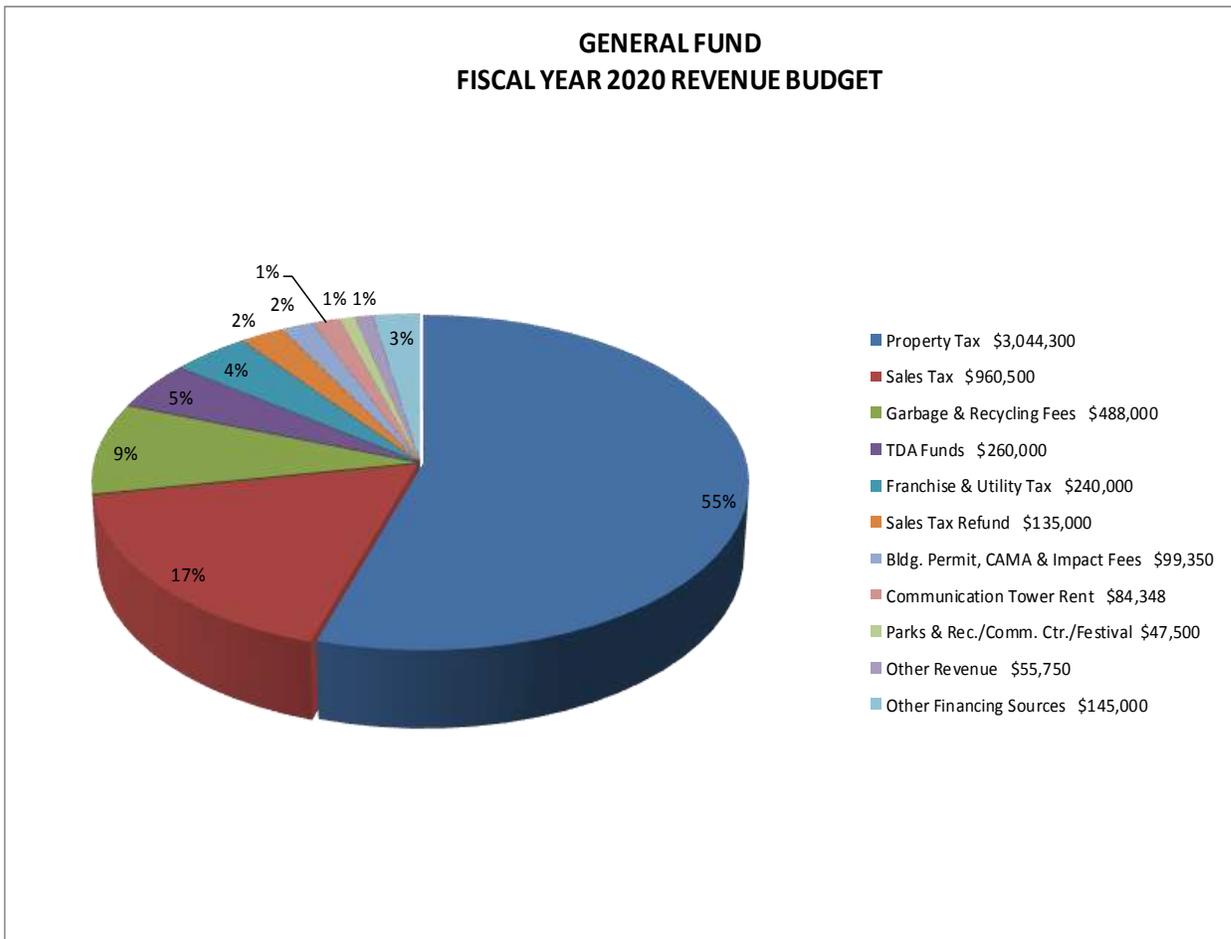
- 1) The desire to maintain the types and levels of service provided to Town residents and property owners as both the year-round population and number of tourists increase.
- 2) The need to build reserves in anticipation of future beach nourishment costs.

- 3) General price increases for purchased services and materials.
- 4) The need for improvements to, and maintenance of, Town infrastructure and facilities.

As noted earlier, the issues listed above have contributed to the need to propose a one cent increase in the property tax rate for fiscal year 2020.

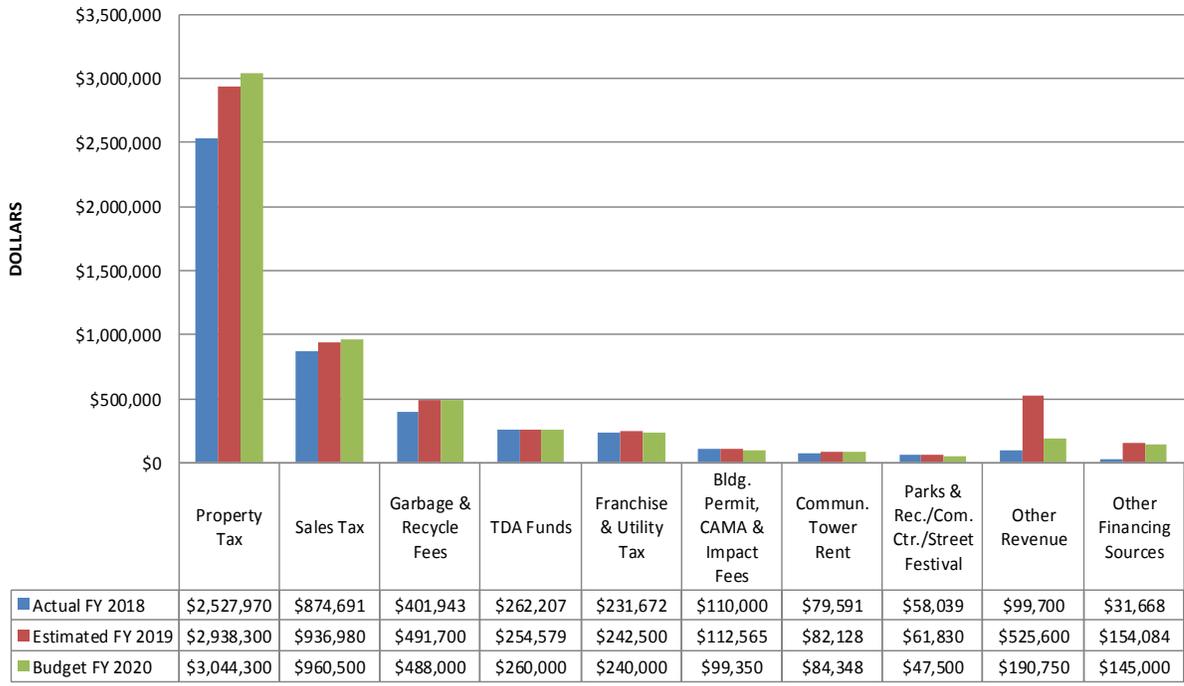
When comparing the total fiscal year 2020 General Fund budget to the fiscal year 2019 original budget and amended budget as of May 20, 2019, the total 2020 budget has increased by 5.3% in relation to the original budget and 3.7% in relation to the amended budget. In comparison to the fiscal year 2019 original budget, operating expenses have increased 6.7%, capital outlay decreased 18%, debt service increased 1.3%, fund transfers have increased 83.5% and the contingency increased 103%.

The breakdown of budgeted revenue, by major source, for fiscal year 2020 is as follows:

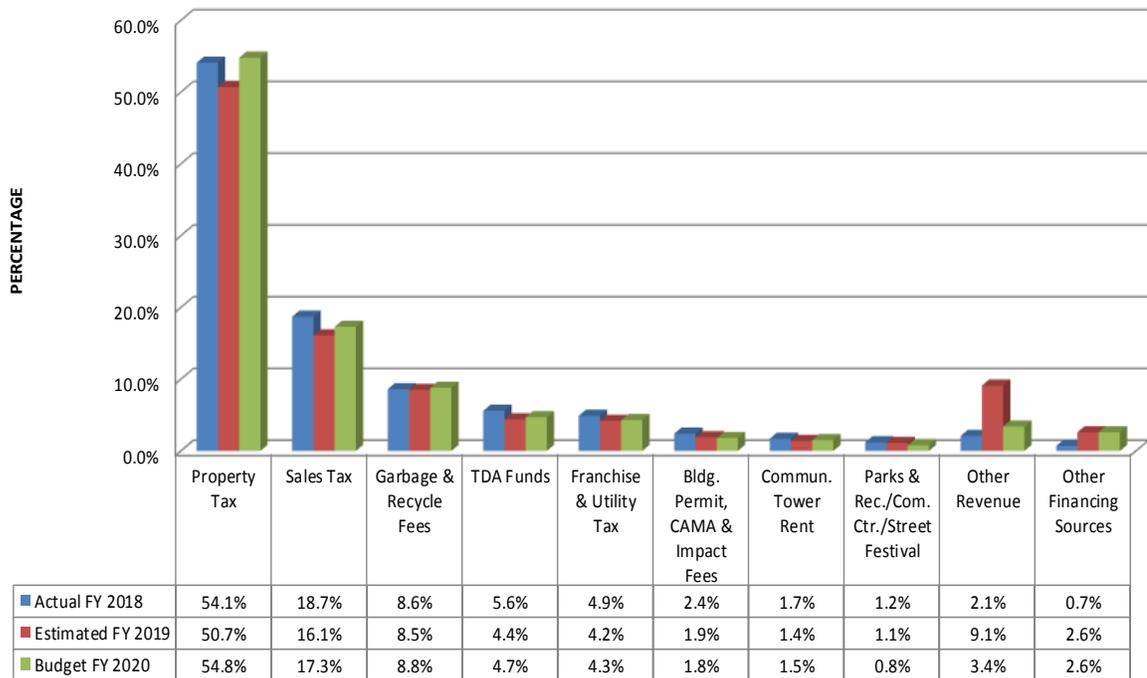


For comparative purposes, the charts on the next page present the revenue by source and the percentage of revenue by source budgeted for fiscal year 2020 in relation to the estimated revenue for fiscal year 2019 and the actual revenue for fiscal year 2018.

**GENERAL FUND
REVENUE BY SOURCE
FISCAL YEAR 2018 TO 2020**



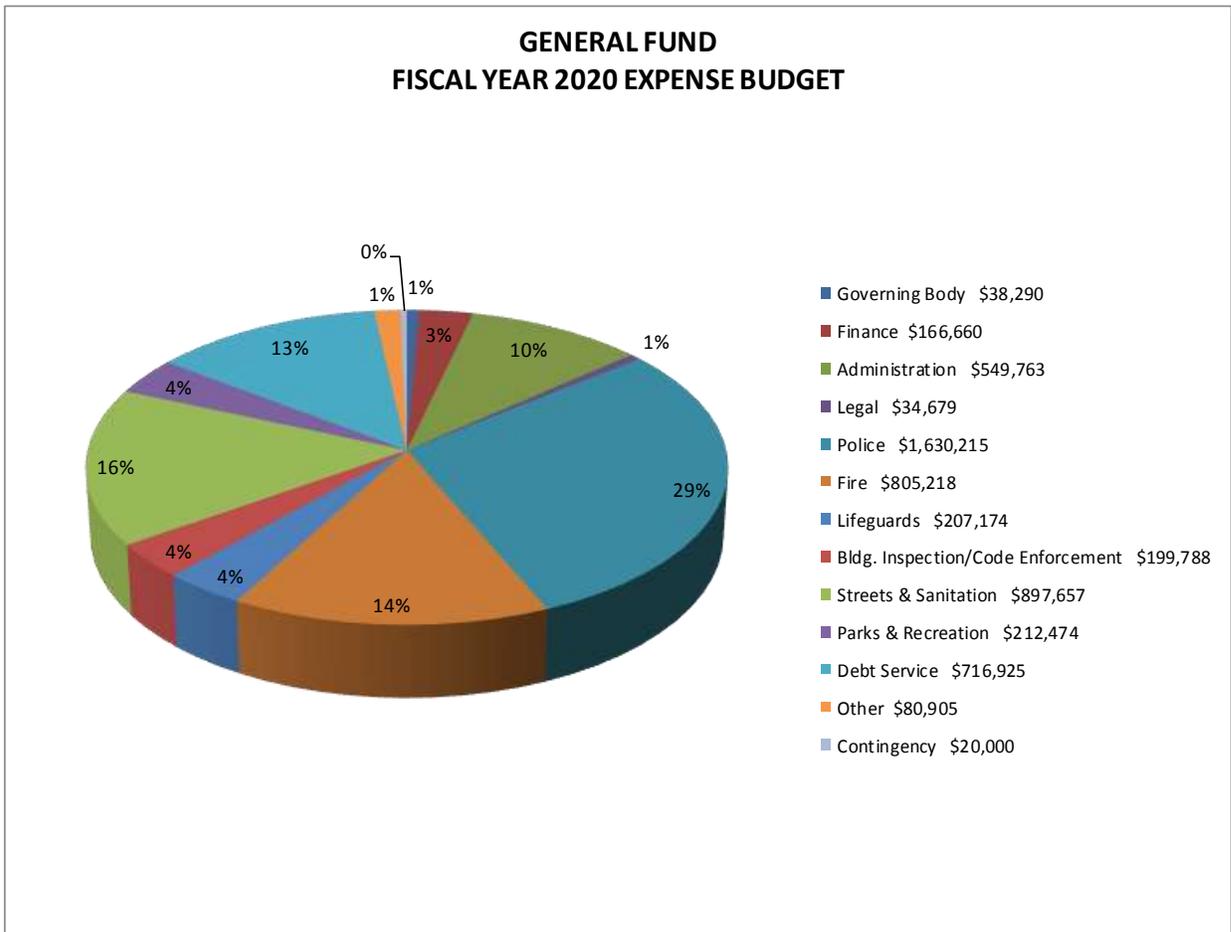
**GENERAL FUND
PERCENTAGE OF REVENUE BY SOURCE
FISCAL YEAR 2018 TO 2020**



As the charts on the previous page depict, revenue from property taxes consistently exceeds 50% of the General Fund’s total revenue. The other categories have remained consistent from year-to-year with the exception of “Other Revenue” and “Other Financing Sources”. “Other Revenue” is significantly higher in fiscal year 2019 due to FEMA reimbursements relating to Hurricane Florence and “Other Financing Sources” are installment loans and vary based on the level of capital outlay.

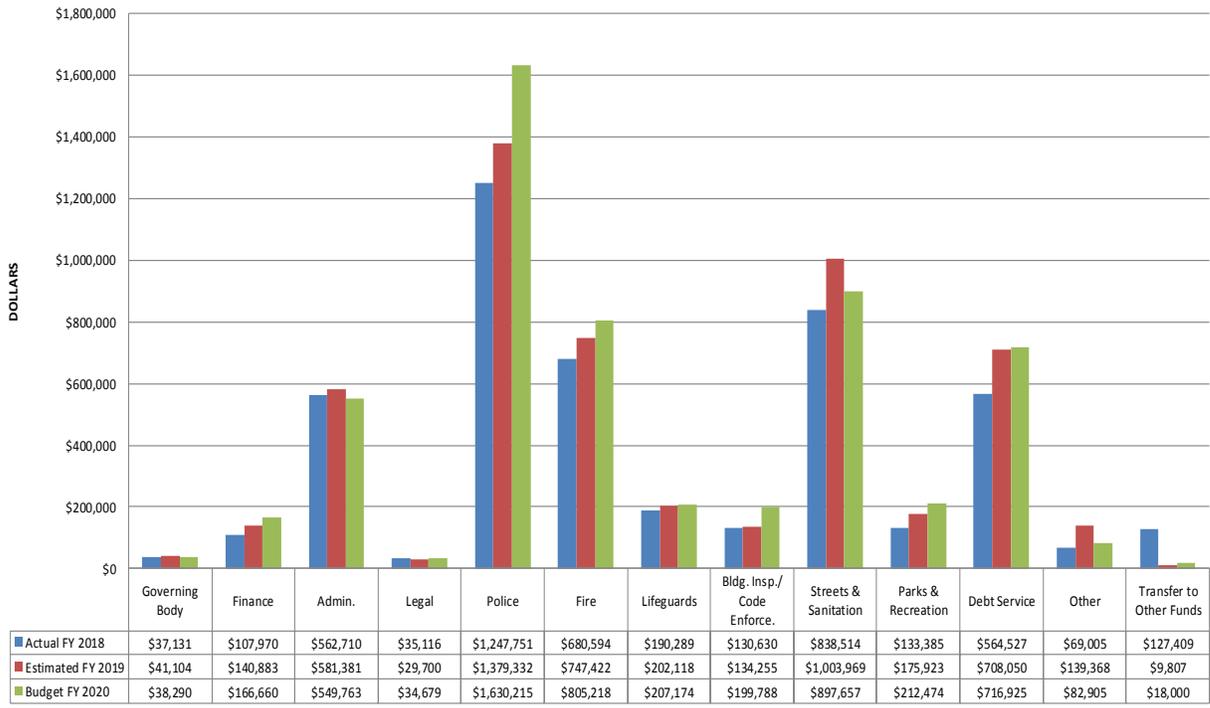
Refer to Exhibit A (on pages 24 to 26) for a summary of the changes, by General Fund revenue source, between the budgets for fiscal year 2020 and 2019.

The breakdown of budgeted General Fund expenses, by department/function, for fiscal year 2020 is as follows:

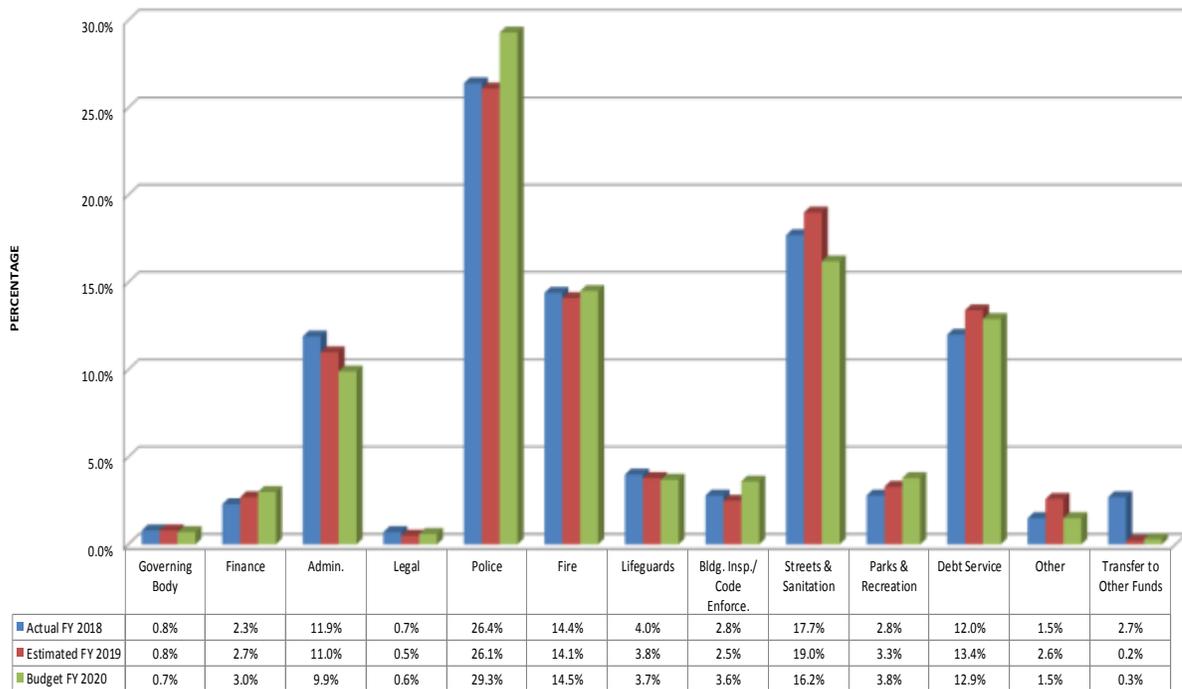


The charts on the next page present the expenses by department/function and the percentage of expenses by department/function budgeted for fiscal year 2020 in relation to the estimated expenses for fiscal year 2019 and the actual expenses for fiscal 2018.

**GENERAL FUND
EXPENSES BY DEPARTMENT
FISCAL YEAR 2018 TO 2020**



**GENERAL FUND
PERCENTAGE OF EXPENSES BY DEPARTMENT
FISCAL YEAR 2018 TO 2020**



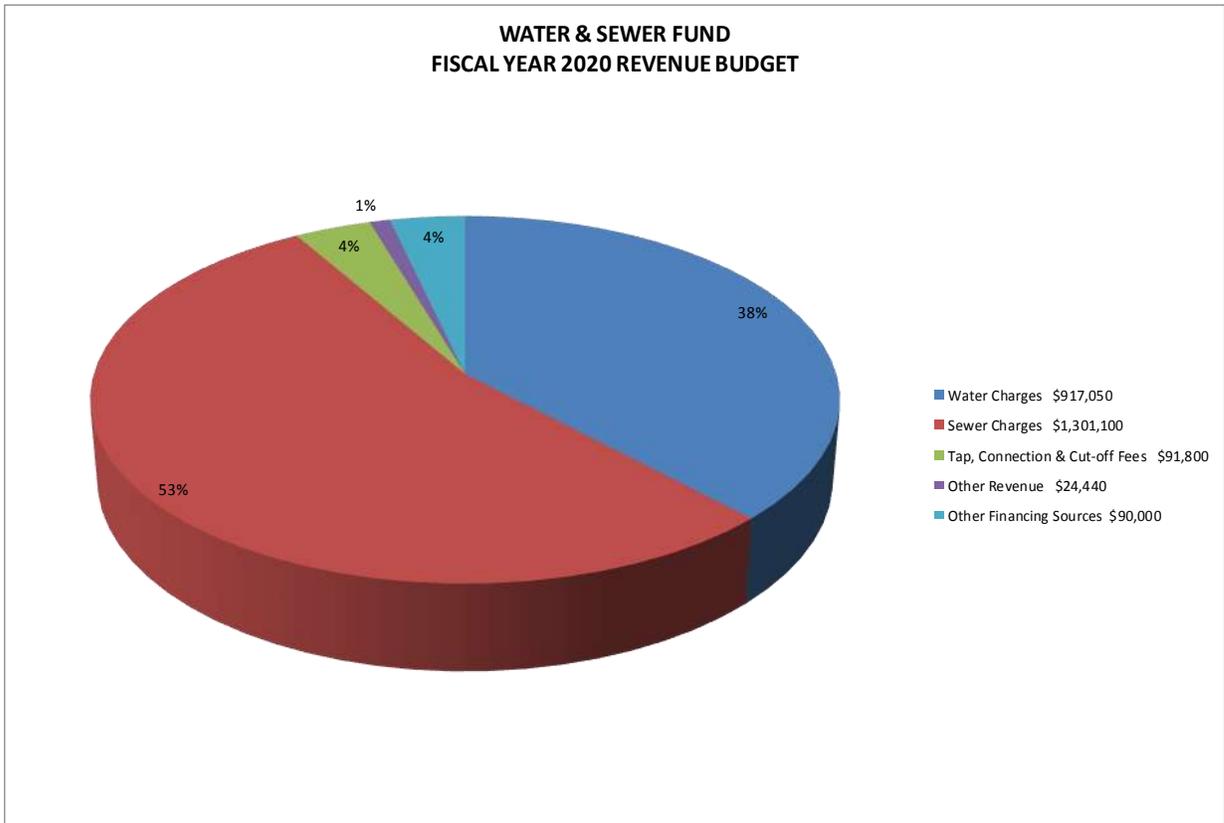
As indicated on the charts on the previous page, the General Fund expenses by department/function, both dollars and percentage, have remained relatively consistent. Many of the fluctuations relate to the amount of capital outlay for the given year. For example, “Streets & Sanitation” is higher in fiscal year 2019 due to the purchase of a dump truck and street sweeper. Concerning the increase in “Police” expenses for 2020, the cost of an additional Police Officer, as well as a capital expenditure relating to a Town fuel tank are budgeted. Finally, “Other” expenses are higher for fiscal year 2019 due to capital projects at the E and I Avenue beach accesses.

Refer to Exhibit B (on pages 27 to 31) for a summary of the changes, by General Fund department/function, between the budgets for fiscal year 2020 and 2019.

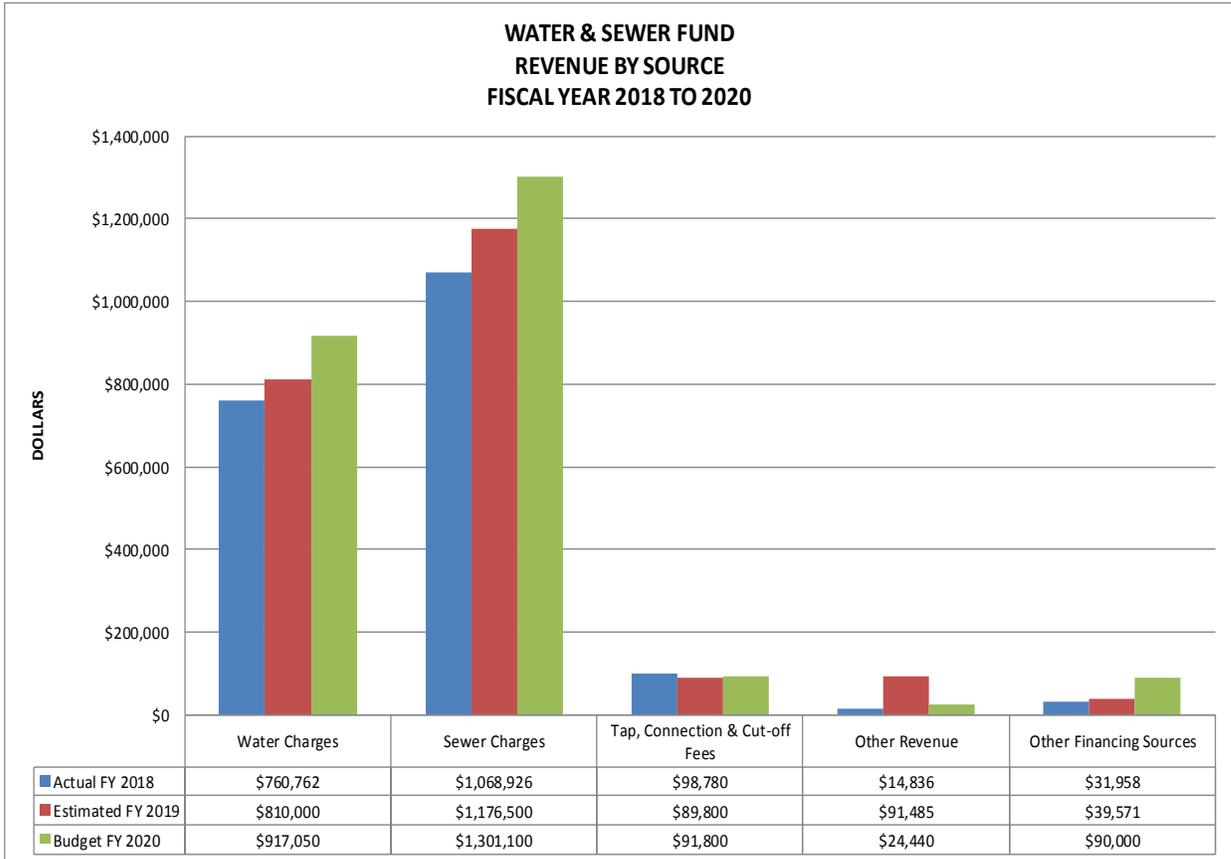
WATER AND SEWER FUND SUMMARY

Overall, the fiscal year 2020 Water and Sewer Fund budget is 10.1% greater than the fiscal year 2019 budget. In relation to the fiscal year 2019 budget, operating expenses have increased 5.4%, capital outlay has decreased by 15.6% and debt service has increased by 64.7%.

The breakdown of Water and Sewer Fund budgeted revenue, by major source, for fiscal year 2020 is as follows:



The chart below shows the Water and Sewer Fund revenue by source budgeted for fiscal year 2020 compared to the estimated revenue for fiscal year 2019 and the actual revenue for fiscal year 2018.

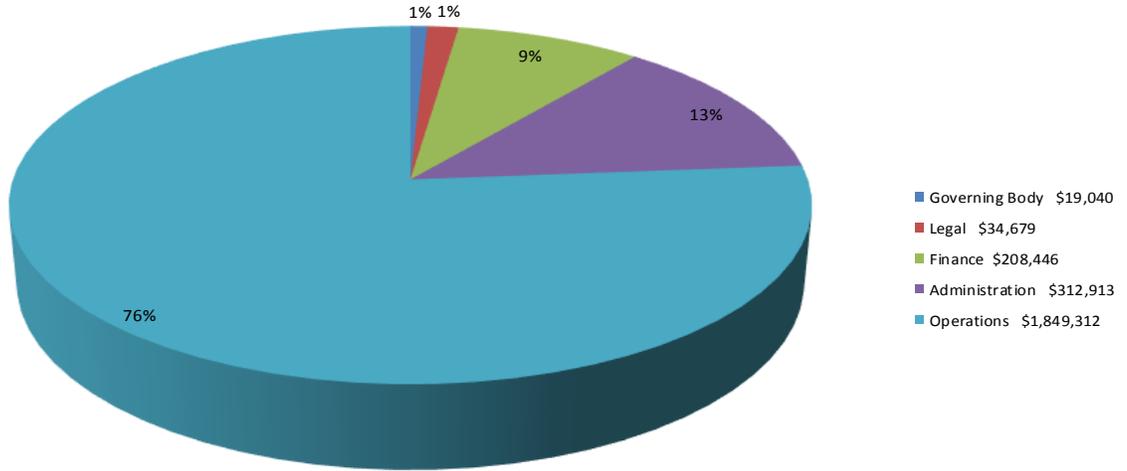


The most significant revenue sources, “Water and Sewer Charges”, are projected to increase in fiscal year 2020 as a result of the previously discussed changes to the water and sewer rate structure. “Other Revenue” is significantly higher in fiscal year 2019 due to FEMA reimbursements relating to Hurricane Florence. Finally, “Other Financing Sources” is higher in fiscal year 2020 due to planned financing of a new telemetry system.

Refer to Exhibit C (on pages 32 and 33) for a summary of the changes, by Water and Sewer Fund revenue source, between the budgets for fiscal year 2020 and 2019.

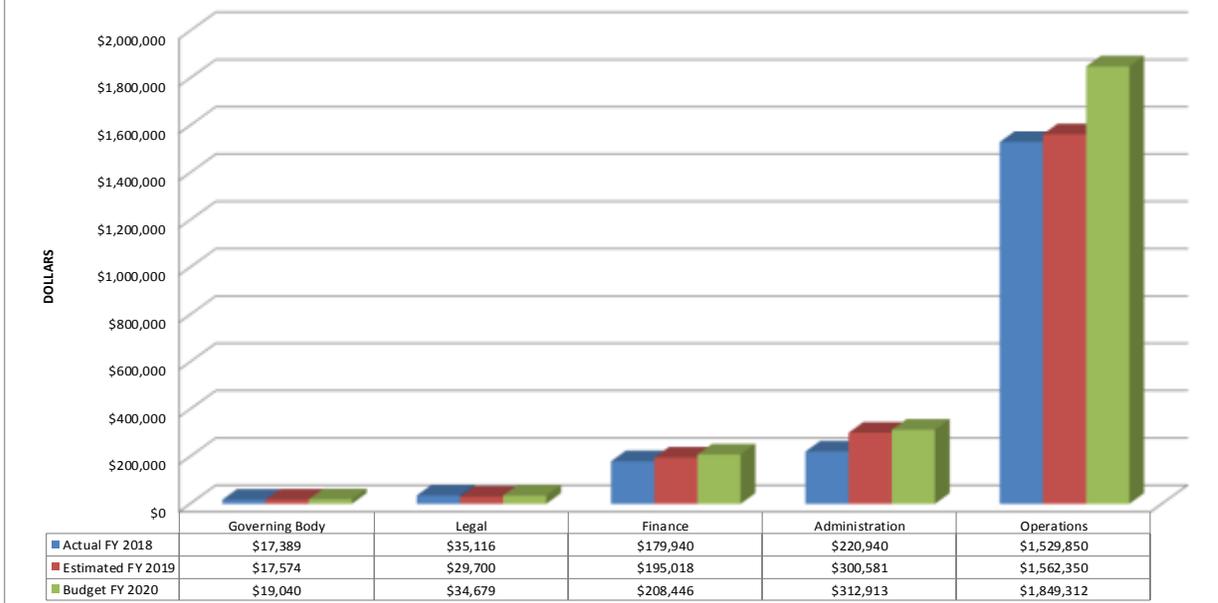
The breakdown of budgeted Water and Sewer Fund expenses, by department/function, for fiscal year 2020 is on the following page.

**WATER & SEWER FUND
FISCAL YEAR 2020 EXPENSE BUDGET**



The chart below shows the expenses by department/function for the Water and Sewer Fund budgeted for fiscal year 2020 in comparison to the estimated expenses for fiscal year 2019 and the actual expenses for fiscal year 2018.

**WATER & SEWER FUND
EXPENSES BY DEPARTMENT
FISCAL YEAR 2018 - 2020**

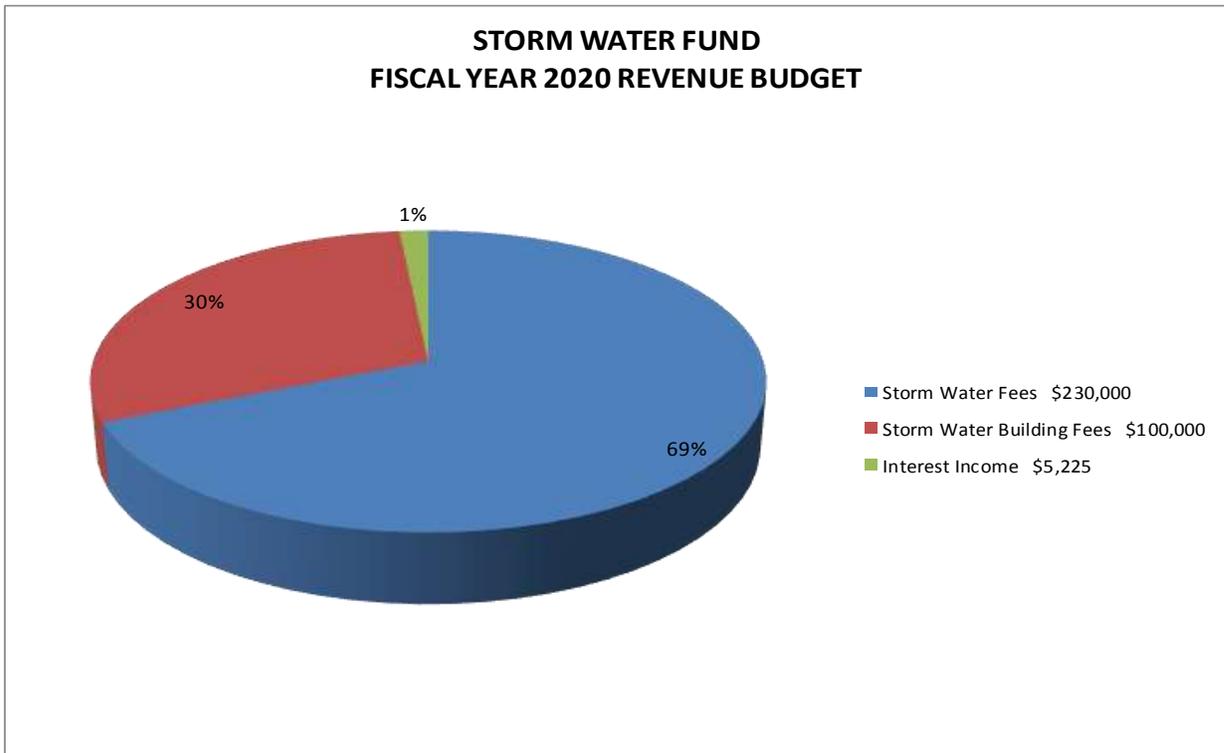


In reference to the chart on the previous page, the variations in “Operations” expenses primarily relate to the amount of capital outlay for the given year and increasing costs for water and sewer system maintenance. Refer to Exhibit D (on pages 34 and 35) for a summary of the changes, by Water and Sewer Fund department/function, between the budgets for fiscal year 2020 and 2019.

STORM WATER FUND SUMMARY

Overall, the fiscal year 2020 Storm Water Fund budget is 6.5% less than the fiscal year 2019 original budget. In comparison to the fiscal year 2019 original budget, operating expenses have increased 16.5%, capital outlay decreased 68.9% and debt service increased 16.1%. The decrease in capital outlay is the result of significant infrastructure projects that were performed and completed in fiscal year 2019.

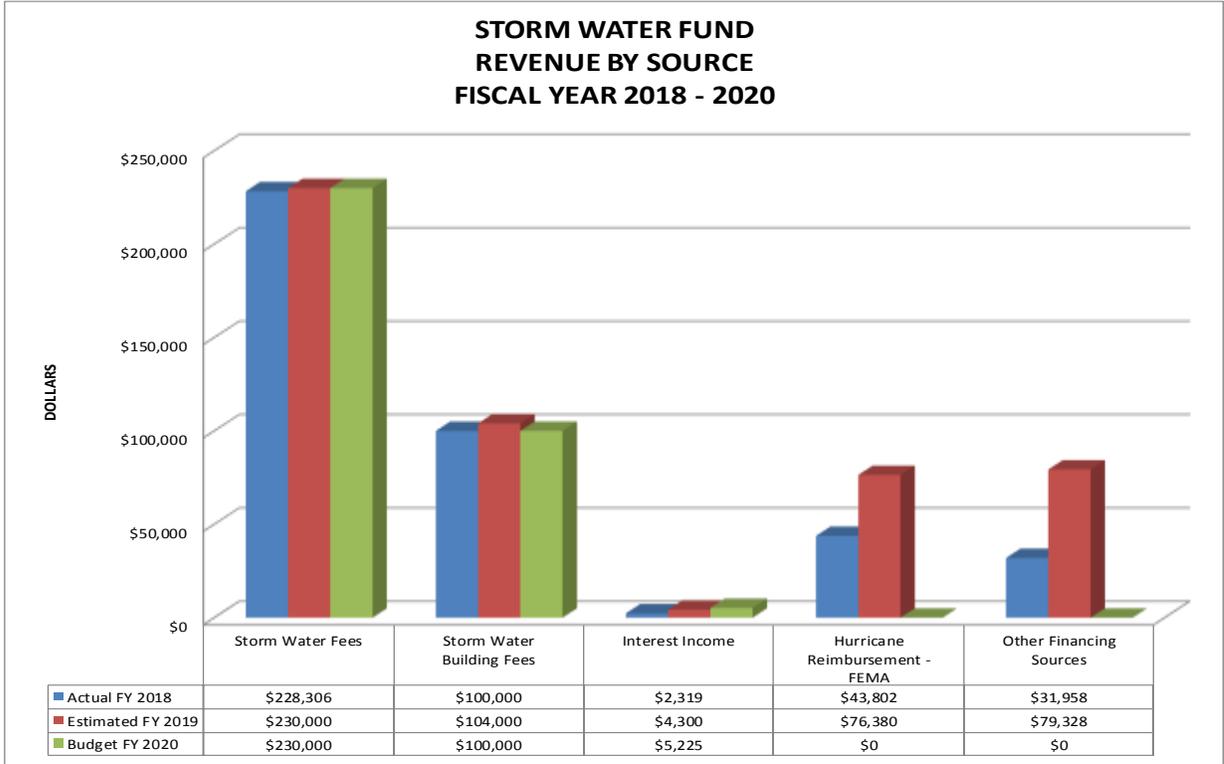
The breakdown of Storm Water Fund budgeted revenue, by major source, for fiscal year 2020 is as follows:



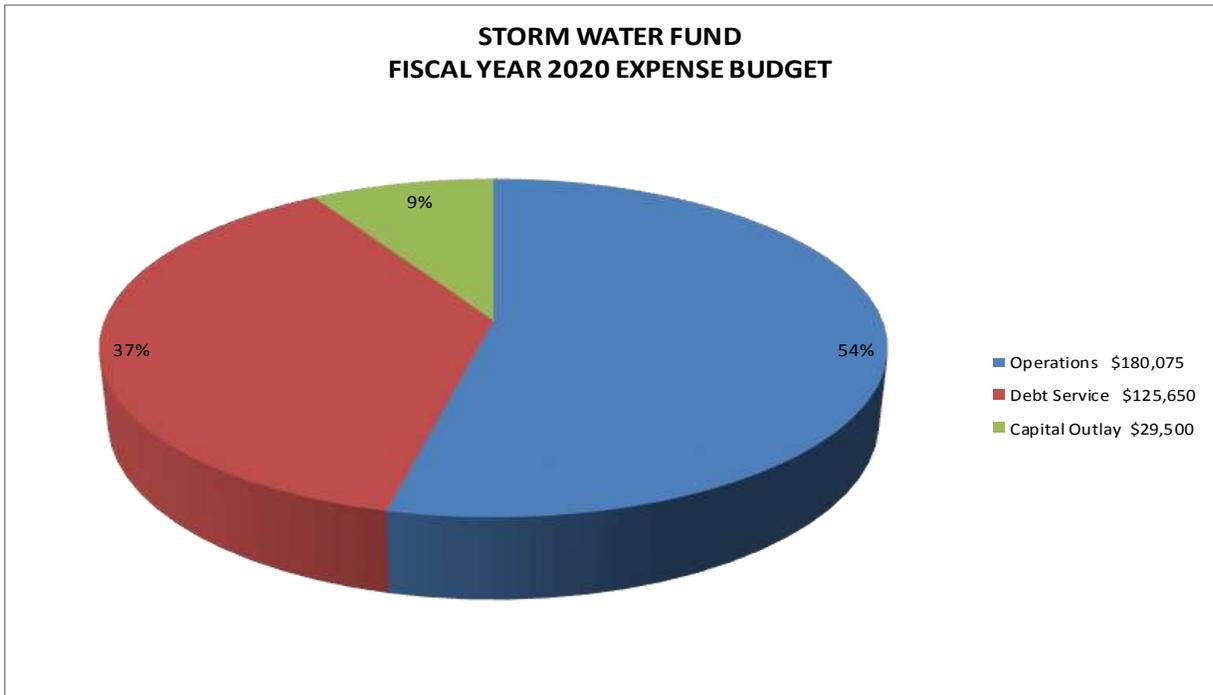
Refer to Exhibit E (on page 36) for a summary of the changes, by Storm Water Fund revenue source, between the budgets for fiscal year 2020 and 2019.

The chart on the next page compares the budgeted fiscal year 2020 revenue to the estimated revenue for fiscal year 2019 and the actual revenue for 2018. 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. Additionally, fiscal years 2018 and 2019 include reimbursements from FEMA for Hurricane Matthew

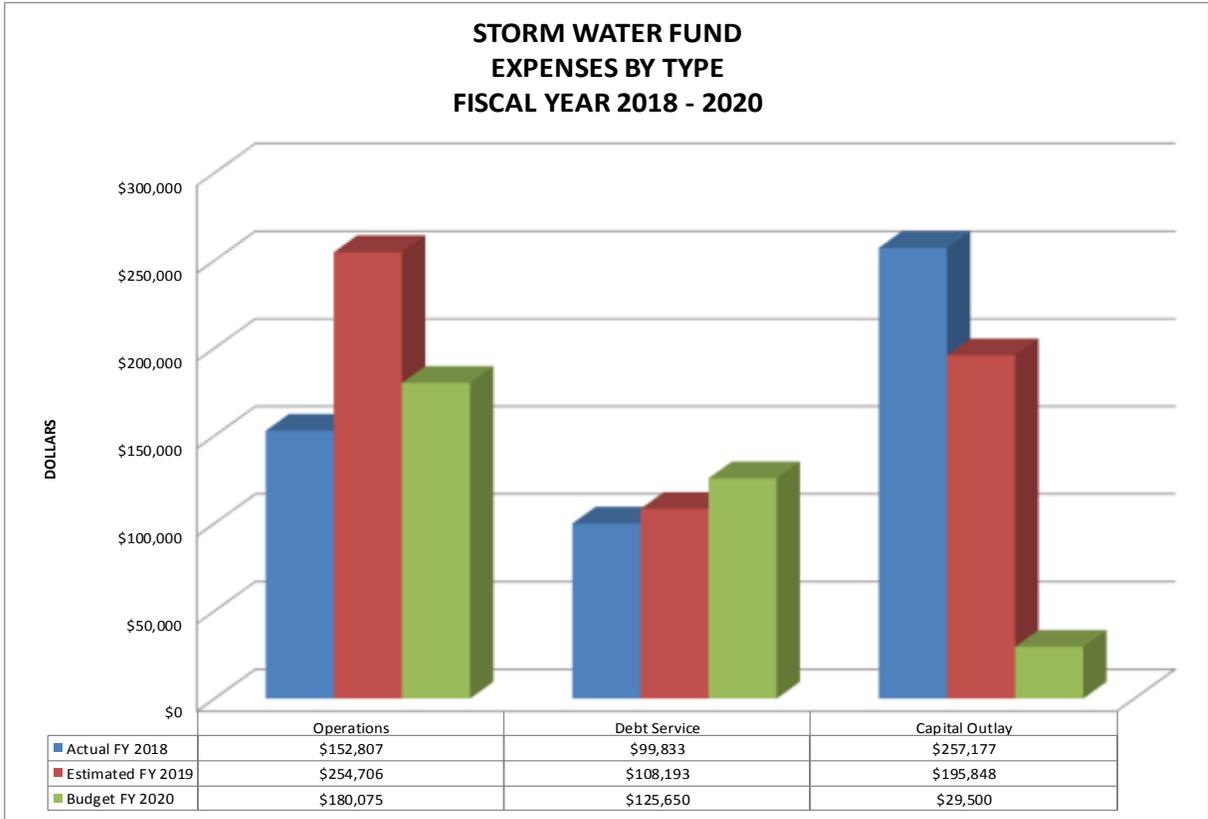
and Florence related damages to storm water infrastructure. Finally, “Other Financing Sources” was higher in fiscal year 2019 due to the financing of equipment.



The breakdown of budgeted Storm Water Fund expenses, by type, for fiscal year 2020 is as follows:



The following chart shows the budgeted fiscal year 2020 expenses by type in relation to the estimated fiscal year 2019 and actual 2018 Storm Water Fund expenses.



As indicated by the chart above, the expenses relating to “Operations” have increased for both fiscal year 2019 and 2020. Additional repair and maintenance costs were incurred in 2019 as a result of Hurricane Florence and 2020 includes increases for on-going maintenance of the storm water system. Fluctuations in “Capital Outlay” relate to the number and size of projects to be performed in a given year. Both fiscal year 2018 and 2019 included significant storm water infrastructure projects.

Refer to [Exhibit F](#) (on page 37) for a summary of the changes, by Storm Water Fund expense type, between the budgets for fiscal year 2020 and 2019.

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. Beginning in fiscal year 2016, the General Statutes relating to Powell Bill funding were changed. The General Assembly may now appropriate funds to the Department of Transportation for State aid to municipalities rather than linking it to fuel tax collections. 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 2020 is estimated at \$64,950 and interest income is estimated at \$1,500. Finally, budgeted Powell Bill eligible expenditures total \$66,450.

BEACH PROTECTION FUND SUMMARY

The Beach Protection Fund was established in fiscal year 2014 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 2020, the revenue source for the Beach Protection Fund will be a transfer of \$18,000 from the General Fund and interest of \$6,500 from Fund investments.

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 2020, 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

The Sewer Expansion Reserve Fund (SERF) is for future expansion, construction, repairs or alterations to the sewer system. For fiscal year 2020, revenue from system development fees is estimated at \$14,800 and interest income from Fund investments is budgeted at \$2,620. The primary revenue source for this fund, system development fees, is dependent on the level of construction activity within the Town.

SUMMARY

The fiscal year 2020 Town of Kure Beach budget reflects a thorough review of Town expenditures and conservative, but reasonable, estimation of revenues.

The continuing upward trends in tourism and full-time population growth have placed increased demands on Town personnel and the corresponding Town-provided services. These trends are expected to continue thereby creating an ongoing challenge to manage and control the costs to provide these services, while ensuring sufficient revenue sources exist to fund the services. Additionally, investment in Town infrastructure, including, but not limited to water, sewer, storm water, streets and facilities, continues as needed to

ensure Town systems function properly and efficiently. The proposed fiscal year 2020 budget addresses these challenges. This budget also includes a process to continue to build reserves for potential future beach nourishment needs.

In conclusion, I believe the proposed fiscal year 2020 Kure Beach budget supports the priorities established by Town Council and Department Heads, reflects the Council's commitment to providing exceptional services to residents and visitors and is responsive to the overall needs of the Town.

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 2020 budget.

Respectfully submitted,

Arlen Copenhaver
Finance and Budget Officer