TOWN OF CALABASH
BUDGET MESSAGE
FY 2008-2009

May 29, 2008

Honorable Mayor Clemmons and Board of Commissioners:

I am pleased to submit the Calabash, North Carolina FY 2008-2009 Annual Budget. The budget was prepared in accordance with the North Carolina Local Government and Budget Fiscal Control Act. The document represents the Board of Commissioner's recommended budget. As this proposed document is transmitted from the Interim Town Clerk to the Board it now becomes the governing body's budget. The Interim Town Clerk and staff will provide whatever assistance the Board requests as you review the proposed FY 2008-2009 budget. Although the Board has held several workshops, the Board may decide to make additional changes to the proposed budget to make sure it is congruent with their goals and objectives. The Interim Clerk and staff stand ready to respond in helping you make sound and well-informed decisions regarding the FY 2008-2009 Budget.

This budget message provides a limited overview of the budget and a complete summary, as well as detailed information, is provided in the remainder of the budget document.

Proposed Property Tax Rate for FY 08-09

The proposed budget recommends keeping the tax rate the same as last year; 7 cents per $100 of assessed valuation.

General Fund Overview

The overall fiscal health of the General fund is currently excellent. Though, during the fiscal year 07-08 we appropriated $28,408 in fund balance we have yet to expend any of this appropriation. In the proposed 08-09 budget we plan to appropriate $121,180 from the fund balance. The main reason for this appropriation is because the Board has created a Capital Project Fund (Fund 65) to contribute to the upcoming sewer project in an effort to reduce the cost that will be incurred by citizens. The Board plans to transfer $100,000 from the general fund into fund 65 in the 2008/2009 FY budget. The North Carolina Local Government Commissions recommends that all tax-levying units maintain at an absolute minimum a fund balance of 8% in case of emergencies. The town has continued to reserve 50%-75% during the fiscal year 07-08, since we are a coastal community at risk during hurricane season.

Powell Bill Funds

The Powell Funds allocated to cities and towns shall be expended by municipalities for the purpose of maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other necessary appurtenances within the corporate limits of the municipality or for meeting the municipality's proportionate share of assessments levied for such purposes, or for the planning, construction and maintenance of bikeways located within the right-of-ways of public streets and highways, or for the planning, construction, and maintenance of sidewalks along public streets and highways.

The Powell Fund revenues were reduced during the 06-07 fiscal year due to a large annexation in Fayetteville. Since the funds are based on maintained mileage and population the town's funds are not exorbitant, therefore a fund balance appropriation will be allocated in this fund.

Capital Project Ordinance

A Capital Project ordinance is a budget ordinance covering the revenues and expenditures related to a particular project without regard to time. This type of ordinance, which takes the place of an annual budget ordinance for the activities in question, are best suited for large, complex projects that will take more than one fiscal year to complete or are not part of the unit's recurring operations and expenditures. The town currently has two capital project ordinances; one for the Town's maintenance building (Fund 64) and one for wastewater expansion financial assistance (Fund 65). Although the town's maintenance building has been completed, approximately $1,800 remains in the account. This money will be used for the new fence/gate at the entrance of the property and then the account should be closed out. The Board established fund 65 in March of 2008, with the intension of setting money aside for several years to help pay for the upcoming sewer expansion to lessen the financial burden that will be placed on property owners. Also in March of 2008, during the 2007-2008 fiscal year budget, the Board transferred $100,000 into this account. The Board has budgeted another $100,000 to be transferred to Fund 65 in the 2008-2009 budget.

Capital Improvements Plan

In 2004 the town developed a Capital Improvements Plan (CIP). Once the CIP is initially developed, it becomes a flexible planning tool. Each year the entire CIP should be evaluated and new projects added, and projects that are determined to be less critical or unnecessary are postponed or deleted, as all capital needs cannot be accurately forecast. We are currently allocating money toward the Capital Improvements fund annually.

Capital Reserve Funds

Capital Reserve funds are used to accumulate resources for ongoing or future capital projects. At the present time, the town has two capital reserve funds. These capital reserve funds were established for storm water management and a future police department. We are currently allocating to these funds annually.

In closing, I hope that the board finds all the information you need to thoroughly review and analyze the proposed budget. Please do not hesitate to contact me if you need additional information. I will make every effort to respond quickly and objectively to help you develop a budget that you feel best addresses the needs of our town. Thank you for your patience and support through the budget process. While the past several months have been very challenging, I feel most grateful to be able to work with such a great group of professionals.

Sincerely,

Kelley Southward
Interim Town Clerk

BUDGET SUMMARY
GENERAL FUND
(FUND 10)

REVENUES:

10-301-03 through 10-301-07 **2003-2007 back taxes -** Estimated by FO and Tax Collector.

10-301-08 **2008 taxes** -After deferred (land use) amounts and elderly exemptions the taxable amount is $292,956,638. The collection rate is based on the prior year's collection rate. Currently collections for 2007 are a little over 94%; there is one large property that taxes cannot be collected from because they have appealed the 2007 Brunswick County re-evaluation. If this one property had paid, we would be better than 99% collected for 2007 taxes. However, the budgeted revenue amount for 2008 taxes cannot exceed the percentage collected for 2007, which is 94%. After discussions during the budget workshops and with the finance committee the following collections was estimated based on a ***tax rate of $.07 per one hundred dollar (the same as last year).*** The following formula was used to estimate collections for FY 2008-2009. $292,956,638 / 100 x .07 x 94%= $192,765 rounded up to the nearest thousand to yield **$193,000.**

Following are items to be considered in the estimates. Please realize that these "unknowns" make forecasting difficult, but it is the situation at hand.

- County expects to receive an increased number of elderly exemptions.
- An increased number of "land use" applications to defer value.
- The County expects personal property of all types to remain flat, or slightly continue downward.
- The data does not include improvements from several thousand building permits that still remain to be worked.
- The data does not include several thousand land-splits that need to be valued.
- The data does not include any value for 2007 discoveries or the impact of releases.

10-314-00 **Animal Control** – Revenues are based on collection of fees for tags (annual charge) and violation fees. You can see there is not much revenue generated in this department.

10-317-00 **Tax Interest/Penalties** – Based on our best estimate for outstanding taxes.

10-319-00 **Motor Vehicle Tax** – Estimate based on past years collections. This is a monthly distribution.

10-325-00 **Privilege License** – Based on the number of licenses issued. This is an annual collection with payments due by June 30 of each year. We normally bill privilege license in mid-May.

10-329-01 **Interest General Fund** – The interest rate has been steadily dropping the entire fiscal year. Last year at this time the interest rate was at 5.15%. Around August of 2007 it began to decline; by December the rate was down just a point at 4.15%. Since December we have felt dramatic decreases. The interest rate in April was only 1.9%. Because of this we reduced the estimated revenue from interest earned from the general fund for the 2008/2009 budget.

10-335-00 **Miscellaneous Income** – This account yields revenues received that do not have specified accounts to route money to.

10-337-00 **Utility Franchise** – The N.C. League of Municipalities (NCLM) guides you in estimating these revenues for the fiscal year. This year they recommend an increase of 2.5-3.5%; included a 3% increase. This is a quarterly distribution.

10-338-00 **Sales Telecommunication** – This estimate is also guided by the NCLM. This year they expect the FY08-09 statewide growth in this revenue to be between 6 and 7% and collections have been based on a 6% increase. This is also a quarterly distribution.

10-339-00 **Video Tax-**This was previously included in the Sales Telecommunication amounts, the auditor has recommended we create a separate line to distinguish this money.

10-341-00 **Beer & Wine** – The NCLM recommends a 2-2.5% increase in these revenues. This revenue is distributed annually and within 60 days of March 31st.

10-345-00 **Local Option Sales Tax** – The NCLM recommends an increase of 3-3.5%; a 3% increase has been used in estimating revenues. This is a monthly distribution.

10-347-00 **ABC Board** – This is a quarterly distribution with two special distributions during the FY, after their audits are completed. Based on last year's collections it is estimated that revenues will be $85,000 for the coming year. As per the Board, overages received will be transferred to Fund 75, a Capital Reserve Fund for a future police department.

10-355-0 **Building Permits** – This estimate is based on discussions with Kingfish Bay, the Pearl and Devaun Park representatives regarding development plans for the coming year, and looking at collections for the current year.

10-355-01 **Miscellaneous Permits**-sign permits, zoning permits, and other uncommon permits that are not classified as building or a specific trade.

10-357-01 through 10-357-05 **Trade Permits** -Best estimate based on past collections and proposed projects for the 07-08 fiscal year.

10-357-06 **Penalties** –Associated with building & zoning permit violations.
10-357-07 **Zoning Administration** – Map reviews and Zoning permits.

10-399-00 **Fund Balance** – We have appropriated $121,180 from the general fund at this time. The main reason for this is because the Board plans to take $100,000 and transfer it into Fund 65 for the upcoming wastewater extension project to lessen the financial burden that will be placed upon property due to the assessment cost for the sewer project. If the Town were to not transfer $100,000 to Fund 65, only $21,180 would have been needed, which would be significantly less than what has been appropriated in recent years.

EXPENDITURES:

Governing Body:

10-410-01 **Board fees** -During a budget workshop it was requested to budget $100 per meeting for Commissioners and $150 per meeting for the Mayor.

10-410-10 **Training** – this amount remained the same as last year.

10-410-58 **Service & Hospitality-**Mayor Clemmons has asked for a small amount of money to be used for special occasions such as lunch for staff, lunch for guests, parties for people who have gone above and beyond etc.

Administration:

10-420-02 **Salaries** -The Administration dept. includes salaries for the Town Administrator, the Deputy Clerk, Tax Collector and one-half of the Office Assistants salary. The other one-half of the Office Assistants salary is budgeted in the Building Inspections Dept.

10-420-04 **Professional Services** – This includes attorney fees, auditor, engineering services, surveying, etc. I have increased this amount slightly due to increased of cost of services.

10-420-05 **FICA/Medicare** – Driven by wages; salaries x 8% factor to project costs.

10-420-06 **Group Insurance** - Preliminary rates for the fiscal year 08-09, as submitted by the North Carolina League of Municipalities (NCLM) projects minimal rate increases for medical, dental and vision, but life insurance is projected to remain the same.

10-420-07 **Retirement** - Based on wages and the % factor used is 12.17%.

10-420-09 **Other fringe benefits** –One week's pay for each employee for Christmas bonuses has been allocated in this account (all employee Christmas bonuses have been included in the administration department).

10-420-10 **Employee training** –This amount has increased slightly from last year in part because we don't know what kind of training the new Town Administrator may be interested in obtaining.

10-420-14 **Travel** – Expenditures for travel and lodging.

10-420-16 **Maintenance/Repair of Equipment** – This account includes software maintenance agreement, copy machine, etc.

10-420-33 **Dept. Material and Supplies** – Software upgrades and various departmental supplies.

10-420-54 **Insurance/Bond/WC** – This is expenditures for health insurance, liability, workman's compensation and unemployment.

10-420-74 **Capital Outlay** –This amount was reduced from last year as we purchased a new copier and a vehicle last year.

All other categories not listed above should be self-explanatory.

Elections:

10-430-04 **Brunswick County** – Based on conversation with Board of Elections. Covers advertising, preparation of voting equipment, election day poll workers, absentee voting (preparation and mailing of ballots), rent for polling place, clerical and election day supplies, etc. Billed to town by County Board of Elections.

Public Safety:

10-450-33 **Emergency Supplies**-This money has been allocated for supplies that would be necessary in preparation of a hurricane or other such emergency.

10-450-57 **Misc/Fire Fees** -Fire fees for town property.

10-450-74 **Capital Outlay/Equip**-for equipment that would be used during emergencies.

10-450-91 **Calabash Fire Dept**.-Donation to fire dept.

10-450-92 **Calabash EMS** – We are obligated by contract for the amount appropriated for the Calabash EMS until 2013.

Planning & Zoning:

10-490-01 **Board fees** – P/Z members $50 per meeting and $60 Chair. Board of Adjustment members $50 per meeting and $60 Chair (4 meetings).

10-490-04 **Professional Services** – This amount was determined during a workshop and it was decided that professional services would include the expenditures for the part time planner.

10-490-05 **FICA/Medicare** – The town is required by law to issue W-2's to all town employees. The P/Z board is categorized as employees and must be paid on W-2's instead of 1099's, which require that taxes be withheld.

10-490-10 **Training** – Per budget workshop.

10-490-45 **Contracted services** – This would include rewriting of general ordinances, the possible codification of the entire ordinance book, etc.

Public Buildings:

10-500-13 **Utilities** – This amount has increased due to cost of living.

10-500-15 **M&R/Buildings & Grounds** – For maintenance and repair of buildings and grounds.

10-500-33 **Dept Materials Supplies** – Various items for public buildings including the new maintenance building.

10-500-45 **Contracted Services** – Slightly increased based on last year expenses.

10-500-72 **Capital Outlay** – Request submitted by Board for possible addition and other improvements to town hall.

Inspection Department:

10-540-02 **Salaries** – This includes the BI and a ½ of Barbra's salary.

10-540-53 **Dues & Subscriptions** – Need to increase slightly per Building Inspector.

All other categories not listed above should be self-explanatory.

Town Services Department:

10-560-02 **Salaries** – This includes ½ of Jim and Bill's salaries and ½ of salary for a part time position. The other ½ of salaries are included in the Powell fund.

10-560-13 **Street Lights** - The electric bill for all streetlights come out of this account, and is based on last year's expenditures.

10-560-31 **Gas Oil Tires** – With the increased gas prices, and the purchase of additional equipment this amount has been increased based on last years.

10-560-32 **Office supplies** – Supplies for maintenance building.

10-560-46 **Community Services**-as per budget workshops, money for the Community Services Committee has been included here. (NOTE: Also, as per budget workshops the Animal Control and Beautification departments have been integrated into the Streets department.)

Town Beautification: This department has been moved into Town Services (see above).

Sanitation:

10-580-45 **Contracted Services** -Includes recycling, yard debris containers, and funds allocated for possible contracting due to hurricane debris.

10-580-74 **Capital Outlay** – Request from Town Services for purchase of a street sweeper. The board asked that this expenditure be included but would like to consider again before purchasing.

Environmental Protection:

10-585-04 **Professional Services** – Stormwater engineering.

10-585-42 **Drainage Ditches**-Stormwater/Drainage management (Note: this account was coded 10-585-44 and 10-585-42 was Named Hidden Valley/Pine Bur Drainage per a budget workshop the two accounts were combined including the allocated amounts)

10-585-57 **Misc/Travel** – Training for stormwater management.

Non-Departmental:

10-660-93 This is a transfer account from the General Fund used for Capital Improvement (CIP fund), Capital Projects (Maintenance building) and Capital Reserve funds (Stormwater and Police Dept).

Contingency: Must not exceed 5% of budget.

POWELL FUND
(FUND 11)

REVENUE:

11-343-00 **Powell Bill** – This revenue is based on population and mileage within the Town. Since there has been no change in either I have estimated this revenue based on prior year and data provided by the League. Also, I have pulled in a fund balance amount to help defray the cost of possible paving projects.

EXPENDITURES:

11-570-02 **Salaries** – ½ of Bill and Jim's salary and ½ salary of part time employee.

11-570-03 **Professional Services** – Surveying and attorney fees.

11-570-33 **Street Supplies** – There have been several requests from the street dept. for supplies in the coming year. Some of the expenses are budgeted in the street department and others in the Powell fund.

11-570-42 **Street repairs** – Minor patching and street signs.

11-570-45 **Contracted Services** – This will cover paving of municipal roads and maintenance work in the municipal right of ways.

CAPITAL PROJECT (FUND 64)
MAINTENANCE BUILDING

REVENUE:

64-500-0 No revenue or expenditures included in this department for fiscal year 08-09

CAPITAL PROJECT (FUND 65)
SEWER EXPANSION

REVENUE:

65-820-00 Transfer from General Fund $100,000 for town contributions to the upcoming sewer expansion.

CAPITAL IMPROVEMENT FUND
(FUND 71)

REVENUE:

71-397-10 Transfer from General Fund $15,000 for future capital improvements.

CAPITAL RESERVE (FUND 72)
STORM WATER

REVENUE:

72-397-10 Transfer from General Fund $15,000 for storm water reserve.

CAPITAL RESERVE (FUND 75)
POLICE STATION

REVENUE:

75-397-10 No revenue budgeted for 08-09. The board will direct revenue to this fund once it is received from the Calabash ABC store.