

VILLAGE COUNCIL APRIL 25, 2025, BUDGET WORKSHOP RECAP

This recap summarizes the main themes, important ideas, and facts presented at the Village Council's April 25, 2025 budget workshop.

Please note that what was presented to the Council at this meeting is a first-look draft and is subject to change based on discussions and guidance from Council.

Overall Themes and Key Priorities:

Maintaining Service Quality and Infrastructure: A central theme is the commitment to sustaining and improving existing services and infrastructure for the residents and visitors of Bald Head Island. The budget reflects investments in public safety, public works, and utilities to meet the growing needs of the community.

Coastal Resiliency: Significant emphasis continues to be placed on coastal resiliency efforts, including beach renourishment, dune maintenance, and addressing the impacts of storms. The completion of the 2025 CSDR Project and Groin Field Replacement is highlighted as a major accomplishment.

Workforce Sustainability: The budget aims to support the Village's workforce through competitive compensation and benefits, including cost-of-living adjustments (COLA) and merit increases. This is seen as crucial to retaining qualified staff.

Financial Responsibility and Strategic Investment: The budget aims to balance financial prudence with strategic investments in key areas. While a small tax rate increase is proposed, the Village is also utilizing fund balance appropriations and pursuing grants to offset costs.

Long-Term Planning: Discussions highlight the need for more proactive long-term financial planning for capital projects and asset maintenance to avoid significant fluctuations in tax rates. The asset inventory and assessment projects are seen as foundational for this effort.

Key Facts and Ideas by Fund:

1. General Fund:

- **Expenditures:** The proposed FY26 General Fund expenditures total **\$19,129,400**, an increase of **\$2,032,300** (approximately 11%) from the previous year. Most of this increase is attributed to **debt service** and **capital outlay**.
- Major expenditure categories include:
 - Public Safety: **\$4,382,200** (increase of \$312,200) for fire, police, and emergency services.

- Public Works: **\$2,626,500** (increase of \$99,400) for street maintenance, facility upkeep, and beautification.
 - General Government & Support Services: **\$4,099,500** (decrease of \$53,300) for administration, council, legal, IT, finance, and HR.
 - Debt Service: **\$4,652,000** (increase of \$705,000), primarily driven by GO Bonds for beach renourishment and public safety vehicle loans.
 - Capital Outlay: **\$1,027,000** (increase of \$529,200) for various departmental needs, including road construction and public safety vehicles.
 - Legal fees are expected to decrease significantly by approximately **\$500,000**.
- **Revenues:** Total General Fund revenues are projected at **\$19,129,400**.
 - The largest revenue source is **Ad Valorem Taxes**, projected at **\$12,710,100** (increase of \$486,500).
 - A small tax rate increase is proposed: **\$0.013** village-wide for debt service related to beach renourishment, and an additional **\$0.002** in MSD Zones A & B.
 - **Fund Balance Appropriation** of approximately **\$422,800** is being utilized, including funds for public safety vehicle debt service (leveraging FEMA reimbursements), capital outlay, and the Development Services department.
 - **Transfers In** from other funds (primarily BRRAT) total **\$1,711,200**, supporting the Shoreline Protection Department and a portion of debt service and capital outlay.
 - **Restricted Revenues** (grants, etc.) total **\$1,259,000**, allocated to Public Safety, Shoreline, Debt Service (FEMA), and Public Works.
 - **Permits & Fees** are projected at **\$853,600**, including building permits, vehicle permits, and creek access permits. No increases to these are recommended.
 - **Contractor Services Fees** are budgeted at **\$655,500**, supporting the Contractor Services Yard and associated debt service.
 - **Debt Service:** A significant portion of debt service (59%) is allocated to General Obligation (GO) Bonds, primarily for beach renourishment.
 - Public Safety loans account for 37% of debt service, covering the purchase of emergency vehicles.

- The total increase in debt service for GO Bonds is **\$302,000**, and for Public Safety vehicles is **\$424,000**.
- The purchase of four public safety vehicles involved donations, FEMA funds (~\$1.76M), and debt service, resulting in a net cost to the Village of approximately **\$977,000**. This cost is included in a 10-year Public Safety Vehicle loan with an estimated annual payment of **\$122,000**.
- **Capital Outlay:** Significant capital projects include **\$430,000** for road construction and **\$50,000** for sidewalks.
 - Other capital expenditures include vehicle replacements for Public Safety and various equipment upgrades across departments.
 - Discussions highlighted the need for long-term capital planning beyond the annual budget cycle, including dedicated funding mechanisms for projects like the Timber Bridge, road improvements, and park enhancements. The idea of allocating a specific portion of the tax rate to a capital reserve fund was discussed.

2. Utilities Fund:

- **Overview:** The Utilities Fund supports the water and wastewater systems, focusing on reliable service, system sustainability, and regulatory compliance.
- **Revenues:** Total Utilities Fund revenues are projected at **\$3,924,500**, a decrease of **\$599,400** from the previous year, primarily due to the non-utilization of fund balance appropriation in FY26.
 - Sewer-related revenues constitute over 50% of the estimated utility revenue.
 - **Rate Changes:** Proposed rate increases include:
 - **10%** to all water charge fees.
 - **10%** to sewer fees.
 - **25%** to the Debt/Capital surcharge.
 - **3%** to all other utility rates (tap fees, etc.).
 - The estimated net increase for a minimum monthly bill is **\$14.67**.
- **Expenditures:** Total expenditures are projected at **\$3,924,500**.
 - Water Department: **\$1,575,900** (increase of \$66,200) for operational needs and system improvements.
 - Wastewater Department: **\$2,238,600** (increase of \$112,400) for maintenance, infrastructure upgrades, and regulatory requirements.

- Transfers Out: **\$110,000** to a capital project fund for radio read meter equipment.
- **Capital Outlay:** Total capital outlay for the Utilities Fund is **\$519,900**, including:
 - Water Department: **\$225,000** for items like a parts shed, GPS equipment, RO cleaning skid, and membrane replacement.
 - Sewer Department: **\$184,900** for items like a parts storage shed, liberty pumps for lift stations, and new sewer taps.
 - Transfers: **\$110,000** for the radio water meter system.
- **Groundwork:** Highlights include the launch of a Comprehensive Cross-Connection Control Program, strategic water districting, upgrades to water distribution pumps and control room infrastructure, and replacement of a critical valve at the Wastewater Treatment Plant. Discussions indicated a move towards installing plane wet well systems for all future sewer installations for ease of maintenance and to mitigate issues with submersible pumps.

3. BRRAT Fund (Beach Renourishment, Recreation, and Tourism):

- **Overview:** This fund supports projects related to beach renourishment, public beach access, recreation, tourism infrastructure, and other Village needs.
- **Revenues:** Total revenues are projected at **\$2,524,700**, an increase of **\$326,100**.
 - Accommodation Taxes are the primary revenue source, with FY26 estimated collections remaining flat.
 - Fund Balance Appropriation of **\$585,300** is included in the FY26 budget.
- **Expenditures:** Tourism Expenses: **\$41,500** (decrease due to one-time capital costs in the previous year).
 - Recreation Expenses: **\$58,100** (significant decrease due to one-time capital costs).
 - Beach Renourishment: **\$398,900** (increase), including funding for Marine Fisheries Data Collection for Frying Pan Shoals and the ACOE Feasibility Study.
 - Beach Accesses: **\$305,000** (increase) for boardwalk rehabilitation and beach access construction.
 - Transfer to General Fund: **\$1,711,200** (increase), supporting the Shoreline Protection Department, GO Bond debt, and capital outlay for Public Safety and Public Works.
 - Transfer to JBS Dredging Project Fund: **\$0** (decrease as this was a one-time transfer).

- **Outlook:** The BRRAT Fund continues to support annual shoreline protection appropriations, public beach access improvements (repairing, elevating, and extending accesses), and permitting efforts for the Frying Pan Shoals borrow site.

4. Stormwater Fund:

- The Stormwater Fund supports the maintenance and improvement of the island's drainage systems to protect property and mitigate flood risk.
- The fund is maintained through service fees and local revenues.
- The FY26 budget maintains critical drainage infrastructure with flat revenue assumptions and no fund balance use.

Key Points from Workshop Discussions:

Transparency and Detail: The workshop aimed to provide a detailed overview of the proposed budget for both the Council and the public.

Council Feedback: Council members raised questions and provided feedback on various aspects of the budget, including the rate of increase in certain areas, long-term capital planning, and specific expenditure items.

Long-Term Financial Planning: There was a recurring discussion about the need for more proactive long-term financial planning, including dedicated funding mechanisms for capital projects and asset maintenance to stabilize tax rates over time. The asset inventory is expected to inform this planning.

Fund Balance Management: The utilization of fund balance and the timing of FEMA reimbursements were discussed in relation to their impact on the budget figures.

Future Budget Considerations: Council members raised topics for future budget discussions, such as parking solutions, land conservation efforts, and potential future capital projects.

Next Steps:

- Submission of the budget on May 5th.
- Public hearing on May 16, 2025.
- Budget adoption at a regular meeting (June 20, 2025).
- Village Staff will be updating the fund balance information based on the latest financial data before the final vote (then, the need for an additional workshop will be determined).