

VILLAGE COUNCIL APRIL 22, 2026, BUDGET WORKSHOP RECAP

This recap summarizes the main themes, important ideas, and facts presented at the Village Council's April 22, 2026, 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. ***

The Village Manager gave the budget workshop presentation ([presentation link](#)) ([video link](#)). Questions and discussion took place throughout. Some of the directions given and discussion can be found in *italics*.

Workshop Purpose

- To present a working draft of the FY 27 Proposed Budget
- To share highlights, key changes, and departmental priorities
- To provide a platform for Council and staff discussion
- To gather feedback to inform final budget decisions

The working draft reflects strategic planning from Council Retreat and Staff's input (Feb–Apr). Estimates are preliminary and meant to guide direction—not final.

FY 26 Highlights

Mr. McCall reviewed some highlights of what had been accomplished in FY 26 to-date.

Coastal Resiliency – The Village continued to advance Frying Pan Shoals long-term borrow site strategy. The Village continued BHI Marina Channel Entrance Maintenance Program with Shallow Draft Navigation dredging grant through NCDEQ (75%) and cost share (25%).

Disaster Response & Recovery – The Village implemented Post-PTC #8 flood mitigation measures (grinder pump/snorkel extensions). Initiated LASII Comprehensive Stormwater Masterplan effort (NCDEQ \$350k Grant). *Mr. McCann noted that the snorkel installations are complete and concrete tank installation is in progress.*

Water & Wastewater Investments – The Village completed engineering, design, and permit submittal for WWTP Expansion project (Funded by \$951K NCDEQ Grant). The Village advanced system-wide asset inventory assessment (water & sewer) \$500k NCDEQ- funded initiative and completed a Utility Rate Study

Public Safety Enhancements – The Village received a new ladder truck, pumper engine, and ambulances with FEMA funding (\$1.76M) and financing strategies.

Environmental & Park Projects - The Village increased Public Works staff/attention in establishing “baseline” for continued maintenance & upkeep. Deer Herd Management was successfully completed under budget and meeting recommended reduction rate.

Infrastructure Improvements – The Village established a Capital Reserve Fund for long-term funding of roads & and Timber Bridge and initiated an off-island office space lease to improve space needs and operational efficiencies while reducing transportation costs.

Community and Quality of Life – The Village launched a podcast (“Before the Horn Blows”) to enhance visitor and resident communications. The Village advanced ICE vehicle & trailer ordinance updates.

Policy and Planning Initiatives - The Village advanced long-range planning & Capital Improvement Plan development.

General Fund Overview

A property tax rate **reduction** of \$0.0257 was proposed in this draft FY 27 Budget.

Some fees in various areas to include vehicle permits and contractor services rentals are proposed to increase to help fund improvements to the Village’s roads and the Contractor Services yard.

The General Fund supports the core governmental services of the Village, including public safety, public works, community services, and general administration. It serves as the primary operating fund for delivering essential services to residents, property owners, and visitors.

Major components include:

- **Public Safety:** Budget increase of \$229,600 to support fire, police, and emergency services staffing, equipment and vehicles.
- **Public Works:** Budget increase of \$283,400 for street maintenance, facility upkeep, and island beautification efforts.
- **General Government & Support Services:** Overall budget decrease of \$401,200 for Admin, Council, Legal, IT, Finance, and HR while still being able to meet growing community and operational needs.
- **Debt Service:** \$3,849,400 is for obligations for Beach Renourishment GO Bonds, Public Safety Apparatus Loans, Public Safety Building Loan, and Contractor Services Building Loan (-\$802,600). Decrease due to retirement of two loans in FY 27.

General Fund Expenditures Highlights

- **Preserves Core Services Across All Departments** - Ensures uninterrupted delivery of programs and services community-wide with no reductions in service levels.
- **Invests Over \$1 Million in Capital Outlay** - Road improvements (\$330,000) and department-specific capital upgrades (total: \$779,400 including \$350,000 of transfer to Capital Reserve Fund).
- **Plans for Decreased Debt Service Commitments** - Accounts for all required debt service commitments to include the 2024 GO Bond for Beach Renourishment, as well as various Public Safety related Installment Financings. Debt Service is expected to decrease by ~\$802,600.
- **Proposed 1.5 FTE Positions and Updates to Employee Compensation** - Public Works: Establishes a Village Custodian position (salary will be funded by funds allocated previously to a cleaning contract). Finance: Establishes a part-time Accounting Technician (up to 20 hours per week; not to exceed 1,000 hours annually) to manage and improve the Village's Accommodation Tax Program and would be funded through a BRRAT Fund transfer.
- **Employee Compensation** - Provides a 3% Cost-of-Living Adjustment (COLA) for all employees, along with merit increases of up to 4% for high-performing staff—supporting ongoing retention and competitiveness in the labor market.
- **Reduces Legal Expenditures** - Anticipates a significant decrease in legal fees—approximately \$546,000. *Council mentioned Councilor Quick's recommendation to have a development ordinance rework into a Unified Development Ordinance (est. \$100k) and showed interest in doing it sooner rather than later. Mr. McCall said that staff would follow-up with Council and share the scope of this project.*
- **Continues Environmental Stewardship Partnerships** - Sustains collaboration with the BHI Conservancy on key initiatives such as herd management, forest health, aquifer monitoring, water quality (BH Creek), and wildlife population monitoring.

Tables and graphs presented show expenditures by personnel, operating, capital outlay, legal, contingency, and debt service. Then each category was reviewed, breaking out by department/loan/account.

- *The personnel expenditure request for FY 27 increased by 11.8%, partially due to additional positions, but mainly due to the proposed COLA and merit increases.*
- *As far as Public Safety vehicles, it was mentioned that the Village is requesting a grant from the state for a mini pumper fire engine (~\$400k).*
- *The Finance Director is expected to request that Council reconsider its capitalization threshold schedule. Right now, anything \$5,000+ needs to be capitalized, he suggested that there shouldn't be a flat line for everything, like used golf carts, for example. One Council member indicated they would like to defer to what the Village's auditor recommends.*

- *There was interest in spending more to get additional road paving done. The Capital Reserve Fund set aside for road paving is new and does not have many funds available so the Finance Director advised that a revenue source would need to be found for the additional funds. Regarding recent public comments, managing expectations for road conditions and informing the public about the road paving schedule was advised.*

Contingency Discussion –

The contingency provides a planned, controlled funding source for unexpected or time-sensitive needs. It helps reduce reliance on fund balance for smaller, unplanned expenses, protects Council-approved budget priorities from mid-year reallocations, enables timely response to emergencies, repairs, operational needs, maintains service continuity despite unforeseen costs or disruptions. Unused funds roll in to fund balance at year-end; serving as a mechanism to help build fund balance. All transfers from the contingency must be approved by the Village Council.

The requested budget has a \$575,600 contingency amount for FY 27; the FY 26 amount was \$604,200. This year's request is about 3% of the general fund budget amount (per NC general statute a contingency appropriation shall not exceed 5% of the total of all other appropriations in the same fund).

Council members asked the Finance Director how much was in the general fund, fund balance and he said it was \$14.4 million, but that will go down because all the Village's tax revenue has come in, he thinks there will be about \$10 million left at the end of the fiscal year. The fund balance policy is 32% of yearly revenue and is higher than the state requirements.

There was discussion on whether the Village has enough funds in its fund balance and whether it should be raising tax money to add to the general fund. It was asked whether it was easier to take unexpected expenses from contingency or straight from the fund balance through a budget amendment.

The contingency was only added to the budget a few years ago. It was suggested that the Village could consider weaning off it. Others thought it should be eliminated altogether and that taxes could be lowered or funds could go to additional road paving.

Overall, Council gave staff direction to look at how conservative the budget is, how much redundancy there is in the contingency, how much of the general fund balance is reserved, and where the Village falls in its fund balance policy.

General Fund Revenues Highlights

- **Proposed Reduction in Tax Rate** - The proposed budget **reduces** the tax rate by \$0.0257 per \$100 valuation; however, growth in new construction helps to expand the tax base and offsets the impact on revenues.

- **\$330,000 decrease in Unrestricted Revenues** - Reduced because of one-time transfer from the closing of a capital project fund (PS Vehicles) in the prior year that will not be received in FY 27.
- **\$700,000 decrease in Restricted Revenues** - Reduced due to the receipt of one-time payment of funds in the prior year that will not be received in FY 27.
- **\$520,000 for Fund Balance Appropriation** - \$403,000 for PS Vehicles Debt Service; \$67,600 for Capital Outlay; \$48,700 for Development Services department (from Restricted FB).

Tables and graphs presented show revenues by class and then broken down by unrestricted transfers in, restricted, sales & services, permits & fees, contractor services, island package center (IPC), and appropriated fund balance. There is a 5.11 decrease in overall revenues projected in this budget.

Also shown was a table indicating how the new tax rate would impact property tax bills. For example, for a home with a value of \$1,383,386 (estimated average on BHI), the levy at the current rate (\$0.6507) is \$9,002, for the proposed rate (\$0.6250) the levy would be \$8,646, a difference of \$356. One penny on the proposed tax rate (\$0.6250) is equal to approximately \$196,000 in ad valorem tax revenue.

Staff were asked about the Village's surplus policy since there seems to be a market for these items and this could be an increased revenue stream for the Village.

There was discussion about businesses using the IPC and whether they could pay additional fees for excess packages and package sizes or use another method of delivery. Also discussed is charging for packages that have been held for an excessive period.

General Fund Summary

The total general fund budget is \$18,838,700; this is a 5.1% decrease of \$1,015,200 from the previous year. The proposed tax rate decrease is \$0.0257 due to a reduction in associated expenditures. A fund balance appropriation is proposed and will be utilized to support select capital outlay requests, bolster the Development Services budget, and over debt service for Public Safety vehicles, leveraging FEMA-reimbursed funds to offset costs.

All debt service obligations are fully funded. The proposed general fund budget adds 1.5 full time equivalent employees (FTE's), a custodian, and a part-time accounting technician to enhance the accommodation tax program. New capital outlay requests are funded.

Utilities Fund Overview

The Utility Fund supports the operation, maintenance, and capital needs of the Village's water and wastewater systems. It ensures the safe delivery of drinking water

and the effective treatment and disposal of wastewater in compliance with regulatory standards.

For FY 27, the major components include:

- **Water Department:** Budget increase of \$417,500 to support system improvements via capital outlay (+\$310,000) and operational and personnel needs (+\$107,500).
- **Wastewater Department:** Budget increase of \$492,200 for maintenance, infrastructure upgrades via capital outlay (+\$432,400), and compliance.

To support these needs, modest rate increases are proposed to be implemented in accordance with the Village's recently completed rate study across water, sewer, and other utility fees. These adjustments will help maintain reliable service and fund capital improvements necessary for a growing and sustainable island community.

Utilities Fund Groundwork

- **Advanced Wastewater System Resiliency & I&I Reduction (Island-Wide):** Continued implementation of grinder pump upgrades and snorkel/riser extensions to reduce inflow and infiltration (I&I), improve system reliability, and enhance post-storm operability following flood events.
- **System-Wide Smoke Testing Program:** Completed targeted smoke testing to identify cracks, leaks, and illegal connections contributing to I&I – supporting data-drive maintenance and long-term system integrity.
- **Public Education:** Ongoing outreach initiative to reduce blockages, emergency overflows, and unnecessary wear on pumps and WWTP infrastructure through improved user behavior.
- **Water System Reliability & Monitoring (AMI Implementation):** Initiated and completed the Advanced Metering Infrastructure (AMI) to enable real-time usage and tracking, improve leak detection, and enhance operational efficiency across the water system.
- **Hydrant System Improvements (Multi-Year Program):** Continued island-wide hydrant refurbishment, replacement, and flow testing program to strengthen fire protection capabilities and maintain system performance.
- **Capital Improvement Program (CIP) Advancement:** Progressed planning and funding alignment for critical water and wastewater infrastructure projects, integrating long-term capital needs into the Village-wide CIP framework.

Utilities Fund Revenues, Rate Changes, Expenditures, Transfers & Capital Outlay

Revenues - The utilities fund revenues in the requested FY 27 budget are \$799,700 higher than the previous fiscal year. Sewer related revenues make up over 50% of utility revenue estimates (~58.1%).

Rate Changes - The requested FY 27 budget proposes the following increases:

- ~5.5% to all water charge fees; new tier added
- ~5.5% to sewer fees
- ~5.5% to Debt/Capital surcharge (*Staff indicated that these will be separated in future years*)
- 3% on all other Utility rates (*Tap fees, Misc. fees, Port-a-John rentals, etc.*)

The new minimum monthly utility bill (not including stormwater) as proposed, comes to \$142.11.

Expenditures - The utilities fund requested expenditures for FY 27 total \$5,154,200, an increase of approximately 18.4% over last fiscal year.

Transfers Out - The FY 27 requested budget does not include any funds for transfers out to other funds. Prior year included funds to transfer to a capital project for radio read meters.

Capital Outlay – The FY 27 requested budget capital outlay items for water and sewer total \$1,582,300. Several items are on the Village’s Capital Improvement Plan, to include:

- Proposed valve install
- 3 hydrants – replacement program
- Replacement vehicles and golf carts
- Well replacement/rebuild costs
- Lift station maintenance Phase IV
- Replacement generator

Staff pointed out that several capital outlay requests were not funded this year.

Staff were asked for the current plans on completing the five remaining lift stations after the FY 27 budget. It was mentioned that the Timbercreek lift station is a part of the wastewater treatment plant expansion and the Village is looking into grant funding as a new construction build that can be broken out of the larger project.

BRRAT Fund Overview

The BRRAT Fund (Beach Renourishment, Recreation, and Tourism) supports a wide range of projects that enhance the Village of Bald Head Island’s resilience, infrastructure, and visitor experience. It funds beach renourishment, public beach access improvements, recreational amenities, and tourism-related infrastructure, while

also supporting key village functions and needs. The fund plays a vital role in preserving natural assets, ensuring safe and reliable infrastructure, and promoting long-term sustainability across the island.

BRRAT Fund Outlook

- This fund supports Shoreline Protection Department annual reoccurring appropriations for shoreline monitoring & annual Beach Profile Monitoring Report.
- Funds improvements to public beach access points as part of the Village's ongoing infrastructure commitment.
- Ensures continued investment in repairing, elevating, or extending beach accesses to align with dune growth and reach the current vegetation line.
- Funds the VBHI cost share for USACOE Feasibility Study (\$200k)
- Funds BHI Conservancy efforts related to Beach Vitex control, Creek Water Quality and Bacteria Sampling ensuring BH Creek is safe for eco-tourism.

BRRAT Fund Revenues

The Beach Renourishment, Recreation and Tourism fund is primarily funded through the collection of Accommodation Taxes. The FY 27 accommodation tax revenue collections are budgeted at approximately 100% of their estimated collection rates. Interest earnings are estimated to be \$172,500. The requested budget includes a small BRRAT fund appropriation of fund balance (\$32,000).

BRRAT Fund Expenditures

Tourism and Recreation: The FY 27 requested budget includes funding for BHI Conservancy related to creek water sampling, accommodation tax collection software, and misc. tourism and recreation expenses. There is a decrease in Tourism due to reduction of one-time funds needed for engineering plans for public bathrooms. Increase in Recreation due to funding gravel loads at Creek Access and Beach Accesses.

Beach Renourishment: The FY 27 requested budget includes \$200,000 for ACOE Feasibility Study, funding for BHIC beach vitex control and sea oats plantings.

Beach Accesses: The FY 27 requested budget includes \$145,000 for beach access repairs & maintenance. No funding for new beach access construction.

Transfer to General Fund: funds The FY 27 requested budget the Shoreline Protection Department and a portion of GO Bond Debt. There is a reduction in FY 27 due to one-time transfer of funds remaining from GO Bonds to cover debt service in FY 26.

Stormwater Fund Overview

The Village's Stormwater Program manages rainwater runoff to protect property, prevent flooding, and support environmental health. It includes maintenance of culverts, ditches, swales, and outfalls to ensure effective drainage across the island.

The Stormwater Fund provides dedicated financial support for these activities through service fees and other local revenues. It covers system upkeep, infrastructure improvements, equipment replacement, and long-term resiliency planning.

Stormwater Fund Revenues & Expenditures

The Stormwater Fund is funded through the collection of Stormwater Fees (\$8 per month per property).

Revenues

- FY 27 estimated collections to increase slightly due to new constructions (+\$3,200)
- Interest Earnings are estimated to be \$15,000.
- Fund Balance Appropriation included in the FY 27 Budget to fund 3 stormwater construction projects.

Expenditures

- **Stormwater Equipment:** The FY 27 requested includes the purchase of various stormwater equipment to include hoses and castle boxes to facilitate stormwater line connections.
- **Construction:** The FY 27 requested includes funding for Timbercreek Outfall Erosion Mitigation as well as funding for 2 LASII Stormwater Construction Implementation Projects to include, if approved to move forward, gravity fed systems along the Cape Fear Trail areas and Black Skimmer/Mourning Warbler areas. *The Village will be in contact with the BHI Club to go over the details and address concerns.*

Budget Summary Highlights

Total General Fund Budget: \$18.84M

- 5.1% (-\$1,015,200) decrease from Current FY 26 Budget. Primarily due to reductions in debt service and legal fees.
- Capital Investments: Road paving (\$330,000), infrastructure upgrades, departmental capital needs, and transfers to Capital Reserve Fund totaling ~\$1.1M.

- Tax Rate Impact: Rate proposed to decrease (\$0.0257 Village-wide) in conjunction with reduced offsetting debt service contributions with accommodation taxes and overall reduced budget.

Staffing & Compensation: 1.5 FTE positions requested; proposes 3% COLA, and up to 4% merit for high performers; slight increases in retirement and insurance expenses.

BRRAT Fund: Continues to support shoreline protection, beach access maintenance, tourism, recreation, and debt service payments (in General Fund).

Utilities Fund: Rate adjustments proposed to fund operational needs, system improvements, capital outlay and personnel in water and wastewater services in accordance with Village's recent rate study.

Stormwater Fund: funding requested for 3 projects including the Timbercreek Outfall Erosion Mitigation, and 2 LASII Stormwater Implementation projects. Fund Balance is recommended to cover costs above stormwater rate collections.

Total Overall Budget (all funds): \$26,720,200

Looking Ahead

The FY 27 Proposed Budget reflects a thoughtful balance between financial responsibility and strategic investment in the Village's future.

We continue to prioritize core services, public safety, infrastructure resilience, and the preservation of our island environment.

Funding decisions have been shaped by input from Council retreat, department leadership, and evolving operational needs.

The Village remains committed to transparent, sustainable budgeting that supports both current needs and long-term goals.

Next Steps

- Manager submits recommended budget to Council on Monday, May 4, 2026
- Public Hearing on Budget at Friday, May 15th Council meeting
- Optional Budget Workshop – Thursday, June 11, 2026 (if needed)
- Budget Adoption: Thursday, June 18, 2026 (regular council meeting)

Staff were asked to provide the scope of the Unified Development Ordinance (UDO) project. Mr. McCall suggested that they may move funds from the contingency to fund the project if Council wants to move forward.

Staff were asked to present an executive summary slide at the beginning of future budget presentations.

There was further discussion on the UDO and what the product will be. Mr. McCall confirmed that the summer concert funding request was not included in the proposed budget presented.

There was consensus that the Village should have a multi-year plan for the BRRAT fund. There was a discussion about breaking down the fund and determining how much is allocated to each priority. Some felt that until that fund fully pays for the beach, it should all go to the beach.