

Fiscal Year 2016/2017 Budget Message

The Town of Holden Beach Budget for the Fiscal Year beginning 1 July 2016 and ending 30 June 2017 is herewith presented in accordance with the North Carolina Local Government Budget and Fiscal Control Act.

Tax Rate

A tax rate of twenty two cents per one hundred dollars of valuation is proposed to be levied at a ninety-seven point seven eight percent collection rate on an estimated tax base of one billion one hundred ninety five million four hundred eighty seven thousand one hundred fifty dollars. The proposed tax rate is calculated to provide an additional eight hundred thirty five thousand three hundred forty four dollars which will be used specifically to finance beach nourishment activities scheduled to begin November 2016. The collection rate of ninety seven point seven eight percent used to calculate the estimated tax revenue is the rate actually experienced during the prior fiscal year ending 30 June 15. The estimated tax base reflects the most recently available property valuations from the Brunswick County Tax Appraiser.

Debt Service

Town Hall: The town's debt service payment of two hundred eighty five thousand five hundred fourteen dollars on an installment financing agreement with BB&T for the Town Hall will be made in March of 2017. Subsequent balance due will be one million nine hundred ninety one thousand nine hundred fifty four dollars. The remaining amortization schedule is:

Fiscal Year	Principal	Interest	Total	Balance
2016/2017	200,000	85,513	285,513	1,991,954
2017/2018	200,000	75,893	275,893	1,791,954
2018/2019	200,000	68,273	268,273	1,591,954
2019/2020	200,000	60,653	260,653	1,391,954
2020/2021	200,000	53,033	253,033	1,191,954
2021/2022	200,000	45,413	245,413	991,954

2022/2023	200,000	37,793	237,793	791,954
2023/2024	200,000	30,173	230,173	591,954
2024/2025	200,000	22,553	222,553	391,954
2025/2026	200,000	14,933	214,933	191,954
2026/2027	191,954	7,313	199,267	0

Public Works and Emergency Operations Center: In March 2015 the Town refinanced its outstanding USDA loan balance of eight hundred thirty three thousand two hundred twenty dollars with a ten year two point forty two percent BB&T installment financing agreement. The annual debt service payment of ninety three thousand three hundred thirty four dollars for the Town’s off-island Public Works and Emergency Operations Center will be made in July 2016. Subsequent balance due will be six hundred seventy one thousand five hundred twelve dollars. The remaining amortization schedule is:

Fiscal Year	Principal	Interest	Payment	Balance
2016/2017	75263	18071	93334	671512
2017/2018	77084	16250	93334	594427
2018/2019	78949	14385	93334	515478
2019/2020	80860	12474	93334	434618
2020/2021	82817	10517	93334	351800
2021/2022	84821	8513	93334	266979
2022/2023	86874	6460	93334	180105
2023/2024	88976	4358	93334	91129
2024/2025	91129	2505	93334	0

Sewer Collection System: The town has two installment financing agreements outstanding with BB&T for the construction of its town wide sewer collection system. The annual debt service payment in the amount of four hundred fifty nine thousand six hundred eighty five dollars for the Sewer Collection System Agreement One will be made in January 2017. Subsequent balance due will be one million two hundred ninety four thousand six hundred ninety two dollars. The remaining amortization schedule is:

Fiscal Year	Principal	Interest	Total	Balance
2016/2017	404,134	55,552	459,685	1,294,692
2017/2018	417,349	42,336	459,685	877,343
2018/2019	430,996	28,689	459,685	446,347
2019/2020	446,347	13,339	459,685	0

For Sewer Collection System Agreement Two; the annual debt service payment in the amount of two hundred fourteen thousand ninety dollars will also be made in January 2017. Subsequent balance due will be six hundred two thousand one hundred seventy nine dollars. The remaining amortization schedule is:

Fiscal Year	Principal	Interest	Total	Balance
2016/2017	188,218	25,872	214,090	602,979
2017/2018	194,373	19,717	214,090	408,606
2018/2019	200,728	13,361	214,090	207,878
2019/2020	207,878	6,212	214,090	0

Collectively these two BB&T Sewer Collection System Installment Financing Agreements' debt service payments represent an annual obligation of six hundred seventy three thousand seven hundred seventy five dollars and a subsequent cumulative balance due of one million eight hundred ninety seven thousand six hundred seventy one dollars. The remaining combined amortization schedule is:

Fiscal Year	Principal	Interest	Total	Balance
2016/2017	592,352	81,424	673,775	1,897,671
2017/2018	611,721	62,054	673,775	1,285,949
2018/2019	631,725	42,051	673,775	654,224
2019/2020	654,224	19,551	673,775	0

Sewer Transmission and Treatment Facilities: In Fiscal Year 16/17 a contractual obligation of an estimated one million one hundred sixty thousand five hundred twenty one 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 five million one hundred ninety four thousand nine hundred forty two dollars was underwritten by Brunswick County and funded by a combination (subsequently

restructured and reflected accordingly herein) of a 2004A Series Revenue Bond issue, a 2004 State Revolving Fund Loan and a 2005 State Revolving Loan. Approximately one fourth of this obligation comes due in November of each year with the residual payable in March. This contractual obligation of one million one hundred sixty thousand five hundred twenty one dollars gradually decreases to one million one hundred twenty seven thousand one hundred seven dollars by Fiscal Year 2025/2026 at which time the Town's contractual obligations are programmed to decrease by approximately one half to approximately five hundred forty thousand dollars annually for an additional three fiscal years. Remaining payment schedules are:

Revenue Bonds Series 2004A

Fiscal Year	Principal	Interest	Total
2016/2017	313,663	227,619	541,282
2017/2018	322,445	218,209	540,654
2018/2019	333,737	206,315	540,052
2019/2020	345,029	196,077	541,106
2020/2021	357,576	182,276	539,852
2021/2022	372,631	169,384	542,015
2022/2023	386,433	153,946	540,379
2023/2024	406,507	134,624	541,131
2024/2025	425,327	115,553	540,880
2025/2026	446,656	94,287	540,943
2026/2027	469,240	71,954	541,194
2027/2028	493,078	48,492	541,570
2028/2029	514,407	25,720	540,127

2004 State Rev Fund (05/04/04)

Fiscal Year	Principal	Interest	Total
2016/2017	334,338	81,484	415,822
2017/2018	341,710	74,112	415,822
2018/2019	349,245	66,577	415,822
2019/2020	356,946	58,876	415,822
2020/2021	364,816	51,005	415,821
2021/2022	372,861	42,961	415,822
2022/2023	381,082	34,740	415,822

2023/2024	389,485	26,337	415,822
2024/2025	398,073	17,749	415,822
2025/2026	406,851	8,971	415,822

2005 State Rev Fund (08/03/04)

Fiscal Year	Principal	Interest	Total
2016/2017	166,667	36,750	203,417
2017/2018	166,667	33,075	199,742
2018/2019	166,667	29,400	196,067
2019/2020	166,667	25,725	192,392
2020/2021	166,667	22,050	188,717
2021/2022	166,667	18,375	185,042
2022/2023	166,667	14,700	181,367
2023/2024	166,667	11,025	177,692
2024/2025	166,667	7,350	174,017
2025/2026	166,667	3,675	170,342

Town's Total County Sewer Debt Obligation

Fiscal Year	Principal	Interest	Total
2016/2017	814,668	345,853	1,160,521
2017/2018	830,822	325,396	1,156,218
2018/2019	849,649	302,292	1,151,941
2019/2020	868,642	280,678	1,149,320
2020/2021	889,059	255,331	1,144,390
2021/2022	912,159	230,720	1,142,879
2022/2023	934,182	203,386	1,137,568
2023/2024	962,659	171,986	1,134,645
2024/2025	990,067	140,652	1,130,719
2025/2026	1,020,174	106,933	1,127,107
2026/2027	469,240	71,954	541,194
2027/2028	493,078	48,492	541,570
2028/2029	514,407	25,720	540,127

General Fund Balance

The "General Fund Balance Ratio" is a gross measurement comparing General Fund revenues on hand at the end of the current fiscal year with General Fund obligations for the upcoming budget year. The required Fund Balance ratio is eight percent as established by the North Carolina Local Government Commission and represents 30 days of General Fund expenses. As such the Fund Balance Ratio could be viewed as a type of solvency measurement. It is estimated the Town's General Fund Balance on 30 June 2016 will be one million three hundred ninety eight thousand eight hundred fifty two dollars. There is no General Fund balance appropriation in the proposed Fiscal Year 16/17 budget which results in an estimated General Fund balance ratio of forty percent. According to the Local Government Commission this is significantly lower than other similar sized North Carolina municipalities' fund balance ratio average of just over one hundred percent. Historically the Town of Holden Beach has maintained a comparatively low fund balance ratio due to the perceived cushion that the Beach Parks Access Recreation Tourism Fund provided in terms of emergency storm damage repairs. However, the proposed financing and construction of the Central Reach Beach Nourishment Project relies to a great degree on Occupancy Tax as its source of upfront funding and will reduce that cushion significantly from levels previously experienced. The projected General Fund Balance Ratio of forty percent is certainly compliant with Local Government Commission guidance but I strongly urge the Holden Beach Board of Commissioners determine if a forty percent Fund Balance ratio is a viable level for a small barrier island community especially in light of the proposed drawdown of the BPART Fund. The determination of an appropriate fund balance ratio is often aided by calculating a more refined representation of the General Fund's balance capabilities by derivation of the unassigned fund balance or "Working Capital". Working Capital serves to more succinctly articulate the Fund's attributes; in turn providing for better decision making. A short summary of the Working Capital calculation is depicted below:

Estimated Fund Balance 30 June 2016	1,398,852
Less:	
8% Stabilization by Statute	280,960
Powell Bill	10,000
General Government Debt	438,483
Equals:	
Working Capital	669,409

Working Capital represents nineteen percent of the proposed 2016/17 General Fund expense budget.

General Fund Revenues

General Fund Revenues are comprised of a number of revenues that basically fall into four groupings: 1) Property Taxes – see Tax Rate section on page one- , 2) State Collected Revenues, 3) Town Collected Revenues and 4) Fund Balances.

State Collected Revenues

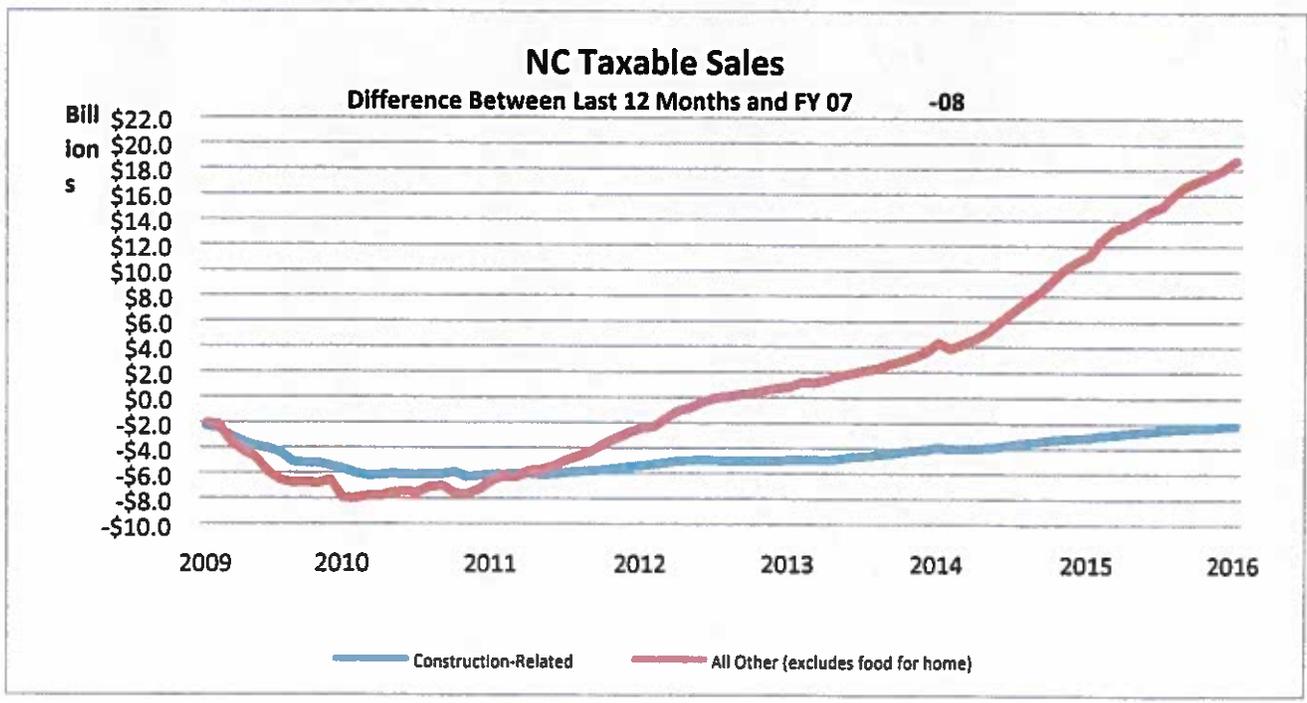
At this time last year, a great deal of uncertainty surrounded the municipal revenue picture. Bills had been filed to significantly alter local sales taxes in North Carolina. They included proposals to transition the locally levied sales tax to a state sales tax shared with local governments, and legislation that would have eliminated city hold harmless payments that total in excess of \$100 million for municipalities annually. Revenue projections were made with the caveats that major changes to sales tax revenues could be coming. Ultimately, changes to the state's sales tax structure – while still meaningful – were much less concerning than they had initially appeared. The question for FY16/17 is whether the solutions effected for FY15/16 will work as intended or experience further modifications. It is unknown how the proposed reallocation of sales tax revenues is scheduled to work statutorily for Fiscal Year 2016-17. Beginning with sales tax distributions for sales made in July, a total of \$84.8 million will be removed from the regular distribution formula. That money will instead be distributed to 79 counties based on percentages written into statute. A total of \$17.6 million in state funds will be added to local sales tax collections and distributed in the same manner as Articles 39, 40, and 42.

The difference between the \$84.8 million being reallocated and the \$17.6 in state funds being contributed is \$67.2 million. That is the amount projected to be generated next fiscal year from the expansion of the sales tax base to additional repair, installation, and maintenance services. If that expansion produces at least \$67.2 million in additional revenue, no local government is projected to lose any revenue. If it does not, then the mechanics of reallocation could mean that some counties and cities receive less revenue than they otherwise would have. The base expansion went into effect March 1, which means as yet there have been no distributions with that revenue included. How much revenue is generated from this expanded sales tax base is one of the biggest questions of the next fiscal year.

The answer to that question, of course, will be in large part dependent on the performance of the North Carolina economy. While no one seems to be forecasting a contraction in the N.C. economy in the months ahead, there is enough caution in most

projections that it would seem safest to bet on more moderate growth in FY16-17. Recently the N.C. General Assembly's Fiscal Research Division revised their sales tax projections for the coming year downward, even as strong income tax collections are pointing toward a projected revenue surplus. Meanwhile, Wells Fargo entitled its most recent monthly look at the state's economy "North Carolina's Economy Is on a Roll." Employment and population continue to rise – both of which, Wells Fargo notes, drives demand for retail sales specifically. This is a positive sign for sales tax revenues in the coming year. Nationally, some economists have lowered expectations for the coming year after a weak start to 2016. Thus far, North Carolina's economy seems to be faring somewhat better than that of the nation as a whole.

There may, however, be some reason for caution in the construction industry, particularly when it comes to single-family homes. The construction industry is always a significant barometer of the economy as a whole and is thus an important indicator for future economic performance as well. Wells Fargo is among several forecasters for the coming year who note the employment growth in the construction industry and expect it to continue. But some of the most recent data could show a slowdown in actual construction activity. The chart below shows the last 12 months of sales taxes as compared to the pre-recession year of 2007-08. While nonconstruction-related sales continue to rise well above pre-recession levels, construction-related sales have shown much more restrained growth, and even some evidence of recent leveling off.

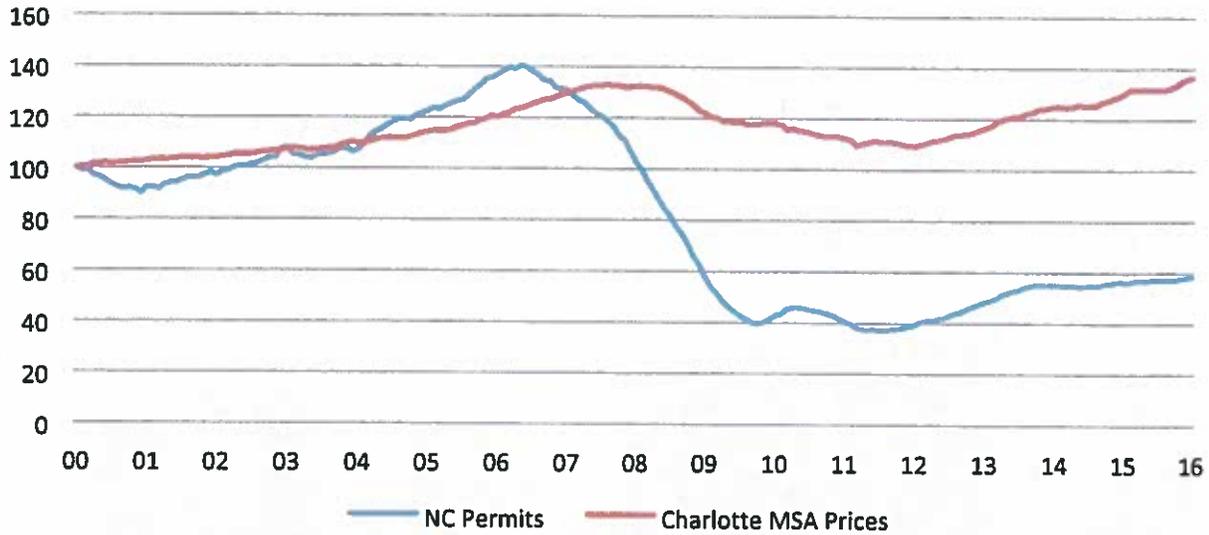


Similar trends are seen in the two tables on the next page. The first table compares the statewide level of single-family building permits issued to the Cass-Shiller housing price index for the Charlotte metro area (the only monthly price index for the state). It shows that home prices are rising, and while permits are increasing slightly, they are not doing so at the same rate of prices. This is consistent with other reports suggesting that there may be sufficient housing inventory, leading buyers to purchase more existing homes. While not necessarily a bad sign for the economy as a whole, a slowdown in construction could mean slower sales tax growth in the year ahead.

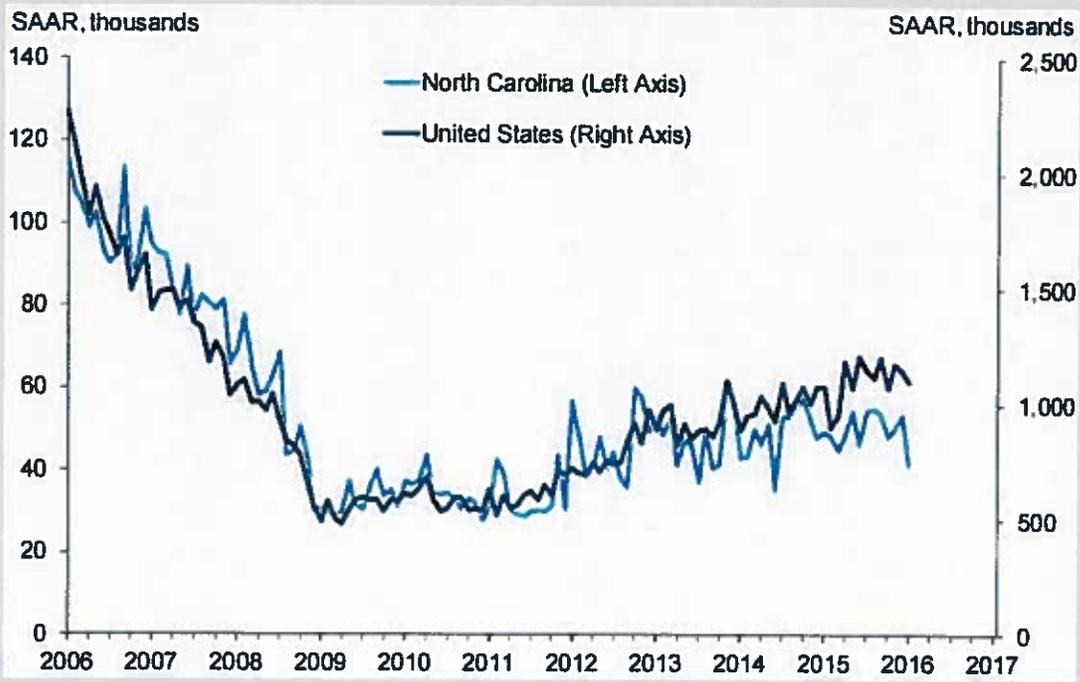
The second table, from the Federal Reserve Bank of Richmond, only underscores this point. Housing starts in North Carolina have fallen recently at a rate higher than usual for this time of year, and have now dropped to a level below that at any time in 2015. Given past history, starts are likely to rebound at least moderately, but a slower recovery could again mean slower sales tax growth than North Carolina experienced in Fiscal Year 2015-16.

NC SF Housing Permits and Charlotte Area Cass-Shiller Prices

January 2000 = 100



North Carolina Housing Starts



As with all revenue projections but perhaps even more so in the case of those related to construction, the local situation of a small beach community is unique in of itself and apt to vary widely from the statewide projections. The number of people seeking housing and the availability of housing will continue to be key factors on the demand side of the housing market. To the extent possible, local revenue estimates related to construction related activities have been conservatively projected based on current revenues, local observations and dialogue with contractors, real estate professionals, banks, insurance agents and other related business professionals.

Local Government Sales Taxes

Through the first half of Fiscal Year 2015-16, sales taxes remained a strong point for revenues at both the state and local levels. As of the distribution for January sales, distributions were up approximately 4.6 percent from the same point in FY 14-15. There will be some sales tax base expansion for the final four months of the fiscal year, but projections are that it will be a relatively small percentage of overall sales tax collections. The economy seems likely to rebound from a relatively slow beginning to the year, but it may be that the growth originally projected for this year is not fully realized. It is expected that FY15-16 statewide sales tax distributions will finish 4.5 percent above FY14-15 distributions. Because of the aforementioned changes to the sales tax statutes, looking ahead to Fiscal Year 2016-17 is more complicated. Overall, the projection for sales tax growth is as straightforward as any such projection can be. The reallocation of sales taxes is done with revenues from the existing sales tax base, along with \$17.6 million in state revenues that are added to the overall pot. The reallocation in and of itself will not subtract any revenues from overall local sales tax revenues. North Carolina continues to add population, and the most recent data on construction industry activity and employment reflects that. Tempering expectations for the coming year are recent economic projections that envision less robust growth for the upcoming year than had previously been expected. This includes the Fiscal Research Division's updated forecast from late March. These factors suggest that taking a conservative approach to sales tax growth may be prudent, and it is expected that FY16-17 statewide sales tax distributions will be 3.75 percent above FY15-16.

County Sales Tax Distribution Method. Every April, counties can change the method of distributing local option sales tax revenues within the county: from per capita to proportion of ad valorem tax levies, or the other way around. The method chosen by the county board of commissioners determines the division of money within a county area among county and municipal governments for the next year. Population or tax levy changes might make some counties take a close look at the current distribution method to see if it is still advantageous to them. In Brunswick County the per capita method is used to distribute local option sales tax. Whether this arrangement continues or further sales tax revenues are levied by the County for the purpose of beach, inlet and waterway projects is a matter unresolved. Last year Brunswick County established a policy to facilitate funding of certain beach, inlet and waterway projects by creation of a capital reserve fund for projects meeting certain criteria. As advertised and understood that funding policy is an introductory attempt in a larger effort to provide sustainable beach, inlets and waterways.

Powell Bill

In past years, Powell Bill funds for the upcoming year could be projected based on the sale of gasoline, because the amount of funds for the program was based on a percentage of gas tax revenues. That is no longer the case. Last year, the General Assembly eliminated the tie between the gas tax and Powell Bill funds and instead made the Powell Bill a direct appropriation of state dollars. Because 2016 is the second year of the legislative biennium, legislators have allocated \$147.5 million – the same amount as was available to the program in 2015 – in Powell Bill funds for 2016. The General Assembly could choose to adjust the amount of Powell Bill funds when it returns to Raleigh this summer, but the best projection at this time is that there will be no change in Powell Bill funds in the coming fiscal year. The formula for calculating Powell Bill distributions has not changed from previous years. Of the total annual distribution, 75 percent is allocated among eligible cities based on their population. Due to the anticipated slight increase in the state’s municipal population, the per capita allocation for the FY16-17 Powell Bill distribution to is projected to be \$20.15. The remaining 25 percent of the Powell Bill distribution is allocated based on the number of city maintained street system miles in each municipality. The projected value of the mileage based allocation for the FY16-17 Powell Bill distribution is \$1,624.41 per street mile.

State-Collected Local Taxes

For the purpose of the quarterly distributions (electricity, telecommunications, and video programming) the fiscal year accrual begins with the distribution made in December.

Electricity Sales Tax

NC cities have now received six quarters worth of electricity distributions with the general sales tax being applied to their sales, and the most recent distribution indicates that some relative stability is returning. Prior to the most recent distribution, cities' electricity distributions under the new distribution formula have varied significantly from those they had received in previous years. In the case of electricity, this meant double-digit percentage increases in year-over-year distributions. However, the distribution covering the last three months of 2015 was 1.1 percent *below* the previous year's distribution, which is a much less drastic change from the previous year than prior distributions.

Because electricity sales tax distributions are so weather-dependent, and the final quarter of 2015 was one of the warmest on record, a decrease in the distribution amount is reasonable. Even with that lower distribution, electricity revenues are still up more than 20 percent over the first two distributions of FY14-15. It can be expected that the remaining two distributions this fiscal year will look more like the most recent quarter, and the Federal Energy Information Administration projects a slight decrease in electricity prices and consumption in the coming months. Given that, the projected statewide electricity franchise revenue for FY15-16 will increase by 9.0 percent. Looking ahead to the coming fiscal year, year-over-year changes will presumably look more like the most recent quarter as this distribution formula becomes more entrenched. The amount of electricity revenues will continue to depend on the weather to a large degree, but the Energy Information Administration is predicting a rise in both consumption and prices toward the end of this year and the beginning of 2017. As long as the economy remains strong, and there are no legislative changes to the distribution formula, a projected 3.5 percent increase is anticipated for electricity sales tax revenue.

Telecommunications Sales Tax

Telecommunications distributions have decreased from the same quarter the year before in 11 of the 12 most recent quarters. A refund request processed by the Department of Revenue led to the most recent distribution decreasing more than 35 percent from the previous year. That will likely make the current fiscal year's revenue decline look even more severe than it otherwise would have. Annual statewide telecommunications revenues for FY15-16 are anticipated to decrease by 12.0 percent. Much of the non-refund related decrease has been attributed to more customers going with solely a mobile phone and canceling landline phone service. There does not seem to be any indication that this trend is slowing down. One positive side for next year is that revenues may look better in comparison to this year due to the refund that was processed in the second quarter. Taking that into account, telecommunications taxes are predicted to decline by 2.0 percent in Fiscal Year 2016-17.

Local Video Programming Revenues

For the first time in four years, Fiscal Year 2014-15 video programming revenues increased above the previous year. It was a somewhat unexpected increase, as the trend in the cable industry has been away from set-top TV providers to more reliance on streaming services. Unfortunately, the first two distributions of the 2015-16 fiscal year are more in line with that trend, as distributions are down 8 percent from the first two quarters last year (although that is due in part to the same refund that reduced telecommunications revenues). Decreases for the next two distributions this year are likely to be less severe than the first two quarters, but even taking that into account the statewide annual distribution is expected to fall 5.5 percent below Fiscal Year 2014-15 levels. Industry projections predict a continuing move away from cable television services next year, but this year's refund may mean a smaller year-over-year reduction in FY15-16. Accordingly, video programming revenues are expected to decrease by 2.0 percent in Fiscal Year 2015-16.

Beer and Wine Taxes

Beer and wine sales taxes are distributed from the Department of Revenue (DOR) to cities based on population. With the fiscal year running from April through March, cities can expect to receive the beer and wine sales tax distribution within sixty days of March 31. Due to a procedural change at DOR, collections for Fiscal Year 2012-13 were lower than originally projected. It is expected that the fluctuation from this change has leveled out and collections will be more consistent as time progresses. Actual collections at the state level through February of this year appear strong. However, DOR has forecast that beer and wine distributions to local governments for Fiscal Year 2015-16 are projected to decrease 6.0 percent below FY14-15 levels. No specific reason for this decline has been communicated. On the other hand, national trends in the beverage industry would seem to point toward future increases in these revenues. Based upon national beer and wine sales projections – and a continuing trend toward “premium” beverages in all categories – Fiscal Year 2016-17 distributions are expected to increase by 5.0 percent.

Town Collected Revenues – Selected Town collected revenues of note are briefly discussed as follows:

Building and Inspections Fees. The Town collects revenue for fees associated with construction on the island. General Building, Electrical, Plumbing, Mechanical (Heating and Air) in addition to Coastal Area Management Act (CAMA) permits generate revenue as a result of site specific building at Holden Beach. All of these revenues are projected to see increases based on near recent past performance of these revenues in the current fiscal year, an improved economic forecast for the construction industry in general and more specifically an overall increase in building permit fees.

Recycling. Currently, the Town provides a centralized collection point for recyclables near the Water Tower at Town Hall. Based on a request for service county wide Waste, Industries has been able to offer curbside recycling within the Town’s corporate limits. This service is provided via a ninety gallon cart that is picked up twice a month for an annual fifty dollar service per each cart. The Town serves as the intercessionaire and collects the fees for Waste Industries. Provision of this service to the customer is done on an optional subscription basis; that is,

the customer must request the service. In the two years since its initial offering recycling subscribers have increased from one hundred sixty five subscribers to the current level of 209 subscribers. It remains to be seen how it will impact the larger scale drop off service currently provided by the Town.

Fund Balances

This year two interfund balance transfers are recommended; one from Water and Sewer and the second from the Canal Dredging Special Revenue Fund. Both transfers are made as an approximation charge to those funds for support and program management provided by the General Fund. The proposed budget continues the existing approach to service provision in that it attempts to accurately represent the costs associated with program management of the canal dredging program and the water and sewer fund burden on general fund resources by offsetting these costs via inter-fund transfers.

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.

GENERAL FUND REVENUES

CREDIT CARD SITE FEE GENERAL	950
AD VAL TAXES - CURRENT	2,571,684
AD VAL TAXES - PRIOR	42,767
VEHICLE TAXES	17,838
PNLTY & INT - AD VAL TAX	21,619
VEHICLE STICKERS	500
TAX PMTS TO BE REFUNDED	100
MISCELLANEOUS	5,000
SIDEWALK DEPOSIT	500
HOUSE MOVING SECURITY DEP	100
BRIDGE FEE	100
PLUMBING SCREEN SALES	250
BLUE CAN HOME RECYCLING	10,750
DONATIONS	500
CHRISTMAS DECORATIONS	500
UTILITIES FRANCHISE TAX	159,346

SALES ON TELECOMM-UTIL FR	9,769
SALES TAX ON VIDEO PROGRM	37,121
BEER &/OR WINE TAX	2,600
POWELL BILL	34,714
LOCAL SALES & USE TAX	143,366
CAMA CONTRACT	3,300
COURT COSTS	200
PARKING VIOLATIONS	100
ORDINANCE VIOLATIONS	1,500
Mosquito Contract	1,250
BUILDING PERMITS	156,328
CAMA PERMITS	6,000
ZONING FEES	12,172
ELECTRICAL INSPECTION	34,217
MECHANICAL INSPECTION	48,250
PLUMBING INSPECTIONS	10,500
ADMINISTRATIVE FEE-INSP	600
HOMEOWNERS RECOVERY FUND	1,000
REINSPECTION FEE	250
SALES TAX REFUND	7,500
DEMOLISH PERMIT	750
SALE OF MATERIALS	500
SALE OF TOWN FLAGS	100
SALE OF FIXED ASSETS	5,000
TRANSFER FROM WATER/SEWER	120,000
Transfers from SRF Canal Dredging	42,411

Total for Revenue 3,512,002

General Fund Expenditures

The following table summarizes general fund departmental expenses.

GOVERNING BODY	1,368,626
ADMIN	596,198
POLICE	741,096
INSPECTION	272,044
PUBLIC WORKS	365,161
SANITATION	168,876
TOTAL	3,512,002

A brief description of changes to departmental expenses precedes each of the following departmental expense charts. No funding of new positions is requested in the proposed budget. The cost equivalents of two and a half full time employees (one police officer and one and a half public works employees) are billed to the Beach, Parks, Access and Recreation Trust Fund.

Governing Body – Significant increase in Governing Body expenses equal to seven point one five cents of ad valorem taxes attributed to a transfer out to the Beach Parks Access Recreation Fund for security escrow required as a condition of the Interlocal Agreement with Brunswick County for the Central Reach Beach Nourishment Project. New Town Hall Debt Service decreases in accordance with amortization schedule. An increase in EOC debt service payment of approximately twenty one thousand dollars is incurred due to shorter term installment purchase loan refinancing. Additional New Town Hall operations, maintenance and repair expenses are anticipated.

SALARIES - MAYOR AND COMMISSIONERS	7,800
PROFESSIONAL SERVICES	48,000
GOVERNING BODY - FICA	597
COMMUNICATIONS	6,600
PUBLIC RELATIONS	1,500
COMMUNITY EVENTS	1,500
TRAVEL	2,000
AB-TRAVEL & TRAINING	2,000
HURRICANE PREPARATION	2,100
DECORATIONS	500
ADVERTISING	750
AB-ADVERTISING MEETINGS	500
HOLDEN BEACH FLAG	500
AB-SUPPLIES & MATERIALS	1,500
OPERATIONAL CONTINGENCIES	5,000
NEW TOWN HALL DEBT SERVICE	285,514
NEW EOC DEBT SERVICE	93,335
New Town Hall Ops, Maint and Repair	48,836
New EOC Ops, Maint and Repair	10,000
CONTRIBUTIONS	14,750
TRANSFER TO BPART FUND	835,344
Total	1,368,626

Administration Department – No new operational considerations. Three replacement computers programmed as equipment purchases for tax collector, reception and fiscal operations clerk II.

SALARIES	289,449
SALARIES - OVERTIME	3,500
FICA	22,143
GROUP INSURANCE	56,602
RETIREMENT	20,985
401K EMPLOYERS MATCH	13,019
COMMUNICATIONS	48,000
TRAVEL & TRAINING	8,000
M & R - EQUIPMENT	3,500
ADVERTISING	1,000
DEPT SUPPLIES & MATERIALS	5,500
UNIFORMS	1,200
REWARDS AND WELLNESS PRGR	2,000
SAFETY PROGRAMS ALL DEPTS	1,500
CONTRACTED SERVICES	18,000
DUES & SUBSCRIPTIONS	4,000
INSURANCE & BONDS	75,800
EQUIPMENT	16,000
Total	596,198

Police Department – No new operational considerations. Third and final payment on three lease purchased vehicles is to be made this year along with the proposed acquisition of one lease purchased new four wheel drive truck bringing this year's effective vehicle procurement cost equal to one and one third vehicles.

SALARIES	372,343
SALARIES - OVERTIME	48,500
FICA	32,194
GROUP INSURANCE	79,243
RETIREMENT	31,804
PD EMPLOYER'S 401K CONTRIBUTION	19,877
COMMUNICATIONS	24,000

TRAVEL & TRAINING	5,500
COMMUNITY WATCH	500
M & R - EQUIPMENT	3,500
M & R - VEHICLES	7,000
GAS, OIL & TIRES	28,500
DEPT SUPPLIES & MATERIALS	10,000
UNIFORMS	3,000
POLICE INOCULATIONS	500
EQUIPMENT	13,000
CAP OUTLAY-VEHICLES&EQUIP	59,634
PD CARS-ACCIDENT REPAIRS	2,000
Total	741,096

Planning and Inspections – Backup inspections manpower via contract services is sole operational consideration change in Planning and Inspections.

SALARIES	144,351
SALARIES OVERTIME	1,500
FICA	11,158
GROUP INSURANCE	33,961
RETIREMENT	10,574
401K EMPLOYERS MATCH	6,250
COMMUNICATIONS	8,000
PRINTING	1,000
TRAVEL & TRAINING	4,500
M & R - VEHICLES	4,000
ADVERTISING	2,500
GAS, OIL & TIRES	3,250
DEPT SUPPLIES & MATERIALS	5,500
BUILDING INSP - UNIFORMS	1,500
CONTRACTED SERVICES	25,000
DUES & SUBSCRIPTIONS	1,000
HOMEOWNERS' RECOVERY FUND	500
EQUIPMENT PURCHASE	7,500
Total	272,044

Streets Department – In accordance with most recent Streets Condition Survey proposed appropriation to fund repaving of Tide Ridge Drive and Jordan Boulevard. This will be the second installment of a multiyear program to resurfacing existing Town streets in need of repair.

SALARIES	54,920
SALARIES OVERTIME	3,000
PROFESSIONAL SERVICES	1,000
FICA	4,431
GROUP INSURANCE	11,320
RETIREMENT	4,199
401K EMPLOYERS MATCH	2,000
UTILITY - STREET LIGHTS	45,000
BUILDINGS UTILITY PAYMENT	1,250
TRAVEL	1,000
BLDINGS&GROUNDS MAINT/SUP	25,000
M & R EQUIPMENT	12,500
M & R VEHICLES	6,000
MAINT & REP STREETS	10,000
MAINT & REPAIR BULKHEADS	15,000
STREET DRAINAGE PROJECTS	5,000
STREET SIGN REPLACEMENT	4,000
ADVERTISING	250
GAS, OIL & TIRES	15,500
DEPT SUPPLIES & MATERIALS	6,000
UNIFORMS	1,500
STREET PAVING PROJECTS	131,291
SIDEWALK MAINTENANCE	5,000
Total	365,161

Sanitation – Waste Industries contract is due to be revised in January of 2017; impact unknown at this time. Contracted Services reflects increase to accommodate contractual annual increase for Waste Industries solid waste contract and actual waste loads to date in current year. Slight increases in

expenses are included as pass through to Waste Industries for Blue Can Recycling to reflect actual and estimated levels of service subscription experienced to date.

SALARIES FULL TIME	32220
SALARIES OVERTIME	4500
FICA	2809
GROUP INSURANCE	11320
RETIREMENT	2662
401K EMPLOYERS MATCH	1750
TRAVEL & TRAINING	500
MAINT & REPAIRS EQUIPMENT	750
DEPT SUPPLIES & MATERIALS	12500
SANITATION UNIFORMS	700
CONTRACTED SERVICES	86249
BLUE CAN HOME RECYCLING	11916
SOLID WASTE TIPPING FEES	1000
Total	168876

Water/Sewer Fund

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

Water and Sewer Enterprise Fund Revenues.

Implementation of an increasing block rate structure for both water and sewer consumption is proposed to be implemented effective 1 July 2016. Rate increases of an additional one dollar each for household/business water, irrigation water and sewer uses above six thousand gallons monthly is included in Water and Sewer Use Charges estimates. Corresponding total revenue projections increase for Water and Sewer Charges are approximately seventy thousand dollars. This projected revenue increase is somewhat offset by a corresponding decrease of approximately twenty nine thousand dollars in the rents and concessions revenue resulting from prior year restructuring and maturation of cell companies rental agreements. The Automated Meter Read System has been successfully installed as of the current budget year. However; a partial appropriation of previously approved fund balance is included to provide revenue for anticipated

replacement of old water meters. An additional fund balance appropriation of two hundred ten thousand dollars is made to provide funding for the procurement of two more generators (in addition to the existing two) and the corresponding reconfiguration of electrical interfaces for all four of the sewer lift stations. The following table represents estimates of the projected revenues based on the existing water and sewer retail rates, fees and the most recent actual revenues received to date.

CREDIT CARD SITE FEE WATER	900
INTEREST ON INVESTMENTS	1500
RENTS & CONCESSIONS	100759
ADMINISTRATIVE FEES WATER	750
RESIDENTIAL IMPACT FEE	44484
CAPITAL CHARGES CTY-SEWER	909810
INTEREST ON CAPITAL CHRGS	15000
CAPITAL CHARGES TOWN-SEWR	661844
SHARE PAYMENTS	22000
WATER USE CHARGES	865859
SPECIAL CHARGES FOR UTIL	2750
Irrigation Meter Inspection Fees	14760
SEWER USE CHARGES	798418
AVAILABILITY FEE SEWER	1750
TAP & CONNECTION FEES	65000
TAP & CONNECT FEES-SEWER	13500
RECONNECTION FEES	750
PNLTY & INTRST - BILLINGS	12500
SHARE FUND PENALTY PAYS	45000
Fund Balance Appropriated	233800
Total for Revenue	3811134

Water and Sewer Enterprise Fund Expenditures

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

Administration	127,963
Operations	<u>3,683,171</u>
Total Water and Sewer Expenses	3,811,134

It is recommended that an annual additional appropriation of forty six thousand dollars be made for the Maintenance and Repair of the Water Tower for each of the next five years to provide for its rehabilitation. The Water Tower was constructed over thirty five years ago and is in need of a complete strip down and paint. In Equipment Purchase Water- Residual funding of one hundred ten thousand dollars for meter and meter base replacement remaining from the Automated Meter Read System upgrade will carry over into the upcoming fiscal year. Additional appropriations of forty five thousand dollars and eleven thousand dollars respectively for purchases of a Kubota mini excavator and a hydraulic shoring system are also included. Annual recurring maintenance costs and substitute replacement leasing for the town's existing excavator have exceeded ten thousand dollars a year and staff's ability to respond effectively to water/sewer service demands have been unacceptably compromised. The existing excavator will be recycled (sold) and all funds returned to the Water/Sewer Fund. The hydraulic shoring system is life safety equipment and needed to ensure OSHA compliance in addition to facilitating speedy repairs of water/sewer lines in loosely compacted sandy soils. Concerns over the viability of contingency operations and the sewer lift stations inundation during storm over wash events are being addressed by the Sewer Vulnerability Committee. The Sewer Vulnerability Committee has developed proposed recommendations (not yet vetted with the Board of Commissioners) which are preemptively incorporated in this budget message; specifically a two hundred ten thousand appropriation for generators and electrical connections along with annual appropriations in the proposed Capital Improvement Plan for significant structural modifications to elevate and modify sewer lift stations. As outlined in the General Fund Revenues section regarding Building Inspections fees it is anticipated that additional valve pits will be required for new construction in locations adjacent to sewer lines that did not have valve pits installed when the sewer system was installed. An interfund transfer is included as an expense from the Water and Sewer Fund to the General Fund in the amount of one hundred twenty thousand for support rendered by the General Fund to the Water and Sewer Enterprise Fund. Finally, other major purchases included in the Operations budget are appropriations for replacement inventory of lift station pumps, water lines, fire hydrants, and pump oil changes.

ADMIN

SALARIES	35860
SALARIES-OVERTIME	600
FICA	2789
GROUP INSURANCE	11320
RETIREMENT	2643
401K EMPLOYERS MATCH	500
COMMUNICATIONS	42500
PRINTING	1500
EPA CC REPORT-ADMIN PREP	750
TRAVEL & TRAINING	5000
M & R - EQUIPMENT	7500
DEPT SUPPLIES & MATERIALS	2000
CONTRACTED SERVICES	10000
DUES & SUBSCRIPTIONS	5000
TOTAL	127,963

OPERATIONS

SALARIES	134,113
SALARIES-OVERTIME	6500
PROFESSIONAL SERVICES	10000
Professional Services Irrigation Inspect	12800
FICA	10757
GROUP INSURANCE	28301
RETIREMENT	10194
401K EMPLOYERS MATCH	4000
COMMUNICATIONS	2000
UTILITIES	2500
UTILITIES-PUMPING STATION	58000
TRAVEL	7500
M & R WATER TANK	64308
M & R EQUIPMENT	7500
OPERATION & MAINT VAC SYS	26380
M & R VEHICLES	8000
M & R WATER SYSTEM	47500
CTY CAPITAL COSTS SEWER	1160521
GAS, OIL & TIRES	15500

DEPT SUPPLIES & MATERIALS	3500
O&M VACUUM STATIONS	135000
METERS (NEW CONSTRUCTION)	36000
UNIFORMS	1500
CONTRACTED SERVICES	20000
PURCHASES FOR RESALE	387199
COUNTY O&M CHARGE SEWER	217564
EQUIPMENT PURCHASE -WATER	166441
PS II-IV VINYL FENCE	20000
CAPITAL OUTLAY-VALVE PITS	40000
CAP OUTLAY MAJ EQUIP SEWR	259000
DEBT SERVICE SEWER	660,593
TRANSFER TO GENERAL FUND	120000

Ops TOTAL **3,683,171**

Total **3,811,134**

Beach, Parks, Access and Recreation Tourism Fund (BPART)

REVENUES

The Beach, Parks, Access and Recreation Tourism Fund is a Special Revenue Fund authorized by act of the General Assembly which allows the Town to collect six cents of an Accommodations Tax for the purposes of funding beach preservation and tourism related expenses. Based on an increase in prior and current year collections along with positive feedback regarding reservation status from several of the larger rental companies; this year's revenue estimate cautiously projects a three percent increase to a level of one million seven hundred fifty nine thousand three hundred fifty nine dollars. Also included as a major revenue in this year's budget is the unobligated Federal Emergency Management Agency grant of approximately four hundred forty eight thousand dollars for the Hurricane Irene beach nourishment and repairs project which has received approval for extension until April of 2017. This revenue will only be realized as reimbursements of town expenses when incurred as part of a beach nourishment project and is proposed to be dovetailed into the Central Reach Beach Nourishment Capital Project.

The Town's half portion – one hundred eighty three thousand three hundred seventy two dollars - of a NC Parks and Recreation Trust Fund Grant is carried forward as previously approved from Fund Balance along with residual donated and town funds collectively estimated at forty thousand thousand dollars for the completion of Bridgeview Park. Additional one hundred and thirty thousand dollars of rollover funds are also appropriated to finish the East End Protection Terminal Groin Environmental Impact Study.

Finally the appropriation of three point one nine two million dollars is made to provide the upfront capital contribution and initial debt service payment for the Central Reach Beach Nourishment Project. These capital appropriations are made in conjunction with an eight hundred thirty five thousand dollar transfer from the General Fund that will provide partial funding for the debt covenant required by the interlocal agreement with Brunswick County for construction of the Central Reach Project.

ACCOM TAX	1759359
INTEREST ON INVESTMENTS	5000
MISCELLANEOUS BPART	2000
RECREATION PROGRAMS	15000
PARTF PROJECT 797	183370
FEMA IRENE PW-559 GRANT	447960
SALES TAX REFUND	1500
TRANSFER FROM GENERAL FUND	835,344
FUND BALANCE APPROPRIATED	3,416,687
Total for Revenue	6,666,220

EXPENSES

Personnel expenses equal to two and a half full time equivalent positions are included in the BPART Fund expense budget vice the General Fund for the upcoming year specifically in recognition of direct tourism related expenses. An expense of one million five hundred thirty nine thousand dollars in the form of a escrow contribution per the terms of the pending Brunswick County Interlocal Agreement is necessary to underwrite the financing of the Central Reach Project scheduled for construction this coming winter. The initial debt service payment which will be an interest only payment due in the Spring of 2017 is expensed as well in the amount of one hundred ninety two thousand dollars. Funding for the

completion of the East End Shore Protection Project is estimated to require one hundred thirty thousand dollars. An interfund transfer of three million dollars to the proposed new Central Reach Capital Project Fund is included as the upfront pay go funding for the Town's largest beach nourishment project to date. A three hundred sixty seven thousand dollar appropriation of the previously awarded 2016 NC Parks and Recreation Trust Fund grant to construct the remaining Bridgeview Park elements is being carried forward in accordance with the Town's contractual obligation with the State of NC. A reduction of forty five hundred dollars for the Chamber of Commerce is recommended in keeping with contribution levels of nearby contributing communities.

Professional services funds are included to provide for monitoring, management and maintenance activities necessary to retain the Town's "Engineered Beach" status as determined by FEMA; specifically for the purpose of remaining eligible for beach damage repair funds resulting from a federally declared disaster. Of special note is the absence of local funding contributions for Lockwood Folly maintenance dredging partnerships and small beach nourishment projects historically coordinated with state and federal projects to place sand on the east end of Holden Beach near the Lockwood Folly Inlet.

BRUNSCO INTERLOCAL RESERVE	1,539,304
DEBT SERVICE CENTRAL REACH	192052
TRANSFER TO CAPITAL PROJECT	3000000
TRANSFER COUNTY ACCOM TAX	288828
SALARIES - RECREATION	41350
OVERTIME - RECREATION	2500
FICA - RECREATION	3355
Group Insurance	11320
RETIREMENT REC	3179
401K EMPLOYERS CONTRIBUTION	1010
PROFESSIONAL SERVICES	25000
EAST END SHORE PROTECTION	130000
ATM - CONTRACT FEES	25000
PROFESSIONAL SRV-MAINLAND	3500
PROFESSIONAL SERVICES- BEACH	15000
Recreation Programs	14500
Beautification Club	500
Jordan Blvd Ops, Mx and Repair	10000
Starfish Fire Substation Ops, Mx, Rpr	3000
Park and Rec Utilities	8000

Dog Park	500
COMMUNICATIONS	6500
Gas Oil and Tires	4000
TRAVEL & TRAINING	16000
PUBLIC REST ROOMS	17500
BEACH EQUIPMENT MAINTENAN	6500
SHORELINE MONITORING	25000
DEBRIS REMOVAL	2500
FESTIVAL & SECURITY	7000
CONCERTS	26000
HOLDEN BEACH PROMOTION	40000
CHAMBER OF COMMERCE	3000
Contributions BPART (Donations)	4500
ACCESS & RECREATION	58300
WASTE IND 2ND PICK-UP	75000
SAND FENCE PROJECT	15000
POCKET PARK 628OBW	1650
HALSTEAD PARK	1650
PLAYGROUND	5662
Rothschild Davis Park	32401
PARTF PROJECT 797	366,744
FEMA IRENE PW-559 POST-STORM SURVEY	4450
FEMA IRENE PW-559 SAND PLACEMENT	228510
FEMA IRENE PW-559 ENGINEERING DESIGN	15000
FEMA IRENE PW-559 PERMITTING	20000
FEMA IRENE PW-559 BIDDING	25000
FEMA IRENE PW-559 MONITORING	120000
FEMA IRENE PW-559 CONSTRUCTION MANAGEMENT	30000
FEMA IRENE PW-559 ADMINISTRATION	5000
SALARIES BEACH PROJECT	25480
OVERTIME - BEACH PROJECT	3500
FICA BEACH PROJECT	2217
RETIREMENT BEACH PROJECT	2101
401K EMPLOYERS BEACH PRJT	2000
Group Insurance Beach Project	8490
Salaries Sanitation	45480
Overtime Sanitation	3500
FICA Sanitation	3747
Group Insurance	8490
Retirement	1847
401k Employer's Match	1250
Salaries Police	46543
Overtime Police	8500

FICA Police	4211
Insurance Police	11320
Retirement Police	4170
POLICE 401K EMPLOYERS CONTRIBUTION	2607
Total	6,666,220

Canal Dredging Special Revenue Funds

The Town manages three autonomous and distinct canal dredging districts in accordance with the North Carolina General Assembly’s enabling legislation. An ad hoc working group with representatives from each of the canal dredging districts and facilitated by the Town serves to scope planning and programming of canal district dredging requirements. Administration of these districts is accomplished via separate special revenue funds in accordance with the General Accounting Standards Board guidance as supplemented by North Carolina Local Government Commission memorandum 2010-23 (revised). Proposed Canal Dredging Special Revenue Funds are:

Harbor Acres Canal Dredging Special Revenue Fund

The FY 13/14 maintenance dredging of the canal systems provided for a full dredge of the entirety of the Harbor Acres Canal System. The most recent biennial canal condition survey indicates Harbor Acres canals are within acceptable depth and dredge template tolerances. Therefore, the Harbor Acres Subdivision Property Owners’ Association has requested an assessment of \$320 per lot (as established in the Fiscal Year 2008/2009 assessment district) for Fiscal Year 16/17 be made in order to escrow adequate funds for future year canal dredging maintenance expenses which include spoil site improvements, tipping fees and ongoing management actions in addition to actual dredging operations.

REVENUE

BALANCE FORWARD	769,622
SRF HA INTEREST	500
SRF HA ASSESSMENTS	91,991

SRF HA PRIOR ASSESSMENTS	500
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Total	862,613
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EXPENSE

SRF Administration - HA	8626
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SRF Legal Fees - HA	8626
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SRF Construction - HA	646960
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SRF Surveying - HA	43131
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SRF Permitting CAMA - HA	21565
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SRF Permitting ACE & Other Agencies - HA	21565
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SRF Designs - HA	25878
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SRF Contract Docs, Plans, Specs - HA	43131
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SRF Construction Management, Insp, Closeout - HA	21565
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SRF Transfer to General Fund- HA	21565
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Total	862613
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Holden Beach Harbor Canal Dredging Special Revenue Fund

The FY 13/14 maintenance dredging of the canal systems provided for widening of Canal H (Charlotte/Durham) and the entrance canal from the Intracoastal Waterway into the Holden Beach Harbor feeder canal. While the most recent canal survey indicates these two areas are holding up well it is anticipated that the rest of the Holden Beach Harbor canal system will require a major dredge in three years. Holden Beach Harbor Canal Subdivision representatives have requested an annual assessment of \$375 per lot (as established in the Fiscal Year 2008/2009 assessment district) to fund dredging expenses.

REVENUE

BALANCE FORWARD	448,704
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SRF HBH INTEREST	250
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SRF HBH ASSESSMENTS	129436
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SRF HBH PRIOR ASSESSMENTS	700
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Total	579,090
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EXPENSE

SRF Administration - HBH	5,791
SRF Legal Fees - HBH	5,791
SRF Construction - HBH	434,318
SRF Surveying - HBH	28,955
SRF Permitting CAMA - HBH	14,477
SRF Permitting ACE & Other Agencies	14,477
SRF Designs - HBH	17,373
SRF Construct Docs, Plans, Specs - HBH	28,955
SRF Construction Management, Insp, Closeout - HBH	14,477
SRF Transfer to General Fund- HBH	14,477
Total	579,090

Heritage Harbor Canal Dredging Special Revenue Fund

In years past the Heritage Harbor Property Owners' Association had expressed a desire to fund the bulk of their canal dredging activities via a lump sum mechanism instead of annual contributions. Accordingly, it has requested a assessment of \$250 per lot (as established in the Fiscal Year 2008/2009 assessment district resolution). This level of assessment will provide an estimated revenue of \$84,580 that when combined with previously escrowed funds should provide sufficient funds for ongoing non dredging construction maintenance activities and a partial dredge in three years.

REVENUE

BALANCE FORWARD	164,757
SRF HH INTEREST	400
SRF HH ASSESSMENTS	84580
SRFH H PRIOR YEAR ASSESSMENTS	5000
Total	254,737

EXPENSE

SRF Administration - HH	2547
SRF Legal Fees - HH	2547
SRF Construction - HH	191053
SRF Surveying - HH	12737
SRF Permitting ACE & Other Agencies HH	6368
SRF Permitting CAMA - HH	6368
SRF Designs - HH	7642
SRF Contract Docs, Plans, Specs - HH	12737
SRF Construction Management, Insp, Closeout - HH	6368
SRF Transfer to General Fund- HH	6368
Total	254,737

Central Reach Capital Project

This winter's proposed Central Reach Beach Nourishment is the largest sand placement project in the history of Holden Beach. It is scoped to place up to one million three hundred thousand cubic yards of sand along four miles of ocean front from 240 Ocean Boulevard East to 781 Ocean Boulevard West and advance the shoreline sixty to eighty feet seaward by doing so. Costs of the project are estimated to total fifteen million dollars with four hundred forty eight thousand dollars of the cost being paid for by a previously approved FEMA storm damage project. The remaining largest portion of the costs accounted for in the Central Reach Project Ordinance is proposed to be funded by three million dollars of BPART funds and an eleven million five hundred fifty two thousand dollar privately placed issue of special obligation bonds. The Town currently does not have the necessary revenues statutorily authorized (those not levied by Town) for the requisite credit pledge but will use an interlocal agreement with the Brunswick County as the means to bridge the gap of pledged revenues. This Interlocal Agreement would not be used to pay debt service; however the equivalent of the anticipated highest debt service payment will be required up front collateral to be held by Brunswick County and subsequently drawn down/refunded to the Town as debt service payments decrease in the out year amortization schedule. The debt service payments are proposed to be made from the BPART fund.

REVENUE

SPECIAL OBLIGATION BOND PROCEEDS	11,552,040
TRANSFER FROM BPART	3,000,000
Total	14,552,040

EXPENSE

Administration	72,760
Legal Fees	218,281
Construction	13,874,643
Vegetation and Sand Fence	225,557
Surveying	21,828
Permitting CAMA	18,190
Permitting ACE & Other Agencies	22,556
Designs	29,104
Contract Docs, Plans, Specs	32,742
Construction Management, Insp, Closeout	36,380
Total	14,552,040

Donations

Based on past precedent and receipt of donation requests the following agencies are proposed to be funded accordingly:

<u>Organization</u>	<u>\$</u>	<u>Source</u>
Brunswick County Literacy Council	750	General Fund
Brunswick Community College Foundation	1000	General Fund
Brunswick Novant Medical Center Foundation	2500	General Fund
Coastline Rescue Squad	9000	General/BPART
Communities in Schools	1000	General Fund
Hospice	2500	General Fund
Chamber of Commerce	3000	BPART
Brunswick Family Assistance	2500	General Fund
Total	22250	

Budget Summary by Fund:

General	3,512,002
Water & Sewer	3,811,134
BPART	6,666,220
Holden Beach Harbor Canal Dredging Special Revenue Fund	579,090
Heritage Harbor Canal Dredging Special Revenue Fund	254,737
Harbor Acres Canal Dredging Special Revenue Fund	862,613
Central Reach Capital Project Fund	14,552,040
Total All Funds	30,237,837

Capital Improvement Plan (CIP)

This year's budget message contains a proposed Capital Improvement Plan at attachment A. The proposed plan is an attempt to summarily memorialize and program longer term large scale projects, activities and equipment procurement that require a multiyear perspective. It spans a ten year planning horizon with the first year's revenues and expenses included in the proposed budget beginning 1 July 2016. The total CIP represents close to twenty four million dollars of community investment and quantifies both estimated funding sources and expense elements by fund. Based on staff, governing body and community input this year's proposed CIP attempts to specifically outline chronological strategies for streets maintenance, water and sewer equipment acquisition, sewer lift stations improvements, water tower rehabilitation, Park construction, permitting and construction of the East End Shore Protection Project in addition to major beach nourishment of the Central Reach and canal maintenance dredging.

Balanced Budget

As required by the Local Government Fiscal Control Act the proposed budget and capital improvement plan presented herein is balanced with revenues equaling

expenses and has been prepared with particular attention to the collective guidance provided by the Board of Commissioners. Please feel free to contact me as needed to discuss any questions you may have. As a reminder the budget ordinance must be adopted not later than 1 July.

Sincerely,

A handwritten signature in black ink, appearing to read "David W. Hewett", with a long horizontal flourish extending to the right.

David W. Hewett
Manager
Town of Holden Beach, NC

Atch A
Capital Improvement Plan