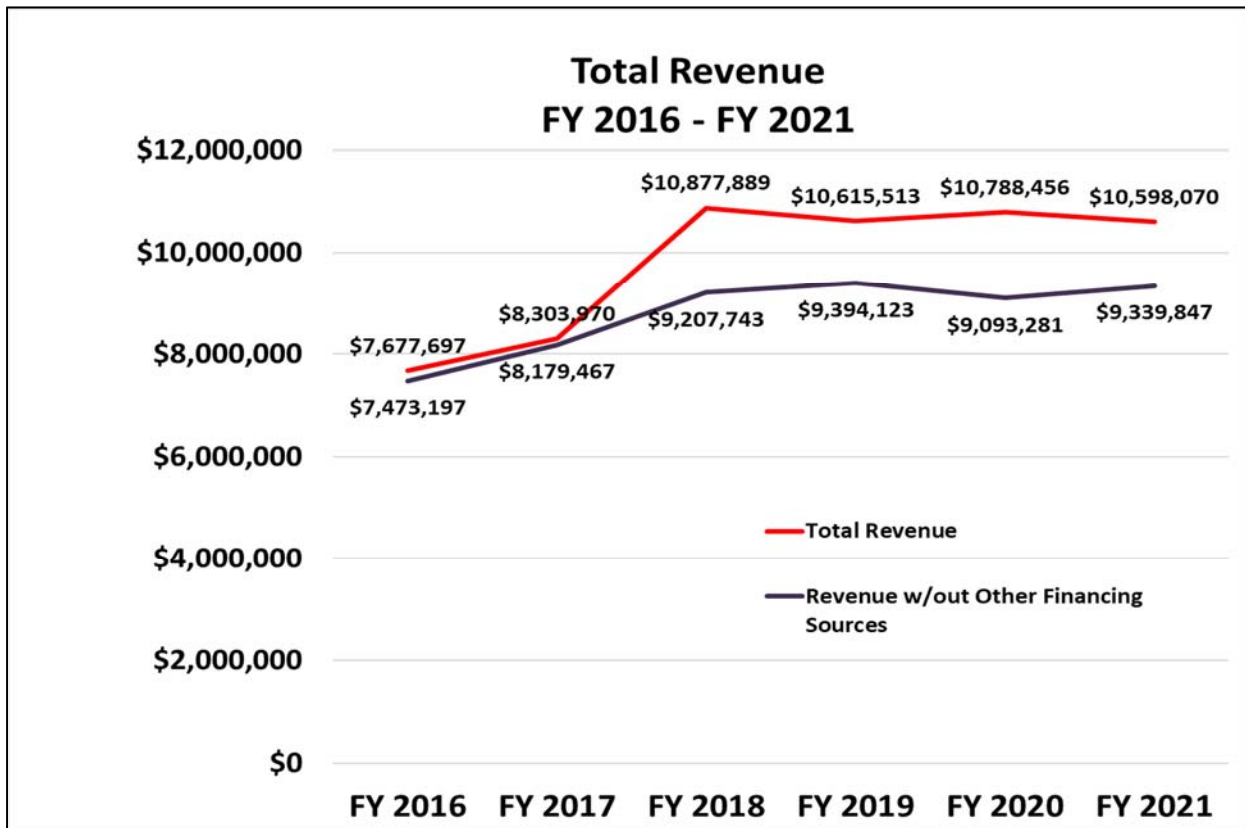


REVENUES

The proposed FY 2021 Budget represents an overall 4.88% decrease in revenues from the FY 2020 Amended Budget. This decrease is due to multiple factors, including lower permit fees, lower investment earnings (as shown in *Miscellaneous: Other*), and lower interfund transfers, as well as no expected debt proceeds and appropriated fund balance. These decreases are not offset by increases in general ad valorem revenues and grant funds.

Three factors unique to this budget year have influenced the proposed FY 2021 Budget. First, this budget represents the effective date for the Dare County real property revaluation. Real property values increased by 16% (before appeals) for the Town of Duck; however, the property tax rate adopted as a part of the budget is the Revenue Neutral Rate of \$0.1964, not the current rate of \$0.225. Second, this year, the current rate for the two Municipal Service Districts related to the Town's Beach Nourishment Project are set to be examined. The proposed FY 2021 Budget proposed decreasing the current rates for the MSDs as follows, MSD-A from \$0.148 to \$0.068 and MSD-B from \$0.315 to \$0.272. However, the Town Council adopted the MSD Revenue Neutral Rates of \$0.1296 for MSD-A and \$0.285 for MSD-B. The Town Council made this decision due to the uncertainty of costs related to the Town of Duck Beach Renourishment Project scheduled for 2022. The Town is actively seeking grants to assist in the funding of the project; however, there is no guarantee that these revenues will be received. If grant funds are received for the project, the Town Council will adjust the MSD rates down to account for receipt of the funds and revenue



previously received and revenue from the Dare County Shoreline Protection Fund. Lastly, the COVID-19 Pandemic has had major impacts on the United States, North Carolina, Dare County, and the Town of Duck. It is unclear how these impacts will affect revenues, primarily shared revenues, for the Town.

The paragraphs below elaborate on the revenues for the FY 2021 Budget.

Ad Valorem Taxes

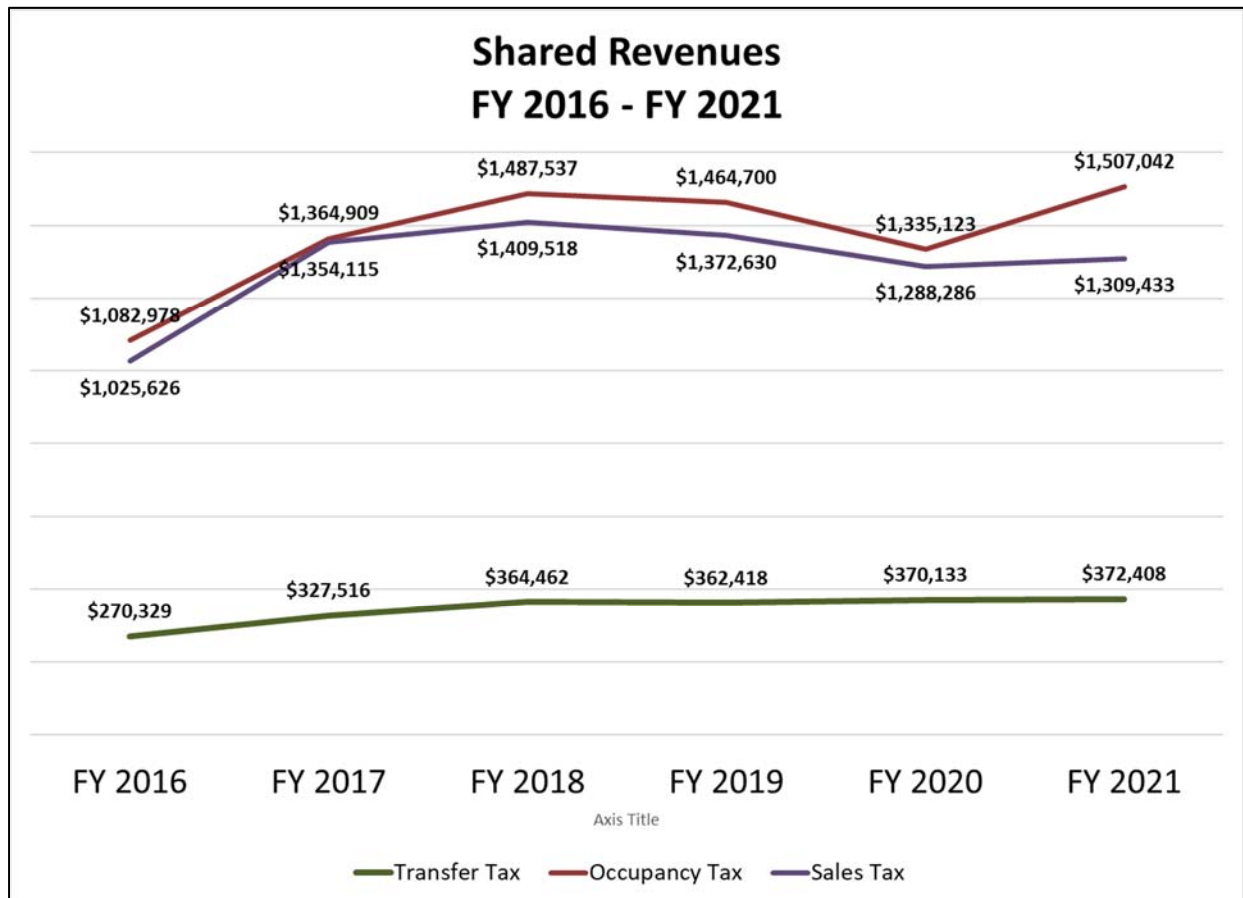
Ad valorem revenues are derived from taxes placed on the property in the Town; this includes real property, personal and business property and motor vehicles. All ad valorem taxes are established by the ad valorem tax rate applied to each \$100 of the assessed value of applicable taxable property. Over the last year, Dare County completed a reevaluation of all real property in the County, including the Town of Duck. This reevaluation showed an increase of real property values of 16% from \$1,568,779,000 to \$1,821,595,800; however, when appeals are processed, the total value of property is expected to drop by 0.5% to \$1,812,487,821. By law, the Town is required to advertise, though not adopt, a “Revenue Neutral Rate” that is defined as the rate required to generate the same amount of revenue, including a growth factor, as the previous property tax rate and real property value. The calculation for this rate includes all taxable property, not just real property. The FY 2020 property tax for the Town is \$0.225 and the Revenue Neutral Rate associated with revaluation is \$0.1964. General ad valorem taxes in the proposed FY 2021 Budget are based on the Revenue Neutral Rate of \$0.1964. While the tax implications vary based on the actual valuation of an individual property, using the average revaluation parcel values of \$662,639 (before appeals) and \$659,326 (factoring in a 0.5% loss in value from appeals), on average – with the adoption of the Revenue Neutral Rate, real property taxes will increase between \$10.90 and \$17.41.

As was noted above, effective July 1, 2016, the Town implemented two MSDs to generate revenue to assist in funding debt service payments on the Town’s Beach Nourishment Project. The original rates associated with these MSDs are no longer necessary to fund the debt for the project; however, maintenance of the project through renourishment is expected to occur in calendar year 2022 and the proposed FY 2021 Budget continues with tax collections in both MSD-A and MSD-B, at the MSD equivalent Revenue Neutral Rates. Specifically, estimated debt service principle costs for the renourishment project are to be divided as follows: the Town will fund 20% of the estimated debt service costs, MSD-A (all properties in the project area) will fund 52% of the debt service costs and MSD-B (only oceanfront properties in the project area) will fund 28% of the debt service costs. Under this scenario, the tax rate for MSD-A would drop from \$0.148 to the Revenue Neutral Rate of \$0.1296 and MSD-B would drop from \$0.315 to the Revenue Neutral Rate of \$0.285. The result of these rate changes would be an average tax increase of \$18 for property owners in MSD-A and \$59 for property owners in MSD-B. Since oceanfront property owners pay both MSD-A and MSD-B taxes, the combined average tax increase for these owners would be \$77. The Town has applied for two grants to supplement funding from the Dare County Shoreline

Protect Fund, which, if funded would allow the MSD rates to be lowered in future years. Maps showing MSD-A and MSB-B are in the appendix of this document.

Shared Revenues

More than any of the Town’s revenue sources, shared revenues (sales, occupancy, and land transfer taxes) are the most vulnerable to impacts from the COVID-19 Pandemic. The proposed FY 2021 Budget has an optimistic take on the ability of these revenue sources to rebound from the losses currently being experienced at the end of FY 2020. Nonetheless, shared revenues for FY 2021 are expected to be 1.66% lower than what was budgeted for in FY 2020. Gross collections of sales tax, land transfer tax and occupancy tax shared revenues are expected to match, but not exceed FY 2020 estimates pre COVID-19; however, there is a lower percentage of return from these revenue sources to the Town due to tax rate increases in other Towns, which impacts the distribution formula. In FY 2020 the Town of Duck received 14.4% of the occupancy and land transfer taxes returned to the Dare County towns and 4.45% of sales tax revenues. For FY 2021 these percentages are expected to decrease to 14.08% of occupancy and land transfer tax revenues and 4.36% of sales tax revenues.



Other Revenue Sources

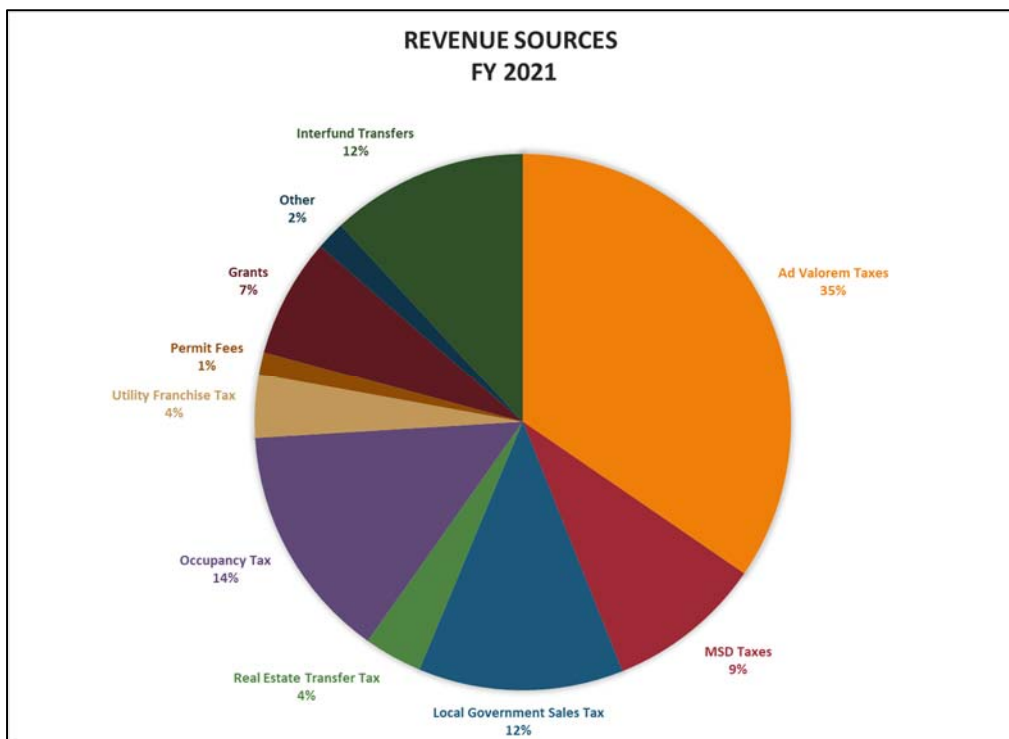
Of the remaining revenue sources of the Town, Unrestricted Intergovernmental is expected to increase by 3.9% and Restricted Intergovernmental (grants) is expected to increase by 22%, while Permits and Fees are expected to decrease by 6.5%. Lastly, Miscellaneous revenue is expected to decrease by 8.6%.

Interfund Transfers, Debt Proceeds, Appropriated Fund Balance

For FY 2021, the Town of Duck is not expected to enter into any installment purchase contracts. An interfund transfer will be made from the Capital Reserve – Beach Fund to pay for debt associated with the Town’s Beach Nourishment Project and beach profile surveys in the project area (\$1,258,233).

Revenue Sources

As is shown in the chart above, most of the Town of Duck’s revenues are derived from ad valorem taxes and MSD taxes (44%). Shared revenues make up 30% of the Town’s revenues with proceeds from the occupancy tax comprising 14% of revenues, sales tax 12% and land transfer tax 4%. Interfund transfers account for 12% of revenues. Grants account for 7% of revenues and the Utility Franchise Tax comprises 4% of revenues. Miscellaneous (other) revenues account for 2% of revenues and permit fees 1%.



Town of Duck, North Carolina
Annual Budget Estimate - Revenues FY2020-2021

Fiscal Year 2020-2021

Fund: General

Department: Revenue

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Account	Number	Last year	Current Year		Coming Year		
		Actual	Budget	Actual To Date*	Estimated Entire Year	Budget Officer's Estimate	Approved By Council
Ad Valorem Taxes:							
Taxes:	3100-120	\$3,645,414	\$3,591,618	\$3,559,396	\$3,639,148	\$3,721,204	\$3,662,390
	3100-MSDA	\$645,287	\$633,529	\$634,104	\$646,393	\$335,910	\$643,581
	3100-MSDB	\$351,149	\$348,449	\$341,915	\$355,953	\$335,910	\$351,462
	Sub-Total:	\$4,641,850	\$4,573,596	\$4,535,416	\$4,641,494	\$4,393,024	\$4,657,433
Other Taxes and Licenses:							
Local Government Sales Tax	3230-12	\$1,372,630	\$1,408,287	\$1,027,764	\$1,288,286	\$1,303,969	\$1,309,433
Real Estate Transfer Tax	3240-12	\$362,418	\$375,271	\$203,072	\$370,133	\$372,408	\$372,408
Occupancy Tax	3270-12	\$1,464,700	\$1,459,286	\$1,009,480	\$1,335,123	\$1,417,506	\$1,507,042
	Sub-Total:	\$3,199,747	\$3,242,844	\$2,240,316	\$2,993,542	\$3,093,883	\$3,188,883
Unrestricted Intergovernmental:							
Beer and Wine	3322-31	\$1,720	\$1,500	\$0	\$1,500	\$1,500	\$1,500
Utility Franchise Tax	3324-31	\$403,549	\$385,000	\$229,420	\$413,798	\$400,000	\$405,000
	Sub-Total:	\$405,269	\$386,500	\$229,420	\$415,298	\$401,500	\$406,500
Restricted Intergovernmental:							
Visitors' Bureau Grant	3315-32	\$320,351	\$316,289	\$0	\$316,289	\$147,806	\$147,806
DENR Public Access Grant	3315-33	\$0	\$0	\$0	\$0	\$0	\$0
State Grants	3315-36	\$22,192	\$22,400	\$30,675	\$50,675	\$0	\$0
Shoreline Grant	3315-38	\$272,221	\$250,218	\$0	\$250,218	\$228,214	\$228,214
Government Access Channel Grant	3315-40	\$10,000	\$10,000	\$0	\$10,000	\$0	\$0
NFWF Grant	3315-41	\$0	\$0	\$0	\$0	\$384,011	\$384,011
Federal Grants	3317	\$0	\$1,000	\$1,002	\$1,002	\$1,000	\$1,000
FEMA Grants	3318	\$45,061	\$21,848	\$0	\$42,005	\$0	\$0
	Sub-Total:	\$669,825	\$621,755	\$31,677	\$670,189	\$761,031	\$761,031
Permits and Fees:							
Building Permits	3343-110	\$144,373	\$100,000	\$66,613	\$96,779	\$95,000	\$95,000
Inspection Fees	3345-110	\$54,718	\$38,000	\$27,416	\$40,305	\$38,000	\$38,000
Other Permits	3346-110	\$17,749	\$15,000	\$6,815	\$9,640	\$10,000	\$10,000
	Sub-Total:	\$216,839	\$153,000	\$100,844	\$146,724	\$143,000	\$143,000

Town of Duck, North Carolina
Annual Budget Estimate - Revenues FY2020-2021

(continued)

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Account	Number	Last year	Current Year			Coming Year	
		Actual	Budget	Actual To Date*	Estimated Entire Year	Budget Officer's Estimate	Approved By Council
Miscellaneous:							
Mixed Beverage Tax	3837-120	\$39,623	\$36,000	\$14,242	\$36,000	\$36,000	\$36,000
ABC Distribution	3838-120	\$19,324	\$15,000	\$6,510	\$15,000	\$15,000	\$15,000
Other	3839-110	\$201,644	\$149,301	\$131,887	\$175,034	\$132,000	\$132,000
	Sub-Total:	\$260,591	\$200,301	\$152,639	\$226,034	\$183,000	\$183,000
Non-Revenue Receipts:							
Interfund Transfers	3910-110	\$1,221,390	\$1,484,661	\$0	\$1,221,390	\$1,258,223	\$1,258,223
Debt Proceeds	3910-111	\$0	\$216,824	\$0	\$211,362	\$0	\$0
Fund Balance	3991-110	\$0	\$262,423	\$0	\$262,423	\$0	\$0
	Sub-Total:	\$1,221,390	\$1,963,908	\$0	\$1,695,175	\$1,258,223	\$1,258,223
TOTALS REVENUE SUMMARY		\$10,615,511	\$11,141,904	\$7,290,312	\$10,788,456	\$10,233,661	\$10,598,070

* As of March 12, 2020