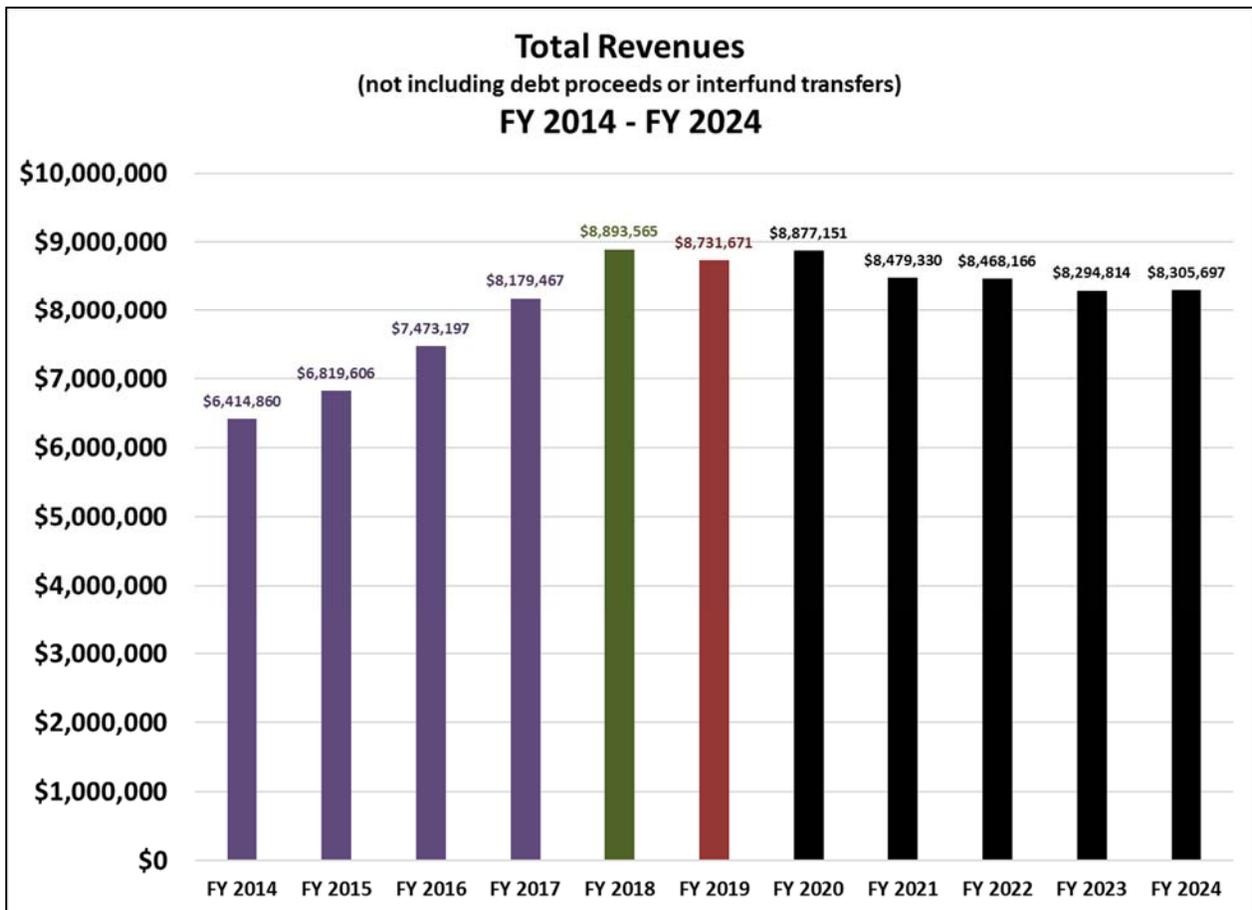


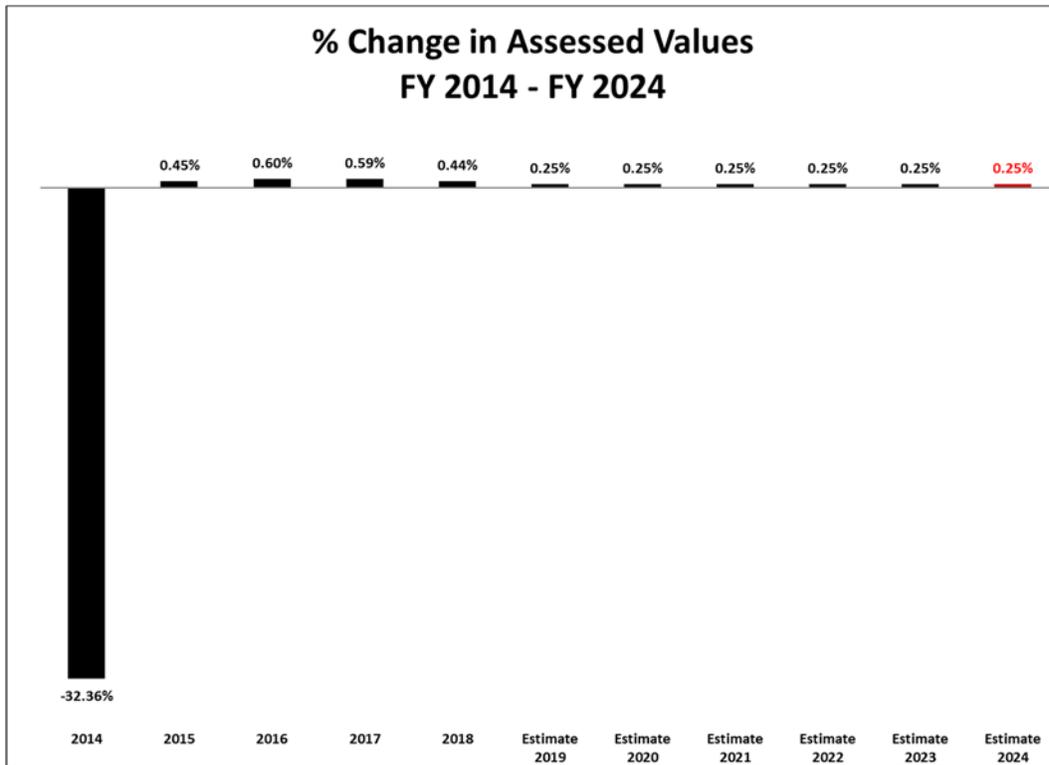
## REVENUES

While the FY 2019 Budget represents an overall 6.4% *decrease* in revenues from the FY 2018 Amended Budget, it contains a 1.5 cent ad valorem tax increase that will generate an estimated \$234,510 in new revenue needed to fund two additional police officers and three additional firefighter/EMTs. The FY 2019 Budget is lower than the FY 2018 Amended Budget, despite this tax increase, due to lower shared revenues, grant revenues and interfund transfers and the lack of debt proceeds and fund balance transfers in FY 2019. The continued implementation of two Municipal Service Districts (MSDs) to assist in funding the Town’s Beach Nourishment Project, remain unchanged from last fiscal year. These two MSDs will generate \$981,978, with MSD-A generating \$633,529 and MSD-B generating \$348,449. This revenue will be transferred to a Capital Reserve - Beach Fund to cover debt service and the project costs in the beach nourishment area. Other revenue sources not listed above are expected to remain virtually unchanged, with a few minor changes. The paragraphs below elaborate on the revenues for the FY 2019 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

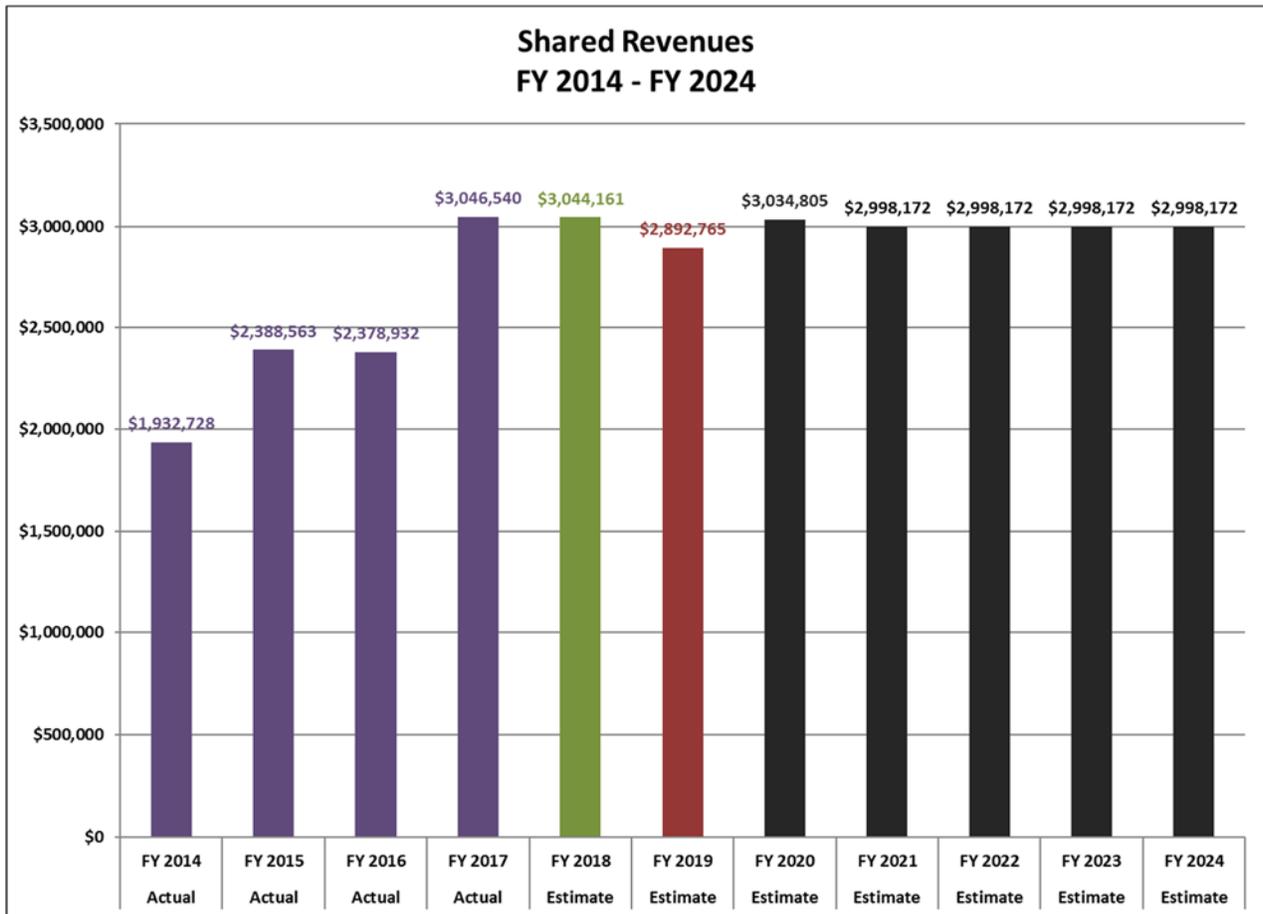


valorem taxes are established by the ad valorem tax rate applied to each \$100 of the assessed value of applicable taxable property. For FY 2019, a 1.5 cent tax increase was

approved that raises the ad valorem tax rate from 21 cents to 22.5 cents. The average tax levy increase based on the average house cost of \$569,960 would be \$85.49. This increase will generate \$234,510 in new revenue that will be used to fund two new police officer and three new firefighter/EMT positions. The tax rate will also offset increases in tax levies enacted by Dare County and other towns that decrease the Town's return from shared revenues. It is also anticipated that the assessed values in the Town will increase by a modest 0.25%, resulting in an additional 1% increase in general ad valorem revenues before the tax rate increase. 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. MSD-A applies to all properties in the project area and is expected to generate \$633,529 through an additional ad valorem tax rate of \$0.148. MSD-B applies only to oceanfront properties in the project area and is expected to generate \$348,449 through an additional ad valorem tax rate of \$0.315. The MSDs will remain in place until FY 2020 after which they will be re-evaluated. Maps showing MSD-A and MSB-B are in the appendix of this document. Below is a chart which illustrates the anticipated percent increase in assessed values.

## Shared Revenues

Shared revenues (sales, occupancy, and land transfer taxes) are expected to decrease by 5% for FY 2019 when compared to the FY 2018 End-of-Year projections. This decrease in shared revenues is the result of a lower percentage of return from these revenue sources due to tax rate increases in FY 2018 by Dare County and the Town of Nags Head. In FY 2018 the Town of Duck received 14.75% of the occupancy and land transfer taxes returned to the Dare County towns and 4.62% of sales tax revenues. For FY 2019 these percentages are expected to decrease to 14.07% of occupancy and land transfer tax revenues and 4.31% of sales tax revenues. All three shared revenue sources are expected to be strong for FY 2019, with no increase (but no decrease) in gross occupancy tax revenues, an estimated increase in gross land transfer tax revenues of 3%, and a 0.5% increase in estimated gross sales tax revenues expected.



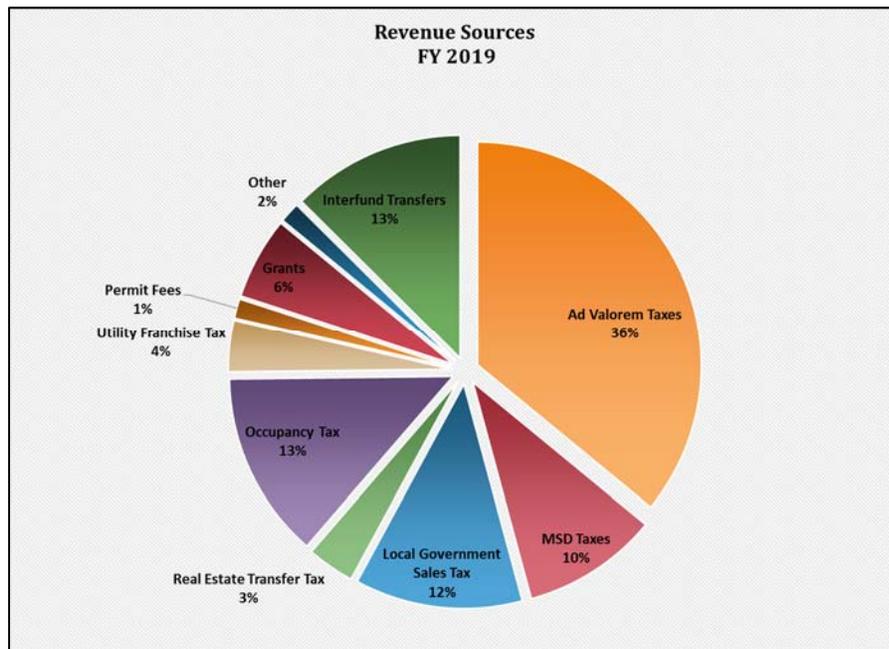
## Other Revenue Sources

Of the remaining revenue sources of the Town, all are expected to be the same or slightly above or below, in FY 2019 as was budgeted for in FY 2018, except for Restricted Intergovernmental (grants) and Miscellaneous revenues which are expected to be lower than FY 2018. Building related permits and fees are expected to remain strong in FY 2019.

## Interfund Transfers, Debt Proceeds, Appropriated Fund Balance

For FY 2019, the Town of Duck is expected to enter into an installment purchase contract for the purchase of a Diesel Exhaust Removal System for the Fire Department, which will be appropriated at the time the equipment lease is entered in to. In addition, 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 (\$1,252,047).

## Revenue Sources



As is shown in the accompanying chart, most of the Town of Duck’s revenues are derived from ad valorem taxes and MSD taxes (46%). Shared revenues make up 28% of the Town’s revenues with proceeds from the occupancy tax comprising 13% of revenues, sales tax 12% and land transfer tax 3%. Interfund

transfers account for 13% of revenues. Grants account for 6% of revenues and the Utility Franchise Tax comprises 4% of revenues. Miscellaneous (other) revenues account for 2% of revenues and permit fees 1%.