**Town of Haw River**

**Town Council Special Called Meeting**

**Monday, May 23, 2016**

The Town Council of the Town of Haw River held a Special Meeting of the Town Council on Monday, May 23, 2016 in the Haw River Municipal Building at 6:00 pm.

Council Members Present: Mayor Buddy Boggs, Lee Lovette, Jeff Fogleman, Kelly Allen, and Steve Lineberry

Council Members Absent: n/a

Also Present: Manager Jeff Earp, Clerk Eveker

Mayor Boggs called the meeting to order and gave the invocation at 6:00 pm.

Manager Earp presented the Council with the following 2015-2016 Budget Message and proposed budget.

On behalf of the Town of Haw River staff, I am pleased to present to you the fiscal plan for FY 2016-2017. The budget is in balance and has been prepared in accordance with the guidelines set forth in the Local Government Budget and Fiscal Control Act (N.C.G.S. Chapter 159, Article III).

The 2016-17 operating budget totals **$4,063,401** and the capital project budget totals **$1,025,325**, for a total proposed 2016-17 budget of **$5,088,726**. This proposed budget continues the Town’s commitment to meet the public’s needs for quality, cost efficient government services. A public hearing of the FY 2016-17 Budget has been scheduled at the Council’s regular meeting on June 6, 2016 at 7:00 p.m. A copy of this budget document will be placed on file with the Town Clerk and will be available for public inspection during normal business hours from now until the June 6, 2015 public hearing.

The 2016-2017 fiscal year budget provides funding to meet the council objectives in regard to the future sustainability of the town and addresses several identified needs of the town. The staff and I look forward to working with each of you to implement this budget and to continue our service to the fine citizens of the Town of Haw River.

The following are the priorities that this Manager’s proposed budget is built upon:

* Town having the ability to increase our present service level.
* Town having the ability to enhance and foster economic development opportunities.
* Town having the ability to control major medical insurance cost while providing our employees best valued coverage available for active and retired employees.
* Addressing retention and recruitment issues of town workforce.
* Address several capital needs that will maintain our assets and create efficiencies within our operations.

The Town’s General Fund Budget is based on slightly increased sales tax revenues. The general fund budget also relies on fund balance to create a balanced budget. We have been very fortunate over the last several years to be able to have revenue increases above projections that have allowed us to use very little of the fund balance budgeted. Please be reminded that fund balance used to balance our budget is used to offset one time expenses such as capital or grant matches. The Town is also experiencing stable ad valorem tax collections by the county and DMV, which has increased the overall collection rate and resulted in increased revenues of real property and vehicle taxes annually. A continued challenge this year was major medical insurance coverage for employees and retirees. The Town had received a quote for renewal that would have increased premiums by 14%. The staff is recommending that the Town move to a higher out of pocket/deductible plan and self-fund part of that for our employees with the use of a Medical Expense Reimbursement Plan (MERP) which will result in approximately $30,000 of savings. The Town also had a 20% premium increase in Worker’s Compensation insurance cost, which equated to an increase of approximately $6,000 annually. There are also several capital issues that were addressed in the General fund budget to include improvements to the Town Hall Building (leaking windows), 50% funding to replace the Childrey House Museum roof, funds to rehab the large shelter at the Municipal Park, and use of debt service to purchase a clamp truck for public works. The general fund budget also allows for the Town to continue toward its goal of re-development of the Old Mill facilities and downtown area.

In regards to the Powell Bill Fund, we are projecting no increase in revenues, and expenditures will reflect the Town’s approved paving project and sidewalk construction expenses. These expenses totaling $185,000 will be taken from Powell Bill Fund balance which will bring the total fund balance down within the States limit.

The Water and Sewer Budget reflects a 3% increase in rates which is a result of Burlington increasing their rate to us. The Water and Sewer revenues have also been greatly impacted because of inflow and infiltration into our system due to the rain and snow received over the last year. We have budgeted for a 25% inflow and infiltration rate in the 16-17 budget. We are hopeful that the CWSRF slip lining project will help to decrease the inflow and infiltration of storm water into our system allowing us to keep costs in check.

The Stormwater fund remains the same and we are preparing to begin the post construction work to comply with the Jordan Lake rules in 2017.

This budget recommends that the tax rate remain steady at $.48/$100 valuation. The budget also reflects a 5% salary increase for the Town staff in order to address our retention and recruitment issues.

The department heads did an excellent job in preparing their budget recommendations and prioritizing items and issues that were important to their departments. As you will note some of their recommendations were funded and others were not able to be funded at this time.

This budget was prepared based on citizen requests and objectives for the town, council’s objectives, and department head objectives have been taken into consideration as well. I am indebted to the employees and council members who sent me their suggestions on budget efficiencies. As your Manager, I am committed to sustaining the important financial reforms that have restored the stability and credibility of our town. Whatever circumstances we face, be assured that I will lead this Town in a fiscally responsible way and keep my pact with the citizens and Council to put their interests before all others.

I present this document, the Town’s Proposed Budget for Fiscal Year 2016-2017, in the strong belief that it provides the surest path to overcoming the Town’s financial challenges, and that it respects both the interests of the taxpayers and our responsibility to future generations.

This proposed budget by no means meets all of the “wants and needs” of the parties involved, but I feel the immediate needs of the Town are efficiently met.

**Budget Overview**

The total projected operating budget is $4,063,401, which is approximately a 3% increase over our current amended operating budget ($3,940,694), and consists of: General Fund - $2,246,551 (7% less than the current $2,418,995); Water and Sewer - $1,546,450 (7.7% more than the current $1,435,750); Powell Bill fund $247,900, (290% higher than the current $63,500). Storm Water fund $22,500 (the same as the current $22,500).

This budget includes the following debt service expenditures:

Fire Department Truck payment $ 47,574

Police Cars $ 18,935

Pump Station Replacement Bonds $ 33,500

CWSRF LOAN (sliplining project) $ 25,000

I am proud of the job that has been done within the Town’s Departments to maintain costs and prioritize expenditures in the 2016-2017 Budget.

**Key Points**

The key points to keep in mind as you review the proposed budget are:

1. 2016-2017 Tax Levy: In this year’s proposed budget, the property tax base decreased slightly. I am recommending that the tax rate remain the same at 48 cents per $100 evaluation. Total property tax revenue is estimated at approximately $707,408.
2. The General Fund Revenue Sources: The General Fund receives revenue from a number of sources, some are restricted, some are non-restricted, some are local tax dollars, and some are not.
3. Local Revenues in the General Fund Budget: The Budget Message provides an overview of the budget. A full review of the comprehensive budget will provide answers as to where the discretionary portions of the General Fund budget are allotted.
4. What a Penny is Worth: Each penny on the tax rate will generate approximately $14,738.00 in General Fund revenue.
5. Garbage and Recycling fee: The fee is recommended to stay the same at $9.50 per household.
6. Storm water Fee: The budget calls for the storm water fee to stay the same at $2 a month assessment.
7. Water/Sewer Bill: The Budget calls for the water and sewer monthly bill to increase by 3% moving the monthly minimum bill (including trash fee and stormwater fee) from $43.00 to $43.95. This is a $.95 increase per month.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Budget Overview Comparison Chart** | | | | | | | |  | **Approved** | **Approved** | **Approved** | **Approved** | **Approved** | **Recommended** | |  | **2012-2013** | **2013-2014** | **2014-2015** | **2015-2016** | **YTD 2015-2016** | **2016-2017** | |  | **Budget** | **Budget** | **Budget** | **Budget** | **Budget** | **Budget** | | **GENERAL FUND** | 1,910,144 | 1,957,976 | 2,013,540 | 2,010,593 | 2,418,945 | 2,246,551 | |  |  |  |  |  |  |  | | **POWELL BILL FUND** | 146,500 | 87,000 | 63,500 | 63,500 | 63,500 | 247,900 | |  |  |  |  |  |  |  | | **WATER & SEWER FUND** | 1,654,718 | 1,734,131 | 1,816,270 | 1,435,750 | 1,435,750 | 1,546,450 | |  |  |  |  |  |  |  | | **STORMWATER FUND** | 22,000 | 22,000 | 22,500 | 22,500 | 22,500 | 22,500 | |  |  |  |  |  |  |  | | **TOTAL BUDGET** | ***3,733,392*** | **3,801,107** | **3,915,810** | **3,532,343** | **3,915,810** | **4,063,401** | |

###### Revenues

This budget recommends that the tax rate remains steady at 48 cents per $100 valuation. There is a fund balance appropriation of $75,000 in order to balance the general fund budget. This budget reflects an increase in sales tax revenues of approximately 9%.

The Water and Sewer fund reflects a 3% increase in water and sewer rates. The City of Burlington enacted a 3% increase on their municipal water and sewer customers, and we have no choice but to raise our rates accordingly.

The following tables outline projected revenues by fund. Also shown is a comparison with the previous year’s budget.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **REVENUES** |  |  |  |  |  |
|  | **Approved 2015-2016 Budget** | **Approved YTD 2015-2016 Budget** | **Recommended 2016-2017 Budget** | **$ Difference** | **% Difference** |
| **GENERAL FUND** |  |  |  |  |  |
| Current & Prior Years Ad Valorem | 698,000.00 | 698,000.00 | 699,000.00 | 1,000.00 | 0.14% |
| Current & Prior Years Fire Taxes | 275,250.00 | 275,250.00 | 278,000.00 | 2,750.00 | 1.00% |
| Local Option Sales Tax | 411,000.00 | 411,000.00 | 452,000.00 | 41,000.00 | 9.98% |
| Interest on Investments | 525.00 | 525.00 | 2,860.00 | 2,335.00 | 444.76% |
| User Fees | 119,600.00 | 119,600.00 | 121,100.00 | 1,500.00 | 1.25% |
| State Funds | 239,450.00 | 239,450.00 | 252,450.00 | 13,000.00 | 5.43% |
| Grant Funds | 200,000.00 | 340,416.00 | 208,391.00 | (132,025.00) | -38.78% |
| Loan Proceeds | - | 89,933.18 | 140,000.00 | 50,066.82 | 55.67% |
| Miscellaneous | 17,720.00 | 17,720.00 | 17,750.00 | 30.00 | 0.17% |
| Fund Balance | 49,048.00 | 227,050.73 | 75,000.00 | (152,050.73) | -66.97% |
| **GENERAL FUND TOTALS** | **2,010,593.00** | **2,418,944.91** | **2,246,551.00** | **(172,393.91)** | -7.13% |
|  |  |  |  |  |  |
| **POWELL BILL FUND** | **63,500.00** | **63,500.00** | **247,900.00** | **184,400.00** | 290.39% |
|  |  |  |  |  |  |
| **WATER & SEWER FUND** |  |  |  |  |  |
| Water Sales | 915,000.00 | 915,000.00 | 935,240.00 | 20,240.00 | 2.21% |
| Sewer Sales | 486,000.00 | 486,000.00 | 573,710.00 | 87,710.00 | 18.05% |
| Tap & Connection Fees | 7,000.00 | 7,000.00 | 7,000.00 | - | 0.00% |
| Surcharges | 1,200.00 | 1,200.00 | 1,200.00 | - | 0.00% |
| Interest on Investments | 50.00 | 50.00 | 1,800.00 | 1,750.00 | 3500.00% |
| Miscellaneous | 26,500.00 | 26,500.00 | 27,500.00 | 1,000.00 | 3.77% |
| **WATER & SEWER FUND TOTALS** | **1,435,750.00** | **1,435,750.00** | **1,546,450.00** | **110,700.00** | 7.71% |
|  |  |  |  |  |  |
| **STORMWATER FUND** | **22,500.00** | **22,500.00** | **22,500.00** | **-** | 0.00% |
|  |  |  |  |  |  |
| **TOTAL REVENUES** | **3,532,343.00** | **3,940,694.91** | **4,063,401.00** | **122,706.09** | 3.11% |

**Expenditures**

This budget holds the line on operational costs and has few capital purchases for equipment and technology upgrades that are needed. The expenditure budget does ***include a 5% cost of living increase*** for our employees**.**

The following tables outline projected expenditures by fund and department. Also shown is a comparison with the previous year’s budget.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **EXPENDITURES** |  |  |  |  |  |
|  |  |  |  |  |  |
|  | **Approved 2015-2016 Budget** | **Approved YTD 2015-2016 Budget** | **Recommended 2016-2017 Budget** | **$ Difference** | **% Difference** |
| **GENERAL FUND** |  |  |  |  |  |
| Governing Body | 15,550.00 | 15,550.00 | 16,652.00 | 1,102.00 | 7.09% |
| Administration | 203,638.00 | 251,138.00 | 223,931.00 | (27,207.00) | -10.83% |
| Public Buildings | 39,500.00 | 83,500.00 | 46,500.00 | (37,000.00) | -44.31% |
| Police Department | 624,009.00 | 728,942.18 | 631,262.00 | (97,680.18) | -13.40% |
| Fire Department | 344,874.00 | 556,792.73 | 325,290.00 | (231,502.73) | -41.58% |
| Streets and Highways (PW) | 351,515.00 | 351,515.00 | 476,276.00 | 124,761.00 | 35.49% |
| Sanitation | 105,500.00 | 105,500.00 | 118,989.00 | 13,489.00 | 12.79% |
| Parks & Recreation | 165,425.00 | 165,425.00 | 220,578.00 | 55,153.00 | 33.34% |
| Non-Departmental | 160,582.00 | 160,582.00 | 187,073.00 | 26,491.00 | 16.50% |
| **GENERAL FUND TOTALS** | **2,010,593.00** | **2,418,944.91** | **2,246,551.00** | **(172,393.91)** | -7.13% |
|  |  |  |  |  |  |
| **POWELL BILL FUND** | **63,500.00** | **63,500.00** | **247,900.00** | **184,400.00** | 290.39% |
|  |  |  |  |  |  |
| **WATER & SEWER FUND** |  |  |  |  |  |
| Administration | 181,256.00 | 181,256.00 | 200,900.00 | 19,644.00 | 10.84% |
| Water Department | 724,013.00 | 724,013.00 | 714,221.00 | (9,792.00) | -1.35% |
| Sewer Department | 530,481.00 | 530,481.00 | 631,329.00 | 100,848.00 | 19.01% |
| **WATER & SEWER FUND TOTALS** | **1,435,750.00** | **1,435,750.00** | **1,546,450.00** | **110,700.00** | 7.71% |
|  |  |  |  |  |  |
| **STORMWATER FUND** | **22,500.00** | **22,500.00** | **22,500.00** | **-** | 0.00% |
|  |  |  |  |  |  |
| **TOTAL EXPENDITURES** | **3,532,343.00** | **3,940,694.91** | **4,063,401.00** | **122,706.09** | 3.11% |

The recommended budget presents a reasonable plan for meeting the stated objectives.

The Department Heads and staff have worked hard to develop this recommendation. It has not been without loss or regrets at times, as some requests had to be cut in order to make room for others. It is fair to say that we can work within the recommended budget. I look forward to working with the Town of Haw River Council as you consider my recommendation.

Council took a break from 7:10 to 7:20 pm.

Manager Earp spoke to the Council regarding proposed insurance changes (use of a Medical Expense Reimbursement Plan) and a few line items they should provide feedback on. Following discussion, Manager Earp answered all Council questions regarding the proposed budget. Council reiterated their interest in making sure all departments are encouraged and provided the opportunity to continue to participate in all necessary and relevant training and educational opportunities.

The proposed 2016-2017 Budget is available for review in Town Hall and the Public Hearing for the 2016-2017 is scheduled for Monday, June 6, 2016 at 7:00pm in Town Hall. Public comment is welcome and encouraged.

8:57 pm

There being no other business, Councilmember Fogleman made a motion to adjourn. Motion carried 5-0.

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Buddy E. Boggs, Mayor Melanie R. Hamilton, Clerk