



Item Overview

Council Work Session– 03/04/19

Subject: Council Work Session on the FY 2019-20 Budget Development

Staff:

Maurice Jones, Town Manager
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Department:

Town Manager's Office
Business Management

Overview: The purpose of this council work session is to provide the opportunity for Council to receive information on the status of the FY 2019-20 budget development, to discuss the establishment of a framework for future budgets and to receive and discuss draft financial policies.

Key Issues:

Budget Foundation

- The Town's budget is an extension of the Town's mission and the Council's strategic goals.
- The foundation of the budget is to support Council's strategic priorities, support our most valuable resources, protect fund balance to promote resiliency and to make smart investments in maintenance.

General Fund Revenues

- The total General Fund revenues for FY 2019-20 as of March 4, 2019 is \$67,804,476.

Property Taxes

- Property tax is a local government's main source of revenue. Property taxes made up 48% of the Town's total revenue sources for FY 2018-19. We have looked at 18 other municipalities (11 other NC AAA rated municipalities and 7 neighboring municipalities for comparison purposes). When looking at this chart, the Town is on the low side as a total percentage of revenues. What this means is that the Town relies less on property taxes and more on other sources of revenues.
- Two factors affect the tax growth that the Town experiences. The first is the total assessed valuation growth. When looking at our comparison entities, the Town has experienced average assessed valuation growth. The second is the property tax rate growth. The Town decreased the tax rate in FY 2010 after the revaluation from 58.1 cents to 49.4 cents and we are currently at 52.8 cents. When looking at our comparison entities, the Town is lagging behind in property tax rate increases.
- When the assessed valuation growth is combined with the tax rate growth, we get the growth in the property tax levy (revenues). What this means is that the Town has experienced less growth than our comparison entities and requires the Town to rely more heavily on other revenue sources.

Sales Taxes

- Over the last ten years, sales taxes have increased on average 5.3% per year.
- Sales tax receipts are one of the best indicators we have of local economic conditions.

State Shared Revenues

- State shared revenues are collected by the State of North Carolina and are submitted to counties and municipalities.
- Revenue rates are set by the State. The Town does not have any control over the amounts that we receive.
- Utility sales tax – sales and use tax collected on electric, water and sewer usage. This is the largest revenue source in this category.
- Video programming tax - sales and use tax calculated on the gross receipts derived from cable service and direct-to-home satellite services.
- Supplemental PEG - public, environmental, governmental local access channels revenues.
- Powell Bill – street aid monies allocated to municipalities based on total street miles.
- State fire protection – revenues to local fire districts for coverage of state-owned property within the Town's jurisdiction.
- Beer and wine tax – additional tax charged on beer and wine sales within the Town's jurisdiction.
- Solid waste disposal tax – tax on the disposal of garbage from construction and demolition debris.

Charges for Services

- Departments evaluate the fees that they charge for services annually as they begin budget preparations for the year. During their evaluation, they compare the fees they charge with neighboring jurisdictions to make sure that our fees are in line with the services that we provide.
- Charges to Other Funds – the indirect cost allocation (rate of 13.55%) for the recovery of internal services (finance, human resources, technology, management) for charged to transit, parking & stormwater.
- Department fees:
 - Library - fines
 - Parks - rentals, admissions, swim lessons, programs and camps
 - Planning - plans review, zoning compliance
 - Police – school resource officers
 - Public Works – commercial trash collection, compactor fees, street cuts, right-of-way, traffic signals
 - Fire – fire districts

Licenses and Permits

- Departments evaluate the fees that they charge for services annually as they begin budget preparations for the year. During their evaluation, they compare the fees they charge with neighboring jurisdictions to make sure that our fees are in line with the services that we provide.

- Department fees:
 - Inspections – permits and reinspection permits. Experiencing strong growth over the last couple of years based on the development activity in the Town.
 - Planning – special use permits
 - Privilege (ABC) licenses – paid by every business in the Town engaged in the business of selling at retail beer and wine.
 - Vehicle licenses – licensing tax on motor vehicles in the Town (\$15 for General Fund and \$15 for Transit)
 - Fire – fire permits and fire inspection fees
 - Public Works – engineering permits, work zone traffic permits, traffic impact studies
 - Police – band permits, false alarm, towing

General Fund Expenditures

- The total General Fund expenditures for FY 2019-20 as of March 4, 2019 is \$66,676,363.

Framework for the FY 2019-20 Budget

As we look at developing a balanced budget, these are some of the baseline topic areas that need evaluation:

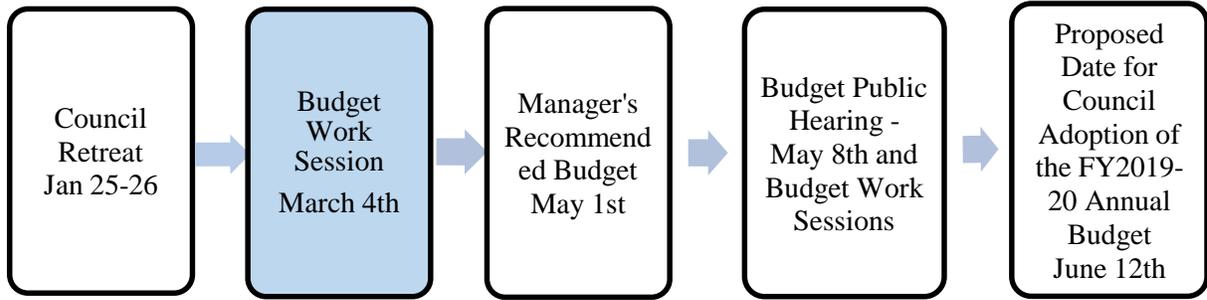
1. Maintain current level of core services
2. Employee Compensation:
 - a. Market adjustment
 - b. Living wage adjustments
 - c. Medical insurance increase
 - d. Retirement system increase
3. 5-Year Plan:
 - a. Building Maintenance
 - b. Pay Go Capital
 - c. Vehicle Replacement
 - d. Streets Paving

Draft Financial Policy Guidelines

Staff have drafted financial policy guidelines and goals that will influence and guide the financial management practices of the Town. Financial policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. The following policies have been drafted for review and discussion:

1. Debt Policies
2. Fund Balance Reserve Policies
3. Cash Management and Investment Policies
4. Other Post- Employment Benefit (OPEB) Pre-Funding Policies

Where is this item in its process?



Council Goals:

<input checked="" type="checkbox"/>		Create a Place for Everyone	<input checked="" type="checkbox"/>		Develop Good Places, New Spaces
<input checked="" type="checkbox"/>		Support Community Prosperity	<input checked="" type="checkbox"/>		Nurture Our Community
<input checked="" type="checkbox"/>		Facilitate Getting Around	<input checked="" type="checkbox"/>		Grow Town and Gown Collaboration



Attachments:

- Presentation
- Draft Financial Policy Guidelines