

MEMORANDUM

TO: Mayor and Board of Commissioners

FROM: Bryan Gruesbeck, Town Manager

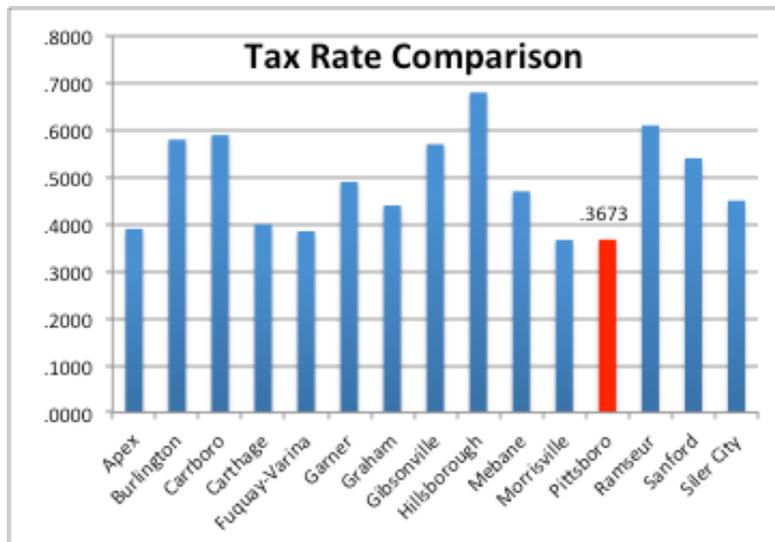
SUBJECT: Manager’s Initial Recommended Budget for Fiscal Year 2013-2014

DATE: May 6, 2013

Background: The purpose of this memorandum is to submit the Manager’s Initial Recommended Budget for fiscal year 2013-2014 to the Mayor and the Board of Commissioners for initial review and comments. Please note that this budget does not include the Capital Improvement Program and that should be discussed at a subsequent work session when more time allows. Highlights of the budget are outlined below.

Please be aware that this budget includes all of the expenditures that the departments have requested. Some of the departmental requests were increased significantly from last year. The Board will have the opportunity to review the department’s requests and either approve them or remove them from the budget.

1. General Fund Revenues. The FY 2013-2014 tax year valuation of \$435,823,513 is up \$30,544,237 (7.5%) from the prior year valuation of \$405,279,276. The tax rate is \$0.3673 per \$100.00 assessed value as the tax rate for the Town of Pittsboro for Fiscal Year 2013-2014. This is the same rate as Fiscal Year 2012-2013. The tax rate recommended assumes a collection rate of 97.0% which is consistent with prior years. One cent will generate approximately \$43,582 in real and personal property taxes. As illustrated below, at \$0.3673, the Pittsboro tax rate still remains among the lowest in the region.



General Fund revenues are up in several other areas, as well. It is anticipated that there will be an increase to sales tax revenues and a slight increase (approximately 1%) to the ad valorem property tax. Powell Bill revenues are expected to increase based on what the Town actually received for FY 2011-12. Revenues from the Governor's Highway Safety Program Grant and the Federal COPS Program Grant will cease, as both as of those grants were completed in FY 2012-2013. The General Fund revenues also include a \$190,556 transfer from the Enterprise Fund to pay for administrative support including project management, financial management, and human resources management.

A transfer of \$210,647 from the General Fund balance will be required to balance the budget. Our overall finances can absorb this figure, but it is not sustainable for many more consecutive years.

2. General Fund Expenditures. General Fund expenditures are up \$256,132 (7.8%) above the current year original budget. This figure will rise, assuming an increase in salaries at some point in FY 2013-2014. Much of this increase can be attributed to a healthy jump in Operating budget costs – up \$157,305 (10%) as well as Capital Outlay – Equipment costs; contributing factors are discussed below:

a. Pay Adjustments. The Board of Commissioners will discuss pay increases for employees in FY 2013-2014. These have not yet been budgeted.

b. Health Insurance Costs. Health insurance costs are reportedly going to *decrease* for the first time in my professional memory by 5%. This decrease is reflected in the Group Insurance Line Item of each department's personnel expenditures. Recent years have seen health insurance increases in some communities by 20%.

c. Professional Services. Professional Services are up \$113,355 (24.8%) primarily due to increased costs for fire protection and third-party planning costs. The Fire Protection contract is up \$45,655 (12.7%). Planning increases this figure by \$50,000 for the development and creation of a Unified Development Ordinance. This will replace the existing planning ordinances.

d. Buildings and Grounds Maintenance. The Public Buildings & Grounds Department was reinstated so that costs for Town Hall, the Community Center, and the new Planning & Engineering Building, all General Fund departments can be tracked in one place. There was some uncertainty about the expenditures for the new Planning & Engineering Department.

e. Automotive Maintenance and Repair Automotive Maintenance and Repair is up \$6000 (15.2%), primarily due to the increased cost of maintaining aging police cars. The Town is budgeted to spend \$45,000 on to repair older vehicles. This figure could decrease if requested Police and Utilities vehicles are replaced.

f. Automotive Supplies. Automotive supplies are up \$9,000 (13.0%) due to recent increases in fuel prices and an expected continuing upward trend in fuel prices. Fuel prices at the

beginning of fiscal year 2011-2012 were below \$3.75 per gallon and are now approaching \$4.00 per gallon. The proposed increase assumes average fuel costs of \$4.25 per gallon in fiscal year 2013-2014.

f. Capital Equipment. The Police Department requested two new vehicles at \$33,000 per vehicle.

3. Enterprise Fund Revenues. Enterprise revenues are also expected to increase next year due to the mid-year rate increase which was effective January 2013. We have also budgeted \$539,580 from the Enterprise Fund balance to augment revenues and balance the budget compared to \$402,245 in fiscal year 2011-2012.

4. Enterprise Fund Expenses. Enterprise fund expenditures are up 10.4%. This increase is attributed primarily to the Water and Wastewater Treatment Plants, and it is included in their Buildings & Grounds Maintenance, Equipment Maintenance, and Capital Outlay line items. Adam Picket, Water Treatment Plant Superintendent, and Randy Heard, Wastewater Treatment Plant Superintendent, will be in attendance at the budget work session on May 6th to discuss their requests in further detail.

Action Requested: That the Board of Commissioners consider the attached Manager's Initial Recommended Budget and provide the Town Manager with guidance and direction on any required changes to the Fiscal Year 2013-2014 Budget. The Board of Commissioners should also schedule additional meetings to review any additions or changes to the Initial Budget and review the Capital Improvement Program

