

MEMORANDUM

TO: Mayor and Board of Commissioners

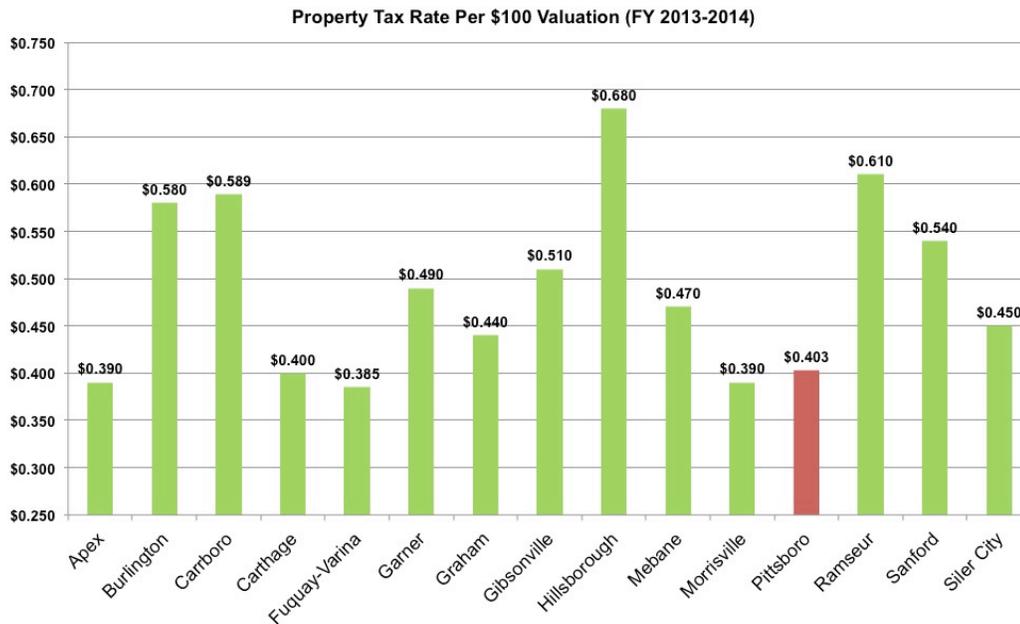
FROM: Bryan Gruesbeck, Town Manager

SUBJECT: **Manager's Initial Recommended Budget for Fiscal Year 2014-2015**

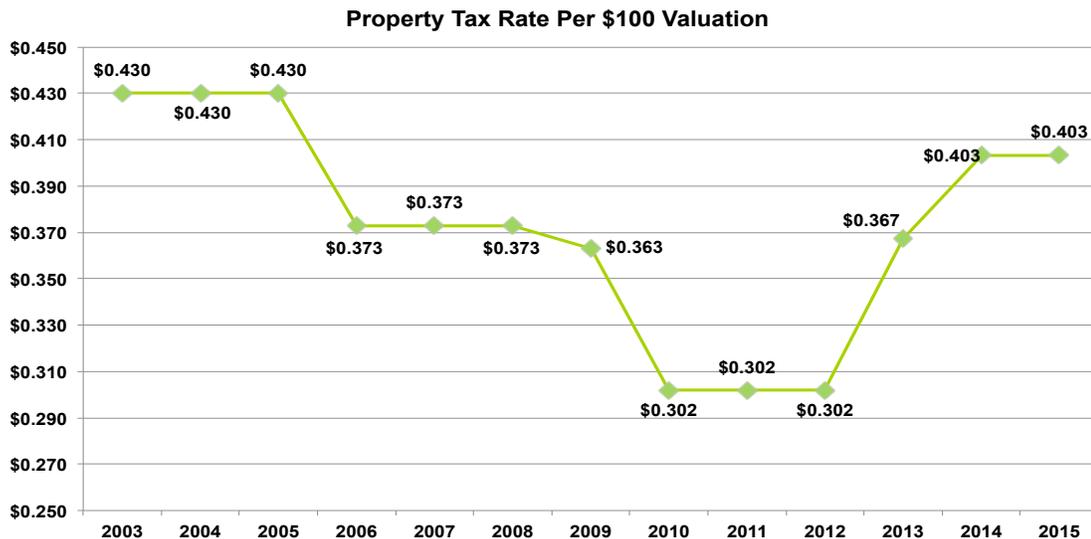
DATE: May 27, 2014

Background: The purpose of this memorandum is to submit the Manager's Initial Recommended Budget for fiscal year 2014-2015 to the Mayor and the Board of Commissioners for initial review and comments. Highlights of the preliminary budget figures are outlined below.

1. General Fund Revenues. The FY 2014-2015 tax year valuation of \$444,264,288 is up \$35,273,418 from the prior year valuation of \$408,990,870. The tax rate currently remains at \$0.403 per \$100.00 assessed value. This is the same rate as Fiscal Year 2013-2014. The tax rate recommended assumes a collection rate of 97.0%, which is consistent with prior years. One cent will generate approximately \$44,426 in real and personal property taxes. As illustrated below, at \$0.403, the Pittsboro tax rate is among the lowest in the region.



The current tax rate remains below levels set during the FY 2002-2003 Budget. This is remarkable considering the previous two (2) budget years contained tax rate increases, as noted in the chart below:



The General Fund notes increases in a number of areas from the previous year – notably, the Local Option Sales Tax, Powell Bill and Utilities/Cable Franchise Tax. Additional General Fund Revenues could be generated by review fees related to planning and recreation. The General Fund revenues will not include a transfer from the Enterprise Fund – last year’s budget enjoyed a \$192,000 transfer to pay for administrative support including project management, financial management, and human resources management. This change was made following the recommendation of our most recent audit.

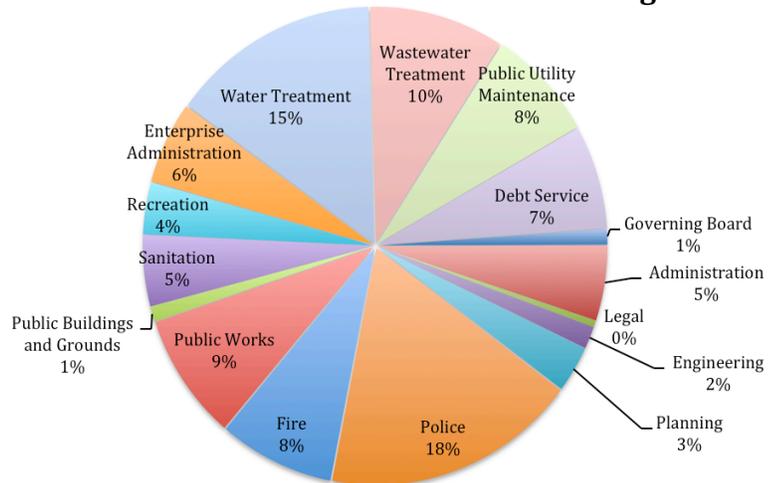
A transfer of \$271,420 from the General Fund balance is currently required to balance the budget. Our overall finances can absorb this figure, but it is not sustainable for many more consecutive years. There may be options to reduce or balance the budget, but it will require making challenging choices that combine reduction of requested spending and consideration of a tax increase for this fiscal year.

2. General Fund Expenditures. General Fund expenditures are up \$241,374 (6.9%) above the current year original budget. Some of this increase can attributed to investments in public safety – police and fire services. A few departments are recorded lower (Administration, Engineering) due to the aforementioned removal of Enterprise Fund transfers to the General Fund. This change resulted in the re-apportioning of particular salaries among Funds.

- a. Pay Adjustments. All employees are budgeted for a 2% increase. This figure reflects the increase reported by the Bureau of Labor Statistics (BLS) Consumer Price Index for all Urban Consumers (CPI-U), April 2013-April 2014.
- b. Health Insurance Costs. Health insurance costs are expected to increase 14.4%. This experience is consistent with similar municipal health coverage plans, though costs will obviously vary due to the quality of the plan. Last year’s budget enjoyed an unusual 5% decrease. We could blame the ACA act, but I have seen larger health insurance increases over the years
- c. Professional Services. Professional Services are increased by \$149,837 (26.1%) primarily due to increased costs for fire protection and third-party planning costs, which continues last year’s trend. The Fire Protection contract is up \$140,037 (34%) to accommodate increased staffing and provide comprehensive scheduling. The Planning Department has

budgeted expenses for the new Unified Development Ordinance (UDO). The amount budgeted assumes that the UDO will be a two-year process.

Town of Pittsboro: FY 2014-2015 Budget



d. Transfer to Capital Projects. \$50,000 is budgeted for the downtown pocket park, recently donated by the Vernon family in memory of Page Vernon.

e. Powell Bill. Expenditures are increased considerably to commence road repairs and resurfaces identified in the Pavement Condition Survey

(PCS) completed in December 2013. The following "High Priority" streets are identified at this time for resurfacing: Alston St., Credle St (Hanks-Launis), Gail Street, Honeysuckle Dr., and Rectory St. at an estimated cost of \$111,438. Each of the streets (with the exception of Credle St.) were given a pavement condition rating of "0" out of "100". \$55,992 is budgeted for sidewalk construction and contingency costs for NC87 and East Street Sidewalk projects. \$20,770 is budgeted for storm drain repairs.

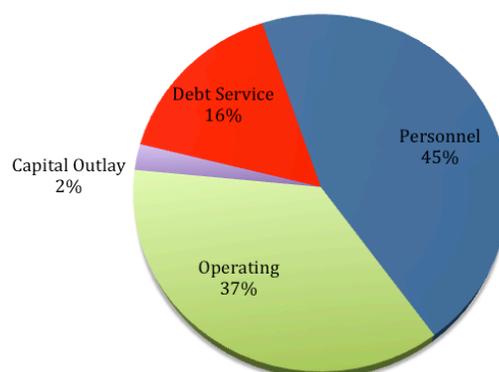
f. Capital Buildings. \$4,000 to replace air conditioning unit at the Public Works Garage. \$50,000 to replace condensers and air handling units at Town Hall.

g. Capital Equipment. The Police Department proposes the purchase of two (2) vehicles totaling \$68,000. Engineering/Planning/Engineering/Public Works propose the purchase of a GPS locating device (\$15,000) to aid construction design. Public Works is requesting a right of way mower with a "brush hog" to replace existing equipment (\$30,400) and better maintain roadsides and embankments.

3. Enterprise Fund Revenues. Enterprise Fund revenues, adjusted by removing the fund balance contributions, are up \$44,600 (1.8%) from the current year original budget. These revenues assume that charges remain at their current rates. \$497,491 is budgeted from the Enterprise Fund balance to augment revenues and balance the budget.

4. Enterprise Fund Expenditures. \$475,000 is committed to debt payment. As you can see in chart, this figure currently represents 16% of the Enterprise Fund. We can assume that our Debt Service allocation will continue decreasing as scheduled debt payments decrease or are retired.

Enterprise Fund Expenditures: FY 2014-2015



a. Water Treatment Plant. Departmental expenditures are estimated to decrease by \$134,809 (12%) through

departmental efficiencies learned during Adam Pickett's (Water Treatment Plant Supervisor) first year. Operating costs are proposed to be reduced by \$60,550 (10%). A Capital Outlay-Equipment expenditure of \$32,000 is requested for a Lagoon Transfer Pump and SCADA communication system replacement to communicate with the water towers and tanks.

- b. Wastewater Treatment Plant. \$25,734 is proposed to rebuild two (2) influent pumps and provide necessary maintenance in confined spaces: including clarifiers, aeration basins, EQ Basins (aerator maintenance), EQ valve vault (sump pump installation). \$18,000 is budgeted in Capital Outlay Equipment for two (2) RAS (Return Activated Sludge) pumps.

Action Requested: Receive the preliminary FY 2014-2015 Budget, discuss and provide direction where appropriate.