

TOWN OF MOUNT GILEAD

NORTH CAROLINA



FISCAL YEAR 2016-2017

Proposed Budget

PREPARED BY: M. JUSTIN PRICE
INTERIM TOWN MANAGER

May 24, 2016



**Town Manager's
Budget Message
FY 2016-2017**

May 24, 2016

Mayor Joseph “Chip” Miller, Jr.
Board of Commissioners
Town of Mount Gilead
PO BOX 325
110 West Allenton St.
Mount Gilead, NC 27306

The Honorable Mayor Miller, Town Board of Commissioners, and Citizens of Mount Gilead:

This budget was prepared under the general direction of the Town Board in response to the goals established during the Annual Board Retreat, budget workshops, and in direct response to the needs of our community. The FY 2016-2017 budget continues the current level of services provided for the citizens of Mount Gilead. As requested by the Board, this budget is balanced by a **\$0.57** tax rate per hundred dollar valuation. The proposed budget includes a **\$1.50 increase** in the solid waste fee to \$11.50/pickup/site/month. There are also proposed water and waste water rate increases as advised by the Town auditors.

Each cent on the tax rate represents approximately **\$8,018**. The estimated assessed tax valuation for the Town of Mount Gilead as of January 1, 2016 is **\$80,175,417** and an estimated collection rate of **95.81%** was used for real and personal taxes. The town utilized a conservative formula to project real and personal taxes at a level under the allowable rate by state law. The tax yield at the current collection rate is \$437,852 resulting in a conservative budgeted amount of **\$425,000**.

Sales tax and other franchise taxes were estimated using the North Carolina League of Municipalities projections. The budget proposal takes a conservative approach to revenue projections. The new state sales tax structure could result in even greater revenue for the town.

The sales tax increase is a new state formula and is dependent on consumer spending and other variables. In the proposed budget a modest increase in sales tax is projected.

This budget includes:

- An available 3% merit increase for employees with over a year of service based on performance reviews. Additional increase for equity adjustments and new certifications
- Increase in required state contributions to retirement system
- Increase in health insurance projected at 9% beginning January 2017
- Carryover funding of \$32,294 for the fire department building improvements.
- Development funds of \$6,000 to meet the federal mandate for street signs
- Included \$3000 in funding for façade grant program and \$1,500 for beautification projects
- Funding for all debt service (police vehicles, fire engine, water main, and waste water treatment plant improvements)
- Appropriated Powell Funds (\$40,000) and current Powell Funds (\$41,000) utilized for street repaving project.
- Appropriated Fund balance of \$51,807 for capital projects: police vehicle payment and fire station carryover
- Included funding for necessary equipment purchases for all departments
- Maintained operation expenses to continue services to citizens at the current levels
- Provided selected adjustments to cover inflation and contractual increases
- Increase in solid waste fees by \$1.50 to operate as an enterprise
- Introduction of a new graduated water and waste water rate structure
- Proposed increase for in-town water rates for users over 2000 gallons a month
- Establishes a commercial industrial rate category and proposes increases in base and rates
- Increased water revenue by a projected \$28,665 and waste water by \$4,456
- Decreased expenses for water and waste water capital by \$39,000
- Decreased enterprise fund balance appropriations by \$59,113 to \$26,887
- Balanced budget for both the General Fund and Enterprise Fund

The proposed solid waste fee increase is recommended to operate the solid waste collection as an enterprise. Additional revenue is needed to cover the true cost of curbside, leaf and limb, and white good collections. The proposed \$1.50 a month increase combined with cost reductions resulting from the inventory survey and in house reductions will allow the town to operate this service at a revenue neutral rate.

The proposed water and wastewater rate increases were based on previous consumption levels with calculated reductions in consumption levels to factor in consumer conservation efforts. This proposed increase is based on the auditor's recommendations over the previous audits and the language in the water main revenue bond that requires the town to meet specific net revenue numbers.

Overall the proposed budget streamlines operational expenses and maintains service levels within the existing tax rate. The proposed increases are all within enterprise activities which must be run as business activities designed to reach certain profit outputs. Efforts were taken to reduce the revenue from appropriated fund balance. This budget does utilize appropriated fund balance to pay for capital items including: carryover from uncompleted fire station renovations, instalment payment for the two police vehicles. The Town will also utilize Powell Funds (state provided funds that can only be spent on street maintenance) to repave up to two miles of streets this summer. The state is now requiring towns to utilize these funds or risk reductions in future allocations.

Our goal over the next year will be to provide the citizens of Mount Gilead excellent service utilizing the items and expenditures presented in this budget to improve their quality of lives. I am pleased to present this budget proposal for your consideration. Town staff has worked diligently to review current spending, provide areas to cut, and make recommendations of capital projects. Copies of the budget proposal are on file with the Town Clerk and available inspection and review by the public.

I recommend scheduling a Public Hearing at the next regularly scheduled Board of Commissioners meeting held on Tuesday, June 7, 2016 at Highland Community Center. The Board of Commissioners may vote to approve the budget at any point following the Public Hearing. The Budget needs to be adopted no later than June 30th.

If you have any questions, comments, or suggestions please feel free to notify me prior to the Public Hearing and I will work to include those areas in the final draft budget presentation.

Sincerely,

Justin Price
Interim Town Manager



Summary of 2016-2017 Budget

BUDGET OVERVIEW

The following document is a detailed summary of the 2016-2017 Budget. The Town of Mount Gilead utilizes a departmental budget. Expenditures are approved by departmental. Funds or expenditures are allocated to departments within two different funds. The General Fund serves as the primary fund for all governmental operations and expenditures. The second fund is the Enterprise Fund and this fund is utilized for the business operations of the water and waste water system. The Enterprise fund is designed to function as a business generating profits to pay for all expenses including current and future capital improvements.

GENERAL FUND (10 FUND)

The General Fund or 10 Fund comprises all of the revenues from property, sales, and other taxes and governmental fee collections (excluding water and sewer operations). The General Fund includes all operational expenses for the following departments: Administration, Police, Fire, Streets, Parks and Recreation, Powell Bill, and Governing Body.

REVENUE

This budget includes **no property tax increase** with the rate to remain at **\$0.57** per \$100 valuation. Sales tax numbers are expected to increase for the Town; however, we have only calculated minor increases at this time. Staff is recommending a **\$1.50 increase** in the monthly solid waste fee from \$10 a month to \$11.50 a month. Staff originally recommended a \$3 increase. The inventory survey has reduced that need. Any increase over the \$11.50 monthly fee would help support overages or future CIP changes due to gas prices or cost of living increases.

The total revenue projection is **\$1,028,133**. The projected real and personal tax revenue is \$425,000. The proposed budget includes appropriated fund balance of \$51,807 for capital projects. The proposed budget also includes \$40,000 of appropriated Powell Fund for street resurfacing.

Staff is anticipating increases in both property tax and sales tax. In order to maintain fiscally conservative budget numbers only modest increases are being projected in this budget.

EXPENSES

After careful consideration the following budget recommendations represents Board goals, departmental input, and community needs within the existing tax rate of **\$0.57** per \$100 valuation. The total recommended budget is **\$ 1,028,133** and this includes \$51,807 in appropriated fund balance for capital projects/purchases (fire station and police vehicles).

EXPENSES	
Administration	\$ 132,544
Streets and Grounds	\$ 98,778
Planning	\$ 250
Solid Waste	\$ 72,000
Parks and Rec	\$ 50,524
Police	\$ 456,035
Fire	\$ 76,434
Redevelopment Corp	\$ 5,080
Powell Bill	\$ 80,100
Cemetery	\$ 500
Governing Body	\$ 45,689
Library	\$ 10,200
EXPENSE TOTAL	\$ 1,028,133

The budget recommendation includes a merit pool of up to a 3% increase for all full time employees with over a year of service. Merit increases will be made at the determination of the Town Manager and Department Heads based on performance reviews and town policy.

All debt service payments for vehicles are included in each department's budget including the payments for the two new police cars and the escrow payment for a future fire truck.

Departmental Highlights

Administration: The proposed budget for Administration is **\$132,544**. This recommendation includes funding for a part time administrative position. The Administration budget also includes a capital purchase from appropriate fund balance for the purchase and installation of a new phone system.

Streets and Grounds: The proposed budget for Streets and Grounds Maintenance is **\$98,778**. The maintenance department continues to reduce cost by maintaining current equipment. The budget includes the purchase of a new lawn mower for \$2,900 through operating revenue. This budget also includes the sign installation project for \$6,500 paid through operating revenue.

Planning & Zoning: In future years the Planning should be included in the Administration Budget. Currently the budget is **\$250** for advertisements.

Solid Waste: The proposed budget for Solid Waste is **\$72,000**. This recommendation includes

the cost for curbside collections projected to be \$61,000 and leaf, limb, and white goods projected to be \$11,000. The Town has conducted a town wide inventory survey to reduce the number of carts on our account. Staff is recommending a fee increase to cover the total expenditure of solid waste services.

Parks & Recreation: The proposed budget for Recreation is **\$50,524**. The recommendation includes an increase in salaries and supplies. The increases are offset by the addition of county funds for the Park Program which will also reduce the participant fee for users. The Town is also actively seeking donations and sponsorships in addition to the amounts budgeted to purchase new equipment and extra meals.

Police: The proposed budget for the Police Department is **\$456,035**. Highlights in this recommendation include installment payments for the purchase and outfitting of two new police vehicles totaling \$19,513. The Police Department budget maintains current overtime and reserve officer levels. The Department is fully staffed and all probationary officers will transition to full time permanent positions during this budget year.

Fire: The proposed budget for the Fire Department is **\$76,434**. This recommendation includes capital for equipment purchases for hose and gear through the North Carolina Department of Insurance Grant. All other operational expenses were evaluated and adjusted to reflect actual current rates, this included adjustments for one-time equipment test. The budget also includes appropriated fund balance for the carryover amount of the unfinished building improvement project in the amount of \$32,294. This expenditure was not completed in FY2015/2016 and must be carryover to the new budget.

Redevelopment Corporation: The proposed budget for the Redevelopment Corporation is **\$5,080**. This reflects pass through money which has a matching revenue of \$5,080 generated through rent.

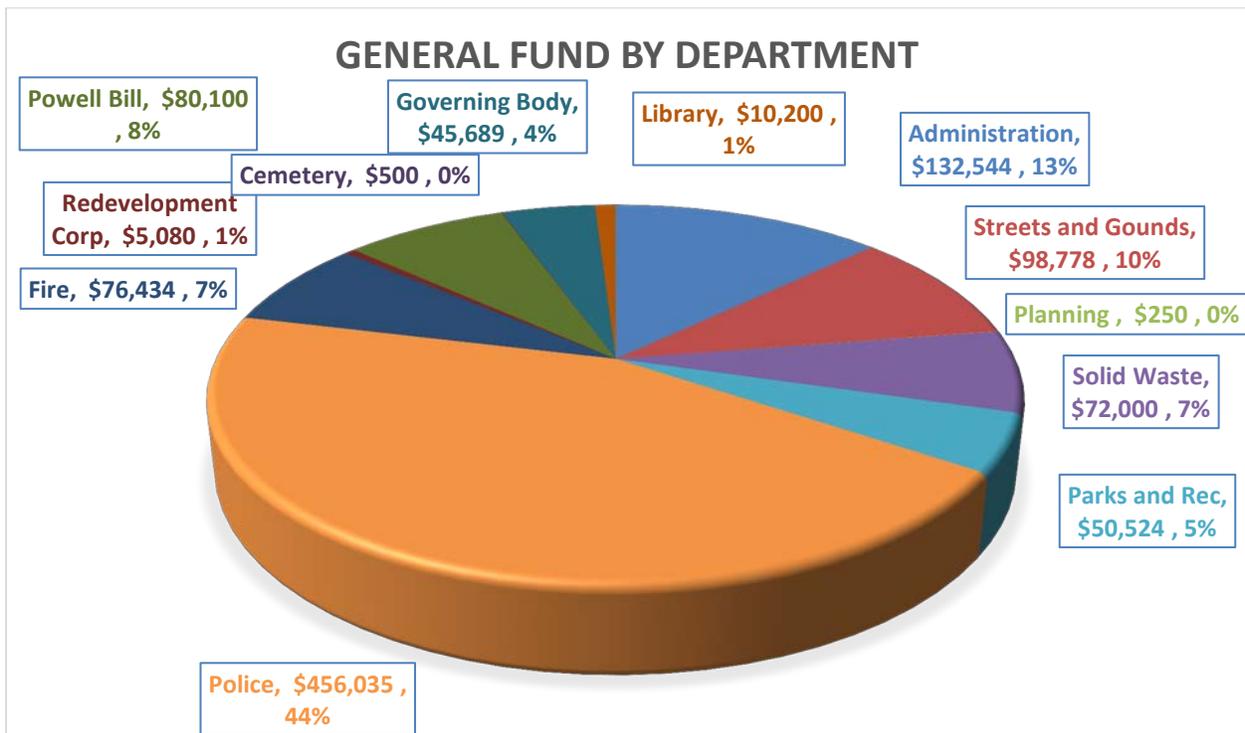
Powell Fund: The proposed budget for Powell Fund is **\$80,100**. The recommendation includes the 2016/2017 allotted amount of 40,100 and \$40,000 appropriated from the Powell Fund. Powell Funds are provided to municipalities from the state gasoline tax and can only be spent on street related projects. The state has also change the allocation rule to encourage municipalities to spend these funds. The Town must spend funds in order to prevent a future reduction in our allocation. The Town plans to resurface and pave up to 2 miles of street this summer.

Cemetery: The proposed budget for the Cemetery is **\$500**. In future years the cemetery budget should be included in the Streets and Grounds or Governing Body budget.

Governing Body: The proposed budget for Governing Body **\$45,689**. This recommendation includes audit and attorney expenses, funding contributions, travel and training, election expenses, and insurance bonds. The Governing Body budget also includes funds of \$3,000 for façade grants and \$1,500 for other beautification projects.

Library: The proposed budget for Library is \$10,200.00. This recommendation includes contributions to the library and expenses for building improvements. In future budgets the library budget should be included in the Streets and Grounds and/or Governing Body.

The following graph depicts the funding break down by department:



Fund Balance Appropriated

The Town maintains a fund balance, or savings account, to ensure it can continue operations in the event of an emergency or unexpected delay in revenue. The available fund balance is also used to hold excess funds from previous budgets and utilized to make purchases of necessary capital items. The Town strives to maintain a healthy fund balance well above the state required 8% of operating budget. Appropriated fund balance indicates the Town intends to utilize money from this fund typically for capital (one time) purchases as opposed to subsidize operating needs.

The proposed budget includes appropriated fund balance in the amount of \$51,807 for capital projects and purchases. Included in this years appropriated fund balance amount is \$32,294 in carryover from the uncompleted fire station renovations. This number could be reduced if work is completed and invoices are submitted prior to the close of the current budget year.

The other item is the installment payment for the two police cars at \$19,513. The Town’s overall available fund balance remains at a healthy level even with the current budget year’s appropriation level.

The total combined fund balance as of June 30, 2015 was \$1,257,733. The total available (unassigned) fund balance was \$771,882. The FY 2015-2016 budget has \$143,000 of appropriated fund balance. The town is projecting that number to be closer to \$100,000 appropriated fund balance by the close of the year. The proposed \$51,807 is a sharp reduction with a majority of that number carryover from the previous year. It is possible with

conservative revenue projections to end the year with a much smaller appropriated fund balance level. The Town will still be in good fund balance position with the proposed budget.

Powell Fund Balance

The following chart reflects the Powell Fund balance with the proposed expenditures from FY2015-2016 and the proposed budget. The remaining balance at the end of FY2016/2017 of \$150,367 is a healthy fund balance.

POWELL FUNDS	
Powell Bill Total FY15/16	\$211,025.33
Transfer FY15/16	-\$75,000.00
SUBTOTAL	\$136,025.33
Unspent	
Revenue Unspent FY15/16	\$39,651.00
Transfer Unspent FY15/16	\$14,690.50
SUBTOTAL	\$54,341.50
Estimated Available in FY16/17	
Projected Fund Total End FY15/16	\$190,366.83
Estimated Revenue FY16/17	\$41,000.00
SUBTOTAL	\$231,366.83
Street Project Proposed	-\$81,000.00
TOTAL REMAINING BALANCE	\$150,366.83

Funds by Function

The following identifies some major expenses by function:

General Fund	
Salaries	\$ 375,261
Utilities	\$ 58,000
Insurance	\$ 116,028
Capital Project/Equipment	\$ 69,207
Powell	\$ 80,100

ENTERPRISE FUND (20 FUND)

The Town operates the water and waste water system through an enterprise fund. These operations are treated like a business. In order to continue to provide these services the Town must make a profit or obtain grants in order to replace aging infrastructure.

REVENUE

Revenue in the Enterprise Fund is derived directly from consumer fees or rates. The Town of Mount Gilead purchases water from Montgomery County and sells it directly to our consumers. This process involves the entire infrastructure necessary to deliver the water and to collect the waste water from the consumer, the infrastructure necessary to treat the waste, and the staffing to service the infrastructure and collect payments.

The total projected revenue from the sale of water and treatment of waste water is **\$958,472**. This includes \$229,087 from the sale of water, \$253,147 from the treatment of waste water in town, and \$416,690 from the treatment of waste water from out of town.

Staff is proposing restructuring the water and sewer rates to an incremental scale model. This would include establishing separate rates for each level of usage based on one thousand (1,000) gallon increments. No changes are proposed for usage under two thousand (2,000) gallons a month. Staff is proposing a \$0.50 increase for 2,000 to 3,000; an additional \$0.10 increase from 3,000 to 4,000; an additional \$0.10 from 4,000 to 5,000 gallons; and an additional \$0.10 increase for anything over 5000 gallons. This means someone who uses 5000 gallons a month would currently pay \$38.50 for water and \$40.30 under the new structure. There is also a proposed increase for residential sewer of \$0.06 from 4,000 to 5,000 tier; and \$0.19 for each thousand over 5,000.

The following table illustrates the per 1000 gallon impact on customer water bills:

Monthly Water Bill			
	Current	New	Change
0-2000	\$ 20.89	\$ 20.89	\$ -
2001-3000	\$ 26.76	\$ 27.26	\$ 0.50
3001-4000	\$ 32.63	\$ 33.73	\$ 1.10
4001-5000	\$ 38.50	\$ 40.30	\$ 1.80

The proposed budget recommends the following rate structure changes and rate increases for in-town residential rates:

	Water Increase			Sewer Increase		
	Base	Rate	Revenue	Base	Rate	Revenue
Current	7.53	5.87		5.8	7.31	
0-2000	No Change	No Change		No Change	No Change	
2001-3000	No Change	\$0.50	\$11,854.81	No Change	No Change	
3001-4000	No Change	\$0.60	\$1,682.36	No Change	No Change	
4001-5000	No Change	\$0.70	\$1,514.09	No Change	\$0.06	\$114.52
>5000	No Change	\$0.80	\$5,753.85	No Change	\$0.19	\$1,164.72
SUB TOTAL			\$20,805.11			\$1,279.24
TOTAL						\$22,084.35

Staff is also proposing establishing a separate commercial and industrial rate including the same incremental structure and increases as the residential. Staff is also recommending a base rate **increase of \$2.47** for water and **\$5.20** for sewer for the commercial and industrial rates from \$7.53 to \$10.00 and \$5.80 to \$10.00. The proposed budget recommends the following rate structure and rate increases for in-town commercial and industrial rates:

	Water Increase			Sewer Increase		
	Base	Rate	Revenue	Base	Rate	Revenue
	7.53	5.87		5.8	7.31	
Users	51			51		
0-2000	\$10.00	No Change		\$10.00	No Change	
2001-3000	\$10.00	\$0.50	\$44.87	\$10.00	No Change	
3001-4000	\$10.00	\$0.60	\$15.11	\$10.00	No Change	
4001-5000	\$10.00	\$0.70	\$120.86	\$10.00	\$0.06	\$13.84
>5000	\$10.00	\$0.80	\$4,166.96	\$10.00	\$0.19	\$682.74
	\$1,511.64		\$4,347.81	\$2,570.40		\$696.58
SUB TOTAL						\$9,126.43

The Town will also consider restructuring the out of town sewer rate. The proposal would include adopting a new structure with a lower minimum base rate for zero use customers and increasing the consumption rate per 1000 gallons as costumers use water. The target goal is to increase revenue by \$18,000. The projections are complicated by a new county water policy being considered that could allow customers to opt out of water service. This policy could result in more zero use customers reducing revenue if we move forward with a zero use reduced base rate. Currently we are not proposing any changes to the out of town residential rate in the proposed budget.

EXPENSES

The expenses for the Enterprise Fund are established by department and include: Administration, Water, Collections (Sewer), Waste Water Treatment Plant, Governing Body, and Debt Service.

All of the expenses in this fund are associated with the business operations of the water and waste water department.

EXPENSES		
Administration	\$	162,324.12
Water	\$	216,525.96
Collections	\$	217,321.51
WWTP	\$	296,330.95
GB Debt Waterline	\$	26,500.00
Debt WWTP	\$	40,469.00
EXPENSE TOTAL	\$	959,471.54

Departmental Highlights

Administration: The proposed budget for Enterprise Administration is **\$162,324**. This includes insurance bonds of \$13,000 and audits fees of \$7,000.

Water Operations: The proposed budget for Water Operations is **\$216,526**. This recommendation includes the purchase of water from Montgomery County for \$84,000.

Collection System: The proposed budget for the Collection System is **\$217,322**. This recommendation includes capital outlay contingency for equipment and sewer lines. This department also includes expenses for the county to collect out of town sewer bills. The pump and lift stations also require a large utility expense to operate.

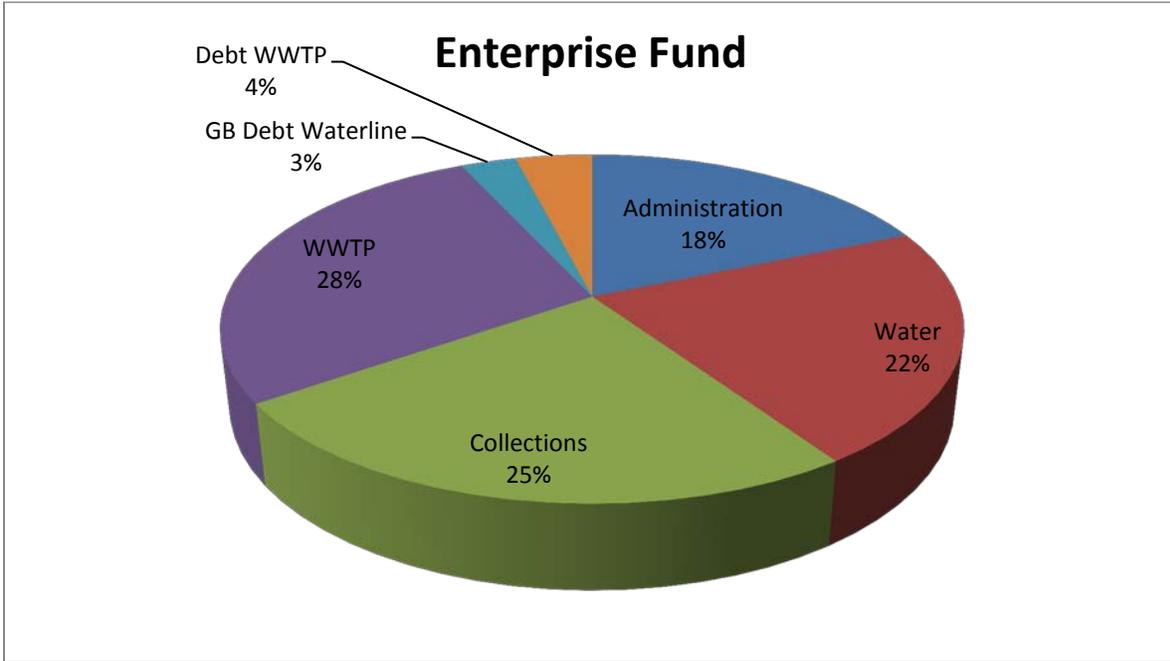
Waste Water Treatment Plant: The proposed budget for the Waste Water Treatment Plant is **\$296,331**. This includes capital outlay of \$60,000 for major capital repairs or maintenance. The budget also includes \$62,000 in utility fees to power and operate equipment at the plant. The budget also includes necessary laboratory testing and equipment.

Governing Body: The proposed budget for Governing Body n is **\$26,500**. This consists of the debt service for the Main Street Water Main Project. In future budgets this department should

be combined with Debt Service (WWTP Debt).

Debt Service: The proposed budget for Debt Service is **\$40,469**. This includes debt service from Waste Water Treatment Plant improvements.

The following graph depicts the funding break down by department:



Funds by Function

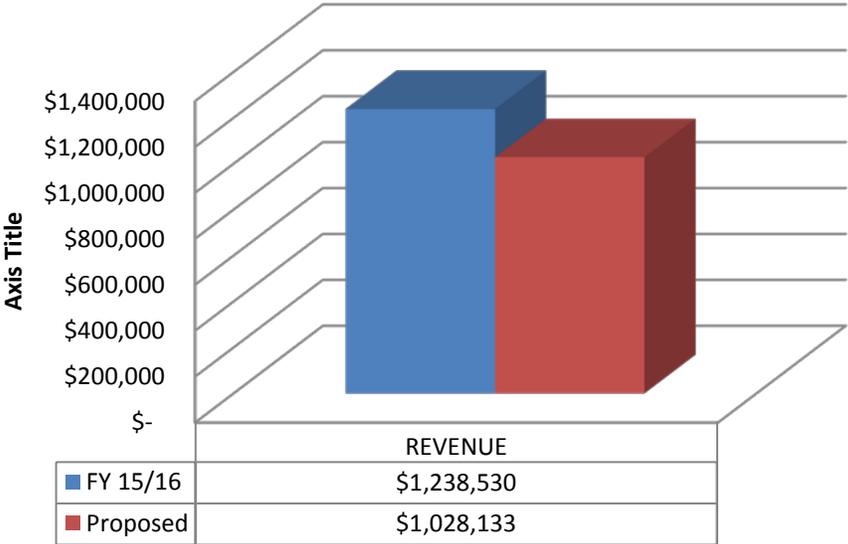
The following identifies some major expenses in the Enterprise Fund by function:

Enterprise	
Salaries	\$ 275,010
Utilities	\$ 88,650
Insurance	\$ 43,466
Capital Project/Equipment	\$ 114,500
Debt	\$ 66,969

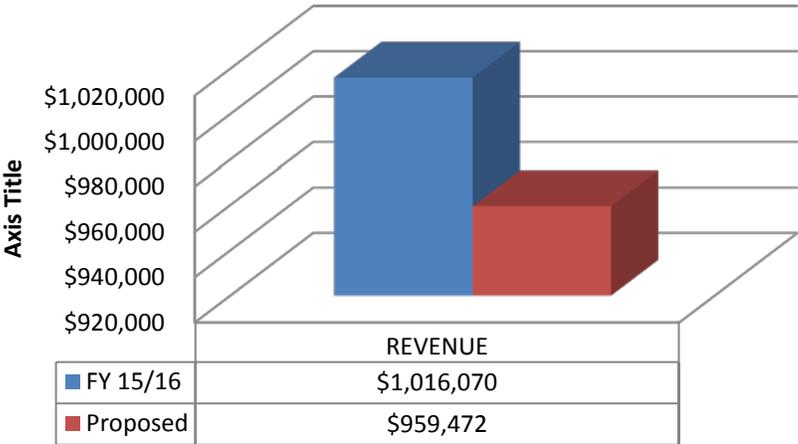
Proposed Budget (DRAFT)

The recommended proposed budget (Draft Version) includes comparisons from the fiscal year 2015-2016 budget. Information from budget actuals from the previous three years were used a comparison to develop this proposal. The following graphs indicate changes from FY2015-2016 and FY 2016-2017:

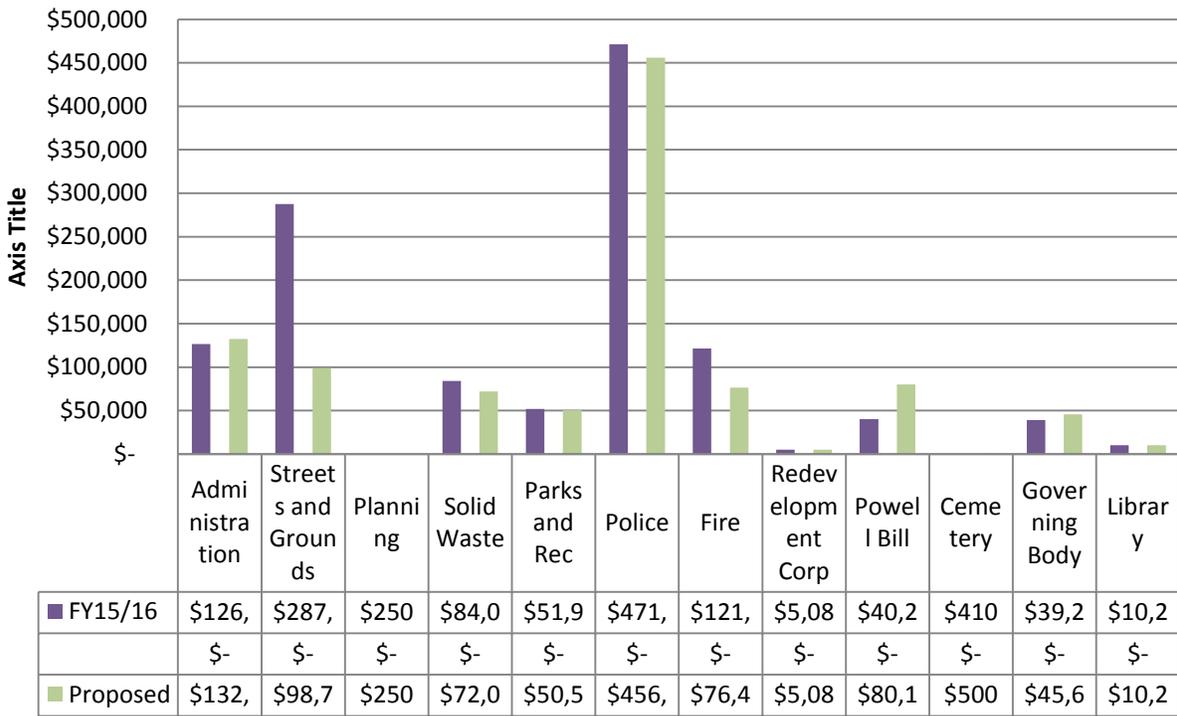
General Fund Revenue



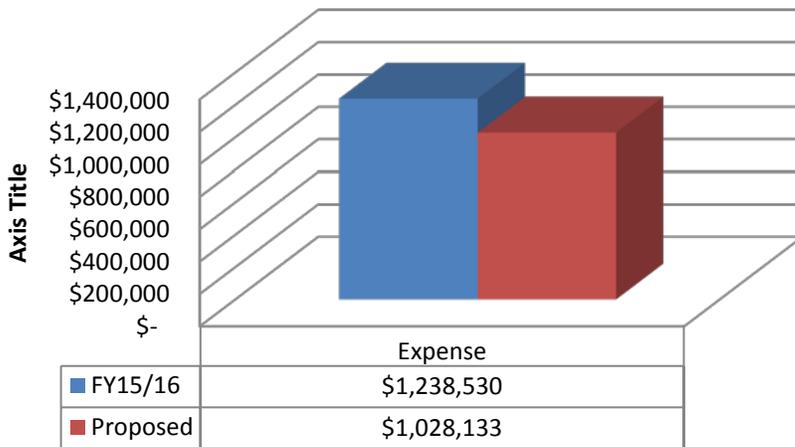
Enterprise Fund Revenue



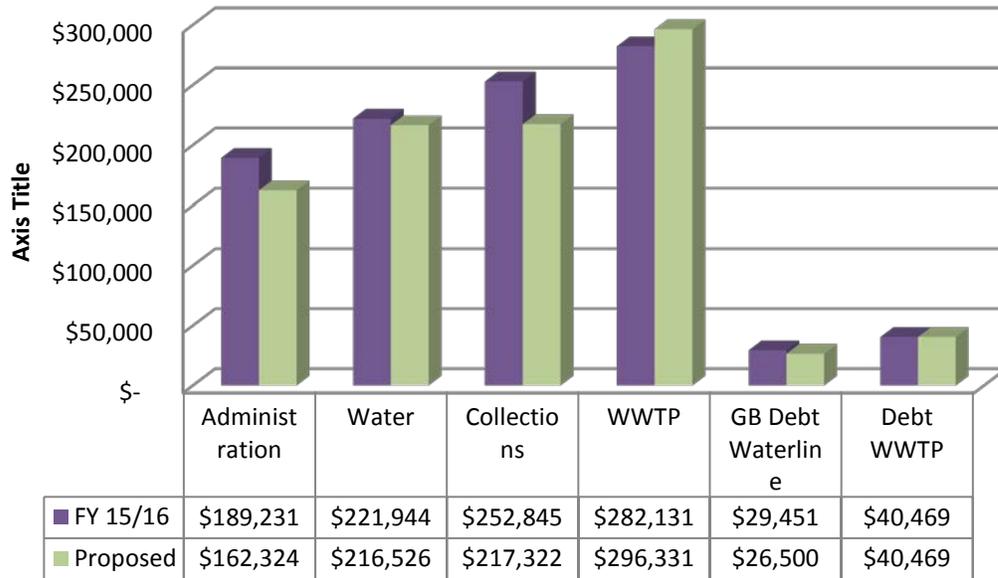
General Fund Department Expense



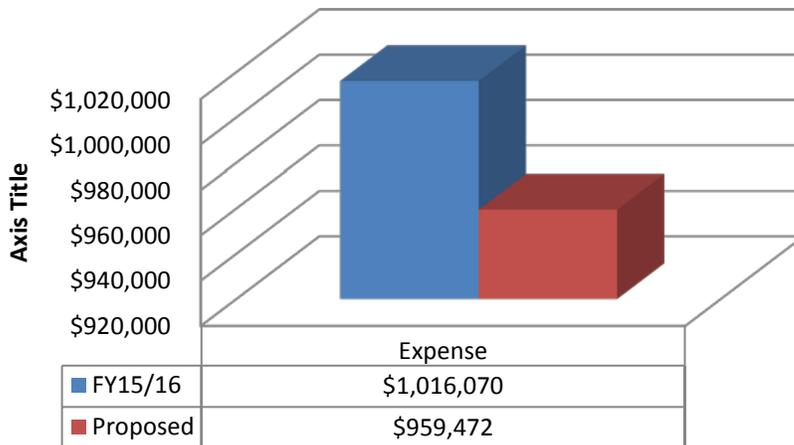
General Fund Total Expense



Enterprise Fund Department Expense



Enterprise Fund Total Expense



A draft budget has been attached. If you have any question regarding the draft please let me know and we can work to answer or make corrections prior to the Budget Session on Tuesday, May 24, 2016. I am recommending the Board hold a Public Hearing on Tuesday June 7, 2016 at Highland Community Center.

It was staff's goal to present a draft budget that was balanced and could be adopted in its current form to guide the town during the next fiscal year. Each department carefully reviewed the budget and made cuts based on current plans and historical information. The budget presented is a balanced departmental budget. I am proud to submit this budget on behalf of our staff.

Respectfully submitted,

M. Justin Price
Interim Town Manager