**Town of Haw River**

**Town Council Special Called Meeting**

**Monday, May 19, 2014**

The Town Council of the Town of Haw River held a Special Meeting of the Town Council on Monday, May 19, 2014 in the Haw River Municipal Building at 7:00 pm.

Council Members Present: Mayor Buddy Boggs, Lee Lovette, Jeff Fogleman, Kelly Allen, and Ashley Warren

Council Members Absent: n/a

Also Present: Manager Jeff Earp, Clerk Melanie Hamilton

Mayor Boggs called the meeting to order at 7:00 pm and Manager Earp made the following budget presentation to the Town Council:

To the Honorable Mayor and Town Council Members,

On behalf of the Town of Haw River staff, I am pleased to present to you the fiscal plan for FY 2014-2015. 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). A public hearing of the FY 2014-15 Budget will be scheduled at the Council’s regular meeting on June 2, 2014 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 2, 2014 public hearing. Balancing this budget has been a very long and arduous task which has resulted in a document which continues to meet the Towns’ basic needs in the critical service areas and addresses a few of the various capital improvement needs currently facing the Town. The budget does not, however, provide all of the funds necessary for the capital needs within the Town of Haw River. 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.

We will be confronted with challenges next fiscal year that will impact the way we do the business of the Town. To combat these challenges we have reduced operating cost within our control, eliminated many capital purchases, and delayed some facility upgrades. While we will be able to survive those cuts, we now find ourselves facing a major increase in funding to address these needs in the next few years.

The Town’s General Fund Budget is also facing revenue loss for the Town with the proposed State Legislation to eliminate or cap the privilege license fees which brought in approximately $19,500.00 in this fiscal year and a proposal that would cap the Towns ability to levy Property Tax. The Town is also effected by a lower Ad valorem tax collection rate by the county which is projected around 96% while the State average is around 98% resulting in deferred revenue of approximately $19,000 annually. In the last two years we have lost Sales Tax revenues and have deferred Ad Valorem revenues in excess of $132,000, which equates to almost 7% of the general fund budget or almost 9 cents of the ad valorem tax rate. A major challenge this year was major medical insurance coverage for employees and retirees. The Town originally was facing a 14.0% increase in premiums, which equated to an increase of approximately $27,000. By changing insurance vendors and tweaking our insurance plan, the Town was able to eliminate all but $6,000 of those costs. The General fund also had to incur increases in service cost where the Town depends on other third party entities to provide services such as Burlington for Animal Control and Shelter services, Harris Computer Systems our financial software provider and support and Alamance County 911 that provides dispatch services for town. All total those cost increased approximately $7400.00.

The Water and Sewer revenues have been greatly impacted because of inflow and infiltration into our system due to the large volume of rain, snow and ice received over the last year. The staff is also working to inspect and correct as many I & I problems as we can identify. Staff is also working diligently to identify, apply for and acquire funding to do major rehabilitation to our sewer system. We are also experiencing reduced water sales which adversely affect revenues. The Water and Sewer Budget reflects a 4% increase in rates which is a result of Burlington increasing their rate to us. Other than the 4% increase for Burlington, the Water and Sewer budgets remains constant. Per our loan conditions with USDA, we have budgeted for the 2015 loan payment and have put the required reserve payment in the budget. The Staff and I are also preparing for the loss of revenue from Green Level when their line to Burlington is complete.

In regards to the Powell Bill fund we are seeing a slight increase in revenues and expenses are remaining constant as we prepare to address street and sidewalk needs.

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 loss of revenue is reflected in the lack of funding for capital purchases and capital projects. Additionally, this budget reflects an increase of 4% in water/sewer rates and is in direct correlation to an increase in costs from the City of Burlington. This budget has no recommendation for salary increases to the Town staff.

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. 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 Towns Proposed Budget for Fiscal Year 2014-2015, 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.

With the adoption of the 2014-2015 budget, the Town will accomplish these important goals:

1) Safeguard our essential core services, including police and fire, streets and water & sewer;

2) Reduce risk to the taxpayers by repairing the town’s assets;

3) Close a projected General Fund budget deficit, without cutting services or reducing services at our Recreation and Parks Facilities;

4) Recognize that economic cycles cannot halt our progress, by planning for our future;

It is my intent that this budget will accomplish these goals despite our increasing financial obligations and state legislation that has lowered revenue growth. To do so, however, we have had to make tough choices, especially when deciding how to reduce the ever-widening portion of our budget that is devoted to compensation, benefits, and retirement costs. It will also mean exploring new options and ways to accomplish our tasks at hand.

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 budget is $3,808,310.00, which is approximately a 3.28% increase over our current operating budget ($3,687,238.00), and consists of: General Fund - $1,906,040.00 (2.4% more than the current $1,860,738.00); Water and Sewer - $1,816,270.00 (5.75% more than the current $1,717,500.00); Powell Bill fund $63,500.00 (27.01% less than the current $87,000). Storm Water fund $22,500 which reflects a $500.00 increase over the current budget.

This budget includes the following debt service expenditures:

Fire Department Truck payment $ 47,574

Police Cars $ 18,376

Recycling Bins $ 8,052

Pump Station Replacement Bonds $ 33,500

The total Water-Sewer Fund Budget reflects a 4% increase in rates from Burlington that is passed on in our rates.

I am proud of the job that has been done within the Town’s Departments to maintain costs and prioritize expenditures in the 2014-2015 Budget.

**Key Points**

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

1. 2014-2015 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 $693,372.
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 $14,445.00 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.

**Budget Overview Chart**

This budget slightly increases spending levels above the funding level of last year. See comparison below:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Approved**  **2011-2012**  **Budget** | Approved **2012-2013 Budget** | **Approved**  **2013-2014**  **Budget** | **Recommended**  **2014-2015**  **Budget** | | **GENERAL FUND** |  |  |  |  | | Governing Body | 14,850.00 | 14,850.00 | 15,750.00 | 15,450.00 | | Administration | 227,525.00 | 227,742.00 | 181,849.00 | 193,368.00 | | Public Buildings | 39,500.00 | 39,500.00 | 39,500.00 | 39,500.00 | | Police Department | 573,085.00 | 591,138.00 | 586,533.00 | 613,568.00 | | Fire Department | 320,008.00 | 336,085.00 | 327,393.00 | 337,229.00 | | Streets and Highways (PW) | 121,402.00 | 128,566.00 | 271,353.00 | 280,682.00 | | Sanitation | 118,000.00 | 101,000.00 | 102,700.00 | 105,500.00 | | Parks & Recreation | 171,157.00 | 189,439.00 | 159,457.00 | 163,474.00 | | Non-Departmental | 149,683.00 | 174,945.00 | 176,203.00 | 157,269.00 | | **GENERAL FUND TOTALS** | ***1,735,210.00*** | ***1,803,265.00*** | **1,860,738.00** | **1,906,040.00** | |  |  |  |  |  | | **POWELL BILL FUND** | ***55,000.00*** | ***138,000.00*** | **87,000.00** | **63,500.00** | |  |  |  |  |  | | WATER & SEWER FUND |  |  |  |  | | Administration | 300,737.94 | 207,728.00 | 197,435.00 | 187,913.00 | | Water Department | 683,319.06 | 743,566.00 | 742,234.00 | 731,279.00 | | Sewer Department | 650,199.00 | 691,824.00 | 777,831.00 | 897,078.00 | | **WATER & SEWER FUND TOTALS** | ***1,634,256.00*** | ***1,643,118.00*** | **1,717,500.00** | **1,816,270.00** | |  |  |  |  |  | | **STORMWATER FUND** | 22,000.00 | 22,000.00 | **22,000.00** | **22,500.00** | |  |  |  |  |  | | **TOTAL EXPENDITURES** | ***3,446,466.00*** | ***3,606,383.00*** | **3,687,238.00** | **3,808,310.00** | |  |  |  |  |  | |  |  |  |  |  | |

**Revenues**

This budget recommends that the tax rate remains steady at 48 cents per $100 valuation. There is a fund balance appropriation of $50,000 in order to balance the general fund budget.

The Water and Sewer fund reflects a 4% increase in water and sewer rates. The City of Burlington enacted a 4% increase on their municipal water and sewer customers, and we have no choice but to raise our rates accordingly. Even with the new rates, the minimum monthly bill remains reasonable, moving from $40.86 to $42.05. This is a $1.19 increase per month.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **REVENUES** |  |  |  |  |
|  | **Approved 2013-2014 Budget** | **Recommended 2014-2015 Budget** | **$ Difference** | **% Difference** |
| **GENERAL FUND** |  |  |  |  |
| Current & Prior Years Ad Valorem | 676,500.00 | 692,000.00 | 15,500.00 | 2.29% |
| Current & Prior Years Fire Taxes | 275,250.00 | 275,250.00 | - | 0.00% |
| Local Option Sales Tax | 351,000.00 | 388,000.00 | 37,000.00 | 10.54% |
| Interest on Investments | 1,250.00 | 1,225.00 | (25.00) | -2.00% |
| User Fees | 122,865.00 | 118,000.00 | (4,865.00) | -3.96% |
| State Funds | 221,450.00 | 219,450.00 | (2,000.00) | -0.90% |
| Miscellaneous | 40,371.00 | 37,115.00 | (3,256.00) | -8.07% |
| Administrative Grant | 125,000.00 | 125,000.00 | - |  |
| Fund Balance | 47,052.00 | 50,000.00 | 2,948.00 | 6.27% |
| **GENERAL FUND TOTALS** | **1,860,738.00** | **1,906,040.00** | **45,302.00** | 2.43% |
|  |  |  | - |  |
| **POWELL BILL FUND** | **87,000.00** | **63,500.00** | **(23,500.00)** | -27.01% |
|  |  |  | - |  |
| **WATER & SEWER FUND** |  |  | - |  |
| Water Sales | 895,000.00 | 897,520.00 | 2,520.00 | 0.28% |
| Sewer Sales | 785,000.00 | 884,000.00 | 99,000.00 | 12.61% |
| Tap & Connection Fees | 10,000.00 | 7,000.00 | (3,000.00) | -30.00% |
| Surcharges | 1,200.00 | 1,200.00 | - | 0.00% |
| Interest on Investments | 50.00 | 50.00 | - | 0.00% |
| Miscellaneous | 26,250.00 | 26,500.00 | 250.00 | 0.95% |
| **WATER & SEWER FUND TOTALS** | **1,717,500.00** | **1,816,270.00** | **98,770.00** | 5.75% |
|  |  |  | - |  |
| **STORMWATER FUND** | **22,000.00** | **22,500.00** | **500.00** | 2.27% |
|  |  |  | - |  |
| **TOTAL REVENUES** | **3,687,238.00** | **3,808,310.00** | **121,072.00** | 3.28% |

**Expenditures**

This budget holds the line on operational costs and has few capital purchases for equipment or buildings that are needed. The expenditure budget does ***not include a 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 2013-2014 Budget** | **Recommended 2014-2015 Budget** | **$ Difference** | **% Difference** |
| **GENERAL FUND** |  |  |  |  |
| Governing Body | 15,750.00 | 15,450.00 | (300.00) | -1.90% |
| Administration | 181,849.00 | 193,368.00 | 11,519.00 | 6.33% |
| Public Buildings | 39,500.00 | 39,500.00 | - | 0.00% |
| Police Department | 586,533.00 | 613,568.00 | 27,035.00 | 4.61% |
| Fire Department | 327,393.00 | 337,229.00 | 9,836.00 | 3.00% |
| Streets and Highways (PW) | 271,353.00 | 280,682.00 | 9,329.00 | 3.44% |
| Sanitation | 102,700.00 | 105,500.00 | 2,800.00 | 2.73% |
| Parks & Recreation | 159,457.00 | 163,474.00 | 4,017.00 | 2.52% |
| Non-Departmental | 176,203.00 | 157,269.00 | (18,934.00) | -10.75% |
| **GENERAL FUND TOTALS** | **1,860,738.00** | **1,906,040.00** | **45,302.00** | 2.43% |
|  |  |  |  |  |
| **POWELL BILL FUND** | **87,000.00** | **63,500.00** | **(23,500.00)** | -27.01% |
|  |  |  |  |  |
| **WATER & SEWER FUND** |  |  |  |  |
| Administration | 197,435.00 | 187,913.00 | (9,522.00) | -4.82% |
| Water Department | 742,234.00 | 731,279.00 | (10,955.00) | -1.48% |
| Sewer Department | 777,831.00 | 897,078.00 | 119,247.00 | 15.33% |
| **WATER & SEWER FUND TOTALS** | **1,717,500.00** | **1,816,270.00** | **98,770.00** | 5.75% |
|  |  |  |  |  |
| **STORMWATER FUND** | **22,000.00** | **22,500.00** | **500.00** | 2.27% |
|  |  |  |  |  |
| **TOTAL EXPENDITURES** | **3,687,238.00** | **3,808,310.00** | **121,072.00** | 3.28% |

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.

Following presentation to Council, Council discussed state legislative issues and pending bills that may impact the Haw River Budget.

Manager Earp then reminded the Council and the public of the Public Hearing on the Town’s proposed 2014-2015 Budget on Monday June 2, 2014 at 7:00 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