



TOWN OF WILKESBORO

"Where the Mountains Begin"

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BUDGET MESSAGE

May 2, 2016

To the Town of Wilkesboro Mayor, Council and Citizens:

I am pleased to present the recommended budget for the fiscal year 2016-2017. The budget was prepared in accordance with NCGS 159.7, The North Carolina Local Government Budget and Fiscal Control Act. All funds within the proposed budget for the General and Utility Funds are balanced and all revenues and expenditures are identified for fiscal year 2016-2017.

The recommended budget for fiscal year 2016-2017 totals \$16,750,000 for all Town operations, capital improvements and debt service. This represents a 5% decrease over the current year budget.

This decrease can be attributed to both completion of capital projects which were previously budgeted and an intentional reduction in operational expenses given experienced and anticipated economic constraints. These economic constraints continue, but are not limited to, the loss of the Town's ability to charge and collect Privilege Licenses (\$125,000, budgeted), increased departmental costs in the Fire Department as the result of a change in internal operations (\$150,000, budgeted), as well as many other operational factors.

In the proposed General Fund budget, I recommend a tax rate of forty nine cents (.49) per \$100 of valuation, which is a five cent (.05) increase over the prior year. A property owner who has real property of \$150,000 will receive a tax bill of \$735, an increase of \$75 over the prior rate. The ad valorem taxes will yield \$3,009,000 based on property tax collection rate of 98.14%. This amount has increased by \$181,500 over last year. The increase can be explained by the increased tax rate, an overall decrease to the tax base (roughly \$25 million), and an increase to our tax collection percentage, overall. The tax increase represents the Town's first tax increase since 2006 when the rate moved from \$.34 to \$.40. The rate was adjusted in 2013 from \$.40 to \$.44, but this adjustment was revenue neutral to the Town as a result of a 10% valuation reduction during revaluation.

In the Utility Fund, I have proposed no rate increase to all rate classes. The Town has completed a series of calculated annual rate increases to properly fund a series of capital projects aimed at fortifying a robust utility system. Most notably, the Joint Water Intake Project allowing us to draw water from the W. Kerr Scott Reservoir. Other capital projects at various stages of completion are a sludge handling facility at the water plant, a centrifuge projects at the wastewater plant and a new water loop project in the Browns Ford Rd. and Hwy 421 area.

Water and sewer fees and charges will generate \$6,900,000 or 66% of the total budget. Residential customers using an average of 5000 gallons a month will receive a combined water and sewer bill of \$23.17 per month, the same rate as last year. Water rates, sewer rates and charges for all out of town customers excluding the water associations will have a multiplier of 2.0 added to the bill. These revenues show an increase of \$200,000 over last year. This growth is all organic to the system.

Mike Inscore
MAYOR

Kenneth D Noland
TOWN MANAGER
townmanager@wilkesboronc.org

James K Byrd
TOWN CLERK

Russell F Ferree
Claude Andrew "Andy" Soots
J. Gary Johnson
COUNCIL MEMBERS

Jimmy Hayes
MAYOR PRO TEM

OTHER REVENUES

Local Option Sales Tax: Retail sales in North Carolina have shown good growth recently, and the growth of this line item is proof. A conservative growth projection has been budgeted for fiscal year 2016-2017. The Town receives four (4) sales tax allocations:

(1) Article 39 one-cent tax, which is the original local government sales and use tax dating from 1971, (2) Article 40 (1983 one-half cent) tax, (3) Article 42 (1986 one-half cent) tax and (4) Article 44 (2001 one-half cent tax). The Town's sales tax revenues are distributed on a per capita basis. Additionally, the Town will be receiving sales taxes charged on services performed. This will be the first time that these taxes will be collected by the State. It is estimated that the Town will receive \$925,000 in fiscal year 2016-2017. This is an increase of \$100,000 over the prior year as a result of organic growth in sales tax as well as anticipated growth due to new revenue.

Unrestricted Intergovernmental: Utility Franchise Tax - Each town's share of the utility franchise tax is based on the actual receipts from electric, telephone, and natural gas service within the municipal boundaries during fiscal year 2016-2017. The utility franchise tax is estimated to yield \$608,000. This is a modest (\$34,000) increase over last year.

Restricted Intergovernmental: Powell Bill Allocation - These funds, unlike other State-shared taxes, are limited in their use. N.C.G.S. 136-413 directs that the money be spent "only for the purpose of maintaining, repairing, constructing, reconstructing, or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other necessary appurtenances within the corporate limits of a municipality or for meeting the municipality's proportionate share of assessment levied for such purposes." Three-quarters of the proceeds are distributed on a per capita basis, while the remaining quarter is distributed on the basis of the number of miles of non-state streets in the town. Estimated receipts from the Powell Bill Allocation in fiscal year 2016-2017 are \$115,000 which is consistent with prior. This revenue source continues to be stagnant and is not sufficient to maintain our roads on a year to year basis.

Fund Balance: The proposed budget includes a general fund balance appropriation of \$234,000 in order to get a balanced budget as required by statute. If spent this would leave the Town approximately \$2,129,651 or 33.8% of the proposed General Fund budget in unappropriated fund balance. The Local Government Commission recommends that municipalities maintain at least 8% in fund balance reserves.

EXPENDITURES BY CATEGORY

Personnel: This category of expenditures accounts for \$6,286,900 or 37% of the total budget. These expenditures include salaries and wages, FICA, retirement, group insurance and other miscellaneous benefits for 77 full-time employees and 5 elected officials.

The budget contains \$1,335,000 for group health and dental insurance for 83 employees, 5 elected officials, and 6 retirees. As Health Insurance costs continues to rise faster than general inflation the Town will have to look at charging for dependent coverage as well as reducing benefit levels

The budget contains provisions to allow for a cost of living and /or merit increase of 5.0% in July.

Approximately \$50,000 has been budgeted for training/travel this year. This funding will be used to improve job skills, gain knowledge of the latest equipment and technology, and to remain up to date on a variety of issues that impact the Town. Internal training will focus on safety and the use of technology.

Operating Expenditures: This category of expenditures accounts for 25% or \$4,170,100 of the total budget. These expenditures include costs other than personnel and capital outlay that are required for the operations of the Town. Debt service requirements, inflationary trends, increased service demands, and enforcement of government regulations directly affect operational expenditures. Overall, this category has been reduced when

compared to prior year by \$328,200 due to the efforts of Town staff given the economic constraints previously detailed.

Capital Outlay: This category of expenditures accounts for 38% or \$6,293,000 of the total budget. These expenditures are for the purchase of machinery, equipment, and other items that are too permanent in nature to be considered expendable at the time of purchase and have a value greater than \$5000. Items included in the General Fund are paving projects, two police vehicles, security cameras, upgrades to the disc golf facility, and a new restroom/concession stand at Cub Creek Park. In the Utility Fund, items include vehicles for multiple departments, concrete rehabilitation, fencing, security cameras, a storage building, enhancing the radio network, and completing a GIS mapping project. We have also budgeted money towards utility maintenance projects. The majority of these funds will be the \$3,116,500 of retained earnings being spent on continuing the sludge handling facility at the Water Plant and fortifying a line loop serving our business district with utilities.

BALANCED BUDGET

The fiscal year 2016-2017 budget summary of revenues and expenditures for all funds is:

FUND	REVENUES	EXPENDITURES
General	\$ 6,305,000	\$ 6,305,000
Water & Sewer	\$ 10,445,000	\$ 10,445,000
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TOTAL *	\$ 16,750,000	\$ 16,750,000
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CONCLUSION

We do not anticipate any service reductions but departmental operating budgets have been squeezed to the point where any unforeseen cost increases will require use of undesignated fund balance. As a result, I am proposing a tax increase in order to fortify the Town financially for the future.

Our local economy is showing signs of health growth which have become tangible in the budget by the way of Water Revenue and Sales Tax Revenue. Anecdotally, new business activity continues within our 421 Business corridor which will help create employment opportunities as well as additional sales tax revenue. We are also seeing signs of growth with new hiring within our industrial base.

This budget is proposed by the Town Manager. At this time, it is neither final nor is it necessarily a reflection of what will be approved by the Town Council. The Town Council will undertake a thorough study of this proposal to arrive at what it considers the proper program of revenues and expenditures for the Town government for the coming year.

Respectfully submitted,

Kenneth D. Noland

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Town Manager

*** Disclaimer:** The Budget Officer presents a proposed or estimated budget to the Town Council with an opening statement called the Budget Message (this letter) that is correct at that moment in time; however, the Town Council makes many changes to the budget after the Budget Message is presented through a series of work sessions each year. The difference in the budget dollars is Proposed Budget (Budget Message) versus Actual Budget (Adopted Budget).