



TOWN OF WILKESBORO

"Where the Mountains Begin"

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BUDGET MESSAGE

May 7, 2018

To the Town of Wilkesboro Mayor, Council and Citizens:

I am pleased to present the recommended budget for the fiscal year 2018-2019. 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 2018-2019.

The recommended budget for fiscal year 2018-2019 totals \$15,539,300 for all Town operations, capital improvements and debt service. This represents an 11.6% increase over the current year budget. This increase can be attributed to a substantial amount of capital needs including but not limited to: a trash truck, a dump truck, police vehicles, public works vehicles, building upfits and a parking lot project.

In the proposed General Fund budget, I recommend a tax rate of forty eight cents (.48) per \$100 of valuation, which is in line with the current year. A property owner who has real property of \$150,000 will still receive a tax bill of \$720. The ad valorem taxes will yield \$2,995,000 based on property tax collection rate of 96.96%. This amount has increased by \$65,000 over last year. The increase can be explained by the slightly increased tax rate collection percentage, up from 96.14%, but mostly due to an increase in property valuation. Statutorily, the Town is required to use this percentage when figuring our expected revenue for the following year.

In the Utility Fund, I have proposed a 5% rate increase to sewer charges effective 10/1/18. We anticipate this increase to generate an additional \$150,000 for the year. The increase is a result of current and anticipated staff and operational expenditure increases with respect to the processing of wastewater along with general inflationary pressures. The Town is currently under construction of an additional clarifier at the plant which will increase the plant's efficiencies overall and will elevate the plant's overall rating. The increased rating will require for 24 hour onsite coverage, thus the increase to personnel.

Water and sewer fees and charges will generate \$7,700,000 or 50% of the total budget. Residential customers using an average of 5000 gallons a month will receive a combined water and sewer bill of \$23.79 per month after October 1st, an increase of \$.62 per month. This bill remains one of the lowest in the state at less than 1/3 of the median charges for the same service statewide of \$74.37. 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 overall increase of \$450,000 over last year.

Mike Inscore
MAYOR

Kenneth D Noland
TOWN MANAGER
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James K Byrd
TOWN CLERK

Jimmy Hayes
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Nellie Archibald
COUNCIL MEMBERS

Russell F Ferree
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 2018-2019. 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 \$1,100,000 in fiscal year 2018-2019. This is an increase of \$100,000 over the current 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 2018-2019. The utility franchise tax is estimated to yield \$621,000. This is a modest (\$2,000) decrease 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 2018-2019 are \$115,000 which is consistent with prior years. 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 \$315,300 in order to get a balanced budget as required by statute. If spent this would leave the Town approximately \$1,800,688 or 25% 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 \$6,912,600 or 44.5% of the total budget. These expenditures include salaries and wages, FICA, retirement, group insurance and other miscellaneous benefits for 92 full-time employees, 40 volunteer firemen and 5 elected officials. The request includes the final portion of a 3-year salary increase for the Police Department (\$20,000) and the creation of 5 new full-time positions across multiple departments.

The budget contains \$1,470,000 for group health and dental insurance for 87 employees, 5 elected officials, and 8 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 total 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 30.7% or \$4,134,300 of the total budget. These expenditures include costs other than personnel and capital outlay that are required for the operations of the Town. Increased utility costs, overall inflationary trends, increased service demands, and enforcement of government regulations directly affect operational expenditures. Overall, this category has increased when compared to prior year by \$321,000 (8.4%) due to general inflation as well as operational concerns in wastewater detailed previously.

Capital Outlay: This category of expenditures accounts for 13.3% or \$2,067,400 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 a trash truck, paving projects, four police vehicles, upgrades to buildings, creation of a new parking lot, and multiple parks and recreation projects. In the Utility Fund, items include vehicles, concrete rehabilitation, technical upgrades, and continued line replacement. We have also budgeted money towards utility maintenance projects. The majority of these funds will be the \$879,000 of earnings being spent on fortifying the Brown's Ford Road water line loop serving our business district with utilities.

Debt Service: Debt service accounts for 11.5% or \$1,795,000 of the total budget. This category represents commitments that the Town has entered into for equipment or projects that are substantial. Sometimes, the equipment is financed as a way of spreading out the costs to reflect the time period of service to the citizens, as in the financing of Police vehicles and Fire trucks. Thus, those paying the debt service through their tax dollars are the ones actually receiving the benefit of the equipment. Other times, the project is of such a large scale, it is not feasible to pay cash when interest rates are at an acceptable level, as in some utility projects.

BALANCED BUDGET

The fiscal year 2018-2019 budget summary of revenues and expenditures for all funds is:

FUND	REVENUES	EXPENDITURES
General	\$ 7,164,300	\$ 7,164,300
Water & Sewer	\$ 8,375,000	\$ 8,375,000
TOTAL	\$ 15,539,300	\$ 15,539,300

CONCLUSION

We are entering into an exciting time in the Town of Wilkesboro with a downtown revitalization underway as well as many exciting economic development opportunities. From a Manager's perspective, I am proud and excited to know that this will mark another year of our ability to offer our citizens a very high level of service and value for their tax dollar. We do anticipate some small, but necessary rate and fee increases, but a tax increase is not anticipated at this time, nor do we anticipate any reduction or adjustment to services offered.

Our local economy is showing signs of healthy growth which have become tangible in the budget by the way of increased Tax Revenue, Utility 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