

ADMINISTRATOR'S MEMORANDUM 17-10

DATE: May 23, 2017

FROM: Blake Proctor, Town Administrator

TO: Honorable Mayor & Board of Commissioners

INFO: Citizens of the Town of Sharpsburg; interested parties

REF: Budget Message; Proposed Fiscal Year 2017-2018 Operating and Capital Budgets

BUDGET MESSAGE

OVERVIEW

Submitted for your consideration herein is your Administration's proposed budget for Fiscal Year 2018, encompassing the period July 1, 2017 to and through June 30, 2018. This budget, prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act, is balanced without the need for utilization of Fund Balance in any of our three Operating Funds.

Exhibit 1 displays a full Summary of Revenues and Expenditures in the General Fund, and Revenues and Expenses in the Electric and Water & Sewer Funds. Town-wide combined budgets are down \$208,445, or 3.5%, from the FY 2016-2017 budget.

PERSONNEL

It may seem trite, but it is most certainly true that the Town's most valuable asset is our cadre of personnel; we can either retain them and keep their invaluable experience, or we can continue training and retraining their replacements. With the prior concurrence of the Board, the following Personnel Actions will become effective July 1, 2017; these actions will have no effect on scheduling Salary Merit Increases, which will average 4.0%:

Finance: To provide a retention incentive for the Finance Officer position, the salary for that position has been increased \$1,900.

Police: To enhance retention in the Police Department, all Sworn Patrol Officers will receive a salary adjustment of between \$1,000 and \$3,000, depending on their starting salary, their initial date of service, and their current pay, to match the new entry salary rates.

Additionally, the Police Secretary position will become a full time position, rating a starting salary of \$12.00 per hour, with appropriate benefits.

Utility Funds: After a long career with the Town, our Meter Reader will be retiring during this Fiscal Year. Her replacement will have a greatly expanded job description, requiring a knowledge of Public Works and Utilities beyond the current job description. This position will be advertised at the start of the Fiscal Year as either full- or part-time, depending on possession of a Commercial Driver's License when hired; this employee will be required to possess a CDL within sixty days of assuming the meter reading responsibility from the retiring incumbent. A salary has been included in the budget, divided between the two utility Funds.

OPERATING BUDGETS

General Fund

Due to reductions in assessed property values brought about in the aftermath of Hurricane Matthew, tax revenues are expected to decrease approximately 5.1%, down \$20,000; however, there will be no change in the tax rate, which remains at \$0.65 per \$100.00 value. Based on State projections, we anticipate the Local Option Sales Tax receipts to increase \$28,000, or 11.3%. All other sources of revenue are at or close to FY 2017 numbers, and no other fees or charges will be increased.

Governing Body expenditures are down 3.0%. The Administration budget is down 39.5%, due mainly in reallocation of personnel-related expenditures to the utility Funds. Increases in personnel costs in the Police Department, enumerated above, counterbalanced with decreases in capital purchases will result in a 1.9% departmental decrease. Both Fire Department and Parks & Recreation budgets will remain the same. Finally, the Public Works Department will decrease 15.7%, due to reductions in Capital Improvement projects enumerated below, partially offset by a reallocation of personnel-related expenses to the two utility Funds.

A reallocation of salaries, personnel-associated expenditures and other costs to the utility Funds has resulted in corresponding General Fund cost-savings of \$182,650, a decrease in the General Fund of 11.0%, to \$1,471,937.

Electric Fund

The North Carolina Utility Commission (NCUC) has authorized Duke Energy Progress (DEP) to begin billing its customers as of the July, 2017 readings for DEP's negligent coal ash spill; the Town's energy consultants have estimated that the total amount will be \$225,000 over the two-year payback period, or \$112,500 annually. The Town therefore has no choice but to add a Coal Ash Cost Recovery Charge currently estimated at \$8.25 per month per residential customer to

each bill beginning August, 2017, and ending July, 2019; commercial customer charges are expected to be somewhat higher.

On the other hand, your Town's Elected Officials have recently successfully concluded negotiations to transfer electricity purchases from DEP to the firm, NTE, of Kings Mountain, NC, effective January 1, 2018, half way through the Fiscal Year; one-time metering costs for this move will be \$50,000. The decreases in average power costs are anticipated to be double-digit in the long term.; therefore, while remaining on our bills, Coal Ash charges should be felt for only six months, when we may be able to lower our rates.

With the exception of the afore-mentioned coal ash charges coupled with the anticipated lower wholesale utility rates beginning mid-year, there are no other anomalies in the Electric Fund. The total budget will increase \$55,162, or 2.1%, to \$2,648,612.

Water & Sewer Fund

Operations within the Water & Sewer Fund are not expected to change. Consequently, there are no rate changes for either water or sewer services. Although a significant portion of salary-related transfers from the General Fund have been allocated to the Water & sewer Fund, lowered operating expenses have resulted in a total budget decrease of \$80,957, down 4.7%.

CAPITAL BUDGET

Your Elected Officials have approved a long-term Capital Improvement Plan, the first year of which is within this budget. This year's CIP envisions several improvements to rolling stock, as well as one major capital improvement:

Rolling Stock: The Town has made arrangements with the United States Department of Agriculture (USDA) for assistance in purchasing several vehicles: The Police Department will be replacing two patrol vehicles which are no longer in service; after a partial grant, the Town's obligation will be seven annual payments of \$6,512 to USDA.

The USDA is also assisting the Electric Department with the purchase of a pole truck, as ours is non-operational and beyond repair. The Town's payments after the grant portion will be 20 annual installments of \$9,115.

Public Works is replacing a 28-year-old dump truck with a new vehicle leased over seven years at \$14,000 annually from our Powell Bill Fund Balance.

The Water & Sewer Department will be adding a new backhoe to augment an older, smaller John Deere E310; this expense will come from the Operating Budget at \$1,300 per month for 84 months.

Capital Project: In addition to rolling stock, the Town will be scheduling the resurfacing of seven blocks of Town streets, comprising over 2,900 linear feet; the \$81,864 will be paid from our annual Powell Bill allotment, with any overage differential coming from the Powell Bill Fund Balance.

Exhibit 2 illustrates in matrix format our rolling stock and capital projects for FY 2017-18.

SUMMARY

Ladies and gentlemen, your Administration has presented you with a bare-bones, hold-the-line budget that also meets all the needs of not only our citizens, but our operating departments as well. We trust you approve of the financial and operational direction that this fiscal plan provides for the upcoming year. As always, your Administration stands ready to assist you in any way.

Respectfully submitted,

H. Blake Proctor

H. Blake Proctor, Town Administrator & Budget Officer

EXHIBIT 1

REVENUE SUMMARY

	2016-2017	2017-2018	AMOUNT DIFF	PERCENT DIFF
GENERAL FUND	\$1,654,587	\$1,471,937	-\$182,650	-11.0%
ELECTRIC FUND	\$2,593,450	\$2,648,612	\$55,162	2.1%
WATER&SEWER	\$1,719,917	\$1,638,960	-\$80,957	-4.7%
GRAND TOTAL	\$5,967,954	\$5,759,509	-\$208,445	-3.5%

EXPENDITURE SUMMARY

GENERAL FUND	2016-2017	2017-2018	AMOUNT DIFF	PERCENT DIFF
GOV BODY	\$138,200	\$134,075	-\$4,125	-3.0%
ADMIN	\$215,525	\$130,574	-\$84,951	-39.4%
POLICE	\$689,357	\$676,390	-\$12,967	-1.9%
FIRE	\$66,603	\$66,603	\$0	0.0%
PKS & REC	\$30,000	\$30,000	\$0	0.0%
PUBLIC WORKS	\$514,902	\$434,295	-\$80,607	-15.7%
FUND TOTAL	\$1,654,587	\$1,471,937	-\$182,650	-11.0%
ELECTRIC FUND				
FUND TOTAL	\$2,593,450	\$2,648,612	\$55,162	2.1%
WATER&SEWER				
FUND TOTAL	\$1,719,917	\$1,638,960	-\$80,957	-4.7%
GRAND TOTAL	\$5,967,954	\$5,759,509	-\$208,445	-3.5%

EXHIBIT 2

CAPITAL PURCHASES SUMMARY - FY 2017-18

	CAPITAL ITEM	COST	FUNDING SOURCE	AMT FINANCED	PAYMENTS	TERM
ROLLING STOCK						
POLICE	Cruiser	\$27,000	USDA grant/loan	\$15,500	combined -	7 years
	SUV	\$43,000	USDA grant/loan	\$24,500	\$6,512	7 years
PUBLIC WORKS	Chevy Dump Truck	\$85,000	Powell Bill	operating lease	\$14,000	7 years
ELECTRIC	Pole Truck	\$181,000	USDA grant/loan	\$131,000	\$9,115	20 years
WATER & SEWER	J. Deere 310E Backhoe	\$91,000	Operating Budget	operating lease	\$15,700	7 years
CAPITAL PROJECTS						
PUBLIC WORKS	Annual Resurfacing	\$81,864	Powell Bill	\$0	None	

TOWN OF SHARPSBURG
BUDGET ORDINANCE 17-102
FISCAL YEAR 2017-2018

NOW THEREFORE, BE IT ORDAINED by the Board of Commissioners of the Town of Sharpsburg, North Carolina, meeting in regular meeting this, the 6th day of June, 2017, that the following Fund revenues and Department expenditures, together with certain restrictions and authorizations are adopted.

SECTION 1: FY 2017-2018 BUDGET SUMMARY

The following amounts are hereby appropriated in the General Fund for the operation of the Town Government and its activities for the Fiscal Year beginning July 1, 2017, and ending June 30, 2018:

GENERAL FUND

REVENUES BY SOURCE	AMOUNT
Ad Valorem Taxes	\$417,130
Other Taxes	96,782
Unrestricted Intergovernmental Revenues	320,000
Restricted Intergovernmental Revenues	56,500
Permits & Fees	1,400
Service Charges - Sanitation	267,500
Investment Earnings	9,400
Miscellaneous Revenues	53,400
Transfer from Powell Bill Fund Balance	79,825
Appropriated Fund Balance	0
Transfer from Electric Fund	170,000
Transfer from Water & Sewer Fund	0
TOTAL GENERAL FUND REVENUES	\$1,471,937

EXPENDITURES BY DEPARTMENT

Governing Board	\$134,075
Administration	130,574
Police Department	676,390
Fire Department	66,603
Parks & Recreation	30,000
Public Works	434,295
TOTAL GENERAL FUND EXPENDITURES	\$1,471,937

The following amounts are hereby appropriated in the Electric Fund for the operation of the electric utility for the Fiscal Year beginning July 1, 2017, and ending June 30, 2018:

ELECTRIC FUND

REVENUES BY SOURCE	AMOUNT
Investment Earnings	\$ 1,500
Miscellaneous Revenue	2,512
Electric Charges	2,374,600
Electric Sales Tax	115,000
Connection Fees	2,500
Penalty Fees	40,000
Duke Coal Ash Cost Recovery	112,500
TOTAL ELECTRIC FUND REVENUES	\$2,648,612

DEPARTMENT EXPENSES

Electric Operations	\$2,351,112
Budgeted Transfer to the General Fund	170,000
Debt Service	15,000
Duke Coal Ash Cost Recovery	112,500
TOTAL ELECTRIC FUND EXPENSES	\$2,648,612

WATER & SEWER FUND

The following amounts are hereby appropriated in the Water & Sewer Fund for the operation of the water and sewer utility for the Fiscal Year beginning July 1, 2017, and ending June 30, 2018:

REVENUES BY SOURCE	AMOUNT
Water/Sewer Charges	\$1,574,460
Investment Earnings	2,000
Miscellaneous Revenue	12,500
Penalty Fees	50,000
TOTAL WATER/SEWER FUND REVENUES	\$1,638,960

DEPARTMENT EXPENSES

Water & Sewer Operations	\$1,478,960
Budgeted Transfer to the General Fund	0
Debt Service	150,000
Contingency	10,000
TOTAL WATER/SEWER FUND EXPENSES	\$1,638,960

TOTAL BUDGETED REVENUES	\$5,759,509
TOTAL BUDGETED EXPENDITURES & EXPENSES	\$5,759,509

SECTION 2: MUNICIPAL TAX RATE ESTABLISHED

An Ad Valorem Tax Rate of \$0.65 per \$100.00 full valuation is hereby established as the Official Tax Rate for the Town of Sharpsburg for the Fiscal Year 2017-2018.

SECTION 3: SPECIAL AUTHORIZATION – BUDGET OFFICER

1. The Budget Officer shall be authorized to transfer line item expenditures within a department without limitation and without a report being required. These changes should not result in increasing recurring obligations such as salaries. The Budget Officer shall make budget amendments as deemed appropriate no less than once per fiscal year.
2. The Budget Officer shall be authorized to execute inter-departmental transfers in the General Fund, not to exceed ten percent (10%) of the appropriated moneys of the department whose budgeted allocation is reduced. An official report on such transfers shall be given at the next regular meeting of the Board of Commissioners.
3. The Budget Officer may make inter-fund loans for a period of not more than sixty (60) days. The Board of Commissioners shall be informed of such inter-fund loans at their next regularly scheduled meeting. The Board of Commissioners shall also be informed when such loan is repaid.
4. Inter-fund Transfers established in the budget document may be accomplished without recourse to the Board of Commissioners.

SECTION 4: RESTRICTIONS – BUDGET OFFICER

1. The inter-fund transfer of monies, except as noted in paragraph 3 above, shall be accomplished only by authorization of the Board of Commissioners .
2. No salary increase or bonus may be paid without prior authorization of the Board of Commissioners.
3. No contributions to any agencies shall be made without approval of the Board of Commissioners.

SECTION 5: UTILIZATION OF THE BUDGET ORDINANCE

This ordinance and the budget information herein contained shall be the basis of the Fiscal Year 2017-2018 budget. The Budget Officer shall administer this budget and shall ensure that department heads are provided guidance in sufficient detail to implement their appropriate portion of the budget. The Finance Department shall establish records which are in agreement with this budget and this ordinance, and with the appropriate statutes of the State of North Carolina.

This Budget Ordinance and accompanying schedules are hereby adopted by the Town of Sharpsburg Board of Commissioners this, the 6th day of June, 2017.

TOWN OF SHARPSBURG

By: _____
Randy Weaver, Mayor

ATTEST:

Tracy Sullivan, Town Clerk