



TOWN OF WILKESBORO

"Where the Mountains Begin"

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Wilkesboro, North Carolina 28697

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BUDGET MESSAGE

May 6, 2013

To the Town of Wilkesboro Mayor, Council and Citizens:

I am pleased to present the recommended budget for the fiscal year 2013-2014. 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 2013-2014.

The recommended budget for fiscal year 2013-2014 totals \$14,130,277 for all Town operations, capital improvements and debt service. This represents a 19% increase over the current year budget. That increase can be attributed to expenditure of \$2,600,000 of retained earnings in the Utility Fund for capital improvements.

In the proposed General Fund budget, I recommend a tax rate of forty four cents (.44) per \$100 of valuation, which is an increase of four cents (.04). A property owner who has real property of \$150,000 will receive a tax bill of \$660. The increase in rate is in response to the revaluation process which yielded an overall reduction of 8% to our tax base. Thus, despite the increase in tax rate, the overall revenue generated by ad valorem taxes will be neutral. The ad valorem taxes will yield \$2,512,742 based on property tax collection rate of 95.23%. A true revenue neutral tax rate based on prior year's revenue would be forty three and forty one hundredths cents (.4341) per \$100 of valuation. A revenue neutral tax rate which accounts for experiential growth of 2.02% would be a rate of forty four and twenty nine cents (.4429) per \$100 of valuation.

In the Utility Fund I have proposed a 7.5% rate increase to all rate classes. This rate increase is based on a detailed rate study commissioned by Council to help determine revenue requirements based on an increase in debt service requirements resulting from the recently completed wastewater renovation work, self-financed capital projects and the upcoming joint Water Intake Project.

Water and sewer fees and charges will generate \$5,805,000 or 41% of the total budget. The proposed budget and rate increase will help the Town grow its Utility Fund cash balance. In the previously mentioned rate study we set a goal of reaching and then maintaining a cash balance \$1,000,000. These excess funds would be available for emergency situations and/or unforeseen projects. Residential customers using an average of 5000 gallons a month will receive a combined water and sewer bill of \$23.17 for one month usage which is a \$1.61 increase. 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.

OTHER REVENUES

Local Option Sales Tax: Retail sales in North Carolina have stabilized, but the growth of these sales continues to be slow. With the continuing uncertainty of the economy a conservative growth projection has been budgeted for fiscal year 2013-2014. The Town receives four (4) sales tax allocations:

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MAYOR

Kenneth D Noland
TOWN MANAGER
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James K Byrd
TOWN CLERK

Nellie Archibald
Michael Testerman
Gary Johnson
COUNCIL MEMBERS

Jimmy Hayes
MAYOR PRO TEM

(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. It is estimated that the Town will receive \$720,000 in fiscal year 2013-2014.

Other Taxes and Licenses: A business is liable for a privilege license tax as a revenue measure, not as an attempt to regulate activity. Under N.C.G.S. 160A-211, a town is free to levy privilege license taxes, except as specifically restricted or prohibited by law. Estimated receipts for issuance of these licenses in fiscal year 2013-2014 are \$85,000.

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 2013-2014. This last year video programming was added to the list of franchise taxes. The utility franchise tax is estimated to yield \$471,000.

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 2013-2014 are \$115,000. This revenue source continues to decline 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 \$371,858 in order to get a balanced budget as required by statute. However, this amount includes the total contingency that has been built into the budget which totals \$230,000. If spent this would leave the Town approximately \$1,737,709 or 30.3% 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 \$5,548,300 or 38% of the total budget. These expenditures include salaries and wages, FICA, retirement, group insurance and other miscellaneous benefits for 77 full-time employees, 7 part-time employees, and 5 elected officials.

The budget contains \$1,125,000 for group health and dental insurance for 77 employees, 4 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 \$55,000 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 35% or \$5,172,332 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.

Capital Outlay: This category of expenditures accounts for 22% or \$3,207,000 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 \$5,000. Items included in the General Fund are three (3) Police cars, a thermal imaging camera for the Fire Department

and a commercial mower for Parks and Recreation as well as Buildings and Grounds. In the Utility Fund we intend to purchase a new pickup truck for the Wastewater Department. We have also budgeted money towards utility replacement on S. Collegiate Drive and Welborn Ave as well as various facility maintenance projects. The majority of these funds will be the \$2,600,000 of retained earnings being spent on a new sludge handling facility in the Utility Fund.

BALANCED BUDGET

The fiscal year 2013-2014 budget summary of revenues and expenditures for all funds is:

FUND	REVENUES	EXPENDITURES
General	\$ 5,874,000	\$ 5,874,000
Water & Sewer	<u>\$ 8,937,000</u>	<u>\$ 8,937,000</u>
TOTAL	<u>\$ 14,811,000</u>	<u>\$ 14,811,000</u>

CONCLUSION

The local Wilkes economy has remained stagnant with unemployment still over ten percent (10%), and those living in poverty is above twenty percent (20%). Re-evaluation in this down economy will require us to raise taxes by four cents to remain revenue neutral. 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 contingency funds.

I am hopeful that the worst is over as our local economy is showing some signs of recovery. New construction 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.

Wilkesboro will weather this storm and staff will continue to find ways to do more with less.

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

**FUND 10 GENERAL FUND
FY 2013-2014 REVENUES**

DESCRIPTION	ACTUAL BUDGET 2011-2012	CURRENT BUDGET 2012-2013	MANAGER RECOMM 2013-2014	BOARD APPROVED 2013-2014
AD VALOREM TAXES	\$ 2,573,000	\$ 2,563,408	\$ 2,723,859	\$ 2,723,859
TAXES AND LICENSES	697,000	791,892	807,000	807,000
UNRESTRICTED INTERGOVERNMENTAL	557,900	611,000	545,000	545,000
RESTRICTED INTERGOVERNMENTAL	424,500	720,000	713,000	713,000
PERMITS AND FEES	43,000	11,500	13,000	13,000
SALES AND SERVICES	142,000	145,600	150,600	150,600
MISCELLANEOUS	1,766,340	166,800	177,300	177,300
OTHER FINANCING SOURCES	1,177,310	711,500	608,500	631,241
TOTAL	\$ 7,381,050	\$ 5,721,700	\$ 5,738,259	\$ 5,761,000

**FUND 10 GENERAL FUND
FY 2013-2014 EXPENDITURES**

DEPARTMENT NAME	ACTUAL BUDGET 2011-2012	CURRENT BUDGET 2012-2013	DEPT REQUEST 2012-2013	MANAGER RECOMM 2012-2013	BOARD APPROVED 2012-2013
GOVERNING BODY	\$ 362,000	\$ 358,000	\$ 352,200	\$ 337,200	\$ 347,800
ADMINISTRATION	2,223,915	619,550	638,450	638,450	637,050
GENERAL FUND INSURANCES	1,062,000	872,000	886,000	886,000	886,000
PUBLIC BUILDINGS	253,135	340,600	370,700	265,800	264,300
POLICE DEPARTMENT	1,184,730	1,177,600	1,332,625	1,259,500	1,231,000
FIRE DEPARTMENT	823,475	899,500	887,730	871,400	866,400
PLANNING DEPARTMENT	128,905	144,500	178,550	182,050	163,050
PUBLIC WORKS DEPARTMENT-STREETS	766,965	541,300	560,500	535,100	532,900
PUBLIC WORKS-SANITATION & RECYCLING	263,300	263,050	279,200	271,700	269,200
PARKS AND RECREATION DEPARTMENT	277,425	218,100	346,200	280,300	255,800
DEBT SERVICE & CONTINGENCY	45,000	287,500	291,500	336,500	307,500
TOTAL	\$ 7,390,850	\$ 5,721,700	\$ 6,123,655	\$ 5,864,000	\$ 5,761,000

**FUND 30 WATER & SEWER FUND
FY 2013-2014 REVENUES**

DESCRIPTION	ACTUAL BUDGET 2011-2012	CURRENT BUDGET 2012-2013	MANAGER RECOMM 2013-2014	BOARD APPROVED 2013-2014
SALES AND SERVICES	\$ 5,095,000	\$ 5,454,951	\$ 5,907,000	\$ 5,907,000
MISCELLANEOUS	117,000	194,000	235,000	235,000
OTHER FINANCING SOURCES	80,005	290,500	2,795,000	2,795,000
TOTAL	\$ 5,292,005	\$ 5,939,451	\$ 8,937,000	\$ 8,937,000

**FUND 30 WATER & SEWER FUND
FY 2013-2014 EXPENDITURES**

DEPARTMENT NAME	ACTUAL EXPEND 2011-2012	CURRENT BUDGET 2012-2013	DEPT. REQUEST 2013-2014	MANAGER RECOMM 2013-2014	BOARD APPROVED 2013-2014
UTILITY FUND ADMINISTRATION	\$ 140,849	\$ 71,050	\$ 75,800	\$ 175,800	\$ 74,500
UTILITY FUND INSURANCES	381,760	449,500	465,000	465,000	465,000
SPECIAL APPROPRIATIONS	138,500	200,000	2,820,000	2,820,000	2,820,000
WATER TREATMENT PLANT-METER READING	148,062	135,250	146,000	146,000	144,000
WATER TREATMENT PLANT	998,538	1,134,950	1,233,000	1,233,000	1,225,000
WASTEWATER TREATMENT PLANT	957,609	1,056,000	1,155,000	1,155,000	1,139,500
WATER AND SEWER CONSTRUCTION	1,120,169	1,639,800	1,298,500	1,298,500	1,291,500
DEBT SERVICE & CONTINGENCY	964,601	1,152,901	1,104,835	1,104,835	1,104,835
TOTAL	\$ 4,850,088	\$ 5,939,451	\$ 8,398,135	\$ 8,398,135	\$ 8,364,335

NON-PROFIT CONTRIBUTIONS FY 2013-2014

ACCOUNT NUMBER: 10.4200.9100	Current Year	Requested	Proposed	Approved
WILKES EDC	\$ 70,000	\$ 70,000	\$ 70,000	\$ 75,000
OLD WILKES OPERATING	25,000	25,000	25,000	25,000
FIREWORKS	3,000	6,000	3,000	3,000
GREENWAY	3,000	3,000	3,000	3,000
ARTS COUNCIL	1,000	1,000	1,000	1,000
DOWNTOWN MERCHANTS	500	500	500	500
CRIME STOPPERS	500	500	500	500
COMMUNITY COLLEGE CAPITAL	10,000	10,000	10,000	10,000
CHRISTMAS PARADE	500	500	500	500
RESCUE SQUAD	500	5,000	500	500
YADKIN RIVER HERITAGE CORRIDOR	500	5,000	500	500
TOTALS	\$ 114,500	\$ 126,500	\$ 114,500	\$ 119,500