



TOWN OF WILKESBORO

"Where the Mountains Begin"

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BUDGET MESSAGE

May 4, 2020

To the Town of Wilkesboro Mayor, Council and Citizens:

I am pleased to present the recommended budget for the fiscal year 2020-2021. 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 2020-2021.

The recommended budget for fiscal year 2020-2021 totals \$16,818,000 for all Town operations, capital improvements and debt service. This represents a 9% increase of the current budget.

This increase can be attributed to an overall addition in capital items to be purchased across all departments. The increased need for operations, personnel, and capital expenditures calls for increase in expenditures across all departments.

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 \$3,210,000 based on property tax collection rate of 96.53%. This amount has increased by \$30,000 over last year. The increase can be explained by the county-wide revaluation of tax assessments which has yielded a higher property valuation in the Town, overall.

In the Utility Fund, I am not proposing a 7.5% increase on July 1, 2020. Given both the current and potential future projects involving this fund, I believe it to be in our best interest to move forward in raising rates that allow us to provide our current levels of service. With significant expansions on the horizon for both the water and wastewater treatment facilities, it is imperative that we be financially prepared for these capital projects.

Water and sewer fees and charges at current rates generate \$8,800,000 or 52% of the total budget. Residential customers using an average of 5000 gallons a month will receive a combined water and sewer bill of \$25.57 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 \$76.00. 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 \$1,100,000 over last year. This estimate is based on a recent shift in usage and additional revenue gained from rate increases. Town staff will continue to monitor usage in the coming months to determine long term implications of this data.

MIKE INSCORE
Mayor

KENNETH D. NOLAND
Town Manager
knoland@wilkesboronc.org

JAMES K. BYRD
Town Clerk

NELLIE ARCHIBALD
JIMMY HAYES
ANDREW "ANDY" SOOTS
Council Members

RUSSELL F. FERREE
Mayor Pro Tem

OTHER REVENUES

Local Option Sales Tax: Retail sales in North Carolina have shown good growth recently. However, current economic contraction leads me to feel great uncertainty with this revenue stream. A conservative reduction has been budgeted for fiscal year 2020-2021. 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. It is estimated that the Town will receive \$1,150,000 in fiscal year 2020-2021. This is a decrease of \$100,000 over the current year.

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 2020-2021. The utility franchise tax is estimated to yield \$620,000. This remains unchanged from the previous year and has been fairly flat over the last 3 years.

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 2020-2021 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 \$787,500 in order to get a balanced budget as required by statute. If spent this would leave the Town approximately \$1,756,178 or 23% of the proposed General Fund budget in unappropriated fund balance, which is within the guidelines of the Towns Policy. The Local Government Commission recommends that municipalities maintain at least 8% in reserves.

EXPENDITURES BY CATEGORY

Personnel: This category of expenditures accounts for \$7,979,800 or 47.4% 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 an increase to the Police Department of 5%, rising healthcare costs, as well as the creation of 4 new positions and the expansion of 2 others.

The budget contains \$1,755,000 for group health and dental insurance for 92 employees, 5 elected officials, and 7 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 does include the adoption of a formal wellness plan as part of the overall group health plan. Different wellness initiatives have been implemented in the past and will continue to be explored.

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

Approximately \$45,000 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, the use of technology and general compliance.

Operating Expenditures: This category of expenditures accounts for 30.0% or \$5,046,700 of the total budget. These expenditures include costs other than personnel and capital outlay that are required for the operations of the Town. Overall, this category has increased when compared to prior year by \$406,450 due to operational

increases in the utilities fund required for general compliance and maintenance as well as increases in materials needed for utility maintenance projects.

Capital Outlay: This category of expenditures accounts for 12.7% or \$2,137,500 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, four police vehicles, upgrades to buildings, and multiple park projects. In the Utility Fund, items include an excavator, grapple truck, utility vehicle, technical upgrades to plants, and continued line replacement. We have also budgeted money towards utility maintenance and capital projects.

Debt Service: Debt service accounts for 10.3% or \$1,734,000 of the total budget. This category represents commitments that the Town has entered for equipment or projects that are substantial in nature. 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 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 2020-2021 budget summary of revenues and expenditures for all funds is:

| FUND | REVENUES | EXPENDITURES |
|---------------|----------------------|----------------------|
| General | \$ 7,532,000 | \$ 7,532,000 |
| Water & Sewer | \$ 9,286,000 | \$ 9,286,000 |
| | ----- | ----- |
| TOTAL | \$ 16,818,000 | \$ 16,818,000 |
| | ===== | ===== |

CONCLUSION

Our downtown has taken a leap forward with the completion of Phase 1 which created the Community Commons and economic growth has followed. Our main business corridor has seen growth in property value and expansion in offerings. Our key business partners have, for the most part, been experiencing times of hiring and expansion. Our citizens will continue to receive and enjoy the high level of services offered at the existing tax rate as well as enjoy ever increasing opportunities for enjoyment of events and amenities that cultivate a higher quality of life for all. While there are areas in need of attention, personally, I feel great pride in the direction of our current course and the opportunities this budget represents for the next year.

However, it would be foolish not to recognize the current crisis in the Country and acknowledge that there are many unknowns for the near and distant future. This budget has been prepared with a conservative tone as a reflection. This budget will continue to evolve over the course of the next month as more information is gathered in order to make the best decision possible for the future of our community.

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
 Kenneth D. Noland
 Town Manager