

Town of Taylorsville

"The Brushy Mountain Gateway"

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June 5th, 2007

MAYOR AND TOWN BOARD OF COMMISSIONERS

Mr. Guy E. Barriger, Mayor

Mr. George Holleman, Mayor Pro Tempore

Mr. Jack Lerner, Town Commissioner

Mr. Bob Phillips, Town Commissioner

Gentlemen:

Pursuant to Section 159-11 of the North Carolina General Statutes, I respectfully submit for your consideration the proposed Fiscal Year 2007/2008 Budget Final Draft for the Town of Taylorsville, North Carolina. The budget totals \$2,637,227.00 for all Town personnel expenses, operations, capital improvements, and debt service requirements. It reflects a 3% decrease from the July 1, 2006 approved budget. The approved budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act. The 2007/2008 budget reduces the property tax rate from 37 down to 35 cents per 100 valuation.

EXECUTIVE OVERVIEW

The proposed budget reflects a direct effort by Council to maintain the current level of service provided to the citizens of Taylorsville in a prompt efficient manner while demonstrating fiscal prudence to reduce the current tax rate in a time of uncertainty related excessive energy costs, rising costs of healthcare benefits and commodity purchases that are mandatory for daily operation of all town services. The Towns fund Balance is will be considerably lower due to major sewer expansion along the US 64- 90 Corridor. The Town will continue to rely greatly on revenues that are not aligned with assessments on real property specifically sales and user fees

Budget History, Fiscal Year 2000/2001 forward to include 2007/2008.

Fiscal Year	Total Budget	Percent Change
2000/01	\$2,441,685	19%
2001/02	\$2,095,825	-17%
2002/03	\$1,920,312	-10%
2003/04	\$2,070,152	8%
2004/05	\$2,404,228	Actual 2,269,456 14%
2005/2006	\$2,502,727	Actual 2,421,254 4%
2006/2007	\$2,714,271	8%
2007/ 2008	\$ 2,637,227	-3%

GENERAL FUND REVENUE HIGHLIGHTS

The General Fund budget totals \$1,415,111 and is balanced with a property tax rate of 35 cents per \$100 valuation, two cents lower than the rate levied for the 2006-2007 Fiscal Year. The proposed budget reflects an estimated 2% decrease in revenue adjusted down for revaluation, and lower investment earnings. The non adjusted growth rate in the Town's tax base averaged 19% , when adjusted down by a tax rate reduction the real property tax base grew by 8%. Based on a collection rate of 97%, a 35 per 100 levy will yield approximately \$598,669 that includes all real property. At 35 cents, a person owning a \$100,000 property will pay \$350.00 in property taxes.

Sales Taxes

Two and one-half pennies of the 6.75 sales taxes paid on retail sales in North Carolina represents the local sales tax portion levied by municipalities and counties. These taxes consist of a 1% tax that was first levied in 1971, a ½ cent tax levied in 1983, a ½ tax levied in 1986, and a new ½ tax levied in 2002. The new ½ sales tax replaces all State distributed local reimbursements. Sales tax revenue shows a combined average 5% increase based on a 10 month actual received average. The State of North Carolina collects the sales taxes and distributes them to local governments. Sales tax revenues are distributed on a proportional population basis in Alexander County. The Town of Taylorsville portion is based on a current population of 1, 930 citizens.

Powell Bill Street Allocation

These funds represent redistribution by the State of a portion of the motor fuels tax collections. The use of these funds are restricted to maintaining, repairing, constructing, reconstructing or widening any Town owned public streets or thoroughfares within the Town limits. Bridges, drainage, curb and gutter, sidewalks, and other necessary appurtenances are also approved uses of these funds. One-quarter of the distribution is based on the number of miles of local streets in the Town and the remaining 75% is distributed on a population basis. These funds are expected to total \$61,984 based on a mere .07% increase in revenue projected. It should be noted that when fuel prices rise and commuters cut back on purchases the fuel tax revenue decreases.

Utility Franchise Tax

All electric, local telephone, including cellular phones, and natural gas providers pay franchise taxes. These funds are collected by the State and are distributed to municipalities based on actual receipts from the providers for services within the municipal limits. This revenue source is expected to total \$142,644 a 3.0% increase for Fiscal Year 2007/08.

Privilege Licenses

Each business activity operating within the Town limits is required to purchase a privilege license to conduct such business. These revenues are a source provided to all municipalities through the North Carolina General Statutes. These funds are expected to increase consisting of \$2,453 in the 2007/2008 Fiscal Year.

Fund Balance

No additional fund balance- emergency reserve is proposed to balance the 2007-2008 entire operational budget. The budget includes a replenishment line item to partially restore funds expended for the Pop Davis water and sewer project, and the April 16th 2007 wind storm. These two items have affected the reserves; however the Town will remain above the 8% required by the North Carolina LGC. This Agency oversees fiscal control to protect the stability of all local units of government.

It is important for the Town to carry and maintain a significant fund balance. Municipalities and other units of local government must maintain fund balances to provide working capital to pay vendors and others in a timely manner and, most importantly, to meet financial obligations and unforeseen emergency's. Staff will supply the most current figures on fund balance at both Public Hearings.

GENERAL FUND EXPENDITURES BY FUNCTION

Expenditures for the 2007/2008 General Fund total \$1,415,111 a 2% decrease from the amount budgeted for Fiscal Year 2006/2007.

Town Council

This function accounts for \$27,870 dollars and includes the addition of one new Council member to be added effective December 2007. The Town Council represents 1.1% of the entire general fund budget. The Council is responsible for all policy decisions, in accordance with State Statute and Local Laws.

Administration

The Administration function accounts for \$152,353 or 5.8% of the total budget. Expenditures are driven by costs associated with the management and administration of all Town activities. The budgeted amount reflects a 4% increase compared to the amount budgeted in Fiscal Year 2006/07. Administration consists of the Manager and Town Clerk. In the past computer support was distributed to other departments.

Buildings

This function accounts for \$26,200 or 1% of the total budget. Expenditures for this function relate to costs associated with maintenance and upkeep, including insurance, of the Town's buildings and facilities. The adopted budget reflects a 10% increase over the amount budgeted in Fiscal Year 2006/2007. This will also provide for limited modifications to the Council Chamber.

Police

This function accounts for \$688,087 or 48% of the total General Fund budget. Expenditures for the majority of the police budget are driven by salary and benefits. The actual operational function of protection true cost as budgeted is \$73,725. The budget also provides for the purchase of 2 new patrol vehicles, financed for a 2 year term. And begins the exploration process relative to K-9 patrol and costs associated with this type of service.

It should be noted that the Police Department is staffed by a minimum of Two Officers at all times, at a total cost of \$78.00 dollars per hour. The Police Department comprises 26.1% of the entire Town of Taylorsville budget.

Streets & Sanitation

The Streets & Sanitation function account for \$378,208 or 14.3% of the total budget for the General Fund. Expenditures for this function are associated with costs relating to the upkeep and maintenance

of the Town's street and sidewalk system, including Powell Bill expenditures, and costs associated with solid waste and recyclable materials collection. The adopted budget reflects a 4.9% decrease under the amount budgeted in Fiscal Year 2006/2007. The Town has completed sidewalk extensions to serve both Schools and pedestrians on the West side of Town.

Parks & Recreation

The Parks & Recreation function accounts for \$13,125 or 1% of the total budget for the General Fund. Expenditures for this function are associated with the operational costs of Matheson Park. The budget decreases the overall spending significantly. Major improvements approved by Council will have been completed by July 1st, consisting of new shelter and play equipment. These efforts were funded in part by State Funds and a grant award sponsored by Alexander County Health Department.

Cemetery

This function provides for perpetual care for interment and upkeep. A fund allotted totals \$3,350 and proceeds from cemetery plot sales will assist in the upkeep and continued development of the cemetery annex.

Miscellaneous Governmental

This function accounts for \$43,238 or 3% of the total budget for the General Fund. Expenditures for this function include costs associated with the operations of the Planning Board and Board of Adjustment, planning services provided by the Western Piedmont Council of Governments, and other general governmental operations. Approved expenditures reflect a 29 % increase compared with Fiscal Year 2006/2007. The Town has discussed implementing a new Land Development Plan; partial funds exist to begin this process.

Contributions to Outside Agencies & Operations

This function accounts for \$74,180 or 5% of the total General Fund budget. Expenditures for this function include funds that are distributed to agencies that are not formally part of the Town's organizational structure, but impact the quality of life in the community and, in turn, the operations of the Town. Total expenditures for this function reflect a 12% increase over the amount budgeted in the 2006/2007. Funding increases for both the Fire Department and Rescue Squad who by default assume additional responsibility without the existence of an Emergency Room. The figure also includes one year allotments for the Chamber of Commerce and Hiddenite Center.

GENERAL FUND EXPENDITURES BY CATEGORY

Personal Services

The Personal Services category accounts for \$835,930 or 59.1 % of the total budget for the General Fund. Expenditures in Personal Services include all costs associated with personnel and personnel related expenses. Specifically, items included in this category are salaries, FICA taxes, retirement expenses, group insurance, and disability insurance. In order to address employee retention goals, the budget includes a 3% pay increase and a 3.5% performance/ longevity bonus for Town employees full and part time.

Operations

The Operations category accounts for \$522,734 or 36.9% of the total General Fund budget. Expenditures in the Operations category include all costs associated with the operations of departments funded through the General Fund. Expenditures include supplies, maintenance, contracted services, and other items required for the various departments. Contributions to outside agencies and contingency appropriations are also included in Operations. Normally, operational costs are considered to be recurring and, therefore, are budgeted each fiscal year. Proposed expenditures for the Operations category reflect no percentage change over the Fiscal Year 2006/2007 budget.

Debt Service

The General Fund has incurred debt to purchase two new Police Vehicles, two year finance term with no penalty for prepayment.

Capital

Capital purchases exceeding 1,000.00 in value have been reduced by 51% and represents 2.1% of total general fund spending. Staff evaluated the merits of a new leaf truck, however it was determined that repairs and a facelift for the existing truck would be more cost effective and provide adequate service.

WATER & SEWER FUND

The budget for the Water & Sewer Fund totals \$1,222,116 The Water & Sewer Fund budget will see a decreased fund balance attributed to the Pop Davis Sewer project. It should be noted that the Hospital closure and a local garment finishing operation reduction in production, may adversely affect the enterprise fund.

Revenues

Revenues for the Water & Sewer Fund include a \$2.40 per 1000/ gallon rate and an increasing block rate structure for water and sewer fixed charges.

Expenditures

Expenditures for the Water & Sewer Fund total \$1,222,116. The Town will continue debt service payments for the water tank on Linneys Mountain, Energy United water Agreement, Sewer Plant land Payment, and a partial replenishment of enterprise fund balance expended to complete major sewer expansion.

SUMMARY

The proposed budget satisfies the requirements set forth by General Statutes. The preparation of this document has been a collective effort by both Mayor and Council, and entire staff. The Town of Taylorsville is in a replenishment cycle as it has weathered unexpected events, provided essential services, and remains compliant to fiscal requirements. A reduction in overall budget should not hinder the Town in any way from providing required services, and attention to specific needs our citizens are accustomed to.

Respectfully,

David Odom
Town Manager