



TOWN OF WARSAW FY 2019-2020 BUDGET MESSAGE

TO: Honorable Mayor Connors and Board of Commissioners
FROM: Scotty Summerlin, Town Manager
DATE: April 18th, 2019
SUBJECT: PROPOSED Fiscal Year 2019-20 Budget

Mayor Connors and Town Commissioners:

Within the following pages is the proposed operating budget for the Town of Warsaw for Fiscal Year 2019-20. The proposed budget is and will remain in draft form until officially approved by the Board of Commissioners after having held the required public hearing. As you are aware, the fiscal year begins July 1st, 2019 and ends June 30th, 2020. Please note that as the budget proposal is a draft, it may require adjustments in order to satisfy the Board of Commissioners. The budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The budget is balanced and to the best of my ability identifies estimates for all revenues and expenses for the 2019-20 fiscal year. I wish to offer a word of gratitude to all the department heads, and especially to Finance Officer, Lea Turner, in the preparation of this document. Their participation and insight has proven to be invaluable in the arduous, yet most important, process of budget preparation.

Furthermore, the budget is presented based upon the ideals previously discussed at our budget meetings. The main objectives remain: making sure core services are efficiently provided so as to minimize costs for providing those services, ensuring departmental spending does not exceed anticipated revenues, and insisting that fund balances are maintained and/or increased. As always, we will continue to push forward the budgetary philosophy of spending within our means.

Overall Highlights of the FY 2019-20 Operations Budget Proposal (All Funds):

1. Tax base remains stable to slightly increasing.
2. Property tax rate remains at \$0.55. One cent tax rate generates approx. \$19,726.
3. Recommends 2% increase for water/sewer user rates.
4. Average residential bill increase is \$1.37. Average commercial bill increase is \$6.89.
5. Sanitation/Stormwater no increase.
6. Improves current levels of service to all our citizens, customers and businesses.
7. Continues to take care of our Town's most important resources, which is our employees.
The Town will continue to pay 100% of medical insurance premiums for employees. This represents a 15.3% increase in investment to offer acceptable medical coverage.
8. Proposed 3% across the board Cost of Living Adjustment (COLA) for employees, including part-time employees. Also includes 3% increase in board member pay.

9. No General Fund appropriation from fund balance to balance the budget.
10. Continues to build Water/Wastewater fund balance for anticipated new expenses.
11. Purchase of new street sweeper of \$171,500. Purchase to be expensed as a self-loan at 0.00% interest over the useful life of the equipment (seven years) via EDRLF.
12. Wellness Center rate schedule simplified and reduced to \$25/month for Town residents and \$30/month for non-residents. New offerings are coming with the new budget.
13. Contingency appropriations in General Fund (\$20,803) and Water/Sewer Fund (\$45,820).

General Fund:

Revenues and expenditures of the General Fund have been forecasted in a somewhat conservative, but realistic manner. I have leaned upon the estimates for state-collected revenues published by the North Carolina League of Municipalities to assist in reaching estimates. The proposed budget anticipates just shy of a 97% collection rate for ad valorem taxes and an increase in local option sales taxes revenue. Note that state law requires municipalities to budget their tax collection rate at a level no greater than the immediate prior fiscal year's collection rate.

With our estimated tax base (\$197,257,355), one cent generates approximately \$19,726 in property tax revenue for the Town of Warsaw. Duplin County will continue to collect municipal taxes for the town. The County charges a 2% fee for collection. The Town's discount rate for early payment remains 2% and mirrors Duplin County's early payment discount. Collection of taxes due (now late), prior to signing the county agreement, remains the town's responsibility.

General Fund departments include Administration, Police Department, Fire Department, Street Department, Sanitation Department, Recreation Department, Wellness Center, Library, and Special Appropriations.

Some additional highlights of the General Fund departmental budgets include:

1. Warsaw Fire Department request of \$132,587, which represents a 2% increase from last year.
2. Waste Industries' contract increase for CPI adjustment and recycle surcharge covered by Town.
3. Allocation of \$70,000 towards mowing/grounds maintenance contract through Sept. 30, 2019.
4. Allocation of \$5,000 towards the demolition and removal of dilapidated structures.
5. Allocation of \$10,000 towards town festivals and marketing efforts.
6. Warsaw Chamber of Commerce and Duplin County Veterans Museum: \$5,000 each.

The General Fund budget is \$2,946,625, which is \$319,010 (12%) greater than the FY 2018-19 Original Budget (before budget amendments). The street sweeper accounts for half of the increase. Adequate revenues are expected to be collected to cover all budgeted expenditures.

Water & Sewer Fund:

The Water & Sewer Fund budget is recommended at \$1,272,720. This represents an \$18,320 (1%) increase over the previous year. With the proposed budget, there is a recommended 2% increase in water and sewer rates for all customers. The reason for the increase is to ensure sufficient revenues exist to cover new debt service associated with an approved wastewater treatment plant and collection system upgrade. Additionally, sufficient funds are required in order to cover ever-

increasing annual operating costs. Note that the recently approved SRLF loan/loan forgiveness project is on the horizon. The award is for a \$4 million loan with a \$500,000 loan forgiveness clause. A 2% loan fee on the loan amount will come due next year.

Other noteworthy Water & Sewer Fund allocations include:

1. Installment purchase for one work truck that remained back ordered from last fiscal year.
2. Sewer surcharge fees revenue (industrial discharges) remains at \$0.
3. 2% increase in utility rates mean 1% increase in revenue (conservation measures).
4. Building fund balance for \$70,000 loan fee and approaching new debt service.

Stormwater Utility Fund:

No rate increase is proposed for the stormwater utility fee. The fee would remain the same at \$3.50 per month, generating approximately \$56,000 in revenue for the upcoming year. Also, there is no appropriation needed from the stormwater utility fund balance this year. This provides a recommended allocation of \$20,000 to go towards stormwater maintenance and repair projects. Though improvements are continually being made, lack of adequate drainage continues to be a concern. Larger drainage improvement projects may be undertaken in the future.

Powell Bill Fund:

Powell Bill funds distribution (75% based on municipal population, 25% percent based on city-maintained street miles) is anticipated to be \$91,000, representing a small change from the prior year's allocation. This is due to PB funds continued reliance on diminishing gas taxes collected by the State. There is no recommended transfer from the Powell Bill fund balance for FY 2019-20. An allocation of \$29,150 will go towards major street paving. \$9,500 has been set aside for street repairs and pavement patching. Total revenues and expenditures for the Powell Bill are estimated at \$91,000.

CONCLUSIONS

The FY 2019-20 budget proposal aims to carry out the major priorities previously discussed. The services and programs that our citizens have come to expect are maintained and in some cases increased. An example is the Town's new partnership with our citizens in the installation of residential driveway culverts.

The previously stated desired objectives have been accomplished, while concurrently ensuring expenses do not exceed revenue projections. The proposed budget continues to focus on the core objective of improving the financial stability of the Town of Warsaw by way of: (1) operating so that expenses do not exceed revenues, (2) ensuring fund balances are maintained or increased, (3) insisting that core services are carried out efficiently, and (4) always carrying forward a sound and prudent budgetary philosophy of spending within your means.

Respectfully,

Scotty Summerlin, Town Manager