

Town of Elkin

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BUDGET MESSAGE

June 1, 2017

Dear Mayor Bishop, Town of Elkin Board of Commissioners, and Citizens:

I am pleased to present to you the 2017-2018 (FY '18) Town of Elkin Annual Budget for your consideration. The proposed budget represents a compilation of priorities expressed at one (1) budget workshop held on April 25th along with a Board Retreat in February.

This budget was prepared in accordance with N.C.G.S. 159, Article 3, of the North Carolina Local Government Budget and Fiscal Control Act. All funds within the budget are balanced, and all revenues and expenditures are identified for fiscal year 2018.

TOWN OF ELKIN FY 2018 BUDGET

EXECUTIVE SUMMARY

	GENERAL FUND	WATER FUND	TOTAL
TAX RATE/\$100 <i>(5 years of no change)</i>	\$ 0.55	-	\$ 0.55
WATER MINIMUM BILL (2,000 GALLONS) <i>(3 years of no change)</i>	-	\$ 15.50	\$ 15.50
WATER VOLUMETRIC RATE/1,000 GALLONS <i>(3 years of no change)</i>	-	\$ 6.00	\$ 6.00
PROJECTED EXPENDITURES & TSF- FY '18	\$ 5,524,560	\$ 1,380,946	\$ 6,905,506
PROJECTED EXPENDITURES & TSF - FY '17 (as compared to amended budget as of 5/22)	\$ 6,055,963	\$ 1,282,237	\$ 7,338,200
CAPITAL OUTLAY EXPENDITURES	\$ 487,094	\$ 67,000	\$ 554,094
FUTURE CAPITAL OUTLAY EXPENDITURES <i>(for next 4 years – FY '19 – FY '22)</i>	\$ 8,341,694	\$ 11,000,000	\$ 19,341,694
Employment Level	45	5	50
PROJECTED FUND BAL CHANGE BEFORE TSF	\$ 198,839	\$ 249,627	\$ 448,466
Tsf to Capital Reserve Funds	\$ (28,605)	\$ (50,000)	\$ (78,605)
Net Fund Balance / Net Asset Change	\$ 170,234	\$ 199,627	\$ 369,861
OUTSTANDING DEBT 7/1/17 (see note below)	\$ 520,582	\$ 1,233,321	\$ 1,753,903


NOTE: Debt Showing in Water Fund is Sewer Debt being reimbursed by the Yadkin Valley Sewer Authority

Other Fees Not Specifically Listed in Budget Ordinance

The *Schedule of Fees* is an integral part of this budget and follows the *Budget Message*.

Real and Personal Property Tax Rate:

When compared to the current year tax base, the projected tax base for next year will grow by 3.2%. The 2017 estimated tax base also includes an estimated motor vehicles tax base of \$28,880,364. Following is a historical analysis of the projected tax base and levy by tax year going back to tax year 1990:

 TOWN OF ELKIN GENERAL FUND - AD VALOREM TAX LEVY (INCL MOTOR VEHICLES)					
TAX YEAR	TOTAL LEVY	TAX BASE	TAX RATE \$100	TAX LEVY INCREASE (DECREASE)	TAX LEVY INCREASE (DECREASE) OVER PRIOR YEAR
1990	\$ 914,761	\$169,400,144	\$ 0.540		
1991	\$ 1,011,900	\$224,866,183	\$ 0.450	\$ 97,139	10.6%
1992	\$ 1,091,063	\$227,304,809	\$ 0.480	\$ 79,163	7.8%
1993	\$ 1,122,179	\$233,597,151	\$ 0.480	\$ 31,116	2.9%
1994	\$ 1,182,685	\$240,474,461	\$ 0.480	\$ 60,506	5.4%
1995	\$ 1,307,192	\$264,362,156	\$ 0.480	\$ 124,507	10.5%
1996	\$ 1,387,425	\$272,322,224	\$ 0.510	\$ 80,233	6.1%
1997	\$ 1,466,373	\$287,400,977	\$ 0.510	\$ 78,948	5.7%
1998	\$ 1,530,114	\$299,645,919	\$ 0.510	\$ 63,741	4.3%
1999	\$ 1,728,739	\$360,056,328	\$ 0.475	\$ 198,625	13.0%
2000	\$ 1,748,497	\$368,104,631	\$ 0.475	\$ 19,758	1.1%
2001	\$ 1,691,179	\$356,037,683	\$ 0.475	\$ (57,318)	-3.3%
2002	\$ 1,661,694	\$349,830,316	\$ 0.475	\$ (29,485)	-1.7%
2003	\$ 1,687,056	\$355,169,684	\$ 0.475	\$ 25,362	1.5%
2004	\$ 1,896,415	\$399,245,405	\$ 0.475	\$ 209,359	12.4%
2005	\$ 1,917,159	\$403,335,920	\$ 0.475	\$ 20,744	1.1%
2006	\$ 1,917,714	\$403,182,367	\$ 0.475	\$ 555	0.0%
2007	\$ 1,947,494	\$409,959,605	\$ 0.475	\$ 29,780	1.6%
2008	\$ 2,179,709	\$458,886,053	\$ 0.475	\$ 232,215	11.9%
2009	\$ 2,260,303	\$474,958,120	\$ 0.475	\$ 80,594	3.7%
2010	\$ 2,260,303	\$438,958,120	\$ 0.475	\$ -	0.0%
2011	\$ 2,208,358	\$464,916,874	\$ 0.475	\$ (51,945)	-2.3%
2012	\$ 2,115,824	\$447,029,013	\$ 0.500	\$ (92,534)	-4.2%
2013	\$ 2,197,964	\$440,616,739	\$ 0.550	\$ 82,140	3.9%
2014	\$ 2,490,171	\$452,267,054	\$ 0.550	\$ 292,207	13.3%
2015	\$ 2,663,326	\$484,242,107	\$ 0.550	\$ 173,155	7.0%
2016	\$ 2,717,814	\$494,148,000	\$ 0.550	\$ 54,488	2.0%
2017	\$ 2,805,933	\$510,169,580	\$ 0.055	\$ 88,119	3.2%
DESIGNATES REVALUATION YEARS				AVG GROWTH	4.4%

The proposed tax rate for FY '18 (based on tax values as of January 1, 2017) will remain the same from the prior year at **\$0.55 per \$100 in property tax value**. Per General Statute 159-13

(b)(6), the estimated percentage of collection of property taxes shall not be greater than the percentage of the levy actually realized in cash as of June 30 during the preceding fiscal year. The collection rate as of June 30, 2016 was 97.52% and thus is the same amount projected to collect in FY '18. Based on this percentage, it is estimated that \$2,581,443 in property taxes (excluding motor vehicles) will be received by the Town of Elkin in the upcoming fiscal year. When combined with the projected receipt of motor vehicle taxes for FY '18, the total property tax revenue equals \$2,740,285 based on the \$0.55 tax rate.

General Fund Revenue Components:

Following is the breakdown of revenues which make up the General Fund budgeted revenues for the 2018 fiscal year.

TOWN OF ELKIN					
GENERAL FUND - FY 2018 REVENUE SOURCES					% OF
					TOTAL
CURRENT YEAR PROPERTY TAXES (INCL MV)				\$ 2,740,285	49.6%
PRIOR YEAR PROPERTY TAXES & PENALTIES				\$ 8,000	0.1%
GENERAL FUND INTEREST ON INVESTMENTS				\$ 5,725	0.1%
GARBAGE & RECYCLING FEES				\$ 258,739	4.7%
RECREATION REVENUE				\$ 239,900	4.3%
INTERGOVERNMENTAL REVENUES				\$ 20,300	0.3%
UTILITY & CABLE FRANCHISE				\$ 450,000	8.1%
GENERAL FUND OTHER REVENUES				\$ 501,361	9.1%
POWELL BILL REVENUE				\$ 127,000	2.2%
SALES TAX REVENUE				\$ 1,165,000	21.5%
				\$ 5,524,560	100.0%

MSD

The Municipal Service District (MSD) projected tax base is \$14,000,000 which includes both real and personal property. The proposed MSD tax rate for the Town of Elkin for FY '17 is **\$0.10 per \$100 of property value** which represents the same tax rate as in previous years. It is estimated that approximately \$14,000 will be received in FY '18 by way of the MSD tax.

Budget Format:

This year's budget document presents the revenues and expenditures in a departmental fund format by which it is adopted. The budget is designed to function as a work plan in guiding departmental operations, in an attempt to accomplish all the goals and objectives established by the Mayor and the Board of Commissioners. Line items are shown in each fund for informational purposes only.

Health Insurance Premium Increases – We are expecting an 11.8% increase in health care premiums for FY '18.

Personnel – The proposed budget includes a Base Compensation Adjustment increase of 2% across the board for all employees to become effective in July. An additional 1% of base wages has been proposed for discretionary merit increases effective January 1, 2018. These merit increases will be in the form of a bonus check as opposed to adding the percentage increase to the wage of the employee. The amount of merit increase will vary by employee based on

individual employee job performance with the average for all employees being at 1% of base wages.

The operating budget is divided into several funds. Following is a description of these funds and any changes that may have occurred from fiscal year '17 to fiscal year '18.

GENERAL FUND: The portion of the Town's budget that accounts for revenues and expenditures of governmental operations, including governing board, administration, finance, legal, planning, police, fire, streets, and parks and recreation. The General Fund is expected to operate at a profit or to build fund balance at approximately of \$170,234,

Fees –The General Fund budget is based on some fee increases in both recreation and in garbage cart fees. Some of the fee changes are as follows and more detail is provided in the *Schedule of Fees* for which certain revenues are based on in this proposed budget.

Recreation and Parks will see some fee increases as shown in the *Schedule of Fees* document. Other fee increases are for a \$0.50 monthly increase for garbage cart fees.

A general explanation for each fund's departmental expenditures can be found listed below.

Governing Body: No major changes are noted in operating expenses. Following is a schedule indicating contributions from this department to the following organizations:

ORGANIZATION	REQUESTED	APPROVED
Elkin Jaycees	\$ 4,000	\$ 4,000
Elkin Rescue Squad	\$ 10,000	\$ 10,000
Foothills Arts Council	\$ 11,000	\$ 11,000
Water Shed Now	\$ 1,500	\$ 1,500
Elkin Valley Trails Association	\$ 14,800	\$ 14,800
Surry County Economic Development Partnership	\$ 15,000	\$ 15,000
Northwestern Regional Library	\$ 85,868	\$ 85,868

Continued funding (in the form of dues) is allocated to the following organizations: Yadkin Valley Chamber of Commerce, North Carolina League of Municipalities, UNC School of Government, Northwest Piedmont Council of Government, National League of Cities, and other professional organizations.

Administration: No major changes are noted in this Department from the prior year.

Finance Department: This department is continuing to show a decrease in personnel cost for the second year in a row due to the combination of the Town Manager and Finance Director positions. The combination of these (2) positions will be shown under the Administration Department.

Legal: No major changes are noted in this department.

Planning: No major changes are noted in this department.

Economic Development: This Department houses personnel cost of the Economic Development Director and the Main Street & Community Manager. Incentive agreements are also shown in this department. Incentives are in place with Prism Medical, Pittsburgh

Glass Works (PGW), the Liberty, and Round Peak Estates. These projected incentive payouts in FY '18 are expected to be \$271,813.

Public Buildings: No major changes are noted in this department.

Police Department: This department will incur higher cost than the prior year due to FY '18 being a year in which (3) police vehicles will be purchased.

Fire Department: This department is seeing an increase in costs due to the proposed hiring of one part-time firefighter.

Garage: No major changes are noted in this department.

Streets: No major changes are noted in this department.

Powell Bill: \$70,000 is allocated from the Powell Bill allotment for street paving.

Sanitation: As previously noted, an increased fee of \$0.50 per garbage cart is proposed for next year due to increased cost from Waste Management.

Recreation and Parks: The budget for this department includes \$147,000 in capital outlay for the ongoing purchase of purchase of recreation center fitness equipment, park maintenance mowing equipment, Hollywood Cemetery road paving, and playground equipment.

Library: No major changes are noted in this department.

Cemetery: No major changes are noted in this department.

Airport: During the FY '18 fiscal year, the airport is expected to receive (2) grants with a matching cost of \$33,334 and a grant component of \$300,000.

Debt Service: Debt service payments for both the General Fund and Water Fund will total \$337,706 of which \$167,702 (appearing in the Water Fund) is for sewer debt and will be reimbursed by the Yadkin Valley Sewer Authority based upon an Interlocal Agreement between the Town of Elkin and the Yadkin Valley Sewer Authority. Currently the Water Fund does not have any debt nor is any debt reflected to be incurred during FY '18. However, substantial amounts of debt are projected to be incurred for the replacement of a raw water intake line starting in FY '19 in addition to several other water system improvements that are included in the town's CIP for future years.

Non-Departmental: The department shows no significant change in cost from that of prior years.

Capital Reserve Funds: The FY '18 General Fund budget includes provisions for contributions for each of the following Capital Reserve Accounts:

Economic Development Capital Reserve Fund: Used for the following purposes: (1) redevelopment of the Smith-Phillips property, (2) purchase of additional land for development, and/or (3) development of existing Town-owned property. For FY '18,

\$23,605 is being funded in the Governing Body department which will increase the capital reserve provision to a balance of \$100,000.

Recreation and Parks Capital Reserve Fund: For the following purpose: (1) maintenance and/or replacement of the bridges on the Town-owned trails and/or (2) any other capital improvements or purchases for the trails. Included as part of this budget and included in the Governing Body department is \$5,000 for this fund for the 2018 fiscal year which will bring this capital reserve provision to a balance of \$20,000.

Capital: Following are the General Fund capital expenditures which are included in the proposed budget.

Finance	Exchange Server Upgrade	\$ 14,000
Public Buildings	Pave Town Hall parking lot	\$ 30,000
Police Department	(3) Police Cars	\$ 79,260
Fire Department	Respiratory Protection -- replace (2) SCBA	\$ 22,000
Fire Department	Protective Ensembles -- purchase (5) complete sets of PPE (helmet, hood, mask, coat, gloves, pants, boots)	\$ 22,500
Fire Department	Portable Dual Bank VHF/800 Hz Radios - purchase (10) portable radios Portable VHF radios	\$ 39,000
Fire Department	Thermal Imaging Camera - replace an aging thermal imaging camera system	\$ 12,000
Fire Department	Storage Building - replace current 12 x 18 storage building ; add a 12 x 12 storage building	\$ 10,000
Fire Department	Radio Communication Infrastructure - Install fiber optic connection between EPD dispatch and repeater site; install interoperability equipment linking 800 MHz and VHF radio systems; install emergency generator for repeater site	\$ 50,000
Garage	Equipment Shed	\$ 10,000
Streets & Highways	John Deere Tractor with Broom	\$ 18,000
Recreation	Fitness equipment	\$ 20,000
Recreation	Park maintenance mowing equipment	\$ 12,000
Recreation	Hollywood Cemetery Road Paving	\$ 75,000
Recreation	Playground Equipment	\$ 40,000
Airport	NPE 14	\$ 16,667
Airport	NPE 14	\$ 16,667
	TOTAL	\$ 487,094

WATER FUND: The Water Fund is considered an enterprise fund. Enterprise funds account for those operations that are financed and operated in a manner similar to private business

enterprises where the intent of the governing body is that costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees. Rates charged for water service account for most of the revenue in the Water Fund. Expenditures go toward system maintenance and operations.

Fees Volumetric Water Rate: No rate change is recommended for FY '18.

Minimum Water Bill: No rate change is recommended for FY '18.

Debt Service: The only debt in this department is a "pass-thru" sewer debt which will be reimbursed by the Yadkin Valley Sewer Authority.

Non-Departmental: For the 2nd year, the Water Fund will contribute \$50,000 to the Water Fund Capital Reserve Fund in the amount of \$50,000 bringing the reserve balance to \$100,000.

Admin & Billing: No major changes are noted in this department.

Water Operations: No major changes are noted in the department.

Capital: Below are the Water Fund capital item expenditures which are included in the proposed budget.

Water Operations	SECURITY CAMERAS FOR RESERVOIR	\$ 15,000
Water Operations	WATER PLANT BUILDING UPGRADE	\$ 10,000
Water Operations	PHASE PROTECTION FOR AIR COMPRESSOR	\$ 7,000
Water Operations	REPLACE HAND RAILS ON SETTLING BASIN	\$ 10,000
Water Operations	REPLACE MIXER MAST AT ALUM SLUDGE TANK	\$ 25,000
TOTAL		\$ 67,000

Based on the current *Town of Elkin - Capital Improvement Plan*, Water Fund capital expenditures for the next five (5) years are projected to be approximately \$11,000,000.

FUND BALANCE for the GENERAL FUND: The Local Government Commission recommends that municipalities retain a Fund Balance level of at least 8% when compared to annual General Fund expenditures. The Available Fund Balance for the General Fund was \$2,140,918 on June 30, 2016. This amount equates to 38% of the annual FY '16 General Fund expenditures. Thus the required minimum Fund Balance level is satisfied and is anticipated to be met at both June 30, 2017, and June 30, 2018.

CLOSING: Our Annual Retreat held in February at The Liberty began the budget process by open discussions on the financial condition and needs of the Town. While we continue to maintain modest fund balance levels, we have pulled substantial amounts of money out of General Fund reserves to balance both the Water Fund and the General Fund in past years. Since 1994, the Town of Elkin's General Fund contributed \$3,565,827 to the Water Fund. This practice stopped several years ago. The Local Government Division of the NC Department of State Treasurer has increased its efforts in past years to warn municipalities that enterprise funds must

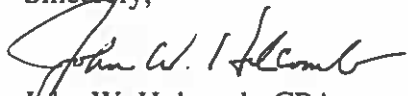
be self-sufficient. Granting agencies also have specific requirements that water rates must be at a certain level in order to qualify a utility for possible grants and low interest loans.

For the fourth year in a row, we project to have an increase in Water Fund Net Assets made possible by past increases in water rates and increased volume of water sold. We will continue to look for possibilities of bulk water sales. The Water Fund is projected to add \$199,627 in net assets to this fund for FY '18. This increase in net assets takes into account for a second year, a planned transfer of \$50,000 to the Water Fund Capital Reserve Account. It is important to note that the Water Fund currently does not have any debt outstanding. This will be changing in future years.

I am proud of the hard work and effort put forth this year by staff and the Board to complete the budget. I believe it meets the objectives of the Governing Body and look forward to its adoption.

I welcome comments, questions, and/or inquiries on the proposed budget.

Sincerely,



John W. Holcomb, CPA
Town Manager/Finance Director
Town of Elkin

Attachments: Town of Elkin FY' 18 Schedule of Fees
Town of Elkin 2017-2018 Budget Ordinance
