



**TOWN OF WARSAW  
FY 2015-2016 BUDGET MESSAGE**

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TO: *Honorable Mayor and Board of Commissioners*  
FROM: *Shawn Condon, Town Manager*  
DATE: *June 1, 2015*  
SUBJECT: *Town Manager's Recommended Budget Message for FY 2015-2016*

Mayor and Town Commissioners:

Submitted for your consideration is the proposed operating budget for the Town of Warsaw, North Carolina for the fiscal year ending June 30, 2016. This budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The budget is balanced and identifies estimates for all revenues and expenses for the 2015-2016 fiscal year.

Annually, the Board of Commissioners is presented with a proposed operating budget that aims to meet the goals established by the Board during the course of the previous fiscal year. The focus for the FY 2015-2016 year is to provide quality cost effective service in an efficient manner, while eliminating the Town's continued reliance on fund balance appropriations in the General Fund each fiscal year. Given the fact that the Town began operating at a deficit in the General Fund in 2011, the primary goal for this recommended budget is to take steps to begin to transition the General Fund back to 2010 levels regarding staffing and overall operating costs.

Key Highlights Proposed for FY 2015-2016:

- Includes no increases in the property tax rate. Property tax rate remains at \$0.55.
- Includes no increases in fees to in-town customers for water/sewer, stormwater, or garbage collection.
- Propose to "re-enforce" the General Motor Vehicle Tax. \$5.00 per vehicle resident per year.
- Maintains current levels of service to the citizens.
- Maintains current levels of benefits to the employees. Health Insurance increase of approximately 6.7% to maintain current level of coverage. Town continues to pay 100% of monthly premium for employee.
- Proposed 2% Cost of Living Adjustment (COLA) for employees.
- For the upcoming fiscal year, any positions that become vacant through attrition (resignation, retirement, dismissal) will be reviewed by the Manager to determine whether those positions will be filled. Currently, there is forecasted to be 1 Full Time position in the Police Department and 5 part time positions in Wellness/Recreation that will be reduced through attrition.
- Includes a Reduction In Force for 1 Full Time position.

- Includes Reimbursement from the Water & Sewer Fund to the General Fund to compensate for portions of eligible costs and administrative services.
- No General Fund balance appropriation. This is the first time in five (5) years that the Town has not budgeted a fund balance appropriation for the General Fund.

Below is a brief budgetary summary of the various funds of the Town:

**General Fund:**

All revenues which comprise the General Fund have been forecasted in a conservative manner. I have reviewed the estimates for state-collected revenues published by the North Carolina League of Municipalities, current economic trends for the State and the local area, and historical data from the Town. The proposed budget assumes a 93% collection rate for ad valorem taxes and a slight increase in local option sales taxes.

This year, the town has experienced a reduction in the overall tax base of \$784,456 when compared to last year. This is due to revaluation requests, corrections, and tax releases from the County. The current valuation of total real and personal property within the corporate limits is \$145,189,963.74. The \$784,456 reduction of tax base equates to a loss of \$4,314.51 in ad valorem revenue.

There is no proposed increase on the property tax rate. The tax rate remains at \$0.55 per \$100 valuation. Based on current valuation, one cent on the tax rate equals \$14,519 of ad valorem revenue. Total ad valorem revenue projected for FY 2015-2016 is \$742,647. This is based on the current valuation of \$145,189,963.74, a tax rate of \$0.55, and a collection rate of 93%. The Town's collection rate has hovered around the 93% level for the last five years. It is a top priority and goal for the upcoming fiscal year to raise this collection rate significantly. In the upcoming fiscal year, the Town will utilize a variety of options provided under NC General Statutes to aggressively collect any past due property taxes. While I expect to collect more than the 93% of property taxes that are budgeted, NC General Statutes require municipalities to budget their tax collection rate at a level no greater than the immediate prior fiscal year's collection rate.

While this recommended budget does not propose an increase in the tax rate, I do propose that the Town begin to enforce the existing General Motor Vehicle Tax that is allowable to municipalities under NCGS § 20-97, and is included within the Town's Code of Ordinances. This is the tax that the Town has previously collected when it issued town license plates. Currently, the ordinance is still in effect, but the Town has simply not enforced it nor collected revenue from it for several years. Due to the combined effects of decreased property tax revenue and increasing costs, it is necessary for the Town to make some type of adjustment regarding revenues, and this may be a more preferable option than raising the Town's tax rate. Under NCGS § 20-97, the Town is allowed to charge a general motor vehicle tax of up to \$5.00 per year on any vehicle resident within the corporate limits. If the Town begins collecting the general motor vehicle tax again, town staff would not have to issue license plates as before to verify payment. The general motor vehicle tax can simply be collected by the NC Division of Motor Vehicles along with other motor vehicle taxes. Projected revenue from the general motor vehicle tax would be approximately \$11,135.

As mentioned above, there is no General Fund balance appropriated in the recommended budget. This is the first time in five years that the Town has not included a fund balance appropriation in order to balance the General Fund. This is a significant accomplishment and will help ensure that the Town

continues to maintain a healthy fund balance level for cash flow, emergencies, and credit worthiness.

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

Some highlights of the General Fund Departmental budgets include:

- Reimbursement of \$217,854 from the Water & Sewer Fund to the General Fund to cover portions of General Fund expenditures that are associated with both the General Fund and the Water & Sewer Fund (Includes portions of salaries, administrative overhead, etc. Itemized breakdown of eligible expenditures is attached for your review. Total estimated General Fund costs eligible for reimbursement from the Water & Sewer Fund is \$238,604).
- Proposed Reduction in Force (RIF) for one position in GF.
- Allocation of \$4,100 towards the upgrade of the Town's financial and billing system.
- Funding of \$13,100 for utility and tax bill processing to allow for full page billing, envelopes, and newsletter inserts. This method of billing would allow the Town to keep customer information confidential (rather than using the postcard bills) and would help facilitate issuing newsletters and other inserts to provide important information to the community.
- Finance purchase of 1 (one) marked patrol car for the Police Department. Budgeted amount of \$32,000 for Loan Proceeds and \$32,000 for Police Department-Capital Outlay for purchase of the vehicle. Installment payments on the loan would not begin until FY 2016-2017 for a repayment cycle of 3 years.
- Allocation of \$15,000 for replacement of firearms for the Police Department.
- 2% increase in funding to the Warsaw Fire Department in the amount of \$114,396.
- Reduction of over \$40,000 annually in the Town's proposed contract with Waste Industries. Costs negotiated are contingent upon a five year contract. Costs will remain fixed for the first two years of the contract, and costs for years 3-5 would be adjusted based on the inflation rate (CPI figure) year to year.
- Allocation of \$21,000 towards the maintenance of Pinecrest Cemetery.
- Non-Town agency requests came in totaling \$13,500. The allocations for these non-town agency requests are as follows:
  - Warsaw Chamber of Commerce: \$10,500. \$500 increase due to increased insurance costs for the Chamber.
  - Duplin County Veterans Museum: \$3,000.

The total General Fund budget is \$2,551,598, which is 5.65% lower than the FY 2015 budget, and is also 4.2% lower than the estimated year end actual totals for FY 2015.

### **Water & Sewer Fund:**

The Town's Water & Sewer Fund budget is recommended at \$1,299,331.00. This represents a 5.5% increase over the prior year. Under the proposed budget, there are no increases in rates for water or sewer customers in town. However, there is a recommended increase in the rates for **non-residential sewer customers outside town** that would make these rates three times higher than inside town sewer rates. The inside sewer rate is \$17.15 (0-2,000 gal.) and \$6.76 per 1,000 gallons thereafter. The

proposed increase would change the **non-residential outside town sewer rate** from the current amount of \$34.31 (0-2,000 gal.) \$13.53 per 1,000 gallons thereafter to: \$51.40 (0-2,000 gal.) \$20.20 per 1,000 gallons thereafter.

The reasoning behind this increase is the need for sufficient revenue in the Town's Water & Sewer fund to cover operating and debt service costs, as well as Water & Sewer reimbursable costs housed in the General Fund. Currently, there are not sufficient revenues in the Water & Sewer fund to cover all of the reimbursable costs to the General Fund. Therefore, the portion of costs not being covered by Water & Sewer revenues in the General Fund are being covered by property taxes. Since the greatest potential impact on the Town's water/sewer infrastructure comes from non-residential sewer, it is recommended that any increase in fees to help cover this gap come from increased charges on **non-residential out-of-town sewer users**. Also, there is a recommended increase for in-town tap fees of \$100, and a \$200 increase for out of town tap fees. This would increase the in-town tap fees from \$600 to \$700, and would increase out of town tap fees from \$1,200 to \$1,400.

The only capital items included in the proposed Water & Sewer Fund is an allocation of \$30,000 to purchase two mowers. These mowers would be used to replace our aging mowers to be used for grounds maintenance around the Water Treatment Plant, Wastewater Treatment Plant, lift stations, wells, and other town properties and rights-of-way.

#### **Stormwater Utility Fund:**

There is no proposed rate increase for the stormwater utility fee. The recommended fee would remain the same at \$3.50 per month. Estimating \$54,000 in revenue for the upcoming year. Also, there is a recommended allocation of \$16,000 from the stormwater utility fund balance. This would provide a recommended allocation amount of \$70,000 to go towards the Town's portion of costs for the DOT Enhancement Project on N. Railroad Street. Under this project, the Town would be responsible for the drainage repair portion of that project, which is estimated to be \$64,937.

#### **Powell Bill Fund:**

Powell Bill funds are generated from the State's Gasoline Tax. Of the total annual Powell Bill distribution, 75 percent is allocated based on municipal population, and the remaining 25 percent of the distribution is allocated based on city-maintained street miles. It is forecasted that the Town's total Powell Bill allocation will be \$95,830, representing a 0.9% decrease from the prior year's allocation. This forecasted decrease in allocation is based on a reduction in the gas tax rate in the current year. It is recommended that \$65,083.07 be transferred from the Powell Bill fund balance for FY 2016. An allocation of \$70,547 will go towards street repair work during the year. Total revenues and expenditures for the Powell Bill Fund are estimated at \$160,913.07.

#### **Cemetery Fund:**

Due to the fact that the Town has recently taken over maintenance responsibilities for Pinecrest Cemetery, I have allocated \$21,000 to be transferred from the General Fund to the Cemetery Fund to cover the contracted costs to mow and maintain the cemetery. Total revenues and expenditures for the Cemetery Fund are estimated at \$21,350.00.

**Debt Service:**

General Fund Debt service on existing loans in the recommended budget is \$137,481.39. Water & Sewer Fund debt service on existing loans in the recommended budget is \$334,499.19. The Powell Bill has a total debt service amount of \$4,407.07 in the recommended budget.

**CONCLUSION**

The FY 2015-2016 proposal operationalizes the goals for the Town of Warsaw established by the Mayor and Board of Commissioners. The services, programs, and needs prioritized by the Board's strategic direction are address in this budget. In addition, basic services have been maintained at current levels.

Further, this year's budget plan continues the Board's focus on the financial stability of the Town. This means planning for operations whereby expenses do not exceed revenues, fund balance is maintained, core services remain the focus, and the budgetary philosophy continues to be conservative. This is not possible without the support of staff, the willingness on the part of Department Heads to make tough decisions, prioritize and make cuts to well justified requests when necessary, and the creativity that is required in order to provide our community quality services in a timely and efficient manner.

While this is the first time in five years we are not budgeting an allocation from fund balance, we are still relying on the Town's Water & Sewer Fund to a high degree to cover the operating deficit in the General Fund. It will be my priority along with the heads of each department to work over the next twelve months to find any areas in which to further cut costs without negatively impacting current service levels.

While the formulation of this budget has been very difficult, and has required many very tough decisions, I am confident that this recommended budget sets out to accomplish the goals and priorities of the Board of Commissioners. I want to extend my appreciation to the Town Department Heads and other Town staff for their contribution towards the development of the budget. I would also like to thank the Mayor and each Commissioner for time spent on discussion, consultation, and guidance provided in order to produce a budget that reflects the collective best judgment as to accomplishing the many tasks, goals, and services that the Board of Commissioners seeks to achieve in the coming fiscal year and beyond.

While this budget is proposed by the Town Manager, it is neither final nor is it necessarily a reflection of what will be adopted by the Board of Commissioners. The Mayor and Board of Commissioners will review the recommendations to arrive at what it considers the proper expenditure of the available resources for the upcoming fiscal year.

Respectfully submitted,



Shawn Condon  
Town Manager