



TOWN OF WARSAW FY 2018-2019 BUDGET MESSAGE

TO: Honorable Mayor Connors and Board of Commissioners
FROM: Scotty Summerlin, Town Manager
DATE: June 1st, 2018
SUBJECT: PROPOSED Fiscal Year 2018-19 Budget

Mayor Connors and Town Commissioners:

I am presenting for your consideration the proposed operating budget for the Town of Warsaw for Fiscal Year 2018-19. As you know, the fiscal year begins July 1st, 2018 and ends June 30th, 2019. Please note that this budget is “proposed” and therefore may require modifications as deemed necessary by the Mayor and Commissioners. The 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 2018-2019 fiscal year.

The budget is presented based upon the goals presented to you earlier. Those main goals include: making sure core services are provided as efficiently as possible to minimize costs for providing those services, spending within the town’s means by ensuring departmental spending does not exceed anticipated revenues, and ensuring fund balances are maintained and/or increased. As always, we will continue to push forward a conservative budgetary philosophy.

Key Highlights, Expectations and Estimates of the PROPOSED FY 2018-2019 Budget:

- Stable tax base, as this is first year after the county revaluation of last year.
- Property tax rate remains at \$0.55. One cent tax rate generates approx. \$19,726.
- Includes 4% increase for water/sewer user rates. Sanitation/Stormwater no increase.
- Maintains current levels of service to all our citizens, customers and businesses.
- Proposes all employees (including non-LEO) receive up to 5% of pay match towards 401(k) contribution. Town will match up to 5%, at same rate as employee contributes. Currently, LEO’s get 5% statutory match while other employees get 2% match.
- Maintains other levels of benefits to the employees.
- Town will continue to pay 100% of medical insurance premiums for employee.
- Proposed 2% Cost of Living Adjustment (COLA) for employees, including part-time.
- \$24,500 for new police department mobile radios (unserviceable after 2019).
- No General Fund appropriation from fund balance to balance the budget.
- Continues to build Water/Wastewater fund balance for new debt service to come.
- Other than water/sewer fees and penalty/fee for mowing, Fee Schedule unchanged.
- Town will absorb 1.6% increase (CPI) stipulated in Waste Industries service contract.
- Purchase of new medium-size excavator. Purchase to be expensed equally amongst Streets, Water/Wastewater, and Stormwater at \$22,000 per department.

- Specific pay adjustments to remaining positions in Streets and Water/Wastewater to account for ongoing position vacancy being eliminated. About \$15,000 saving to town.

General Fund:

Revenues and expenditures of the General Fund have been forecasted in a conservative manner. I have leaned upon the estimates for state-collected revenues published by the North Carolina League of Municipalities and used other statistical data to assist in reaching estimates. The proposed budget anticipates just shy of a 93% collection rate for ad valorem taxes and a slight increase (4%) in local option sales taxes revenue.

With our estimated tax base (\$197,257,355), one cent generates approximately \$19,726 in property tax for the Town of Warsaw. Duplin County will continue to collect taxes for the town. The County charges a 2% fee for collection. To mirror the County's discount rate for early payment, the Town changed its early payment discount rate to 2%. Collection of prior year taxes, prior to signing the county agreement, remains the town's responsibility. Also recall 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.

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:

- Special allocation for ADA wheelchair ramps. Project previously discussed, but put off last year.
- Allocation to PD for improved security, and audio visual recording software and equipment in interview room.
- Warsaw Fire Department request of \$129,990.00, which represents a 2% increase.
- Increase for Waste Industries' (sanitation) contract for CPI adjustment of 1.6%.
- Allocation of \$70,000 towards contracting Town mowing/grounds maintenance. Our contract mower wishes to extend the contract. Contract expires September 30, 2018.
- Allocation of \$5,000 towards the demolition and removal of dilapidated structures and code violation enforcement. Reduction of \$5,000 from last year.
- Allocation of \$10,000 towards town festivals and marketing efforts.
- Warsaw Chamber of Commerce and Duplin County Veterans Museum: \$5,000 each.

The General Fund budget is \$2,627,615, which is \$22,255 (.85%) greater than the FY 2017-18 budget. Ample revenues are anticipated to be collected to cover the budgeted expenditures.

Water & Sewer Fund:

The Water & Sewer Fund budget is recommended at \$1,254,400. This represents a 2% (\$22,600) increase over the previous year. With the proposed budget, there is a proposed 4% increase to water and sewer rates for all customers. The reason for the increase is to ensure sufficient revenues exist to cover increasing costs, to ensure that there are sufficient funds to cover annual operating costs and to

generate funds towards necessary future capital projects, and to make sure funds are available to cover current and new water and wastewater debt. Recall that we have recently been awarded USDA loan/loan forgiveness funds to make improvements at the wastewater treatment plant and in the sewer collection system. 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 major Water & Sewer Fund allocations include:

- Purchase for one (1) work truck via installment purchase
- Surcharge fees removed due to improvements in industrial discharges to our system
- 4% increase in rates will equate to 2% increase in utility revenue due to conservation
- \$22,000 towards purchase of new mid-sized excavator.

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 allocation from the stormwater utility fund balance this year. This provides a recommended allocation of \$34,000 to go towards stormwater maintenance and repair projects. Drainage issues, along with street side trash and dilapidated structures, make up the majority of the complaints received at town hall. Additionally, \$22,000 will assist in the purchase of a mid-sized excavator.

Powell Bill Fund:

Powell Bill funds distribution (75% based on municipal population, 25% percent based on city-maintained street miles) is anticipated to be \$93,400, representing no change from the prior year's allocation. There is no recommended transfer from the Powell Bill fund balance for FY 2018-19. An unfilled position has been eliminated, which equates to approximately \$10,000 in town saving. An allocation of \$35,000 will go towards street paving. \$9,600 has been set aside for street repairs and pavement patching. Total revenues and expenditures for the Powell Bill are estimated at \$93,400.

CONCLUSION

The FY 2018-2019 budget proposal aims to carry out the major priorities previously discussed. The services and programs that our citizens have come to expect are maintained or increased. This has been accomplished, while concurrently ensuring expenses do not exceed revenue projections.

This budget plan continues to focus on the core objective of improving the financial stability of the Town 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 effectively, and (4) always carrying forward a conservative budgetary philosophy.

Respectfully,

Scotty Summerlin, Town Manager