



# **Town of Oriental**

## **Proposed Annual Budget**

### **Fiscal Year 2016-2017**

To: Mayor Sally Belangia  
Board of Commissioners

From: Diane H. Miller, Manager and Budget Officer

Date: May 27, 2016

Re: Budget Message 2016-2017

---

As the fiscal budget is the vision that we intend to use to guide us along the following year, and allows our citizenry to view the fiscally responsible use of their tax money, I have respectfully submitted a budget to the Board for their consideration and further adoption of a Budget Ordinance for FY 2016-2017 at a public hearing scheduled for June 7, 2016.

The budget represents many hours of careful discussion and recommendation on the part of many people: citizens, staff, departments, advisory Boards, as well as the reviews and deliberations of the Town Board. I certainly appreciate all of the assistance and guidance given during this process.

How money is handled and accounted for throughout the year is dictated by GAAP (Generally Accepted Accounting Principles) and GASB (Governmental Accounting Standards Board) plus monitored by our auditors and ultimately reported annually to the LGC (Local Government Commission). Two distinct funds, General Fund & Water Fund, must have separate reserves, be balanced and accounted for individually, and are in this budget as presented.

The balanced budget has been produced in accordance with the North Carolina Local Government Budget and Fiscal Control Act, and was resolved and presented in its final form to the Board at the May 26, 2016 budget workshop. At the same time, a copy was filed with the office of the clerk at Town Hall where it has been and shall remain available for public inspection until the required Budget Ordinance is adopted to take effect July 1, 2016. A public hearing date of June 7, 2016 was set, and has been advertised as required by the Act.

It is the opinion of the Manager that the proposed budget represents the sound responsible financial expenditures to best address the needs of the community and the level of services to be delivered, including establishing and adhering to maintenance schedules, increased record-keeping, and recognition of longer term capital needs planning.

The age-old “services in relation to income” discussion once again directed all discussions, and directed the creation of this budget. At the retreat in March of 2016, a list of potential priority projects was discussed, in an attempt to decide which projects, in which order, with limited resources, can be accomplished. The extent or size of the services is largely controlled by the available funds (Revenues, plus any monies taken from Fund Balance) and Appropriations (expenses or monies spent) coupled with the efficiencies we practice in utilizing these funds.

In the beginning of the process the scope of the services to be delivered is determined, and which order of priority should be applied to each. This is where the Board (and citizens) can have the most influence upon the budget prepared by the Manager in her capacity as Budget Officer. It is here where the Manager gains the general and specific guidance to prepare and present the budget which is her responsibility.

As related to personnel, our total costs are down over \$11,000 from the previous fiscal year from the General Fund, and down over \$1,000 in the Water Fund, as well as down \$28,000 in Powell. As in the past, the Town will be responsible for 100% of employee health costs, on a reduced plan from previous years, and employees have the option of paying to cover their families at their cost.

No fund balance is to be used to balance this budget, but unforeseen circumstances may require budget amendments during the 2016-2017 Fiscal Year, as always. We currently retain 44% of our operating budget, well above the statutorily required 8%, however, budgets as small as ours are recommended to reserve closer to 50% in case of catastrophic system failure or weather emergency and repair. Stopping

the draw from GF to operating budget is the first step to rebuilding that reserve. In that vein, the recommended tax increase was accepted and included, to cover the remaining cost to the GF

### **Budget Overview**

The budget being presented for your consideration is balanced in accordance with N.C.G.S. 159-8. The proposed operating budgets for our major funds are:

General Fund	\$ 848,061.00
--------------	---------------

Water Fund	\$ 309,573.00
------------	---------------

Combined 2016-17 Operating Budget \$ 1,157,634.00

The General Fund budget was derived and balanced with a \$.02 increase to the tax rate and a charge of \$3/month added for trash pickup. With the increase in trash fees, the General Fund still subsidizes the sanitation service by over \$40,000/year. The Water Fund is balanced without an increase to rates. (N.C.G.S 143.355.4)

### **General Fund**

#### **GF Revenues**

Ad Valorem (“according to value”) property taxes should amount to \$477,395.24 of revenue as computed within guidelines, with our proposed tax rate at \$0.22 per \$100 county assessed valuation. Oriental contracts with the Pamlico County tax office to collect our taxes. Each penny (1 cent) change to our tax rate would amount to approximately \$21,157 (as adjusted by a 97.5% collection rate- the collection rate [from June 2015- used as directed by N.C.G.S. 159-13 (b)(6)] has increased slightly.)

Sales and Use tax, and expected revenues from sales of beer & wine have been conservatively estimated as is customary for Oriental, and based on projections received from the NCLM. As a mostly residential community, property tax is the disproportionate contribution of all revenue. As the market continues to recover, we will likely see an increase in new homes added to the inventory and fewer homes vacant.

Other revenues were typically based upon historical data and trend observations and analysis.

Procedurally, this budget aims to continue inventory of assets and regular maintenance of assets to promote sustainability, all of which will allow our small staff to work smarter, not harder, and serve the public better.

## **GF Appropriations**

General Fund appropriations were typically based upon historical data adjusted by trend observations.

Staff has been decreased by one part-time Public Works worker. We will be hiring a full time employee to replace Heidi Artley as she leaves us for employment closer to home after a 17 year career here functioning for the Town in several capacities, including interim Town Manager more than once. Andrew Cox has received required licensing and is currently functioning as both Public Works Director and Water Plant ORC, allowing us to discontinue payment for required licensed contractors in our operations at a substantial savings to the Town.

2016-2017 General Fund changes/projects:

- Storm water drainage maintenance will be performed by staff with the assistance of contractors.
- Trash services will be charged at a rate of \$11.30/household/month to help offset the Town costs.
- Included is the purchase of two (2) Automatic Defibrillator Devices, one to be mounted in Town Hall, and one to be held by Public Works mobile.
- Also included is video surveillance equipment to be installed at Town Hall, the Water Plant, and the restroom facilities on the harbor.
- A new service, a newsletter, to be printed quarterly, will take up locally important subjects for dissemination by all of the volunteer Boards, Town departments, and administration, to help educate residents about various subjects concerning health, safety, services, regulations, and changes to current procedures.
- Two projects from HWAC for extension of docks, should permits be granted, will be funded from Occupancy tax reserves.
- New playground equipment is slated for Lupton Park.

## **Water Fund**

Budgeting for the water fund has few changes. There are two major contributing factors to the cost to provide water to the Town of Oriental. First, there is a required adjustment necessary to more accurately account for the shared resources utilized between the water fund and general fund as required by both GAAP and GASB. The cost of employee labor, required certification, and other expenses contributing either in part or solely to Water Plant operations have been separated out for a more transparent budget process. Also, adhering to N.C.G.S. 143.355.4(b)(1), the Town must establish rates and maintain adequate reserves for the repair and rehabilitation of the system's aging infrastructure to be eligible for any grants or loans through the state in the future. And finally, several upgrades to equipment will be acquired to ensure the safety of the plant, its customers, and its workers.

2016-2017 Water Fund projects:

- Remove/replace filter media.
- Grant request submitted to NCDENR for assessment of current distribution system (match budgeted)
- continuation of meter replacement schedule

For comparison of Oriental's water rates to other municipalities and water suppliers across the state it is recommended to visit the website:

<http://www.efc.sog.unc.edu/reslib/item/north-carolina-water-and-wastewater-rates-dashboard>

Our water quality surpasses State water quality regulations and the Town of Oriental is committed to delivering a quality product at a reasonable cost. The current cost is less than recommended by the State, less than Pamlico County, as can be seen on the dashboard linked above.

As a reminder, sewer charges which appear on the water bill are fees collected by the Town of Oriental for the Bay River Metropolitan Sewer District in Bayboro for service they provide. Those monies are a pass-through and do not stay with Oriental. We have been notified that a raise in Bay River's rates is to be expected beginning July 1.

In closing, thank you again to all those contributing to this process, and especially the Board for their untiring work and making the tough decisions required to provide the fiscal oversight to meet the objectives and challenges of governance, and looking toward the future needs of the Town of Oriental.

Respectfully submitted,

Diane H. Miller

Manager, Town of Oriental