



Town of Oriental Proposed Annual Budget Fiscal Year 2018-2019

To: Mayor Sally Belangia
Board of Commissioners

From: Diane H. Miller, Manager and Budget Officer

Date: May 31, 2018

Re: Budget Message 2018-2019

As the fiscal budget allows our citizenry to transparently 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 2018-2019 at a public hearing scheduled for June 5, 2018.

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, but are worked from a central depository 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 will be presented in its final form to the Board at the June 5, 2018 regular Town Board Meeting. At the time of publishing public notice, 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, 2018.

This year's budget is a culmination of the work of many people, including the Board, Department Heads, Volunteer Boards, and our many vendors. As the Manager, I sincerely appreciate the many hours and tireless efforts of staff and Volunteers to provide us the most accurate estimates possible, in order to budget responsibly and determine justifiable expenses for enhancing the services and facilities we provide.

In the Manager's opinion, the proposed budget is a maintenance budget, with little allowance for catastrophic failure of equipment, as the maintenance and operations plan was instituted two years ago and has been religiously followed. This budget is a fiscally responsible effort, delivering required services at acceptable rates. The adherence to maintenance schedules, record-keeping, personnel qualifications, and recognition of longer term capital needs planning are provided herein.

At the retreat in March of 2018, a list of priority needs 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.

The Retreat directs our priorities for the upcoming year and targets a few projects each year to increase our provided services or enhance services already provided. It also provides for staff by equipping them adequately. This is where the Board took all recommendations on the budget prepared by the Manager in her capacity as Budget Officer. The overwhelming support and guidance offered by those with specialized knowledge was invaluable once again, and directed the most efficient use of limited funds for maximum benefit.

As related to personnel, once again, our costs will not be drawn at all from Powell funds, reserving significantly more of that for the cost of repaving in Powell. The delay in using 17-18 funds allows us to move forward with a larger reserve than annual and cover a larger project. The designated project will likely span through both the 17-18 and 18-19 Fiscal Years, in an attempt to get through all facets of a singularly difficult fix for a persistent issue in one of our most affected flooding areas.

Our overall General Fund costs have increased due to a directed raise, the first in 4 years for staff, the addition of a police officer beginning the first of the fiscal year, and the purchase (replacement) of a police vehicle.

No fund balance is to be used to balance the General Fund budget. No property tax increase is proposed, but it is understood that Pamlico County's property rates are beyond our control and may affect our residents if the governing body chooses to raise them.

We currently retain approximately 50% 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. We have not funded the storm preparedness line item this year, in order to help balance the budget, but are confident that we have enough reserve to cover storm recovery, and the expertise to file for financial assistance if and when it is provided for storm recovery. Expectation of the large Whittaker Pointe Restoration project is not provided in this budget, though a match to any grant funded opportunities may be required. The Board has noted this as a priority for the upcoming year, in order to stabilize the protection afforded to the land and economy, geographically situated behind it.

The Water Fund is balanced with no increases to any fees, but will institute new services of after-hours connections for those returning from long absences and those who have been disconnected from the system. These new services are funded from new fees in Chapter S. There is an elevated tank maintenance costs over years past as we spread the cost of the recent lead abatement over 5 years, this being the second. Next fiscal year one tank mixer drops off and the following year the second mixer drops off. Within four years our maintenance cost will be back to its normal \$13-\$15,000/year. In addition, while a pass-through cost to Oriental, we do the billing for Bay River Metropolitan Sewer District(BRMSD), and, as in the County property tax, we have no control over the governing body of BRMSD, nor the rates charged for sewer service. We have been notified of an increase in rates, and have passed on that information to our residents through local media, our website, and social media.

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	\$ 930,714.02
Water Fund	\$ 320,440.00

Combined 2018-19 Operating Budget \$ 1,252,154.02

The General Fund budget was derived and balanced with no increase to the tax rate and no charge added for trash pickup. The Water Fund is balanced without an increase to water rates. (N.C.G.S §143.355.4)

General Fund

GF Revenues

Ad Valorem (“according to value”) property taxes should amount to \$489,983.24 of revenue as computed within guidelines, with our proposed tax rate at \$0.22 per \$100 county assessed valuation. One penny (\$.01) on the tax rate generates \$22,202.15. Oriental contracts with the Pamlico County tax office to collect our taxes. (as adjusted by a 99.9% collection rate- the collection rate [from June 2017- used as directed by N.C.G.S. §159-13 (b)(6)] has increased slightly again.) The collection rate is projected to be approximately 99.8% for the 2018-2019 FY, and 99.8% was used to budget as the year end numbers had not yet been verified.

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 North Carolina League of Municipalities (NCLM). As the Sales and Use tax now encompasses both materials AND labor, we have seen a fairly significant increase in that tax as refunded to Oriental from the State. We are additionally estimating conservatively due to potential problems accessing our facilities following the continued erosion of Whittaker Pointe and its related shoaling upstream. 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. We have issued five new single family residential zoning permits as well as ten other improvement compliance forms in this fiscal year, with several previously vacant lots now developed. The addition of nearly \$5 million dollars in property value added this fiscal year attests to the fact that new structures and mobile units are gracing our Town. Other revenues were typically based upon historical data and trend observations and analysis.

The Sanitation fund is continuing to be supplemented by the general fund revenues as the contracted price exceeds what we collect for the service, at a cost of between \$23,000 and \$29,000. That supplement may well increase this year as a Consumer Price Index (CPI) increase has been noted by the contractor as an increase they will pass through for tipping. This is the final year on our previous contract, and substantial increase should be expected in next year’s contract, as competition for services is now reduced to the lone contractor we currently use. The County is also considering going to a mandatory trash pickup for County residents, which we would could be part of, dependent on the rate negotiated by the County. The advantage to our own contract is the density within town as opposed to the rural nature of a large part of Pamlico County.

The addition of the Dog Park, through the generosity of an anonymous donor, is up, running, and is financially self-sustaining through registration of users to the facility. All funds revert to the general fund and are expected to cover the cost of ordering tags annually as well as any repair, maintenance and upkeep required. This year’s tags are extended through June 2019 before annual renewal is scheduled.

Our small staff functions efficiently enough to deliver the services expected from a much larger contingent, by the education received and dedication given. Staff has moved forward with certification renewal and continuing education in all departments and this budget provides no new staff (outside of the delayed Police hire)

GF Appropriations

General Fund appropriations were typically based upon historical data adjusted by trend observations. 2018-2019 General Fund changes/projects:

- Storm water drainage maintenance will be performed by staff with the assistance of contractors.
- Two projects from HWAC for extension of docks, should permits be granted, will be funded from Occupancy tax reserves, and renovation of the old net house on the Public Restroom property at the harbor, if, and when the \$12,000 allotted through Occupancy Tax income for the year is exhausted.
- Reserve Funding for generator replacement is continuing in Administration.
- Reserve funding for ditch clearing equipment is established in Public Works.
- Rebuild of a trailer for use by ditch/grass cutting operations
- Purchase of a heater for Public Works facility that recovers used oil as its fuel.

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 percentages of employee salary attributed to the Water Fund are calculated from tracked time in that fund from the previous year are based on the previous year's tracked time in each fund. 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.

2017-2018 Water Fund projects:

- continuation of meter replacement schedule
- Sealant/paint for plant
- Several valve and pump replacements

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. Our water loss remains steady between 6-8%, a significant decrease from previous years at 24-26%, an unacceptable rate. Our testing requirements have been relaxed by the State, owing to consistently good tests.

Water quality has increased markedly since our transition to Greensand plus filtration. We have logged one complaint since the transition.

In closing, the scheduling change approved as experimental in last year's budget discussions has proven itself extremely valuable, as we have made great progress on some long term projects as well as reorganizing our records and keeping current with the State's retention schedules. Thank you especially to the Board for their vision, looking toward the future needs of the Town of Oriental and its economic stability. My thanks to those who offered guidance and alternative solutions during the construction of this budget.

Respectfully submitted,

Diane H. Miller
Manager, Town of Oriental

Town of Oriental

Resolution 2018-09

RESOLUTION CREATING CAPITAL RESERVE ACCOUNTS

Moving forward, and recognizing the impact of having reserves on capital purchases, the Mayor and Commissioners choose to incorporate the practice of reserving funds for specific capital purchases into the Standard Operating Procedure during the creation of the annual budget.

Whereas, a Capital Reserve Fund was created in the 2016-2017 FY for replacement of Emergency Generator and funded in 2016-2017 at \$5,000; and funded in 2017-2018 for \$5,000; and funded in 2018-2019 at \$5,000 and the expected cost of that replacement is \$25,000; and the purchase of this generator is expected to take place in the 2019-2020 Fiscal Year; and that the source of these funds is the property tax collected in the annual budget as allowed by N.C.G.S. 159-48(b)(15);

Whereas, a Capital Reserve Fund is now created in the 2018-2019 Fiscal Year at \$10,000 for acquisition of a multi-terrain skid steer loader, and the expected cost of acquisition is \$45,000, and that the expected acquisition is scheduled for the 2021-2022 Fiscal Year; and that the source of these funds is the property tax collected in the annual budget as allowed by N.C.G.S. 159-48(b)(15);

Now, Therefore it be resolved, The Mayor and Commissioners of the Town of Oriental do hereby Establish Capital Reserve Accounts in the restricted cash accounts, for the Departments of Public Works and Police, as allowed by N.C.G.S. 159-18.

Approved

this 28th day of June, 2018.

Sally Belangia, Mayor

Attest:

Diane H. Miller, Manager/Clerk

**TOWN OF ORIENTAL
BUDGET ORDINANCE
FISCAL YEAR 2018-19**

BE IT ORDAINED by the Board of Commissioners of the Town of Oriental, North Carolina:

SECTION 1: APPROPRIATIONS. The following amounts are hereby appropriated for the operation of the Oriental Government and its activities for the fiscal year beginning July 1, 2018 and ending on June 30, 2019 in accordance with the following schedules:

SCHEDULE A. GENERAL FUND

Administrative Department	\$ 259,965.10
Police Department	136,747.01
Public Works Department	276,521.91
Sanitation	160,300.00
Transportation and Streets	38,000.00
Non-Powell Transportation/Streets	16,250.00
Special Appropriations	24,000.00
Recreation	<u>18,930.00</u>

TOTAL GENERAL FUND APPROPRIATIONS \$ 930,714.02

SCHEDULE B. WATER FUND

Administrative Department	\$ 144,502.00
Distribution & Water Plant	\$ <u>175,938.00</u>

TOTAL WATER FUND APPROPRIATIONS \$ 320,440.00

SECTION 2. ESTIMATED REVENUES. It is estimated that the following revenues will be available during the fiscal year beginning July 1, 2018 and ending June 30, 2019 to meet the foregoing appropriations.

SCHEDULE A. GENERAL FUND

Current Year Property Tax	\$478,503.00
Current Year DMV Tax	\$15,000.00
Prior Year Property Tax	\$8,000.00
Interest on Taxes	\$2,500.00
NC Sales Tax Refund	\$4,000.00
G/F Sales Tax	\$160,614.00
Federal and State Fuel Tax refund	\$750.00
Franchise Tax	\$66,148.68
Beer & Wine Tax	\$4,372.00
Occupancy Tax (Tourism)	\$12,000.00
Occupancy Tax (Waterfront Enhancement)	\$12,000.00
Solid Waste Fees	\$101,945.00
Recycling Fees	\$17,000.00
Powell Bill Allocation	\$39,871.32
Police Tickets	\$150.00
Police Reports	\$30.00
G/F Other Income	\$1,200.00
Dog Park Registration	\$400.00
Zoning and Permit Fees	\$3,000.00
Solid Waste Disposal Tax	\$630.02
G/F Interest Income	\$1,500.00
Mowing Income	\$750.00

TOTAL GENERAL FUND ESTIMATED REVENUES \$ 930,714.02

SCHEDULE B. WATER FUND

Water Collections	\$292,000.00
Late Fees	\$3,000.00
Reread Fees	\$20.00
Reconnect Fees	\$1,500.00
Water Impact Fees	0
Water Service Fees (meter deposit)	\$2,200.00
Water Billing Service Fees (use of webpay)	\$600.00
Water Tap Fees	\$2,000.00
Irrigation Meter Fee	0
Water Fund Interest	\$300.00
NC Sales Tax Refund	\$6,320.00
Other Income	\$100.00
BRMSD Billing Fee	\$12,400.00
Water Fund Appropriated	0

TOTAL WATER FUND ESTIMATED REVENUES \$ 320,440.00

SECTION 3. TAXES LEVIED. There is hereby levied the following rates of tax on each hundred dollars (\$100) valuation of taxable property, as listed for taxes for January 1, 2018, for the purpose of raising the revenue for the Current Year's Property Tax, as set forth in the foregoing estimates of revenues, and in order to finance the foregoing appropriations:

GENERAL FUND (for the general expenses incident to the proper government of the Town of Oriental).....	\$0.22
 TOTAL RATE per \$100 of valuation of taxable property.....	 \$0.22

Such rate of tax is based on an estimated total valuation of property for purposes of taxation of \$222,021,466 (\$489,983.24, including additional discoveries), and an estimated rate of collections of 99.8% (\$489,003.00).

SECTION 4. TRANSFERS. The Budget Officer is hereby authorized to transfer appropriations as contained herein under the following conditions that she may transfer amounts up to \$1,000 between departments within the same fund. She must make an official report on such transfers at the next regular meeting of the Board of Commissioners.

SECTION 5. DISTRIBUTION. Copies of this ordinance shall be furnished to the finance officer of the Town of Oriental, to be kept on file by her for her direction in the disbursement of funds.

Adopted this 5th day of June, 2018.

Mayor

Town Manager, Clerk to the Board