



Town of Oriental Proposed Annual Budget Fiscal Year 2019-2020

To: Mayor Sally Belangia
Board of Commissioners

From: Diane H. Miller, Manager and Budget Officer

Date: May 23, 2019

Re: Budget Message 2019-2020

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 2019-2020 in time for a public hearing scheduled for June 4, 2019.

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 4, 2019 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, 2019.

This year's budget is more of an educated guess than normally is, due to the unusual preceding year, and its focus on recovery following Hurricane Florence. The Town of Oriental, its infrastructure and amenities were hit particularly hard by wind and flood in September of 2018, only two months into our FY 2018-2019 budget. Because of the shift of focus, many of the planned activities, upgrades to facilities, and scheduled maintenance were delayed in the face of recovery. Department Heads and the Board focused all their energy to returning the Town to its previous welcoming state, as well as embarking on an effort to save the properties and businesses up Whittaker Creek from the erosion of the Pointe, which the Town acquired and is restoring with grant funds. I give great thanks to the Board for their vision and the staff for their tireless dedication to these efforts.

Again, in the Manager's opinion, the proposed budget is a maintenance budget, with little allowance for catastrophic failure of equipment. In addition, the recovery effort is ongoing with the 2019 Hurricane Season looming and underway by the time this budget is accepted. 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 2019, 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 directed by the Board at the Retreat, a Pay and Class study was performed and salaries were adjusted to be closer to the pay levels gathered by the North Carolina League of Municipalities for communities under 2500 population. The dedication of this staff, at the cost of the deterioration of their own homes and loss of personal possessions, stayed at Town Hall, helping residents until power was restored and things became more normal. It was our people who got us through the worst of the response/recovery. 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. Several projects that connect drainage and paving issues will be addressed with those funds in the order of worst drainage and paving addressed first. The delay in using 17-18, 18-19 funds allows us to move forward with a larger reserve than annual and cover a larger project. The drainage and paving issues we ranked prior to Florence have had to be re-ranked following the movement of soil through previously working drainage paths.

Our overall General Fund costs have increased due to adjustments to the pay scale following a pay and class study, which indicated where we fell short in relation to similar jobs in similarly sized and funded Towns throughout the state. Tracked time spent on Water Fund tasks performed by staff are still charged to the Water Fund appropriately, and the Water Fund reimburses the General Fund, out of which salary and benefits are paid.

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. The Board and staff feel that the burden shouldered by so many following Hurricane Florence required the government to tighten its belt in order to not increase the burden on its citizens in this rebuilding year. As such, all Capital Projects and Purchases have been removed from this budget in order to balance it without a raise in cost to taxpayers or end-users. Using staff to perform many of the repairs may have brought them in under estimates and any overage paid by FEMA can be used for several things, including capital purchase, but not operating funds. So, if we receive more than put out in recovery, we could potentially fund those items cut from the proposed budget.

We currently retain approximately 90% of our operating budget, well above the statutorily required 8%, however, budgets as small as ours are recommended to reserve at least 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, as it is projected to be totally grant funded, but will be tracked through our books as required by Statute. 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. There is an elevated tank maintenance cost 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 no increase in rates at the time of this writing.

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	\$ 968,494.00
Water Fund	\$ 321,420.00
Combined 2019-2020 Operating Budget	\$ 1,289,914.00

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 \$492,273.00 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 \$22,396.00. Oriental contracts with the Pamlico County tax office to collect our taxes. (as adjusted by a 97% collection rate- the collection rate [from May 2019- used as directed by N.C.G.S. §159-13 (b)(6)] has decreased slightly, likely due to adjustments following the hurricane, loss of property value.) The collection rate is projected to be approximately 97% for the 2019-2020 FY, and 97% 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, and expect that number to not have hit its 2018-2019 projections due to the Hurricane, but fully expect to hit projections in the upcoming year. 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 six new single family residential zoning permits as well as nine other improvements and five structures being raised on 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 next year as a Consumer Price Index (CPI) increase has been noted by the contractor as an increase they will pass through for tipping. However, our continuation of contract through the next three years produced a “no increase” clause for the upcoming year, except for \$.92/ton increased recycling tipping, adding up to a few hundred dollars annually. The County had also considered going to a

mandatory trash pickup for County residents, which we could be part of, dependent on the rate negotiated by the County, but the recovery has taken precedence and this priority seems to have slipped below the threshold of consideration. The advantage to our own contract is the density within town as opposed to the rural nature of a large part of Pamlico County. We are still supplementing the sanitation fund approximately \$44,000/year (\$.02 on the tax rate).

The addition of the Dog Park, has been a popular new facility. Tags run out June 30, 2019 and new tags and registration will be required for July 1. Rabies vaccination proof must be presented at Town Hall to renew the tags. OPD and Pamlico Animal Control are checking tags intermittently at the park.

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 taking the administration opening to full time with benefits and is the first full year of additional Public Works staff.

GF Appropriations

General Fund appropriations were typically based upon historical data adjusted by trend observations. 2019-2020 General Fund changes/projects:

- Storm water drainage maintenance will be performed by staff with the assistance of contractors and is expected to be a prime focus following the re-grading of several key drainage paths following Hurricane Florence.
- The Whittaker Pointe Restoration and Creek dredging are another key focus.
- Reserve Funding was eliminated from this budget.
- Capital Projects are minimally funded as restoration completion is the third focus of this FY.

Water Fund

Budgeting for the water fund has few changes. 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.

2019-2020 Water Fund projects:

- continuation of meter replacement schedule (off schedule due to storm)
- 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 around 8%, a significant decrease from previous years at 24-26%, but is now steady at the lower rate. Our CCR is available online as required by NCGS. Our testing requirements have been relaxed by the State, owing to consistently good tests. However, the potential presence of additional minerals are now being required.

In closing, our recovery from Hurricane Florence has been and will continue to be our focus as staff. Thank you especially to the Board for their vision, looking toward the future needs of the Town of Oriental and its economic stability, and identifying those items as priority that service our residents and keep visitors coming. My thanks to those who offered guidance and alternative solutions during the construction of this budget. Very few of the general public participated in the creation of this budget, which I hope means that the confidence in our ability to be financially responsible with tax revenues is increasing. The Board and I always welcome input, most especially during the creation of the budget, and we encourage the general public to contact me directly with any questions or suggestions throughout the year.

Respectfully submitted,

Diane H. Miller, MPA, ICMA-CM
Manager, Town of Oriental