

**TOWN OF
GRANITE QUARRY
NORTH CAROLINA**



**PROPOSED BUDGET
FOR
FISCAL YEAR 2020-2021**

PREPARED BY:
LARRY SMITH
TOWN MANAGER

June 1, 2020



**Town Manager's Budget Message
FY 2020-2021**

June 1, 2020

Mayor William D. Feather
Board of Aldermen
Town of Granite Quarry 143 N Salisbury Avenue
Granite Quarry, NC 28072

The Honorable Mayor Feather, Town Board Members and Citizens of Granite Quarry:

This budget was prepared to carry out the administrative needs of Town government operations and goals established by the Board of Aldermen. It remains as responsive to the community as possible within the Town's available funds and resources.

If approved, the current tax rate will remain at **\$0.4175** per \$100 valuation.

The environmental fee will remain at **\$12**/pickup/site/month.

Many factors affected the development of the FY20-21 proposed budget. We are forecasting revenues amid a global pandemic that poses a level of unprecedented uncertainty. FY19-20 fell within a revaluation year, while concurrently seeing significant growth in permits, construction, and planning projects. It saw an additional emphasis on level of services, especially with police, planning, and code enforcement. It was also the first year of reconstructing the Town's budget format to meet state and statutory requirements and best practices, and was only the second year of budgeting under amended account codes. Staff and auditors have worked diligently to evaluate and qualify previous years' data into and throughout these transitions.

In light of the current forecasting uncertainty, revenues especially dependent upon the economy were made on a "worst-case scenario". This provided a reasonable target under which the budget officer and staff could tailor their budgets and priorities to ensure a sustainable annual operating budget despite unforeseeable conditions. As economic realities develop and become clearer, the Board of Aldermen can revisit revenues and needs throughout the upcoming fiscal year and relax that restrictiveness as needed or desired.

Major projects have been broken out by Capital and Grant Project Ordinances to more accurately budget and track each capital project through its life instead of skewing annual operating budget amounts. The Grant Project Ordinances for an Industrial Development Fund grant for sewer extension at the Granite Industrial Park and a FEMA grant for storm repair damages at Granite Lake Park are reimbursable, but as adopted may be advanced funds from the General Fund as reimbursements are authorized and obligated.

The Town conservatively anticipates ending the FY19-20 with \$120,461 of carryover funds into the upcoming fiscal year. The combination of “most conservative” projections in tax collection rate and sales tax / franchise distributions provide a safe threshold for the Board of Aldermen to approve for the FY20-21 budget under which the Town will operate.

While we don’t have the funds or the manpower to achieve all of our desired goals, this budget prioritizes funding into the areas established by this administration and the Board of Aldermen.

This budget includes:

- Funding for existing debt service on the Village at Granite waterline extension
- A 2.2% merit pool increase for general town employees
- A 2.2% cost of living adjustment increase for governing board members
- Prioritized capital purchases for departments
- Operation expenses to continue services to citizens at the current levels
- Adjustments to cover any inflation and contractual variations along all line items
- Specific items per department further detailed below.

Budget Overview

After careful consideration the following budget recommendations represent Board goals, departmental input, and community needs within the existing tax rate of **\$0.4175** per \$100 valuation. The total recommended budget is **\$2,425,553**.

General Fund:		\$ 2,425,553
Governing Body	\$ 57,669	
Administration	\$ 540,338	
Police	\$ 687,135	
Fire	\$ 517,323	
Maintenance	\$ 298,796	
Parks and Recreation	\$ 40,000	
Environmental	\$ 201,568	
Powell Bill	\$ 82,724	

Total All Funds: **\$ 2,425,553**

FY 2020-2021 Departmental Highlights

Governing Body: The proposed budget for Governing Body is \$16,969. This includes \$40,700 in Contingency Funds which, along with rollover funds and updated revenue calculations can be evaluated throughout the upcoming fiscal year.

Administration: The proposed budget for Administration is \$540,338. This includes carryover of the Ordinance Recodification project, a contract approved for the personnel policy rewrite and salary classification study, and provision for consulting services in finance and planning. This year includes the addition of a Health Reimbursement Account line item to offset some deductible changes from switching health care plans.

Police: The proposed budget for the Police Department is \$687,135. This includes salary adjustments for existing personnel irrespective of the pending salary classification study for Town personnel. The capital purchase of a patrol vehicle will be held off until rollover funds and updated revenue calculations can be evaluated throughout the upcoming fiscal year.

Fire: The proposed budget for the Fire Department is \$517,323. This includes \$32,500 for obsolete jaws of life replacement, and \$38,000 for the purchase of a replacement vehicle for the 2004 Ford Explorer. The originally projected \$50,000 for this FY to complete refurbishment of Engine 572 still needs to happen, but due to the prioritized nature of which the above items are needed, the Fire Chief requests holding off on the Engine 572 Refurb until another budget cycle.

Maintenance: The proposed budget for the Maintenance Department is \$298,796. This includes \$34,000 for the purchase of a ½-ton Supervisor/Chief response truck to free up current truck for operations needs and alleviate sharing and response issues.

Parks and Recreation: The proposed budget for the Parks and Recreation Department is \$40,000.

Environmental: The proposed budget for Environmental costs is \$201,568. This includes Utilities (Street Lights), as well as Recycling and Garbage service contracts.

Powell Bill: The proposed budget for Powell Bill costs is \$82,724.

The proposed General Fund budget is balanced with a tax rate of \$0.4175 per \$100 of valuation. Projected revenues are \$2,425,553 and projected expenditures are \$2,425,553.

Respectfully Submitted,

Larry Smith

Larry Smith

Town Manager



TOWN OF GRANITE QUARRY, NORTH CAROLINA
Budget Ordinance No. 2020-08
FISCAL YEAR 2020-2021

**AN ORDINANCE CONCERNING APPROPRIATIONS AND THE RAISING OF
REVENUE FOR THE FISCAL YEAR BEGINNING JULY 1, 2020**

BE IT ORDAINED by the Board of Aldermen of the Town of Granite Quarry, North Carolina, that the following anticipated fund revenues and departmental expenditures, certain fee and charge schedules, and with certain restrictions and authorizations, are hereby appropriated and approved for the operation of the Town Government and its activities for the Fiscal Year beginning July 1, 2020 and ending June 30, 2021.

Section 1: Summary

General Fund	\$2,425,553
Other Financing Sources and Uses	<u>0</u>
Total Expenditures / Transfers	<u>\$2,425,553</u>

Section 2: General Fund

Anticipated Revenues	
Current Year Ad Valorem Taxes	\$1,025,263
Unrestricted Intergovernmental	899,316
Restricted Intergovernmental	268,724
Permits and Fees	5,700
Sales and Services	149,000
Other General Revenues	<u>77,550</u>
Subtotal	2,425,553
Other Financing Sources and Uses	0
Total Anticipated Revenues	<u>\$2,425,553</u>

**Authorized Expenditures / Transfers Out
By Department**

Governing Body	\$ 57,669
Administration	540,338
Police	687,135
Fire	517,323
Maintenance	298,796
Parks and Recreation	40,000
Environmental	201,568
Powell Bill	82,724
Projects and Debt	0
Total Authorized Expenditures / Transfers	<u>\$2,425,553</u>

Section 3: Levy of Taxes

There is hereby levied, for Fiscal Year 2020-2021, an Ad Valorem Tax Rate of **\$0.4175** per One Hundred Dollars (\$100.00) valuation of taxable property as listed for taxes as of January 1, 2020, for the purpose of maintaining the revenue from current taxes as set forth in the foregoing estimates of revenues, and in order to finance the foregoing applicable appropriations. This rate of tax is based on an estimated assessed valuation of **\$255,638,552** and an estimated collection rate of **95.5%**, yielding **\$1,025,263** in current year ad valorem tax revenues.

Section 4: Fees Schedule

There is hereby established, for the Fiscal Year 2020-2021, various fees and charges as contained in Attachment A.

Section 5: Special Authorization - Budget Officer

- A. The Town Manager is hereby authorized to make any budget transfers as may be required within each department if the total appropriation for each fund does not change and contingency funds are not utilized to do so.
- B. The Budget Officer is authorized to recommend allocation of funds remaining in each department after all bills are paid and prior to closing of the books.

Section 6: Restrictions - Budget Officer

- A. Interdepartmental transfer of monies and Governing Body funds, except as noted in Section 9, shall be accomplished by Board of Aldermen authorizations only.
- B. Utilization of appropriations contained in Contingencies and Appropriations from Fund Balance may be accomplished only with specific approval of the Board of Aldermen.

Section 7: Utilization of Budget Ordinance

This ordinance shall be the basis of the financial plan for the Town of Granite Quarry Municipal Government during the 2020-2021 Fiscal Year. The Town Manager shall administer the budget and shall ensure that operating officials are provided guidance and sufficient details to implement their appropriate portion of the Budget.

The Administration Department (Financial Officer) shall establish and maintain all records, which are in consonance with this Budget Ordinance, and the appropriate Statutes of the State of North Carolina.

Section 8: Salary Adjustments

- A. Salary adjustment funds resulting from performance evaluations, wage level adjustments or merit increases shall be available beginning with the first payroll in the month of the new Fiscal Year.
- B. For the Fiscal Year 2020-2021, a 2.2% merit increase for full time employees shall be as set forth in the 2020-2021 guidelines for salary increases. The Town Manager shall be authorized to approve all merit increases based upon the recommendation of the department heads and the results of performance evaluations held throughout the year.

Section 9: Re-appropriation of Funds Encumbered in FY2020-2021

Appropriations hereinabove authorized and made shall have the amounts of the unearned portion of contracts at June 30, 2020 added to each appropriation as it applied in order to properly account for payment against the fiscal year in which it is paid.

Copies of this ordinance and the attached budgets shall be maintained in the office of the Town Clerk of the Town of Granite Quarry and shall be made available for public inspection.

Adopted June ____, 2020

Aubrey Smith
Town Clerk

William D. Feather
Mayor

Revenue Assumptions for FY2020-2021 Budget

The forecasting of the FY2020-2021 budget comes amid a global pandemic that poses a level of uncertainty unprecedented in most if not all of our lifetimes.

State-shared distributions such as Local Option Sales Taxes and Utilities Franchise Taxes accounted for approximately 37% of our FY19-20 budget. Quarterly distributions by the State are derived from the sales period 90 days prior. State economists broke projections into three levels of assumption: Moderate, Severe, Most Conservative. These revenues were forecasted in this municipal budget under the Most Conservative assumptions.

No one can predict what the actual impacts will be at this point. The general consensus is that the sharp economic decline nationwide will continue at least through June 2020. The vast unemployment impacts caused by business closures will likely result in an additional quarter of negative growth before the economy starts to gradually recover into early 2021. Forecasting by Most Conservative assumption ensures a sustainable annual operating budget despite the unforeseeable conditions.

Ad valorem taxes accounted for approximately 41% of our FY19-20 budget. Unpaid taxes over time tend to be collected at or near the 100% rate, but given the uncertain times and vast unemployment, less confidence was given to the projected FY20-21 collection rate.

Ad Valorem Taxes

Property Taxes – 2019-20 growth and development in Town continued to increase the assessed tax base of the Town to \$255,638,552. Once expenditures and all other General Fund revenues were projected, the amount necessary to balance the budget was calculated. Using that figure as the target, a property tax rate applied to the assessed valuation was calculated that would result in that amount of revenue being generated. An uncollectable rate of 4.5% was factored into the calculations.

Prior Year Taxes - Based on historical trends, economic forecasts, anticipated continuation of collection percentages, and adjusted by the size of the 2019 property tax receivable balance projected as of June 30, 2020.

Unrestricted Intergovernmental

Local Option Sales Tax - Based on estimates provided by the North Carolina League of Municipalities (NCLM), historical trends, State legislative changes, local conditions and economic forecasts. Overall, we project finishing FY19-20 at approximately -0.5% above FY18-19 distributions, with continued decline of 3.2% across the local sales tax articles for the FY20-21. Sales Tax proceeds are distributed to Rowan County municipalities on a per capita basis.

Solid Waste Disposal - Based on forecast projections. The State levies a \$2/ton “tipping fee” on municipal solid waste and construction / demolition materials deposited in all NC landfills (and/or passing through transfer stations for any out of state disposal). It applies proceeds to different programs and then distributes 18.75% of the proceeds back to municipalities and counties on a per capita basis. Housing construction starts were up 21% in January 2020 over the year prior. However, this is likely to remain slowed for a time due to the COVID-19 pandemic. Distributions for FY20-21 distribution is projected to increase by approximately 1.0% over FY18-19.

Beer & Wine Tax - Based on national market research forecast projections of beer and wine sales, against state distribution formulas. These sales taxes are distributed from the NC Department of Revenue to municipalities based on population. We expect distribution to see little to no growth in FY20-21.

Utility Franchises - Based on estimates provided by the NCLM and historical trends. This category includes Electricity, Piped Natural Gas, Telecommunications, and Video Programming Franchise Taxes & Fees.

Restricted Intergovernmental Revenues

Powell Bill revenues - Based on estimates provided by the NCLM and the Office of State Budget and Management. The population-based portion of the distribution formula (75% of the distribution) was calculated at \$19.11 per capita at our most recent certified census population of 3,120. The mileage-based portion (25% of the distribution) was calculated at \$1,580.13 per mile over our 14.62 miles of streets.

Joint Police Authority revenues - Based on a flat rate agreement of \$136,000.

Permits and Fees

Local revenues - Based on historical trends and economic forecasts. The Business Registration program was evaluated during 2019 and proved to cost more than it benefitted. For the FY20-21, Business Registration Fees are cancelled.

Sales and Services

Solid Waste/Recycling Collection - Based on current environmental fee of \$12 per month per household.

Other General Revenues

Local revenues - Based on current fee schedule and current trends.

Investments Interest - Based on estimated cash balances & interest rate projections.

Surplus Items - Will be reevaluated in the upcoming FY quarters when rollover funds and updated revenue calculations can be evaluated against capital requests.