

### TOWN OF SILER CITY

The Siler City Town Board of Commissioners met in budget workshop session on Tuesday, May 23, 2017 at 6:30 p.m. in the Courtroom with Mayor John Grimes presiding. Commissioner Siler gave the invocation with the recitation of the Pledge of Allegiance following.

ELECTED OFFICIALS PRESENT: Larry Cheek, Michael Constantino, John Grimes, Lewis Fadely, and Tony Siler

ELECTED OFFICIALS ABSENT: Cindy Bray, Bill Haiges, and Thomas Price

TOWN STAFF PRESENT: Town Manager Bryan Thompson, HR Director Nancy Bullins, Parks and Recreation Director Joseph Keel, and Town Clerk Jenifer Johnson.

#### AGENDA ADJUSTMENTS/ APPROVAL OF AGENDA

Thompson asked to move Solid Waste contract to the beginning of the agenda.

***A motion to approve the agenda as amended was made by Mayor Pro Tem Cheek, seconded by Commissioner Siler and unanimously approved.***

#### Solid Waste Contract

Thompson shared a proposed Solid Waste and Recycle Collection, Transportation and Disposal Agreement with Waste Industries. The Board of Commissioners reviewed the proposed contract.

***A motion to approve the Solid Waste and Recycle Collection, Transportation and Disposal Agreement with Waste Industries was made by Commissioner Constantino, seconded by Commissioner Siler and unanimously approved.***

### PRESENTATIONS

#### Manager's 2017/2018 Budget Message

Thompson shared the following Budget Message with the Board of Commissioners:

The proposed budget for Fiscal Year 2017-2018 reflects an overall decrease from that of Fiscal Year 2016-2017. Attribution to this is a combination of a presently slow-growing local economy, under performance of certain revenue sources and anticipated short-term revenue loss. The proposed budget offers critical analysis to ensure expenses are maintained as low as practicable without destabilizing continuity and quality of the services provided by the Town and the level of safety by which these services are offered.

With the proposed 2017-2018 Budget, Staff seeks to provide a realistic expectation of revenues for the coming fiscal year and reflect expenses that are in tune with the needs of each department in an effort

to enable cost-effective service provision. Additionally, the proposed FY2018 Budget reflects the first-year accounting of a multi-year public improvements program where local funds are committed to outside grants and aid, all while minimizing reliance on fund balance appropriations within each of the two major funds of the Town's operating budget. Staff believes the proposed 2017-2018 Budget maintains a strategy of conservative fiscal management of public funds while providing funding for essential and desirable public services and improvements for the citizens and customers of Siler City. This, coupled with the established goals, objectives, discussions and deliberations of the Town Board of Commissioners, has informed Staff's proposal for the Fiscal Year 2017-2018 Operating Budget.

The proposed FY 2017-2018 Budget is \$11,463,629.00, including all funds, which is a \$71,630.00 decrease or -0.01% budget reduction.

#### General (10 Fund)

The General Fund is the basic operating fund of the Town for primary governmental functions. It is used to account for all financial resources to carry out the general operations of the local government except those required to be accounted for within other specific funds. The primary revenue sources of the General Fund are Ad Valorem property tax and State-shared revenues, along with fees established by the Town for service-specific operations. The principal expenditures within the General Fund are for Police, Fire, Street Lights, Solid Waste Collection, Recreational Facilities and Programming, Public Property Maintenance, Planning and Zoning, Inspections, and Code Enforcement as well as other general government services including Administration. The total proposed General Fund budget for FY2017-18 is \$6,085,950.00 which amounts to a \$409,950.00 increase from current year's budget of \$5,676,000.00. This represents a 7% increase in the General Fund budget. Much of this increase is attributable to several revenue streams, including Motor Vehicle Tax, Local Option Sales Tax, as well as permit fees anticipated from Planning and Building Inspections activities.

Revenue and expense details are found in their respective sections of this message.

The proposed FY2018 General Fund Operating Budget intends to accomplish the following:

- Operating revenues exceed operational expenses and annual debt obligations, combined
- Continued funding of fleet replacement program
- Full-time staffing is maintained at current levels
- Employee compensation is maintained at market levels
- Pay-for-Performance program is funded
- Continued funding for professional development and training is provided
- Funding is provided to explore greater technology integration into core areas of operation, which includes
  - Alternatives to current analog telephone communications
  - Alternatives to current on-primus storage and networking solutions
- Continued funding of the Town's Capital Reserve Funding program for various functions is afforded, which includes:
  - Cemetery
  - Fire Department

- Airport
- Parks and Recreation
- Buildings and Grounds
- General Fund reserves
- Funding is provided for various capital projects, which includes:
  - Airport Taxiway - Phase 1
  - Airport Runway & Taxiway Extension - Phase 1
  - Airport Obstruction Clearing
  - Airport Airfield Lighting Replacement
  - Siler City Swimming Pool at Bray Park
- Special projects are funded, including:
  - Triangle J COG Affordable Housing Project
  - Bray Park Pool Fundraising Campaign Implementation
  - Fund Balance is not scheduled to be appropriated
  - Year-end projections indicate net contribution to the General Fund Balance

#### *General Fund Revenue Outlook*

For the most part, staff uses trending to estimate revenues. Staff tracks major revenues by month, estimates revenue for the current year (usually three-to-four months remaining), and projects next year's revenue at a slightly more conservative amount. In some cases, next year's projection is informed by additional information, such as guidance on sales tax revenues (from the North Carolina League of Municipalities and Chatham County Finance Office). Where possible, staff uses a combination of local trending and outside guidance to reach the best possible estimates and projections.

During the FY 2018 budget planning process, staff informed the Board of statutory requirements that, as this is a revaluation year, a statement of revenue neutral property tax rate is to be communicated by way of the annual proposed budget message. The statutorily defined revenue neutral tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred. This establishes a base revenue neutral rate, which is then increased by the rate of growth (growth factor) equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal. This growth factor represents the expected percentage increase in the value of the tax base due to improvements during the next fiscal year.

FY 2017 tax values for all real, personal and motor vehicle was \$436,398,009. At a tax levy of \$0.48 per \$100 valuation, the resulting revenue is \$2,094,711. This is compared to the tax value of the same property of \$413,497,522 following revaluation. Accordingly, the revenue neutral tax rate, not including growth factor, is \$0.5066 per \$100 valuation. When adjusted for growth, which is an average percentage increase of 0.18%, the revenue neutral tax rate moves to \$0.5075 per \$100 valuation.

Consequently, to preserve revenue stability and maintain current levels of services and operations of the General Fund for the 2018 FY, staff recommends the adoption of a revenue neutral tax rate expressed to the nearest hundredth, which is a \$0.51 per \$100 valuation tax levy.

The remainder of General Fund revenue is comprised primarily of state-collected and state-shared sources. These revenue sources are supplemented by other revenue streams collected locally, such as solid waste collection and disposal fees and fees associated with planning and inspection fees and permits.

Sales tax revenues are indicative of and influenced by the conditions of the overall economy and should be closely monitored. Total sales tax receipts for FY 2018 have been estimated at \$2,100,000.00, which is an increase from current year's budgeted amount of \$1,920,000.00. Taxes on electric power, beer and wine, natural gas, telecommunications, and video programming make up another \$425,200, which is decrease from FY 2017 budgeted amount of \$494,700.00. Additionally, revenues have been adjusted for solid waste services, resulting from the change in solid waste service providers and newly established rates of service for the same. Both revenues and expenditures anticipated for FY 2018 are estimative in nature due to several unknown variables. Therefore, conservative figures are utilized and balance within this activity between revenues and expenses.

The Departments of Planning and Building Inspections are planning to observe a stronger revenue stream through permitting operations than in previous years on account of new development, namely Mountaire Farms. Much of the construction work for this project is anticipated for the coming fiscal year, thus increasing the normal revenues realized by each of these two departments.

#### *General Fund Expense Outlook*

The expense outlook reflects the conservative application of revenue resources to meet goals established by the Board of Commissioners and to assemble the expected level of services provided to the Town's citizens by the Town of Siler City.

The following contains expenditure highlights by budgetary department for each fund of the Town's operations. The following department-by-department narrative refers to current operating expenses for FY 2017 as compared to the proposed 2018 Fiscal Year Budget. This narrative should be read alongside the budget worksheets attached to this message.

Please note, several expense line items have been removed from each department's budget and moved to a non-departmental budget. These line items include, capital improvements/projects and purchases, workers compensation, property and liability insurance as well as medical insurance premiums. This budgetary adjustment was made to streamline the administration of the annual operating budget and to provide for a higher level of scrutiny one or more of these activities throughout the year. The totals expressed for each department, for both FY17 and FY18, discounts these particular line items.

General Fund

1) **Governing Body:** This budgetary department funds expenses associated with the Board of Commissioners including monthly salaries, attorney fees, professional services, travel and training, and various dues and subscriptions. The proposed budget projects an increase of approximately \$24,000.00 from current year. Proposed partial funding of requested non-profit funding is the primary driver in this department's annual operating budget. Accordingly, the proposed budget for this department is \$173,940.00 as compared to the FY17 budget of \$150,315.00.

2) **Town Manager:** Administrative expenses are proposed at \$128,092.00, which is an increase from the current year's budget of \$116,601.00. The noted expenditure increase is attributable to the third installment of the pay and classification study implemented in prior years as well as the funding for the pay-for-performance program also resulting from the efforts of the subject pay and classification plan.

3) **Human Resources:** With the closing of the 2017 Fiscal Year, this department has now been in operation for a full fiscal year. Accordingly, expenditures have been adjusted to reflect the needs of this operation as they are currently defined. Also, a number of line items from other departments have been consolidated into this department. Such line items are associated with recruitment and selection processes, including advertisements, background checks and drug screening expenses. Additionally, employee engagement-related expenses have been moved to this department. The proposed FY 2018 budget for this department is \$90,409.00. This is compared to the FY17 budget of \$46,504.00. The proposed increase in this department's budget are owing to consolidation of several expense activities, as herein described, and the continued implementation of the pay and classification study and the pay-for-performance program.

4) **Finance:** The Finance Department has undergone substantial changes in personnel as two long-term employees retired earlier in the FY 17 year and the Finance Director resigned later in the same year. This represents a 75% attrition rate in a singular year. While there are some minor increases within this department, such as contracted services. Much of the expense activities of the Finance Department are projected as shrinking from current year spending levels. This is due, primarily, due to the retirement of a senior employee and the hiring of new employee at the hire rate defined by the Town's pay plan. The proposed FY 2018 budget is \$157,572.00, which is a \$7,550.00 decrease from the FY17 adopted budget of \$165,122.00.

5) **Community Development:** Planning and Community Development is proposed to realize a marginal decrease to current spending levels. Decreases to this department's operating budget for FY 2018 is credited to reductions in salaries, resulting from the retirement of a senior town employee, as well as slight reductions in professional services and the elimination of special projects for the coming fiscal year. Special projects, such as wayfinding signs, are removed from the proposed FY18 budget as a means to reduce overall governmental spending, but also to reallocate staff resources in light of significant development activity anticipated during the next 18-plus months. The proposed budget for this

department is a downward adjustment from FY17 levels of \$154,483 to proposed FY18 levels of 140,552.00 – a decrease of approximately \$14,000.00.

6) Building and Grounds: This department is projected to remain relatively stagnate respective of operational expenses for the coming fiscal year as compared to the current year. This department is projected to decrease expenses by \$9,000.00, over the next year – primarily owing reductions in equipment rentals. The proposed operating expenses for this department is \$69,177.00 for FY18.

7) Police: The Police Department budget is proposed to decrease with the 2018 fiscal year by approximately \$49,000.00. Nearly half of this budgetary decrease is attributed to retirement of senior employees and the replacement of vacant positions with new employees at the hire rate defined by the Town's pay plan. Other expense reductions include automotive expenses, as the continued fleet replacement program tapers inflating cost of maintaining older equipment. The Police Department requested two Dodge Chargers and two Dodge Durango's as part of their capital expense budget to continue its revolving of old vehicles out of circulation. The proposed 2018 budget provides funding for half this request with the purchase of one fully equipped Charger and one fully equipped Durango. In addition, the proposed budget for this department also funds one Motorola SLR 800 100 watt repeater as requested by the department. The proposed FY18 budget for this department is \$1,649,458.00, which can be compared to the FY17 Police Department budget of \$1,697,971.00.

8) Court Facilities: This departmental budget is maintained at current levels of funding with the proposed budget from current year budget of \$5,650.00.00 to \$5,650.00 proposed.

9) Fire: The Fire Department budget is proposed to increase by approximately \$14,000.00 from current year's budget of \$383,786.00. The proposed FY18 Fire Department budget is \$397,681.00. Increase to calls for service is the primary cause for increase to the proposed budget of this department for the coming fiscal year.

10) Inspections: The Inspections Department's operating budget is projected to increase from \$158,917.00 from FY17 to \$167,744.00 for FY18. This increase is mainly attributable to salary adjustments with the third installment of the pay and classification study implementation and an increase to contracted services. The proposed budget allocate funding for new computer equipment for the Code Enforcement Officer. In addition to budgetary objectives, the Town Board set a goal for code enforcement operations to function in a more streamline fashion, which is intended to see quicker and more consistent appearance improvements throughout the Town. Adjusting code enforcement operations to meet minimum requirements of the State General Statutes, ensuring the vegetative nuisance abatement program is in place and operational, taking advantage of the State's habitual nuisance violations statute, utilizing the State's unsafe building statutes, and revisiting the inventory of suspected or known minimum housing violations are a number of the key areas of focus that are intended to accomplish the improvements in appearances that the Board has directed Staff to address.

While partial programming for this effort is in place, the Inspections Department did request additional funding for contracted services to ensure ability to offer market-competitive compensation for services required.

11) Garage: This department's budget is planned to remain relatively unchanged from the current fiscal year. The proposed FY 2018 budget for this department is \$90,512.00, which is a \$2,503.00 increase from FY 2017.

12) Public Works: The proposed Public Works Department's operating expense budget is projected to increase by approximately \$32,000.00 from current year funding levels. Contributing mostly to this increase is a capital expense to build a canopy over the fueling pump at the Public Works facility and to construct sheltered areas to store new equipment purchased in prior fiscal years. This proposed capital expense is \$23,000.00. The proposed budget for FY18 is \$511,911.00.

13) Sanitation: As noted earlier in this message, solid waste contracted services cost is expected to be decreased with the FY18 budget on account of entering into a 5-year service agreement with a new vendor at a lower rate than the Town paid in previous years. Please note, the budget worksheet provided to you does not reflect the full budgeted amount from FY17 as the "tipping fees-contracted services" line item has been removed.

This line item is no longer needed. The proposed budget suggests a slight decrease in this departmental budget of approximately \$14,000 from the current fiscal year. However, both revenue and expense projections were calculated high, and in near-equal amounts, to ensure proper budget performance. As stated in this message, a number of unknown variables inhibit staff's ability to forecast with more precise measures at this time. After the first year under the new agreement and service provider, future revenues and expenditures will become more routine and predictable. The proposed FY 2018 Sanitation budget is \$635,438.00.

14) Parks and Recreation: The proposed FY18 budget for this department is anticipated to grow from the FY17 funding level of \$436,551.00 to \$493,213.00, an approximate \$57,000.00 increase from current year. The primary drivers for this proposed increase are funding increases to maintenance of buildings and capital outlay buildings and grounds. These increases are sought to conduct renovations and improvements to aged facilities. The proposed FY18 Parks and Recreation budget also provides funding for the financing of one new vehicle.

15) Library: Library expense budget projects a slight increase in the proposed budget as that of current fiscal year. Current fiscal year budget for the Library is \$15,720.00, and the proposed budget is \$20,720.00 – an increase of \$5,000.00. This increase is made to outfit the library with security surveillance equipment, as this facility has been subjected to numerous accounts of vandalism over the past year.

16) Airport: The FY18 Budget for the Siler City Municipal Airport is proposed to increase the operating expenses over the current fiscal year. A proposed increase of \$15,000.00 is recommended for FY18 operations, which includes an increase of \$13,500.00 for a refurbishing project for the on-site fuel tanks at the Airport. This was funded in FY17, yet these dollars were reallocated for to address other, unanticipated, expenses during the past year. Additional funding increases include \$10,000.00 for a finish mower and \$5,000.00 to upgrade security systems at the Airport. The proposed FY 2018 budget is 100,300.00 as compared to the FY17 adopted budget of \$85,300.00.

17) Non-Departmental: Non-Departmental budgets among the various major funds of the Town are devised to identify and account for expenses that are generally shared by multiple or all departments within the subject fund. Costs relating to property and liability insurance, workers compensation insurance, unemployment insurance, and medical reimbursement plans are examples of such expense. As stated earlier in this message, additional non-departmental expenses have been moved to this department for administrative and budgetary reasons.

In addition, other expenses that are not directly attributable to any one department have been located in this budgetary department with the proposal of the FY18 budget. Such expenses include funding for the five-year installment program for CAM Site Option at \$25,000.00 per year.

Other expenses include Triangle J Council of Governments annual dues; Triangle J Council of Governments Affordable Housing Study, with which the County and Pittsboro are participating; 911 First Responder Memorial; Fundraising campaign for Bray Park Pool; and Chatham Economic Development Corporation. The proposed operating budget for this department is projected to increase by approximately \$727,000.00 from FY17. This increase is owed to the aforementioned relocations of certain line item expenses otherwise found in other departments in years past.

18) Debt Service, Transfers, and Appropriations: This budgetary department reflects the expenses associated with debt obligations owned by the Town of Siler City, transfers to other funds, and other appropriations not otherwise identified within the budgets of other departments. As with the "Non-departmental" budget, a number of line item expenses have been relocated to this department. In previous budget years, project costs that will eventually be transferred over to a project ordinance would be assigned to a particular department – whichever department appeared to make most sense at that time. However, this fragmented management of operational funding for upcoming projects is administratively cumbersome. Furthermore, this practice reduces budget transparency to the Board of Commissioners and the Public, as one "would need to know what to look for" in order to gain a clearer understanding of the capital project engagement of the Town and the funds allocated for the same. Moving these items to a centralized department is intended to streamline administrative processes and provide greater levels of transparency respective of these types of activities. Accordingly, the following is an overview of the proposed budget for this department for FY 2018.



Approximately \$71,000.00 of old debt is being retired with the close of FY17, which is the last payment of the finance construction of the Police Department. However, this departmental budget is proposed to increase by approximately \$186,000.00 for FY 2018. This increase is entirely caused by funding for capital projects for which the Town has received grants and other aid to complete.

The following is a list of these projects and the amounts identified for the coming fiscal year needed to meet incremental funding requirements of local matches:10-850-9110

10-850-9111	Airport Taxiway Project (Phase 1)	\$ 15,000.00
10-850-9112	Airport Runway & Taxiway Ext (Phase 1)	\$ 36,500.00
10-850-9113	Airport Obstruction Clearing	\$ 90,000.00
10-850-9114	Airport Airfield Lighting	\$ 55,100.00
10-850-9115	Finance Package All Department (Non-pool)	\$ 44,000.00

Thompson stated that the public hearing would be held on June 19. The Board of Commissioners discussed the proposed budget.

**OLD BUSINESS**

Fee Schedule Draft 3

Thompson shared a third draft of the proposed 2017/2018 Fee Schedule when includes changes to the deposit requirements for opening a water account. The Board of Commissioners discussed the proposed fee schedule.

Chatham County Economic Development Cooperation Agreement

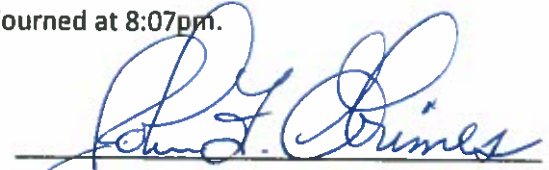
Thompson shared the proposed agreement for the Economic Development Cooperation Agreement with Chatham County for the Chatham-Siler City Advanced Manufacturing Site (CAM). The Board of Commissioners discussed the agreement.

***A motion to approve the Economic Development Cooperation Agreement for the Chatham-Siler City Advanced Manufacturing Site (CAM) was made by Commissioner Fadely, seconded by Commissioner Constantino and unanimously approved.***

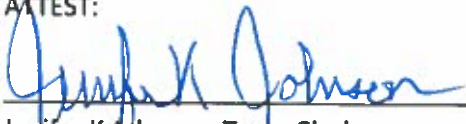
**NEW BUSINESS**

**ADJOURNMENT**

With no further business, the Board of Commissioners adjourned at 8:07pm.

  
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John F Grimes, Mayor

ATTEST:

  
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Jenifer K Johnson, Town Clerk

