

**TOWN OF SILER CITY**

The Siler City Town Board of Commissioners met in budget workshop session on **Thursday, May 31, 2018** at 6:30 p.m. in the Courtroom with Mayor John Grimes presiding. Town Manager Thompson gave the invocation with the recitation of the Pledge of Allegiance following.

**ELECTED OFFICIALS PRESENT:** Cindy Bray, Larry Cheek, Michael Constantino, John Grimes, Bill Haiges, Chip Price, and Tony Siler

**ELECTED OFFICIALS ABSENT:** Lewis Fadely

**TOWN STAFF PRESENT:** Town Manager Bryan Thompson, HR Director Nancy Darden, Finance Director Roy Lynch, Parks and Recreation Director Joseph Keel, and Town Clerk Jenifer Johnson.

**AGENDA ADJUSTMENTS/ APPROVAL OF AGENDA**

***A motion to approve the agenda was made by Commissioner Siler, seconded by Commissioner Haiges and unanimously approved.***

**CONSENT**

***A motion to approve the consent agenda which includes the 2018.9 Capital Project Ordinance was made by Commissioner Price, seconded by Commissioner Constantino and unanimously approved.***

**OLD BUSINESS**

none

**NEW BUSINESS**

**Town Manager's 2018/2019 Budget Message**

Thompson shared the following 2018/2019 Budget Message:

**INTRODUCTION**

The proposed budget for Fiscal Year 2019 reflects an overall increase from that of Fiscal Year 2018. This increase is attributable to revenue performance improvements in the two major funds of the Town's operating budget – General and Utility Enterprise Funds. Within the General Fund, total property tax base has increased with improvements made by Mountaire Farms, LLC at its Siler City processing plant location. In addition to property improvements, the General Fund revenues are improved with well performing Local Option Sales Tax revenues and interest earned on investments with the North Carolina Capital Management Trust – both of which are indicators of a growing economy locally and state-wide. The proposed budget for the Utility Enterprise Fund is also expected to grow. Revenues are anticipated to increase with additional utility sales activity beginning January of 2019, owing to the opening of the Mountaire Farms, LLC poultry processing plant. It should be noted, however, that revenues for the 2019 Fiscal Year are not optimized for the Utility Enterprise Fund as the Town will no longer be selling water to Chatham County and the noted poultry processing facility will be in operation for only six months of the subject fiscal year. It should be further noted that additional expenses are realized in this Fund, resulting from increased water production activities in anticipation of increased demand of potable water and additional chemical and sludge removal at the Wastewater Treatment Plant stemming from

sporadic presence of cadmium at the plant observed over the past several months. This issue is discussed further in the body of this message. 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 2019 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. Staff believes the proposed 2019 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 Mayor and Town Board of Commissioners, has informed Staff's proposal for this proposed operating budget.

The proposed FY2019 Budget is \$12,470,688.00, including all funds, which is a \$1,007,059.00 increase, or 8.78% budgetary growth, over the adopted FY2018 Budget of \$11,463,629.00. The proposed budget does not request any increase to the property tax rate or utility rates. The proposed 2019 budget does not request the appropriation of fund balance within either of the two major funds of the Town's operations.

#### **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, Municipal Airport, Planning and Zoning, Inspections, and Code Enforcement as well as other general government services including Administration, Finance and Human Resources. The total proposed General Fund budget for FY2019 is \$6,297,370.00 which amounts to a \$211,420.00 increase from current year's budget of \$6,085,950.00. This represents a 3.47% increase in the General Fund budget. As earlier noted, this increase is primarily affected by improved performance of sales tax, interest earned on investments and a cumulative increase in property tax base.

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

The proposed FY2019 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
- Funding is provided to support non-profit requests
- Full-time staffing is increased over current levels with the funding of one Parks and Recreation Administrative Assistant and one Grants Administrator
- Employee compensation is maintained at market levels
- Pay-for-Performance program is funded
- Continued funding for professional development and training is provided, with an emphasis on leadership development

- Funding is provided to implement greater technology integration into core areas of operation –
  - Off-primus data storage for all operations, not including Police Department
  - On-primus data storage upgrade for Police Department
  - Rotating desktop computers out for a hosted desktop solution
- Funding is provided to conduct a space analysis of City Hall to determine space optimization alternatives for future growth in operations/personnel
- Continued funding of the Town's Capital Reserve Funding program for various functions is afforded, which includes
  - Library
  - 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
- Special projects are funded, including
  - Triangle J COG Affordable Housing Project
- Fund Balance is not scheduled to be appropriated

#### 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 most accurate estimates and projections.

The FY2019 budget proposes no property tax increase. Accordingly, Staff recommends maintain the current property tax rate, 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 revenues 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 2019 have been estimated at \$2,200,000.00, which is an increase from current year's budgeted amount of \$2,100,000.00. Taxes on electric power, beer and wine, natural gas, telecommunications, and video programming make up another \$435,400.00 which is an increase from FY 2018 budgeted amount of \$425,200.00. Additionally, revenues have been adjusted for solid waste services, where revenues are anticipated to perform slightly ahead of expenditures for the coming fiscal year.

During the 2018 Fiscal Year, the Planning and Building Inspections Departments were programmed to observe a greater inflow of revenue associated with their activities. This was a result a large industrial project. FY2019, however, has offered a downward adjustment to these revenues, as the subject project is near completion and minimal revenues from this project are anticipated to be realized in the coming fiscal year.

#### 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 2018 as compared to the proposed 2019 Fiscal Year Budget. This narrative should be read alongside the budget worksheets attached to this message.

#### **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 requests an increase of approximately \$26,000.00 from current year. Increased funding of non-profit organizations serving a public good in Siler City as well as a per capita salary adjustment for members of the governing body are the primary notes accounting for the stated expenditure increase within this budgetary department. Accordingly, the proposed budget for this department is \$200,414.00 as compared to the FY18 budget of \$173,940.00.
- 2) **Town Manager:** Administrative expenses are proposed at \$190,045.00, which is an increase from the current year's budget of \$128,092.00. The noted expenditure increase is primarily attributable to the addition of one staff member in the form of a full-time Grant Administrator, which 50% of this salary is furnished through the General Fund and the remaining portion funded through the Utility Enterprise Fund.
- 3) **Human Resources:** With the closing of the 2018 Fiscal Year, this department has now been in operation for two full fiscal years. Accordingly, expenditures have been adjusted to reflect the needs of this operation as they are currently defined. The proposed FY 2019 budget for this department is \$102,137.00. This is compared to the FY18 budget of \$90,409.00. The proposed increase in this department's budget is driven by additional employee engagement activities, costs associated with the revised Drug and Alcohol Program and enhancement of employee benefits, such as the newly installed Employee Assistance Program (EAP).
- 4) **Finance:** The Finance Department proposed FY 2019 budget is \$177,013.00, which is a \$19,441.00 increase from the FY18 adopted budget of \$157,572.00. This increase is driven by both professional and contracted services for auditing services, time and attendance interface program, and deployment of hosted desktop solution.
- 5) **Community Development:** Planning and Community Development is proposed to realize an increase to current spending levels. Increases to this department's operating budget for FY 2019 is credited to additional cost provisions for professional services in the form of engineering plan reviews and consultation and the deployment of a hosted desktop solution. The proposed budget for this

department is upwardly adjustment from FY18 levels of \$154,483 to proposed FY19 levels of 166,432.00.

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 increase expenses by nearly \$4,000.00, over the next year – primarily owing increased utility costs and building maintenance expenses. The proposed operating expenses for this department is \$72,842.00 for FY19.

7) Police: The Police Department budget is proposed to increase with the 2019 fiscal year by approximately \$160,000.00. The primary drivers of the proposed increase to this Department's budget are salary adjustment, increased separation allowances, contracted services and capital outlay equipment – which includes the funding of one super-server to assist the Department in their on-primus data storage and management needs. Please note, this Department requested three vehicles for the coming fiscal year. This budget funds two of the three, which includes one Ford Explorer and one Dodge Charger. Funding for these capital purchases is not found within the Police Department's operating budget; but rather are accounted for in the Debt Service budgetary department, as these vehicles and their equipment are proposed to be financed through the General Fund. The proposed FY19 budget for this department is \$1,809,489.00, which can be compared to the FY18 Police Department budget of \$1,649,458.00.

8) Court Facilities: This departmental budget is maintained at nearly the same levels as currently budgeted with the proposed budget, with current year budget of \$5,650.00 to \$4,200.00 proposed.

9) Fire: The Fire Department budget is proposed to increase marginally from current year's budget of \$397,681.00. The proposed FY19 Fire Department budget is \$408,877.00. This decrease is driven by minor adjustment in the Department's operating budget. Please note, the Fire Department is furnished the purchase of a new engine, which is funded through the Debt Service departmental budget.

10) Inspections: The Inspections Department's operating budget is projected to increase from \$167,744.00 for FY18 to \$181,685.00 for FY19. This increase is mainly attributable to enhanced funding for nuisance abatement and minimum housing activity, which may include demolition and removal of dilapidated homes within the community.

11) Garage: This department's budget is planned to slightly increase from the current fiscal year. The proposed FY 2019 budget for this department is \$96,410.00, which is a \$6,000.00 increase from FY 2018. Additional funding to this department is designed to purchase new diagnostic equipment, which will aid this department in conducting diagnostics on vehicles. This is intended to save time and possibly money by having this enhanced capability within our operations.

12) Public Works: The proposed Public Works Department's operating expense budget is projected to decrease by approximately \$11,000.00 from current year funding levels. This is a result of minor adjustments in operating expenses based on observed trending of costs associated with this Department. Please note that this Department did request an International truck with hook lift and three interchangeable bodies. This request is funded with the proposed budget. However, this expense is not recorded in the operating budget of this Department; but rather, is accounted for in the Debt Service Department. The proposed budget for FY19 is \$500,866.00.

13) Sanitation: This Department's operating budget for FY19 is proposed to observe a decrease of approximately \$122,000.00. This decrease is driven by the first year's engagement with Waste Industries, the Town's current solid waste service provider. Following the initial deployment of this new contract and as adjusted following a recent audit of service assets in the field, the proposed budget

appears to offer sufficient funding to provide funding for contracted services and those services offered by town forces. The proposed FY 2019 Sanitation budget is \$513,378.00.

14) Parks and Recreation: The proposed FY19 budget for this department is anticipated to grow from the FY18 funding level of \$493,213.00 to \$606,680.00, an \$113,467.00 increase from current year. The primary drivers for this proposed increase include additional staffing in the form of a full-time Administrative Support Specialist and funding for contracted services with Carolina Pool Management with the reopening of the Siler City Swimming Pool at Bray Park. The proposed FY19 Parks and Recreation budget also provides funding for the financing of one new vehicle, which is budgeted within the Debt Service Department.

15) Library: Library expenses are proposed to slightly decrease by \$5,000.00, leaving this departmental budget with proposed expenses for the year at \$15,720.00.

16) Airport: The FY18 Budget for the Siler City Municipal Airport is proposed to decrease the operating expenses over the current fiscal year. A proposed decrease is recommended for FY19 operations. While the proposed budget represents a slight decrease in funding; please note, funding for capital projects is found in the department titled "Transfers". These funds are planned to be moved to project ordinances throughout the year as various projects come on line for engineering and/or construction action. Additionally, capital outlay is funded to purchase a finishing mower and upgrading the fuel terminal at the Airport. The proposed FY 2019 budget is 96,200.00 as compared to the FY18 adopted budget of \$100,300.00.

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. In addition, other expenses that are not directly attributable to any one department are located in this budgetary department with the proposal of the FY19 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; and Chatham Economic Development Corporation. The proposed operating budget for this department is projected to decrease by approximately \$164,000.00 from FY18. This decrease is owed to the conclusion of the capital fundraising contract with Convergent and minor reductions in other areas of spending. The proposed budget for this Department for FY19 is \$665,248.00.

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 were relocated to this department, beginning with the adoption of the current year's budget. 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 clear understanding of the capital project engagement of the Town and the funds allocated for the same as delineated with operational expenses

that communicate the true cost of day-to-day operations of any given department. Moving these items to a centralized department is intended to streamline administrative processes and provide greater levels of transparency. Accordingly, the following is an overview of the proposed budget for this department for FY 2019.

The proposed Debt Service Department is anticipated to decrease slightly, by nearly \$20,000.00. While the proposed budget intends to issue debt for capital purchases such as a new fire tanker and other vehicles, the net adjustment to this Department observes a decrease as the Town will not be funding the Airport Airfield Lighting project with revenues anticipated for the coming year. Instead, this project will be funded through a transfer from this Department in the current operating budget to a project ordinance that will remain open until the completion of this project. This represents a nearly \$100,000.00 reduction in the funding needs of this Department.

In addition to local match contributions, the proposed FY 2019 budget, through this Department, continues capital reserve funding for various functions. These are listed in the introduction of this Budget Message. The proposed FY19 budget for this Department is \$489,734.

#### **Powell Bill (20 Fund)**

The Powell Bill Fund is comprised of revenues and expenses associated with the continued and orderly maintenance, repair, and improvement of streets and other qualifying street-related infrastructure owned and operated by the local government. Revenue for this activity primarily comes from State distributions based on a formula that, in part, considers the number of linear miles of qualifying roads within the Town as well as the actual population of the Town. The proposed operating budget for this Fund is balanced at \$316,247.00, which is \$18,408.00 less than the current year's budget of \$334,655.00.

#### **Powell Bill Fund Revenue Outlook**

Though the Town may allocate additional funds to supplement the scheduled activities of Powell Bill-related functions by appropriating additional funding through transfers from one or more Funds, the current level of Powell Bill Fund Balance is such that additional funding from outside sources is not presently recommended in the proposed budget. The projected operating revenue for this Fund is scheduled at \$232,200.00 for FY19 as compared to FY18 budgeted amount of \$227,576.00. Additional recommended revenue for this Fund includes the appropriation of Powell Bill Fund Balance in the amount of \$84,047.00. This Fund Balance appropriation is compared to that of FY18's appropriation of \$107,078.00. The total proposed forecasted revenues for this Fund, including Fund Balance allocation, is \$316,247.00, which is an \$18,408.00 decrease from current year.

#### **Powell Bill Fund Expenses Outlook**

The largest individual line-item identified in the proposed budget for this Fund is for paving and resurfacing. In addition, two projects have been identified to utilize Powell Bill dollars as a source of funding for local match obligations for grants/aid received by the Town. These projects include the East

3<sup>rd</sup> Street Pedestrian Sidewalk Project and the East Raleigh Street Pedestrian Sidewalk Project. Anticipated FY19 local match for these two projects combined is \$37,000.00.

**Water and Sewer (30 Fund)**

The Water and Sewer Fund accounts for the operations of the Town government associated with water treatment, water distribution, sewer collection, and wastewater treatment, where the operations of the same are designed such that revenues generated from these operations serve to cover the actual cost of operations and maintenance for the fiscal year, annual debt service obligation payments, and depreciation (which accounts for the means by which system repairs and capital improvements are made to increase the effectiveness, efficiency, quality and compliance of these services). This Fund is made up of multiple departments to carry out the functions herein identified.

*Water and Sewer Enterprise Fund Revenue Outlook*

In recent history, until the FY15 fiscal year, operating revenues associated with this Fund have not maintained pace with the related operational expenses. Beginning with FY2015, the Mayor and Board of Commissioners implemented an incremental approach to increasing the Fund’s solvency by increasing rates over three consecutive fiscal years. As a result, the finances of the Town’s Water and Sewer Enterprise Fund are much healthier where reliance on Fund Balance is greatly mitigated, if not eliminated, for the purposes of subsidizing operating revenues to afford the daily activities of its operations, debt obligations, and the cost of depreciating assets. Accordingly, the proposed FY19 budget does not call for an increase in utility rates. The following is the proposed rate structure for water and wastewater for FY19:

**Proposed Rates (FY2017-2018)**

*In-Town Rates*

**Residential**

Base Charge Water	\$23.00
Base Charge Sewer	\$14.74
Per 1000 Gallon Water	\$4.50
Per 1000 Gallon Sewer	\$4.50

**Commercial**

Base Charge Water	\$27.00
Base Charge Sewer	\$23.00
Per 1000 Gallon Water	\$6.00
Per 1000 Gallon Sewer	\$6.00

*\*Outside City limits Rates are Double that of In-Town Rates*

While rates are not proposed to be increased for the 2019 fiscal year, it should be noted that the Town will not be selling water to Chatham County in the coming fiscal year and Mountaire Farms, LLC is not planned to come on line until January of 2019. In addition, revenue projections for additional water sales owing to the presence and operation of Mountaire Farms, LLC is conservatively estimated based on data presently available to the Town. Please also note that the Town is working with a consulting



firm to define a proposed bulk water rate structure to be adopted at some point in the early parts of FY19, which will impact Staff's understanding of how revenues will perform. In addition to a bulk water rate structure, the Town is working with this firm to establish or redefine a number of charges, such as capacity fees, tap fees, pretreatment surcharge fees, and septage fees.

In consideration of the foregoing, the proposed FY2019 Utility Enterprise Budget represents an \$809,397.00 increase over the current year, or 16.5%.

#### Water and Sewer Enterprise Fund Expense Outlook

The various departments within the Water and Sewer Fund requested a number of capital purchases and improvements. The proposed FY19 Budget provides funding for some of these requests, which are noted in this message and within the budget worksheets provided. It should be noted that continued system and infrastructure repairs are vital in maintaining an operation that functions effectively and at a high rate of quality in both water and wastewater treatment, collection, distribution and treatment.

Reducing overall reliance on Water and Sewer Fund Balance as a revenue source for operational expenses and the establishment and maintenance of a systematic capital improvement program remains the two primary budgetary goals of Staff within this Fund.

Accordingly, the Town continues to seek grant and aid opportunities from outside funding sources to assist in repairing and improving the Town's utility.

The proposed Water and Sewer Fund Operating Budget for FY19 seeks to accomplish the following:

- Operating revenues exceed operational expenses and annual debt obligations, combined
- Operating revenues, along with capital investments, are anticipated to offset annualized depreciation of assets
- Continued funding of capital improvement and investment
- Funding is provided to explore greater technology integration into core areas of operation, specifically remote wireless/cellular metering system and enhanced SCADA monitoring and functionality
- Employee compensation is maintained at market levels
- Pay-for-Performance program is funded
- Continued funding for professional development and training is provided
- Funding participation in County Water Masterplan
- Fund Balance is not scheduled to be appropriated

The following narrative offers expense outlooks for each of the departments within the Water and Sewer Fund.

#### **Water and Sewer Enterprise Fund Department Budgets**

1) 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. The proposed FY19 non-departmental budget is \$382,300.00, which is a \$71,000.00 increase from the current fiscal year. This increase is principally attributed to increase cost of health insurance as

compared to the current year's rate, as the Town's health insurance renewal for the coming year is approximately 15%.

- 2) Water/Sewer Administration: This department delineates administrative-related activities from other functions within the Fund. The proposed budget for this department for FY19 is scheduled at \$376,725.00, which is an increase of \$42,882.00 from FY18's budgeted amount of \$333,843.00. This increase is primarily attributed to partial funding shared with the General Fund for the hiring of a new full-time position – Grant Administrator.
- 3) Water Treatment: The Water Treatment Department is proposed to see an increase of approximately \$347,265.00 for the coming year from the current fiscal year. Additional funding in this Department is anticipated to be necessary to support higher productivity of the Water Plant associated with the volume of treated water demand from the new poultry industry, which is planned to come on line in January of 2019. This additional cost comes primarily in the form of chemicals, which is anticipated to cost an additional \$200,000.00 in the coming year. The proposed Water Treatment Plant operating budget for FY19 is \$1,528,437.00.
- 4) Wastewater Treatment: The Wastewater Treatment operating budget for FY19 is proposed to increase from current year funding levels with a proposed budget of \$1,553,560.00. This is compared to the FY18 funding amount of \$1,328,709.00. While there are some line item reductions from current year observed in the proposed FY2019 Budget for this Department, a number of other line items have resulted in the growth of this Department's expense activities. These include additional chemicals and sludge removal, which combined account for an additional \$195,000 in expenses over the current year budget. The cause for these increases is associated with the presence of cadmium within the Treatment Plant being introduced from within the collection system. Staff continues to conduct field tests at pump stations and other areas to isolate the origin of this heavy metal; however, success to this end has not been realized. In an effort to prevent violations of the Town's discharge permit, the Wastewater Treatment Plant is now adding polymer to its processing system, which should settle-out this metal, thus reducing the chances of discharging the same to the receiving waters of the Plant. This increases costs in chemicals and increases the amount of sludge that must be hauled off site. Capital improvements are also scheduled with the proposed FY2019 budget with equipment upgrades and filter media replacement. The proposed FY19 budget represents a \$224,851.00 expenditure increase from the current year.
- 5) Water and Sewer Maintenance: The FY19 budget for this Department proposes a marginal decrease of less than \$1,000.00. While this Department's bottom line expense is scheduled to remain largely the same as that of the current fiscal year, observation of the various line items will demonstrate movement between functions within the Department, where some line items have been reduced, while others increased. However, no major shifts are realized within this Department's operating budget as proposed. The proposed FY19 departmental budget is \$581,884.00, which is compared to FY18's allocation of \$582,415.00.
- 6) Transfers: FY19 proposed budget projects expenses within this Department to amount to \$1,298,015.00, which includes debt principal and interest. This is an increase of approximately \$120,000.00 from appropriations approved with the FY2018 budget. This additional expense is the principal payment to a zero percent loan awarded the Town, in conjunction with a grant, to make improvements to the Town's Water Treatment Plant.

**License Plate Agency (40 Fund)**

The License Plate Agency (LPA) is an enterprise activity operated by the Town of Siler City. The LPA was taken on by the Town for the purpose of maintaining local access of these services to the larger Siler City community. The Siler City LPA operates under the guidelines of the State of North Carolina's Department of Motor Vehicles and the Town of Siler City Finance Department. The Town of Siler City LPA offers the same types of services as any other LPA and is located in the bottom floor of the Siler City municipal building.

Since its opening, the LPA has realized an increase in customer volume. A number of improvements have been made in the LPA operations area, including the construction of a third window to receive greater volumes of customers and to serve these customers in a timelier manner. In addition, services have been broadened with the payment of motor vehicle taxes as well as processing for various NC Wildlife licenses. Accordingly, with increased customer volume, the Town has observed an increase in revenue.

*License Plate Agency Fund Revenue Outlook*

The proposed FY19 budget anticipates the operational revenues of the LPA to cover the operational expenses with projected revenues of \$136,150.00, which is an increase from FY18 budget of \$131,500.00.

*License Plate Agency Fund Expenses Outlook*

The proposed FY2019 budget recommends a marginal increase in operating expenses of approximately \$4,500.00. This increase is to supply funding for the purchase of one new computer and upgrade the phone system in this Department. The recommended FY19 budget is set for this Department at \$136,150.00.

**Additional Notes**

As the Board and Staff look to the next fiscal year and budget preparations for FY20, Staff recommends the Board and Staff establish goals, which can be reduced to policy, that offer guidance for the levels of capital reserve budgeting and fund balance levels to be obtained. Any such goal(s) will require fiscal discipline and time to accomplish, but the establishment of these goals and formulating policy around the same will ensure that Staff clearly understands the Board's expectations in these regards. Moreover, establishing such policies affords the Board an ability to hold the budgeting process and its work product accountable. The faithful adherence to practices that seek to reach such reasonable and measurable objectives will tend to make long-term financial planning more mechanized and fruitful.


**Executive Statement**

Based upon the goals established by the Siler City Mayor and Town Board of Commissioners to maintain and enhance the quality of life and improved governmental service value for all of the citizens of Siler City, a conservative yet forward-looking budget has been drafted that sets the Town's commitment to providing high quality public services and improving upon such services in a fiscally responsible way. Such services and their improvements, however, require adequate operational funding while maintaining a close scrutiny on revenues throughout the year. The state of the economy and the impact that it has on the private and public sectors cannot be overly stressed. Continued conservative management of the Town's finances is critical to the fiscal health of the Town. In weighing the goals,

objectives, needs and expectations of the Town of Siler City and the associated need for additional revenue, the current budget proposal, I believe, strikes a balance that improves long-term service levels while respecting the financial health of the Town government and its growing needs for years to come.

**ADJOURNMENT**

With no further business, the Board of Commissioners adjourned at 7:32pm.

  
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John F Grimes, Mayor

**ATTEST:**

  
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Jenifer K Johnson, Town Clerk

