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## FY 2016-2017 Budget Message

### Introduction

Over the last six months Pineville staff members have worked to finalize the proposed 2016-2017 fiscal year budget. This year's total budget of \$28,080,350 for General Fund, Restricted Fund, Telephone, Electric Fund, and Capital Improvement Plan is presented in a balanced format, with careful consideration given to the high service level standards the Town of Pineville wishes to provide, and the continued pressures of reduced revenue sources – specifically as the Town continues to rebound for the loss of the Business Privilege License revenue.

### General Fund

In developing the budget proposal for the General Fund Departments, each department was evaluated to determine priority services and expenditures, as well as evaluation of past trends in the expenditures of each department. After making significant budget cuts in most operating expenses of departments last year, the proposed budget reflects increases in operating expenses - as we balance the need to expanded services, update infrastructure, and increase personnel expenses.

We expect to move past the negative impacts of the 2011 Mecklenburg County Tax Revaluation, and are projecting growth in our ad valorem tax collection. Changes at the State level in FY2015 are still impacting the Town, as we have not fully replaced the lost revenues from the elimination of the Business Privilege License Tax. The growth of both our ad valorem tax collection, and moderate growth in our sales tax, mean we are increasing our revenues despite those total levels still remaining lower than our collections of FY2013.

As our population grows, our demand for services continue to rise; especially related to public safety and public transportation services and infrastructure. Our geographic location also means that our service demands are driven by use from people who live in surrounding towns, and even from our neighboring state of South Carolina.

In addition to these pressures from growth, the Town faces several capital projects in the near future that it is planning to finance. These projects include the redevelopment of the old Cone Mill property, the realignment of Johnston Drive, and planning for future construction of a Town Hall and Fire Station. These capital projects remain in flux as the Town carefully plans its future spending priorities.

Despite these financial pressures, the Town has focused on developing a budget that relies on no increases or additions to its revenue sources for increased revenue, and it has also chosen not to utilize any General

Fund reserves for operating costs in this year's budget. With this in mind the budget was prepared with a tax rate of \$0.35 per \$100 valuation; the same as last year's budget.

The Town will continue its use of a Capital Improvement Plan (CIP) to identify and plan for larger capital expenditures. The Capital Improvement Plan will track expenditures of the Town over \$25,000, and will assist staff in scheduling when these types of purchases are best suited to take place. The CIP will be funded by revenues over expenditures at the end of each fiscal year, which began with the conclusion of the 2013-2014 budget year. These monies will be pooled together at the end of each year (respective of their funds) to assist in the future expenditures identified in the CIP. This will allow the Town to better fund larger projects without the burden being placed on the annual operating budgets of each fund. Unfortunately, the availability of these funds has been reduced dramatically, as the Town continues to struggle funding all operating expenses with existing revenues.

The Town will fund certain CIP projects using restricted funds (not funds generated from tax collection). These projects include replacement of the sidewalk at the Lake Park, replacement of playground equipment, equipment purchases for the Public Works Department, and the construction of a new Public Works storage facility.

The proposed budget also contains a pool of monies that will be used to fund up to a 3% increase in salaries for employees, and the continued use of the Salary Step and Grade system for the Police Department.

The Town is also facing additional increases in health insurance coverage for its employees. Last year, the Town was forced to change providers for cost saving purposes. Despite the change, the Town incurred a 14% increase in total benefits costs for Town employees. This year, we have budgeted an additional 20% increase in health care cost for our employees related to continued claims by employees. It is expected that we will again move providers to find the most cost-effective coverage for our employees.

The overall expenditures of the General Fund are down 16% over last year's budget; most of which are associated with the dramatically reduced expenses in capital projects by the Town. The operating budgets of the Town have grown 16% over last year's budget; which are mostly associated with increased costs in the Police, Fire, and Parks and Recreation departments. There are no scheduled employee cuts, or significant reduction in services planned for the upcoming budget year.

### **Enterprise Funds**

The Electric and Telephone Departments are operated independently from the General Fund, with no transfer of revenues between funds to offset any shortfalls in either department. With the introduction of IPTV now moving into its fifth year, Town staff is actively working to refine its delivery of this service, while staying on top of the continually changing technologies in this field. The Telephone Department will be developing marketing and discount packages to both new customers to the service, and to retain existing customers; as well as expand its service lines to include un-served areas of Town and new subdivisions. Capital projects for the Telephone Department include the installation of fiber lines to unserved areas of Town, the introduction of new services and capabilities for the department, and equipment and vehicle purchases to meet the growing demands of the department. Service rates will continue to be altered over the course of the year, as new marketing and package options will be used to remain competitive within the industry.

The Electric Department has experienced a high rate of growth over the past year; with new subdivisions and commercial growth taking place. Despite the growth taking place, revenues are projected to be down

in FY2017, as the mild weather trends have reduced utility utilization. Operating revenues are projected to decrease by 3%, which has been a consistent trend over the last three years. Despite operating revenues shrinking, operating expenses are expected to rise during the upcoming budget year. Most of the increases in operating expenses are associated with a new contract of outside plant operations with ElectriCities. Beginning April 2016, ElectriCities has been contracted by the Town for outside plant management. They have introduced new training and operating standards that will reflect increased operation costs for the department. The benefit to the Town in these increased costs is the higher quality service provided to our customers, as well as more transparent tracking of project expenses associated with new development.

Capital equipment and expansion costs are also a large driver in increased operating costs for the department. The Town expects to replace the electric grid at Carolina Place Mall, begin the construction of a new substation to replace the aging Dover Street substation, as well as purchase a new bucket truck for regular maintenance use.

Despite the capital demands in the Electric department, there will be no electric rate increase proposed in the budget. Between the use of operating revenues and reserve revenues the Town will be able to finance the proposed projects without implementing a rate increase. The Town will be adopting rate rider adjustments as proposed by ElectriCities; however these are not part of the retail rate the Town sets, and are implemented by the power agency for all participating ElectriCities members.

## **Conclusion**

The proposed Budget Ordinance and Capital Improvement Plan are included with this Budget Message. We believe that the proposed budget offers a great balance between conservative expenditures for each department and addressing capital needs of the Town, without compromising the quality of our programs and services provided to our citizens. Difficult decisions were made by staff and Council in developing this budget. We hope that our residents and business owners understand the tough decisions faced between funding for capital projects and maintaining our current tax rate and other municipal revenue options.

I would like to thank each of the Department Managers, as they have been an integral part of the budget development process. I would also like to thank our Finance Director, Mr. Richard Dixon, for his assistance with the creation of the proposed budget.

I would also like to thank each of the Town Council members for their direction and insight into how they envision both the short and long-term future of the Town. Your knowledge and input has been a tremendous resource for us as we worked through the development of the proposed budget. Town staff feel confident in the decisions made, and the budget presented, and we believe that it will continue to allow the Town to foster a truly great place to live, work, and play.

Respectfully,

Haynes M. Brigman  
Town Manager  
Town of Pineville

**TOWN OF PINEVILLE, NORTH CAROLINA  
BUDGET ORDINANCE**

BE IT ORDAINED by the Governing Board of the Town of Pineville, North Carolina:

**Section 1.** The following amounts are hereby appropriated in the General Fund at the function level for the operation of the town government and its activities for the fiscal year beginning July 1, 2016, and ending June 30, 2017:

General Government	\$ 1,312,100
Public Safety	5,520,550
Transportation/Public Works	806,500
Environmental Protection	785,000
Recreation/Cultural/Tourism	1,837,200
Capital Improvement Projects	<u>870,750</u>
	\$ 11,132,100

**Section 2.** It is estimated that the following revenues will be available in the General Fund for the fiscal year beginning July 1, 2016, and ending June 30, 2017:

Ad Valorem Taxes	\$5,550,000
Payment in Lieu of Taxes	40,000
Powell Bill Funds	190,000
Franchise Taxes	820,000
Local Option Sales Tax	1,200,000
Storm Water Funds	380,000
Room Occupancy Tax	550,000
Prepared Food Tax	600,000
U Drive It Tax	175,000
Other Revenues	675,000
Restricted Fund Balance - Powell Bill Reserve	32,500
Restricted Fund Balance- Storm Water Reserve	97,500
Restricted Fund Balance – Cultural & Tourism Reserve	641,100
Non-Operating Transfer	156,000
Interest on Investments	<u>25,000</u>
	\$ <u>11,132,100</u>

**Section 3.** The following amounts are hereby appropriated at the fund level in the Emergency Telephone System Fund for the operation of the emergency telephone operations for the fiscal year beginning July 1, 2016, and ending June 30, 2017:

Emergency System Operations & Capital Outlay	\$ <u>306,000</u>
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**Section 4.** It is estimated that the following revenues will be available in the Emergency Telephone System Fund for the fiscal year beginning July 1, 2016, and ending June 30, 2017:

Emergency System Revenues	\$ 109,000
Restricted Fund Balance – 911 Reserve	196,300
Interest on Investments	<u>700</u>
	<u>\$ 306,000</u>

**Section 5.** The following amounts are hereby appropriated at the fund level in the Electric Fund for the operation of the electric utility for the fiscal year beginning July 1, 2016, and ending June 30, 2017:

Electric Operations and Capital Outlay	\$13,785,750
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**Section 6.** It is estimated that the following revenues will be available in the Electric Fund for the fiscal year beginning July 1, 2016, and ending June 30, 2017:

Electric Usage Charges	\$ 11,610,750
Fund Balance Appropriated	2,102,000
Interest on Investments	8,000
Other Revenue	<u>65,000</u>
	<u>\$ 13,785,750</u>

**Section 7.** The following amounts are hereby appropriated at the fund level in the Telephone Fund for the operation of the telephone utility for the fiscal year beginning July 1, 2016, and ending June 30, 2017:

Telephone Operations & Capital Outlay/ILEC	\$ 1,800,000
Telephone Operations & Capital Outlay/CLEC	<u>1,362,500</u>
	<u>\$ 3,162,500</u>

**Section 8.** It is estimated that the following revenues will be available in the Telephone Fund for the fiscal year beginning July 1, 2016, and ending June 30, 2017:

ILEC	\$ 1,700,000
CLEC	1,362,500
Interest on investments	10,000
Fund Balance Appropriated	<u>90,000</u>
	<u>\$ 3,162,500</u>

**Section 9.** There is hereby levied a tax at the rate of thirty-five cents (\$0.35) per one hundred dollars (\$100) valuation of property as listed for taxes as of January 1, 2016, for the purpose of raising the revenue listed as “Current year’s taxes” in the General Fund in Section 2

of this ordinance. This rate is based on a total valuation of property for the purposes of taxation of \$1,652,235,843, and an estimated rate of collection of approximately 96%.

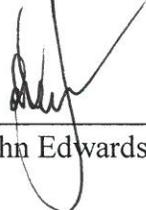
**Section 10.** The Budget Officer and/or Finance Director are hereby authorized to transfer appropriations as contained herein under the following conditions:

- a. Amounts may be transferred between line item expenditures within a function without limitation and without a report being required. These changes should not result in increases in recurring obligations such as salaries.
- b. Amounts up to \$50,000 may be transferred between functions, including contingency appropriations, within the same fund. An official report on such transfers must be made at the next regular meeting of the Governing Board.
- c. Amounts may not be transferred between funds, except as approved by the Governing Board in the Budget Ordinance as amended.

**Section 11.** Copies of this Budget Ordinance shall be furnished to the Clerk to the Governing Board and to the Budget Officer and Finance Officer to be kept on file by them for their direction in the disbursement of funds.

Adopted this 14h day of June, 2016.

  
Barbara Monticello, Town Clerk

  
John Edwards, Mayor

