

TOWN OF POLLOCKSVILLE

FISCAL YEAR 2023-2024

PROPOSED BUDGET

Prepared and Submitted by
Toni W. Floyd, Finance Officer and
James V. Bender, Jr., Mayor

May 4, 2023

Finance Officer's and Mayor's Budget Message FY 2023-2024

Board of Commissioners
Town of Pollocksville
PO Box 97
314 Main Street
Pollocksville, NC 28573

The Honorable Mayor Bender, Members of the Board of Commissioners, and Citizens of Pollocksville:

The FY 2023-2024 Proposed Budget is attached for your review and consideration. All budgets for small towns face challenges as increased regulations, supply chain disruptions, and inflationary pressures continue to create uncertainty. The proposed budget for FY 2023-2024 INCLUDES ONLY the "normal" revenues and expenses for the General Fund and the Utility Enterprise Fund. Revenues and Expenses for the various projects – such as the EEG Grant project at the river, the Main Street sidewalk project, the multiple water and sewer improvements and other current or anticipated projects are not included in these figures, since each project has its own budget already approved and carries over from one fiscal year to another.

The total Proposed Budget – General Government and Utility Enterprise – is **\$552,130** – a decrease of **\$86,943** -- or just under 14.0%. The General Fund Budget is **\$247,290** -- approximately \$21,500 lower than the previous year – primarily resulting from lower anticipated property tax revenues as well as no further reimbursements for the LFNC Fellow's payroll and lower amounts appropriated for Powell Bill. State-shared revenues are slightly higher, with projected increases in sales tax revenues owing to the economy and projected decreases in such areas as video tax and piped gas tax. The amount of Fund Balance appropriated – the Town's Savings Account -- is \$23,094 – the amount needed to balance the budget without increasing the tax rate.

This budget is balanced by **\$0.34** tax rate per hundred-dollar valuation, which is a continuation of the previous year's rate. Each cent on the tax rate represents approximately **\$2,050**. The estimated assessed tax valuation for the Town of Pollocksville as of January 1, 2023 (provided by the Jones County Tax Office) is **\$20,457,759** – a decrease in real and personal property of approximately 5 ½%. Although we have found no reason for the decrease, we assume this is the result of adjustments made following re-evaluation. The arrangement by which Jones County collects our taxes has been successful and through 4/30/2023, we have collected over 99% of the taxes due. This budget has been prepared using a 94% collection rate. The tax yield at this rate is estimated at **\$65,383** – a decrease of approximately \$3,200.00.

Additional revenues come from Sales Taxes and other state Franchise fees, notary and law enforcement fees, and reimbursements from NC Wildlife for the portable toilet at the Town Park/Boat Ramp. We also have appropriated Fund Balances from Powell Bill – restricted for streets – and the Beautification Fund. As previously mentioned, the budget anticipates just over \$23,000 from the Town's Fund Balance to balance the budget without increasing taxes more than proposed.

The Utility Fund Budget is **\$304,840** and is approximately \$65,000 LESS than the previous year because we appropriated ARPA funding last year and this was used for the Fourth Street Project. For the last four years, the Town has used funding from the NCORR grant to pay the debt on the sewer system, the water tank maintenance contract, and the new meters. These funds are now depleted and the budget must absorb these costs. In addition, new policies at the Local Government Commission and other state agencies have resulted in the Town being placed on the "distressed utility" list. While the Town is seeing more utility customers as it recovers from Hurricane Florence, water/sewer usage remains low. In order to operate the utility system on a positive cash-flow basis and put money aside for emergencies and upgrades, utility rates must increase. The rate increase is approximately 3 ½%.

In both General and Utility Enterprise budgets, efforts have been made to streamline operational expenses and maintain service levels at the best cost. There are many grant opportunities available, including the American Rescue Plan, but the Town must work to provide services within its means and not rely on grant funds. We are, however, confident that the FY 23-24 Proposed Budget adequately reflects the Board's budget priorities. We encourage the Board to carefully review the Proposed Budget and the accompanying materials and adjust it in any way that more clearly reflects the Board's priorities and vision for the Town.

We **recommend** scheduling a Public Hearing at the **June 13, 2023** regularly scheduled meeting of the Board of Commissioners meeting. The Board of Commissioners may vote to approve the budget at any point following the Public Hearing. The Budget must be adopted no later than **June 30, 2022**.

Respectfully submitted,

James V Bender, Jr.
Mayor

Toni W. Floyd
Finance Officer

SUMMARY AND EXPLANATORY NOTES 2021-2022 PROPOSED BUDGET

Budget Overview

The following information, as well as the “Notes” portion of the Budget pages, provides more detail on the 2022-2023 Proposed Budget. The Town of Pollocksville utilizes a departmental budget. Expenditures are approved by department. Funds or expenditures are allocated to departments within two different funds. The General Fund serves as the primary fund for all governmental operations and expenditures. The Utility Enterprise Fund is utilized for the business operations of the water and wastewater system. The Enterprise Fund is designed to function as a business which generates profit to pay for all expenses, including current and future capital improvements.

GENERAL FUND (10 FUND)

The General Fund comprises all the revenues from property, sales, franchise, and any other governmental fee collections. It also includes a portion of the wages paid for the Town Clerk/Finance Officer and the Public Works Director. The General Fund includes all operational expenses for the following departments: Governing Body; Legal; Finance/Clerk; Professional Services; Planning/Zoning; Law Enforcement; Fire/Rescue; Public Works; Powell Bill (Streets); Economic Development; and Parks/Recreation.

REVENUE

This budget provides for a **property tax rate of \$.34** per \$100 valuation. State-shared revenues – Sales Tax, Franchise Tax, Beer/Wine Tax, Powell Bill, and other items are projected to show a NET INCREASE of approximately \$7000. These net increases in state-shared revenues are a “guess” since we have received more money in some areas than we anticipated with the 2022-2023 budget, and we are using projections from the NC League of Municipalities to arrive at our figures. The amount of Fund Balance used to balance the budget remains consistent with previous years. The entire Beautification Fund balance is appropriated and is slightly higher, although we have committed \$20,000 to match the Main Street project. Powell Bill Reserve Funds are also appropriated and are lower due to some tree removal and clean up near the Town Hall. Thus, the total revenue projection for the General Fund is **\$247,290** and does NOT include the ongoing collection of delinquent property taxes, current or anticipated insurance proceeds, FEMA reimbursements, or additional grant funds.

EXPENSES

The notes on the accompanying budget sheets should answer any questions. But the following provides additional detail and rationale:

- 1- Payroll Adjustments: All payroll is posted to the appropriate accounts in the General and Utility Funds without the need of a “wage transfer.” The proposal for this year is a COLA of 3.0%.
 - A- Town Clerk/Finance Officer is currently at \$18.00/hr plus \$250.00 per pay period for additional finance work – proposed will be \$18.54/hr plus \$275.00 per pay period. 27 hours per week average. 30% paid from General Fund/70% from Utility Fund
 - B- Public Works Director is currently \$15.65/hr – proposed will be \$16.52/hr 30 hours per week. 20% from General Fund/80% from Utility Fund
 - C- Finance Office – We no longer have a contract with an outside CPA for hourly work. Toni has assumed most of this work and those costs are reflected in her payroll. This change has resulted in reduced expenses in both the General and Utility expenses.
 - D- Utility System Operations – ORC – Since we are no longer doing wage transfers, the ORC (JJ Chadwick) will be paid \$2475.42 per month, split equally between water and sewer. His current compensation is \$2403.32 per month.
 - E- Local Government Retirement System contribution by the Town has increased to 12.56% from 12.85%. Only Robbie is on this plan.
- 2- Elections: Due to the change in our election cycle to even-years and the associated cost savings, we were able to budget a much lower amount for elections.
- 3- Legal, Audit, and Professional Expenses: The audit contract for the coming year is substantially higher this year and will be split with the Utility Enterprise Fund. We have increased legal expenses which may be related to our many projects. As stated previously, we were able to eliminate the cost of an outside CPA, moving those duties to the Finance Officer.
- 4- Town Hall Expenses: After a full year of occupying the new Town Hall facility, we have a better handle on projecting expenses and have made adjustments and have reclassified some expenses to better track those funds.
- 5- Law Enforcement: The contract with the Jones County Sheriff’s Office will be renewed at the same level as the current year, plus the expenses you see.
- 6- Fire/Rescue: The Fire Department and the Rescue Squad made no requests. Accordingly, the appropriation for the Fire Department remains at \$8500 and the Rescue Squad at \$2400.

- 7- Public Works and Parks: Increases occur in mowing and rental of the Park portajohn.
- 8- Powell Bill: These funds are restricted to streets and related expenses, including mowing.
- 9- Economic Development/Beautification: We devote .05 of the tax rate to Beautification. The reserve is lower due to money paid for the kayak launch and Pollopalooza. We have tentatively approved \$20,000 of this reserve to match grant applications.
- 10- Insurance: Insurance – property/liability/workers compensation – is projected to increase 20%. We do not have the final quote on the property/liability portion, but there was a very slight increase in the workers compensation portion. We know that we will have a much higher premium for the Finance Officer's bond due to new requirements.

ENTERPRISE FUND (30 FUND)

The Town operates the water and waste-water system through an enterprise fund. These operations are treated as a business. To continue to provide these services, the Town must make a "profit" on operations or obtain grants to replace aging infrastructure. Unfortunately, the Town cannot charge the rates necessary to cover the depreciation on its assets, thus building up a large amount of cash to pay for expensive repairs/replacements.

REVENUE

Revenue in the Enterprise Fund is derived directly from consumer fees and rates, along with penalties, interest, reconnect fees, and other miscellaneous revenues. The proposed budget projects revenues at **\$304,840** - about \$65,000 less than the previous year. This budget anticipates a rate increase of approximately 3 ½% depending on usage and location, and is part of the Town's plan to make the utility enterprise more profitable and to remove the Town from the "distressed utility list."

EXPENSES

Current expenses have been projected in such a way to show approximately \$42,000 excess of revenues over expenses for the coming year, which will remain for emergencies and increasing fund balance. Since the Town is on the "distressed utility list", we must take action to increase revenues and reduce expenses to ensure that the utility system operates at a profit and also retains funds for capital improvements and emergencies.

- 1- Combined Water/Sewer Department expenses are approximately \$42,000 less than last year. We have proposed line items for capital improvements in both the water and sewer systems at \$15,000 each.

- 2- Regarding wages, the Town Clerk/Finance Officer is 30% General Fund; 35% Water Fund; and 35% Sewer; the Public Works Officer is 20% General Fund; 40% Water; and 40% Sewer; and the Utility Operator is 50% Water/50% Sewer.
- 3- Several expense items have been adjusted up or down based on current expenses. These areas include electricity, the Utility Fund's share of the audit expenses, chemicals, and fuel for the trucks.
- 4- Both Water and Sewer O/M line items remain large since even a minor repair can be expensive.
- 5- Insurance premiums have increased and we are anticipating even more insurance since we must carry Flood Insurance on the elevated wastewater infrastructure. We have been penalized on our FEMA reimbursements by \$171,000 for our failure to have flood insurance on those assets.
- 6- The Town's debt payments for this year include the USDA loan for the Sewer system, the payment for the meters; and the water tank maintenance contract, which has increased slightly.