

TOWN OF POLLOCKSVILLE

FISCAL YEAR 2021-2022

PROPOSED BUDGET

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

May 11, 2021

Finance Officer's and Mayor's Budget Message FY 2021-2022

Board of Commissioners
Town of Pollocksville
PO Box 97
9026 Highway 17 (temporary location)
Pollocksville, NC 28573

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

The FY 2021-2022 Proposed Budget is attached for your review and consideration. All budgets for small towns face challenges and this has been exacerbated by the COVID-19 pandemic during the previous year. The FY 20-21 Budget was almost a duplicate of the FY 2019-2020 because of so many uncertainties. These issues continue to complicate the Town's budgeting process. However, the acquisition of new payroll software, some reconfiguration of our present FMS accounting software, the purchase this past year of InvoiceCloud to help with online payments, and the retention of CRI, a CPA firm, has made the task somewhat easier.

The proposed budget for FY 2019-2020 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 Town Hall restoration, the Wastewater Elevation project, and the Downtown Revitalization projects are not included in these figures since each project has its own budget already approved and carry over from one fiscal year to another

The total Proposed Budget – General Government and Utility Enterprise – is **\$657,212** – a decrease of **\$39,122** or just over 6.0%. The General Fund Budget is approximately \$25,000 lower than the previous year – primarily resulting from the new payroll software allowing the Finance Officer to post payroll directly to the General or Utility Fund accounts without having to use the cumbersome "wage transfer" procedure we have used for many years. State-shared revenues are slightly lower; the anticipated property tax receipts are slightly higher; and the amount of Fund Balance needed to balance the budget without increasing the tax rate is less. This budget is balanced by **\$0.38** tax rate per hundred-dollar valuation. Each cent on the tax rate represents approximately **\$1,675**. The estimated assessed tax valuation for the Town of Pollocksville as of January 1, 2021 (provided by the Jones County Tax Office) is **\$16,743,804** – UP slightly from last year by about \$75,000. The Tax Office advised that real property values were up but personal property declined. The arrangement by which Jones County collects our taxes has been successful and through 4/30/2021, we have collected over 97% of the taxes due. This budget has been prepared using a 94% collection rate. The tax yield at this rate is estimated at **\$58,810** – an increase slightly more than \$1600.

Additional revenues come from Sales Taxes and other state Franchise fees. Projections in these areas have been formulated based on estimates from the North Carolina League of Municipalities. We anticipate receiving more in Sales Taxes for the current year, but less than we budgeted in other shared state revenues. The new state sales tax structure resulted in greater revenue for the Town in 2017-2018, but it appears that we over estimated revenues for this current year. The total estimated from state-shared revenues for the coming year has been INCREASED by approximately \$1600. The amount of Fund Balance – the Town’s saving account – used to balance this budget without increasing taxes is approximately \$25,968 – a \$54 increase from last year. We have appropriated \$25,000 from the NCORR Grant to cover the cost of the LFNC Fellow and additional financial support CRI CPAs, and have recognized the reimbursement from the UNC School of Government for the LFNC Fellow’s payroll

The Utility Fund Budget is approximately \$25,600 MORE than the previous year. For the first time in five (5) years, there will be a rate increase in water/sewer charges. Our revenues since Hurricane Florence have declined almost 16%. We will again use \$94,765 from the NCORR Grant – per our grant application – to service the Utility debt. But with the NCORR grant funding expiring in 2022, we have no choice but to raise rates – something we have postponed due to Hurricane Florence and then the COVID-19 pandemic. We anticipate that this rate increase will allow us to continue to operate the utility system in a positive cash-flow basis, and position the system to continue profitability when the NCORR grant funds are no longer available.

In both General and Utility Enterprise budgets, efforts have been made to streamline operational expenses and maintain service levels within the existing tax rate, outside revenue streams, and increased water/sewer rates. While are fortunate to have the NCORR Grant to help with debt service and other expenses, this will soon end and we need to remain financially stable. While hurricane recovery efforts and the lingering effects of the COVID 19 pandemic present challenges, we

Hurricane Florence and the recovery and mitigation aftermath has presented a huge challenge to our small town financially. We anticipate more changes in the next year, especially with the promise of funding under President Biden’s American Rescue Plan, but we have not budgeted those funds as they are not yet received. We are, however, confident that the FY 21-22 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 8, 2021** 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, 2021**.

Respectfully submitted,

James V Bender, Jr.
Mayor

Toni 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 2021-2022 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 includes **no property tax increase** with the rate to remain at **\$.038** 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 \$1600. The amount of Fund Balance used to balance the budget is decreased. The entire Beautification Fund balance is appropriated and is lower due to the costs of the kayak launch. Powell Bill Reserve Funds are also appropriated and are higher due to correcting this amount. We have also appropriated NCORR Grant funds to cover the training, supplies, payroll taxes, and insurance of the LFNC Fellow along with increased financial services. Thus the total revenue projection for the General

Fund is **\$283,527** and does NOT include 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: Under the newly-acquired payroll software, 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 2.0%.
 - A- Town Clerk/Finance Officer is currently at \$16.80/hr plus \$250.00 per month for finance work – proposed will be 19.59/hr, which includes the finance work.
25 hours per week
 - B- Public Works Director is currently \$14.61/hr – proposed will be \$14.98/hr
29 hours per week
 - C- Finance Office – Toni is assuming more of these duties. We have a contract with Carr Riggs Ingram, CPA for hourly work @\$175.00/hr. We have anticipated \$16,000 total for the contract work, with 50% coming from General Fund and 50% equally divided between Water and Sewer.

NCORR grant funds will cover this additional \$6000. Part of the grant application to NCORR allowed for additional financial services.
 - D- Utility System Operations – ORC – Since we are no longer doing wage transfers, the ORC (JJ Chadwick) will be paid \$2255 per month, split equally between water and sewer. His current compensation is \$2200 per month.
 - E- We are proposing no increase in the compensation for the Mayor or the Commissioners but recommend that these funds be paid monthly to each, regardless of whether the person attended the monthly meetings.
 - F- State Retirement System contribution by the Town has increased to 12.05% from 10.15%
 - G- The LFNC Fellow payroll will be reimbursed by the UNC School of Government on a quarterly basis, and we have shown anticipated revenues to offset this cost. The costs of training will come from the NCORR Grant and is not reflected in this budget.

- 2- Clerk/Finance Office/Tax Collection: Expenses in this area have decreased because of the end to wage transfers and the assumption of 50% of the finance work by the Utility Fund. The increased Capital is in anticipation of equipment at the new town hall.
- 3- Town Hall Expenses: We have left these expenses essentially the same since we will have those expenses when we leave the temporary location. We are currently not paying any pest control or alarm costs, and we have no janitorial service. There is no grass to mow but we will have some.
- 4- 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.
- 5- Fire/Rescue: No requested changes
- 6- Public Works: Reduced because of the new payroll software which does not use wage transfers.
- 7- Powell Bill: While we will receive less from the state for Powell Bill, we have recalculated the Powell Bill reserve. Excess funds over the past 5 years have not been transferred to Powell Bill savings but have remained in the General Fund. We have corrected this error. It will make reporting much easier.
- 8- Economic Development/Beautification: Decrease in the amount anticipated received because of the lower tax value as well as lower reserves due to expenses on the signage and the kayak launch.
- 7- Insurance: We have not received the quote from the League for this

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 **\$373,685** - about \$25,000 more than the previous year. Based on current usage/billings, we have proposed a rate increase – the first in almost 6 years. We anticipate slightly higher revenues from the Maysville C&D Landfill, and we have appropriated \$94,765 from the NCORR grant to cover the debt on the sewer system, the water tank, and the water meters.

EXPENSES

Current expenses have been projected in such a way to show a \$105,000 excess of revenues over expenses for the coming year. This is the result of the rate increase as well as the NCORR Grant Funds to service the debt. The NCORR money ends in June 2022 and we must position the system to set aside reserves. The following are some highlights regarding Utility expenses:

- 1- Water Department expenses are UP overall just over \$33,000. This is because we have budgeted an additional \$35,000 for capital improvements. Not sure what they will be, but we have reserves and we need to be fixing things that need fixed because we have the money. Sewer Department expenses are UP only about \$2,500, and this includes \$40,000 excess revenues for reserve and an additional \$35,000 for capital improvements. Once again, this is the result of appropriating NCORR funds for debt service, which will end in June, 2022. . The combining of the rate increase and the NCORR grant allows us to use this excess for emergencies, for major improvements, and to cover any losses that can occur from a reduction in billings. is that we have a large excess of revenue over expenditures which goes to Fund Balance for emergencies as well as covering the system if there is further reduction in revenue from billings.
- 2- There are no longer “wage transfers” from the Utility Fund as the new payroll software allows Toni to charge the portions of each employee salary to the General or the Utility Fund. Currently, the Town Clerk/Finance Officer is 40% General Fund; 30% Water Fund; and 30% Sewer; the Public Works Officer is the same; and the Utility Operator is 50% Water/50% Sewer. We will be charging 50% of the additional accounting work to the Utility Fund.
- 3- Several expense items have been adjusted up or down based on current expenses.
- 4- Both Water and Sewer O/M line items remain large since even a minor repair can be expensive.
- 5- We are estimating the insurance costs since we have not received the final quote from the NC League of Municipalities. Not sure about insurance – left it the same since we haven’t gotten the final quote from the League.
- 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. It does appear that we may be able to pay ahead on the Sewer Bonds to use all of the NCORR money.
- 7- As previously stated, we have dramatically increased the capital improvement line items in both water and sewer to use the additional revenue.