

Budget Message

2008-2009 Fiscal Year

June 16, 2008

The Honorable Robert C. Zschoche, Mayor
Members of the Village Council
Whispering Pines, North Carolina

Pursuant to Section 159-11 of the North Carolina General Statutes, I am pleased to present the recommended Budget for the fiscal year (FY) beginning July 1, 2008 and ending June 30, 2009 for your review and consideration.

The North Carolina General Statutes specify that the budget ordinance and tax rate be adopted by July 1, 2008. Also, General Statute 159-12 (b) requires the Village's governing body hold a public hearing on the budget prior to adoption. This Public Hearing has been scheduled for Tuesday, June 24 at 6:00 PM in the Village of Whispering Pines Council Chamber and has been properly advertised in The Pilot. A copy of the proposed budget document has been made available for public inspection at Village Hall during normal business hours prior to the public hearing. The proposed budget document has also been posted to the Village website www.whisperingpinesnc.net

INITIATIVES

July 2008 will mark the beginning of a new era in the history of Whispering Pines. After 40 years of a Mayor-Council form of government, the Village Charter has been amended to a Council-Manager form of government. The FY 2008-2009 Budget includes the monies necessary to hire the first Village Manager. The cost of the first year salary and benefits of this position is estimated at \$90,000. Improved efficiency of Village operations may result from the Manager form of government, but no budget reductions will be made prior to these being realized.

The Council approved a contract with Moore County to collect Village ad valorem taxes beginning July 1, 2008. A 2% discount will be offered for early payments. The Council examined both personnel and administrative costs of Village tax collection and determined the utilization of staff time could be directed to other areas of need.

The proposed budget contains significant increased funding for the repair and maintenance of Village infrastructure. In addition to paving and other road maintenance, funds are provided to repair/replace culverts for effective storm water management. Funds are also provided for the continued maintenance of the Village lakes and dams.

In June 2008, the Village adopted a Capital Project Budget (CPB) for the repair of Cardinal Dam. This CPB budget will serve as the accounting and management tool for this project. Monthly reports will be submitted to Council as an update of the project through its completion. With this budget tool, projects are funded in advance. The estimated revenues for the Cardinal CPB are from the CLEAN Group of neighbors, assessment payments from the Whispering Woods Golf Club per contract, and reserves transferred from the Village Capital Reserve Fund. The Village is working with a consultant to obtain additional funds through grants. If that effort is successful, the CPB will be amended to reflect these funds.

In the upcoming year the Village will adopt additional Capital Project Budgets for the repair of Spring Valley Dam and for the construction of a new Maintenance building.

SOURCES OF REVENUE

The General Funds' primary sources of revenue include:

- Ad Valorem Taxes
- Local Option Sales Tax
- Intergovernmental Revenues, and
- Permits and Fees.

Ad Valorem Taxes (Property Taxes)

In North Carolina, property tax rates are expressed in dollars per \$100 valuation. The recommended budget proposes a property tax of \$0.32 per \$100 valuation. This means every \$100,000 in value of property, generates \$320 in tax revenue. In North Carolina, the ad valorem tax is the only significant source of revenue that the State allows local governments to assess. This revenue accounts for 53% of the General Fund total revenues.

Local Option Sales Taxes

Two and one-half cents (2 ½) of the six and three-quarters (6 ¾) cents paid in State sales tax on retail sales in North Carolina represents the local share of this tax. North Carolina sales taxes are distributed on a proportional population basis to municipalities. Local Option Sales Tax revenues are estimated to be \$525,000 in FY 2008-2009, which accounts for 23% of total General Fund revenues.

Intergovernmental Revenues

Intergovernmental revenues consist of Utility Franchise Taxes, Powell Bill (Road Maintenance) Allocation, Beer and Wine Taxes, and Police Grant Funds. The Utility

Taxes are collected by the State and distributed to the Village based on the actual receipts from the providers of electricity, telecommunications and video programming within the Village's corporate limits. Powell Bill funds are distributed annually and are restricted to maintaining, repairing or construction of Village owned streets and right-of-ways. The Police Department was awarded the 2008 North Carolina Governors Highway Safety Grant and will receive estimated reimbursement funds of \$40,925. Intergovernmental revenue is estimated to be \$275,700 for the 2008-2009 FY, which accounts for 12% of total budget.

Permits and Fees

Permits and fees consist primarily of zoning permit fees associated with residential construction within the Village and its extraterritorial jurisdiction. The Fire District Tax revenue also accounts for a portion of other fees. The Fire District tax is assessed for the Village's fire department providing fire protection services to areas outside the Village's corporate limits. The Village submits a fire department budget to Moore County requesting a district rate based on budget needs, with Moore County having the taxing authority to set the rate for all fire districts. This FY anticipated fire district taxes will be \$76,290. The Village is anticipating collecting fees through contractors reimbursements as a part of the permitting process initiated in the Planning & Zoning department. Also through increased code enforcement procedures, the Village is estimating an increase in administrative penalties revenue in the upcoming year. The estimated permits and fees revenue for FY 2008-2009 is \$138,140. Permits & Fees revenue accounts for 6% of the budget.

EXPENDITURES

Salaries and Wages

Salaries and wages, including benefits, for the Village's 22.5 employees, accounts for \$1,227,215 or 52% of the General Fund Budget. The FY 2008-2009 Budget includes the addition of a Village Manager and Fire Chief.

The budget provides Village employees with a 2% cost of living increase and establishes a Merit Pay Pool equal to 3.75% of total salaries. So that all employees can compete for the award of a Merit increase, these funds will be managed by the Village Manager. Merit increases will recognize outstanding performance and will support the implementation of a 'Pay for Performance' system.

Group medical insurance costs have escalated at a very rapid rate over the last several years. In FY 2007-2008 the Village contracted with First Carolina Care to provide employee health coverage and achieved significant savings with this change. The rates for the FY 2008-2009 will increase 7.5%.

Operating Costs

Total operating costs for FY 2008-2009 are projected at \$984,331. These expenditures include all costs other than salaries, benefits and capital costs. These costs include

resurfacing funds for approximately 2 miles of Village streets. Also included is the purchase of a golf cart for the Village staff to utilize throughout the Village in an effort to conserve on fuel consumption. Throughout the budget process costs of utilities and fuel were a major discussion due to increasing prices of oil and inflationary pressures. It has been anticipated that utility costs will increase 8% while fuel costs will increase 26% this next year. These factors were key in the decision to raise the property tax rate 3.2% or \$0.01. The Village continues to provide trash and refuse collection services to the residents through contracted services at a cost of \$275,000 for FY 2008-2009. Operating costs for FY 2008-2009 are projected to be 42% of total.

Capital Expenses

Capital expenditures are for the purchase of vehicles, equipment and other items that are considered not expendable at the time of purchase, have a value greater than \$5,000, and have a life expectancy of at least one year. The capital items in this years' budget include storm water management projects, Thagard Lake Pavilion, portable dredging pump, and Pine Dam stump removal. The \$40,000 needed for the Pine Dam stump removal will be transferred in from Capital Reserve Major Repairs. These expenditures account for \$128,000 or 6% of the budget.

FUNDS OF THE BUDGET

General Fund

The General Fund is used to account for resources which are not required legally or by sound financial management to be accounted for in another fund. The FY 2008-2009 General Fund budget is balanced with a property tax rate of \$0.32 per \$100 valuation. This is a \$0.01 increase from the previous fiscal year. This rate will provide approximately \$1,166,300 in property tax revenues based on an anticipated collection rate of 99.99% for real and personal property and 98% for motor vehicles. The Village has historically achieved a high tax collection rate. A cent on the tax rate is projected to generate approximately \$34,025 in revenue.

The Village's second largest revenue source, Local Option Sales Tax, is expected to generate approximately 23% of the Village's total General Fund Budget, or \$525,000 in FY 2008-2009.

The proposed General Fund Budget for FY 2008-2009 totals \$2,353,116. This is an increase of 13% over the FY 2007-2008 Budget. The Recommended Budget for the General Fund utilizes \$164,871 of appropriated fund balance and a transfer in of \$40,000 from the Capital Reserves Major Repairs Fund. The recommended budget results in a fund balance as a percentage of expenditures that is approximately 44%, well above the State requirement of 8.0%.

Capital Reserve Funds

The recommended Budget for the Capital Reserve Funds calls for the transfer of \$40,000 from the Major Repairs Fund to the General Fund in FY 2008-2009. The Cardinal CPB was adopted with a \$112,000 transfer from Capital Reserve. After the transfers out, the Capital Reserve Major Repairs Fund fund balance will be estimated at \$ 173,849 at the end of FY 2008-2009. The Capital Reserve Acquisition and Replacement Fund fund balance will be estimated at \$ 216,872 at June 30, 2009.

RECOMMENDED BALANCED BUDGET

As required by the North Carolina General Statutes the proposed Budget is balanced, or total revenues equal total expenditures. I have presented a budget that recommends a \$0.01 tax increase and appropriates \$164,871 of the Village’s fund balance. Typically, operating revenues will exceed budget projections, while operating expenditures fall below budget projections and I believe this trend will continue which will lessen the actual fund balance appropriation over the next fiscal year.

Departmental requests were reduced considerably to balance the budget and have a minimal tax increase and fund balance appropriation. Although the budget does not fund all the requests made by departments, it strives to provide quality services to our residents and in some instances improves our service levels.

I wish to thank the Mayor, the Village Council and all the Village employees who have accomplished so much this past year and worked very diligently in the development of the FY 2008-2009 Budget.

Respectfully submitted,

Randall Saunders
Village Treasurer