

Updated Budget Message



June 21, 2018

The Honorable Mayor and Town Council
Town of Nashville
P.O. Drawer 987
Nashville, NC 27856

Dear Mayor and Town Council:

Herein submitted for your consideration, pursuant to my responsibility as Town Manager and Budget Officer, is the Town of Nashville Fiscal Year 2018-2019 Annual Operating Budget scheduled to begin on July 1, 2018 and end on June 30, 2019. It represents the combined efforts of Town staff as well as the Mayor and Town Council to provide the funding necessary to maintain or increase the services provided by the Town of Nashville. An ad valorem taxation increase of \$0.02 per \$100.00 is proposed, which will change our tax rate to \$0.58 per \$100.00.

This budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act as required by North Carolina General Statute 159-7. As required, all funds within the budget are balanced along with all revenue and expenditure estimates being identified for Fiscal Year 2018-2019.

This budget message will summarize the contents of the actual budget and identify any significant matters being undertaken in Fiscal Year 2018-2019. The total budget is in the amount of \$9,040,741

Fund	Amount
General Fund	5,471,156.00
Municipal Service District	30,385.00
Enterprise Fund	\$3,539,200.00
Total	\$9,040,741.00

INTRODUCTION

The Town of Nashville Fiscal Year 2018-2019 Annual Operating Budget is composed of two permanent funds: General and Enterprise. Five temporary funds are included as a continuation from the 2017-2018 fiscal year and are Capital Projects. These include: Groundwater Well # 8, West Nashville Commerce Park (previously identified as Cooke Road Industrial Park), Downtown Redevelopment (Boddie Street Commercial Corridor streetscape work), the CIFI sewer outfall line extension project, and the Washington Street/Eastern Avenue and Alston Street sidewalk project.

PERSONNEL

The NCLM MIT will continue to provide Dental, Vision, and Life Insurance for Town of Nashville employees and retirees. There were no changes in these rates for for FY 2018-2019. While we do not know the exact cost of a premium increase for health insurance through the North Carolina State Health Plan, the Town of Nashville budget is anticipating an overall increase of 5% in its calculations.

The Town of Nashville has elected to extend a 1.5% Cost of Living Adjustment to its employees for the 2018-2019 Fiscal Year. This results in a cost of \$41,764.16 to the General Fund and \$5,816.50 to the Enterprise Fund including all salary and benefits. This continues a practice over the last few fiscal years of employee raises including the implementation of an internally conducted pay study in the prior year as well as a 2% Cost of Living Adjustment in the two years before. One additional full-time position is being created in the Parks, Recreation, and Cultural Resources Department. This will be a Maintenance Worker position that will assist in the maintenance and upkeep of our two Town of Nashville park facilities: Glover Park and Stoney Creek Environmental Park.

CAPITAL OUTLAY

Capital Outlay for the General Fund includes most items discussed at the 2018 Annual Budget Retreat. The Town of Nashville will continue to budget \$6,000.00 for HVAC replacement. No large repairs are anticipated for fiscal year 2018-2019 as most of our public buildings remain in good to excellent condition. The Town of Nashville will be purchasing three new police cars and requisite equipment such as the lights, siren, and radio. Other capital requests for the police department include two additional handheld radios for the department. The Parks, Recreation, and Cultural Resources Department is requesting the purchase of three new capital items including an irrigation pump, water fountains for the basketball courts, and a lawnmower. The Forest Hills Cemetery's budget includes the acquisition of a new Cemetery Backhoe that will

also be funded through the Enterprise Fund in a 50/50 split. All capital outlay is accounted for in the budget without the need for installment financing.

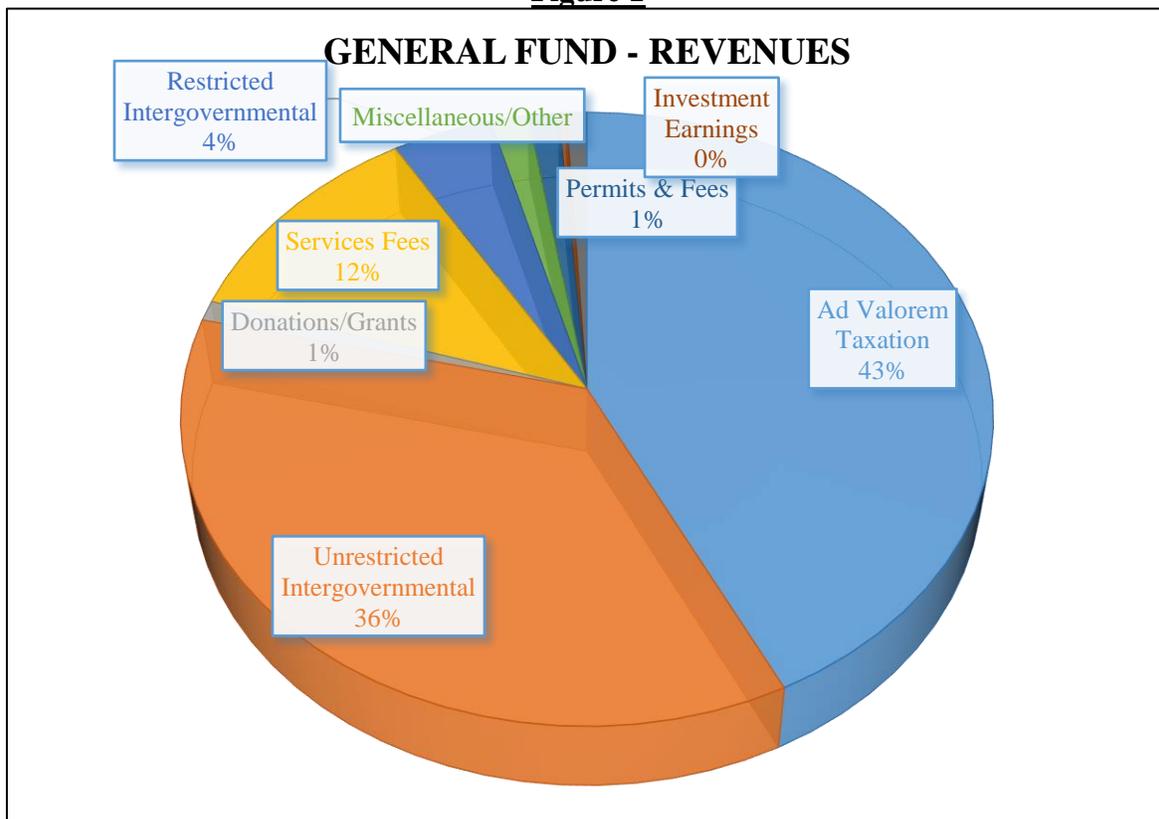
GENERAL FUND

Nashville's General Fund reflects the operations of all departments except those associated with the Enterprise Fund (Water and Sewer). The General Fund has sixteen functions with anticipated operations scheduled to total \$5,471,156.00 for the fiscal year.

General Fund: Revenue

Below are highlights and descriptions of the revenue streams the Town of Nashville is scheduled to receive throughout the coming year. These sources have been divided into broad revenue categories. Figure 1 provides a breakdown of the revenue categories.

Figure 1



Ad Valorem Taxation:

The Ad Valorem Taxation revenue category accounts for \$2,302,529 of the revenue to be collected in the upcoming year. This includes (\$2,038,520) in property taxes at the

proposed tax rate of \$0.58 per \$100.00 of valuation. In addition, this category includes (\$248,009) for Motor Vehicle Tax and (\$16,000) for Tax Interest and Penalties. It is the largest revenue category for the Town of Nashville. Typically, Ad Valorem Taxes are the largest source of revenue for any type of full service municipality.

Please note that the Municipal Service District Tax is now accounted for in a new fund. It includes an additional \$0.10 per \$100.00 of valuation property tax on properties located within the municipal service district totaling (30,385).

Unrestricted Intergovernmental: The second largest revenue source in the General Fund composing \$1,994,588 is Unrestricted Intergovernmental revenue. This category includes sources of local revenue collected by another governmental unit and then distributed to Nashville. These funds can be appropriated for any purpose by the Governing Board. The recent sales tax reform resulted in many revenues that were previously classified as a franchise to be transferred to this category. Many of these revenue types remain heavily based upon population, private consumer usage, and a rural fire district contract with Nash County. Revenues in this category include: Sales Tax on Video Programming, Utility Sales Tax – Electricity, Utility Sales Tax – Natural Gas, Telecommunications Sales Tax, Beer and Wine Tax, Sales and Use Distribution Tax, ABC Net Profits, and Fire Protection Contribution.

Donations/Grants: This revenue category is proposed to constitute \$57,975 of the General Fund. As the category is titled, these are revenues collected from either donations or grants that may or may not require local matches. Revenues in this category include: Donations, Donations – Police, Donations to Recreation, Wal-Mart Grant – Police, Drug Prevention Grant, Bulletproof Vest Grant, AFG Grant (Fire), and SAFER Grant.

Service Fees: The fourth largest revenue source for the General Fund comprising \$637,950 is the Service Fees category. The largest individual revenue source is the Sanitation Fees that includes garbage and recycling collection. Other revenues in this category include: Disposal Fee – White Goods, Sale of Cemetery Lots, Cemetery Upkeep, Opening and Closing Fees, Perpetual Care, Perpetual Care – Restricted, Moving Cemetery Markers, Stormwater Fees, Recreation Department – Miscellaneous Receipts, Concession Stand Sales, Gate Receipts, and Park Rental Fees.

Restricted Intergovernmental: The Restricted Intergovernmental category provides \$240,996 of the General Fund revenue. This category is composed of local revenue collected by another governmental unit and then distributed to Nashville. The appropriation of these funds are then restricted to specific purposes as prescribed by General Statutes or agreements. Revenues in this category include: Powell Bill Allocation, State Library Aid, Library Fund – Nash County Share, Solid Waste Tax Distribution, and Powell Bill Reserves

Miscellaneous/Other: This revenue category is proposed to constitute \$89,807 of the General Fund. It is composed of four-line items: Miscellaneous, Reimbursement from Enterprise Fund, Reimbursement of Expenses Incurred, and Sale of Surplus Property.

Permits & Fees: This revenue category is proposed to constitute \$73,300 of the General Fund. As the category is titled, these are revenues collected via General Statute, local ordinance, and/or local fee schedule. Revenues in this category include: Auto Sticker Fee, Business Permit, Donations/Fines/Fees – Library, Court Cost – Officer’s Fee, Parking Violations, Planning and Zoning Revenue.

Investment Earnings: This revenue category is proposed to constitute \$18,300 of the General Fund. It is investments collected monthly from the Town of Nashville’s reserve and investment accounts. Revenues in this category include: Interest on Investments and Interest on Investments – Powell Bill.

Fund Balance:

This revenue category is proposed to constitute \$56,000.00 of the General Fund. It is solely composed of Fund Balance Appropriation from the General Fund reserves.

Other Taxes:

The smallest revenue source in the General Fund is the other taxes category. It is presently composed of a single source, Rental Vehicle Tax. It comprises 0.00% (\$0) of the General Fund.

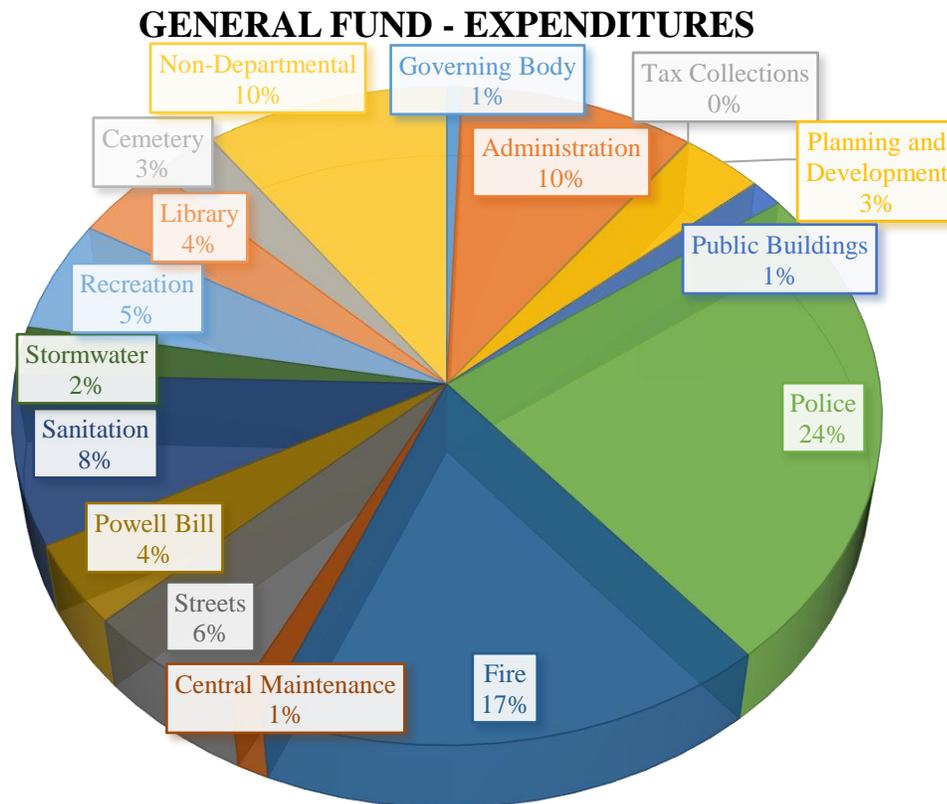
Loans:

There are no new loans or loan revenue proposed for the General Fund in this budget proposal.

General Fund: Expenditures

Below are highlights and descriptions for the departments in the General Fund with notations regarding significant undertakings in 2018-2019 Fiscal Year. Figure 2 provides a breakdown of the revenue categories.

Figure 2



Governing Body:	\$1,000 added for Departmental Supplies from budget last fiscal year as well as reductions in travel to \$1,000 for all members of the Town Council.
Administration:	Increases are seen in Professional and Contracted Services due to the annual maintenance cost of our financial software while the overall departmental budget is decreased by approximately \$20,000 from last year due to reduced salary and benefit costs.
Tax Collection:	No change from prior year.
Planning & Development:	An increase is shown for Maintenance and Repairs – Equipment to keep up the annual maintenance on the newly purchased GIS Software for the Planning and Development Director as well as in Minimum Housing/Blighted Property. An overall reduction in the department’s budget from last year is attributable to no requests for Capital Outlay.
Public Buildings:	A small increase from last year is shown in Maintenance and Repairs – Buildings/Grounds.
Police:	This department’s budget has increased due to the acquisition of three police cars rather than the previously purchased number of two cars. An increase is also shown in Travel and Education in an effort to improve retention and recruitment of police officers.
Fire:	A slight decrease is shown in this department’s budget from the prior year. Most notably, the department has increased its Departmental Supplies to acquire necessary equipment for the new fire engine to arrive this fall.
Central Maintenance:	This Public Works Division has an increase in its budget to purchase a diagnostic tool to assist in the maintenance and repair of the Town of Nashville vehicle fleet.
Streets:	This Public Works Division is significantly reduced from the prior year due to the retirement of an employee and no Capital Outlay requests for the year. An increase is shown for Christmas

Decorations, which is separate from the Municipal Service District Christmas Decorations.

Powell Bill: This Public Works Division is nearly double the prior year due to upcoming resurfacing schedule. The Town of Nashville has committed nearly all of its Powell Bill allocations to the resurfacing of town streets.

Sanitation: This Public Works Division is increasing this year due to hikes in Transfer Station Fees, Waste Industries recycling contract rising 2.1% on September 1, as well as ongoing maintenance concerns with our garbage truck fleet. We are also increasing our purchasing of garbage receptacles throughout the Town of Nashville. This year will begin a long-term initiative to replace these receptacles before they reach the end of their life cycle.

Stormwater: This Public Works Division will see \$50,000 committed for the first time to Town of Nashville drainage projects as well as Public Outreach initiatives. This division funds the operations of the popular Leaf Vacuum Truck acquired in the prior year and is supported through Stormwater Fees.

Parks & Recreation: The department will see the creation of one Maintenance Worker employee and the reclassification of the Recreation Coordinator position. Capital Outlay requests include an irrigation pump, water fountains for the basketball courts, and a lawnmower

Library: A slight increase is seen in Travel and Education, Materials and Supplies, Books, and Special Programs.

Cemetery: A significant increase is shown for the purchase of a new backhoe that will be equally cost-shared with the Enterprise Fund. A storage area is also budgeted for the upkeep of the backhoe.

Non-Departmental: A significant increase can be seen in Workers Compensation Premium while the overall department budget is down from the prior year due to transferring less money into the Capital Reserve Fund.

ENTERPRISE FUND

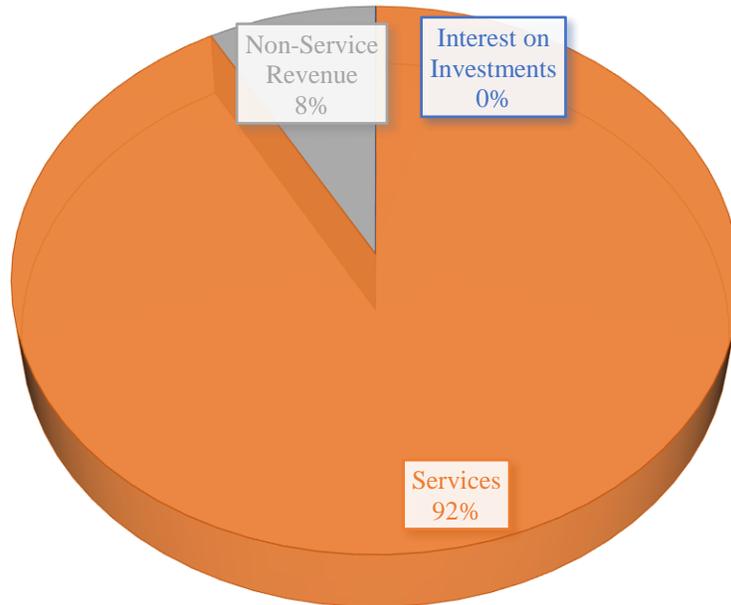
Nashville's Enterprise Fund reflects the operations of the departments associated with Water and Sewer Utilities. Anticipated operations are scheduled to total \$3,539,200.00 for the fiscal year. The City of Rocky Mount has not indicated plans to increase water or sewer rates for the 2018-2019 fiscal year. This will allow the Town of Nashville to maintain utility rates at their present level for the coming fiscal year.

Enterprise Fund: Revenues

Below are highlights and descriptions of the revenue streams the Town of Nashville is scheduled to receive throughout the coming year. These sources have been divided into broad revenue categories. Figure 3 provides a breakdown of the revenue categories.

Figure 3

ENTERPRISE FUND - REVENUE



Interest on Investments: This is the only other revenue that does not fit into one of the other categories. It is projected we will receive \$1,500 (accounting for 0.04% of the total fund) from our investments.

Services: The services category accounts for the majority of the Enterprise Fund revenue at 91.76% with the actual dollar amount of

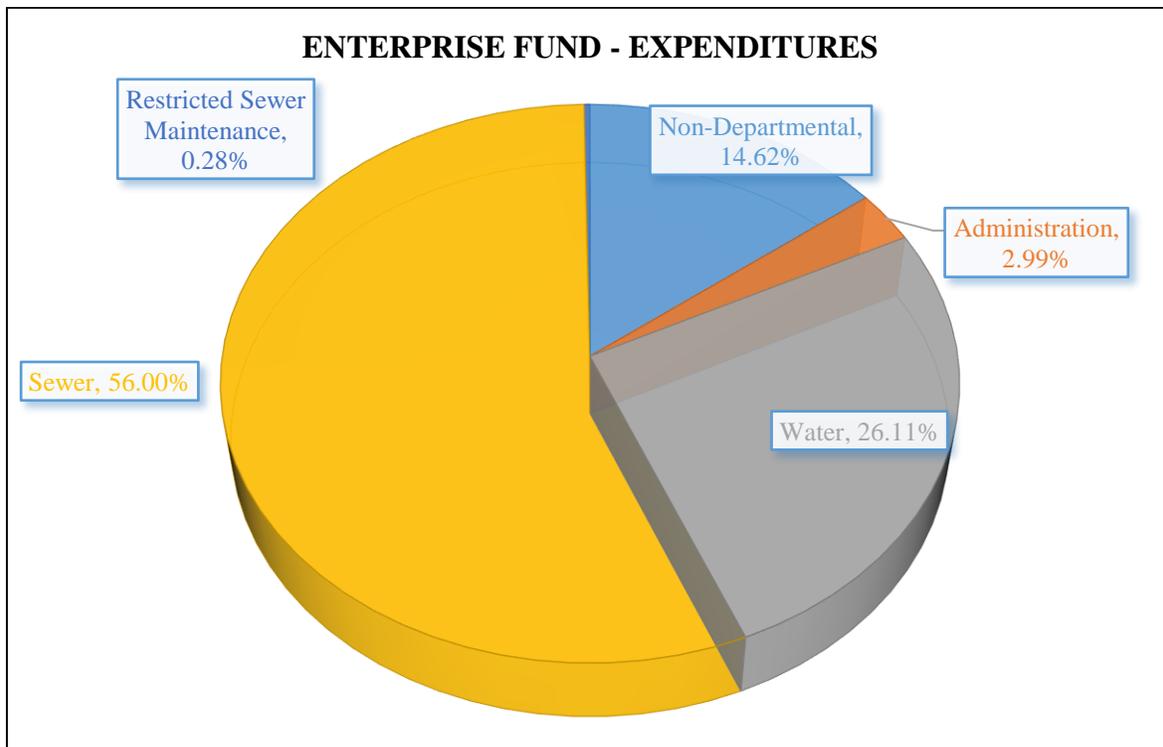
\$3,247,500. Revenues for this category include: Service Initiation Fees, Water Revenue, Sewer Revenue, Water and Sewer Taps, Reconnection Fees, and Sale of Water.

Non-Service Revenue: These revenue streams amount to 8.20% (\$290,200) of the Enterprise Fund. It is the second largest revenue producer for the fund. Revenues for this category include: Sewer Impact Fees (Restricted), Sewer Surcharges, Federal Mandate (Testing/Rehab), Late Charges – Penalties, and NSF Fees.

Enterprise Fund: Expenditures

Below are highlights and descriptions to the increases and decreases in the Enterprise Fund. Figure 4 located below provides a graphic breakdown by unit.

Figure 4



Non-Departmental: A significant increase is shown compared to the 2017-2018 fiscal year. Most of the increase is attributable to the Contribution to Retained Earnings line-item. We are anticipating a great financial year for our Enterprise Fund and these retained earnings will allow the Town of Nashville to rebuild its reserves after completing the

CIFI Sewer Infrastructure Project. The Transfer to Capital Reserve line item will aid in funding future capital outlay expenditures without relying on installment financing. Reimbursement to General Fund includes 15% of the salaries and benefits for the Town Manager and Town Clerk/Human Resources Officer, and 40% of the salaries and benefits for the Finance Director. This percentage is based on a fair allocation of the time these employees spend on Enterprise Fund matters. Other line items include Unemployment Insurance Reserve and Dues – Economic Development.

Enterprise Administration: A small decrease is shown for due to a reduction in the salaries and benefits of the positions funded by this division. An increase from the previous year is reflected in Departmental Supplies.

Water Operations: The most noteworthy component this fiscal year in this division is the purchase of \$140,000.00 of new water meters as well as the funding of seasonal employees to assist in their installation at \$20,000.00. The Town of Nashville has fallen behind in its goal of having radio-read capabilities for meters. With a ten-year battery life on these meters, it is prudent that the Town of Nashville follow a replacement schedule with this necessary item. By making a critical investment this fiscal year, the Town of Nashville will be well positioned to sustain this replacement into the future.

Sewer Operations: This division for next fiscal year will be operating at nearly the same levels as the previous year. The most significant change is that there is no budgeted Capital Outlay. This results in an approximate savings of \$80,000 from the prior year when the Rovver X Sewer Inspection Crawler was acquired for \$83,538.95.

Restricted Sewer Maintenance: This expenditure category is proposed at \$9,900 for an interest free bypass pump for the CIFI project.

DEBT SERVICE

The 2016-2017 fiscal year saw the retirement of the Town of Nashville's largest debt, the Library and Council Chambers. This loan was not scheduled to be retired until March 5, 2038. The original amount of the loan was \$1,380,000 and originated on April 27, 2006. The lender for the loan was the USDA. The library loan was the only loan that remained in the General Fund for the Town of Nashville. Therefore, the Town of Nashville is now debt free in the General Fund. The fiscal year beginning balance for 2016-2017 was \$1,164,146.15. The loan was paid annually on March 5 of each year. The loan was designed to span from 2006-2038, a 32-year loan period at 4.375% interest. The total annual payment was \$83,490.00. By paying off the loan early, the Town of Nashville will save a total of \$612,751.48 over the life of the loan. This is coupled with the decision to pay off the Police/Fire Complex balance during last fiscal year (15/16) at \$494,758.73. With the interest savings for the library loan and the Police/Fire Complex (same loan terms as the library as it was financed together at the same time), the Town of Nashville will save over \$1,000,000 in interest for our taxpayers. There was no prepayment penalty for paying off these loans. While the decision to payoff this debt led to a sizeable reduction in fund balance, the Town of Nashville is now in a better position to rebuild the fund balance or consider taking similar action towards the remaining loans. The Universal Leaf Highway 58 North Water/Sewer Line were also retired at the conclusion of 2016-2017 fiscal year after fifteen years of semi-annual payments.

Two loans will remain outstanding in the 2018-2019 fiscal year. The Sewer Jet/Vac Truck in the Enterprise Fund will have a fiscal year beginning balance of \$222,499.85 with a payoff date of June 30, 2024. The Town of Nashville will continue to make annual payments on its other remaining debt service, an interest-free bypass pump at \$9,900 until June 8, 2022.

CONCLUSION

The 2018-2019 fiscal year will be an exciting time in the Town of Nashville. The Fiscal Year 2018-2019 budget proposal involved a tremendous amount of teamwork by the staff for which I am incredibly grateful. I wish to express my appreciation to the Administrative Staff and all employees for their assistance in the budget process. Thank you for your support and I look forward to the coming year!

Respectfully Submitted,

Peter T. Connet
Interim Town Manager

