



May 1, 2019

Honorable Mayor Donald Street and Members of Council
Town of Nashville
P.O. Drawer 987
Nashville, NC 27856

Dear Mayor and Members of Council:

Pursuant to my responsibility as Town Manager and Budget Officer for the Town of Nashville, I am pleased to present herein for Council's consideration my recommended Annual Operating Budget for Fiscal Year 2019-2020, which begins on July 1, 2019 and ends on June 30, 2020. I am particularly pleased to present this proposed budget in a new format which staff feels will provide the reader with greater detail presented in a manner that is easy to follow. For this reason the Budget Message will take on a slightly different approach from those previously submitted. My thanks go to members of the Finance Department under the guidance of Interim Finance Director Melonie Bryan, Department Heads and Members of Town Council for their input.

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. Accordingly, all funds within the budget are balanced along with all revenue and expenditure estimates being identified for Fiscal Year 2019-2020. My budget message summarizes the contents of the actual budget and identifies any significant matters being undertaken in Fiscal Year 2019-2020.

My recommended budget contains no increase in the tax rate, currently set at \$0.58 per \$100.00 valuation. Nominal fee increases are proposed for certain rezoning fees in the Planning Department and for sanitation and recycling fees in the Sanitation Department. Explanation for those recommended fee increases are given on page 23. Recommended appropriations from the General Fund Balance are minimal and only amount to \$120,000 set aside for the purchase of a used 100' Platform Ladder Fire Truck expected to be acquired in early 2020.

Of note is the continued strength of the Town's financial position exhibited by its General Fund Balance mentioned above. The Town's latest audited Unassigned Fund Balance on June 30, 2018 was \$4,294,580 or 82.92 % of Total Expenditures. With only \$120,000 recommended for use in

the upcoming budget for the fire truck purchase, the Town remains well positioned to deal effectively with future major capital needs. Additionally, the Town's Enterprise Fund is healthy as well. The June 30, 2018 audit confirmed an Unrestricted Net Position of \$2,276,321 in the Water and Sewer Fund.

One significant change to our budget process involves the proper cost allocation between the two major funds. Interim Town Manager Pete Connet initiated an analysis of the contribution being made from the Enterprise Fund to the General Fund to properly account for the actual costs associated with the operation of that fund (Summary is on page 62). Based on the findings of that analysis, I am recommending the contribution be increased from \$85,307 to \$152,000 in the upcoming fiscal year budget. A second step necessary to get the contribution to full indirect cost reimbursement is also recommended for our next budget cycle.

The total recommended budget for FY 2019-2020 is \$10,346,004 as reflected in the chart below and in the **TOWN OF NASHVILLE FISCAL YEAR 2019-2020 BUDGET ORDINANCE** on page 10.

Fund	Amount
General Fund	\$ 6,002,004
Municipal Service District	\$ 32,000
Enterprise Fund	\$ 4,018,000
Capital Reserve – General	\$ 214,150
Capital Reserve – Enterprise	\$ 79,850
Total	\$ 10,346,004

INTRODUCTION

Please note that the Town of Nashville operates through three permanent funds: General, Municipal Service District, and Enterprise. There also two capital reserve funds, one for the General Fund and one for the Enterprise Fund. Pertinent information regarding each of these funds and how they are developed and managed is contained throughout this document. Highlights of each fund are summarized later in this presentation.

PERSONNEL

The current number of full-time employees working for the Town of Nashville is 64. There are also a number of part-time (hourly/no benefits) employees on our payroll. A few of these are permanent part-time year round while others are seasonal. The total number of FTE's does not change in the proposed budget. One new position is recommended for the Library, and one position is being deleted in the Finance Department. The impact of the position recommended in

the Library's budget is offset by a reduction of 1,000 hours of part-time funding found in the current year budget. Funds for part-time employment have been budgeted in Finance to replace the deleted full-time position. At this time, those funds will not be used until an assessment of need has been concluded. Based on the changes in that department over the past year or more, this review is prudent and should be finalized by the end of summer.

Greater detail regarding where employees are assigned, salary and benefits may be found throughout the **Expenditure Summary** by department beginning on page 31 and the **Human Resources Summary** beginning on page 53.

The NCLM Municipal Insurance Trust will continue to provide Dental, Vision, and Life Insurance for Town of Nashville employees and retirees with no significant increase in cost. Our medical insurance which is provided through the State Health Plan has historically experienced annual increases averaging 4% to 5%. We have therefore included funds necessary to cover a potential overall increase of 5% to our rates for FY 2019-2020 effective January 1, 2020.

The recommended budget includes funds to extend a 1.5% Cost of Living Adjustment (COLA) to each full-time employee effective with the pay period beginning July 2, 2019. This adjustment will result in a cost of \$42,960 to the General Fund and \$6,208 to the Enterprise Fund including all salary and benefits. This COLA recommendation is based on the 12-month year over year Consumer Price Index (CPI) change for the Southern region (data provided on page 59).

In 2017, the Town completed a salary study for our workforce. Due to turnover that has been experienced during the past two years, the Manager and Human Resources Director undertook a current year market assessment updating the 2017 results to reflect current market conditions. It is staff's recommendation that the Town review all positions every other year to ensure market compliance. This year, the review of the Public Safety positions was conducted. Next year, the review of the balance of our positions (non-Public Safety positions) will be conducted with results brought forward in the next budget cycle. Funding to implement the results of this year's review is included in this budget. The cost to implement across the public safety departments is \$78,500. Funding equal to the total cost of both the COLA and the Pay Study may be found in the respective General and Enterprise Fund Non-Departmental budgets in Reserve line items.

CAPITAL OUTLAY

Capital Outlay for the General Fund includes several items that are part of the long-range capital plan. We will continue to budget \$6,200 for future HVAC replacement. Roof work and parking lot improvements are included in the Public Buildings budget along with HVAC replacement at the Recreation Center. In the Police Department, funds are recommended for the purchase of three new police cars and requisite equipment such as the lights, siren, and radio.

Funds are included in the Parks, Recreation, and Cultural Resources Department for the Glover Park playground project and the purchase of bleachers. The total cost of these two items is \$110,000, and are in accordance with the Capital Project/Replacement Plan. All capital outlay is accounted for in the budget without the need for installment financing. Detailed information regarding planned Capital Outlay in the budget and the status of the Capital Reserve Funds begins on page 63.

GENERAL FUND HIGHLIGHTS

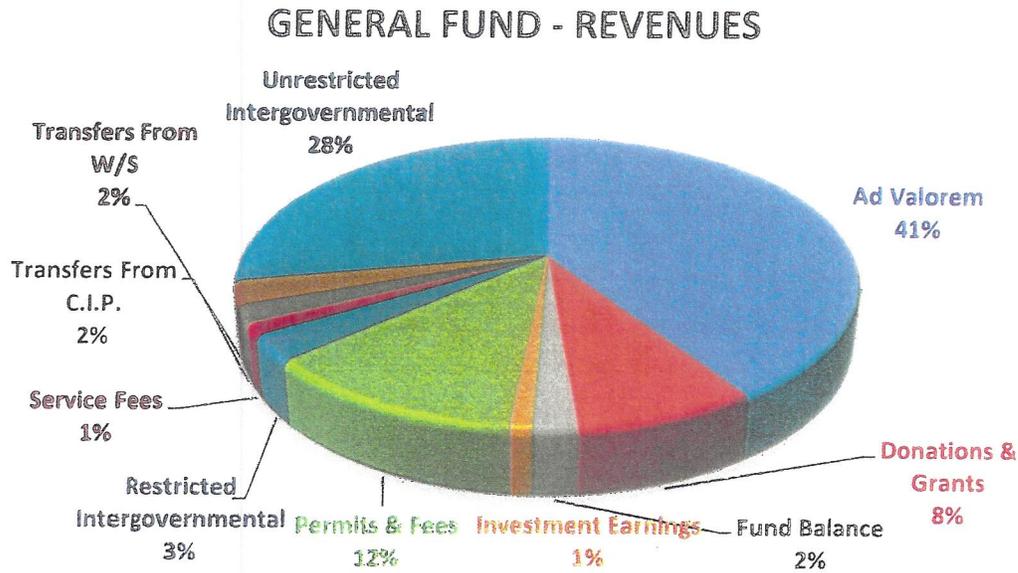
Nashville's General Fund provides funding for the operations of all departments except those associated with the Municipal Service District (MSD) Fund and the Enterprise Fund (Water and Sewer). The General Fund has sixteen functions with anticipated operations scheduled to total \$6,002,004 for the upcoming fiscal year.

General Fund Revenues - A summary of General Fund Revenue is shown on page 16. We are pleased to see improved growth in General Fund revenues, particularly in the area of tax revenue from both real and personal property, as well as sales and other tax revenue associated with increased commercial development. While we don't have hard data on housing starts available at this time, I have included data from a manual house count recently conducted by members of our Fire Department taken during recent training exercises. That data, which includes the Town of Nashville, the Gully Fire District, and the Combined totals begins on page 20.

Note that the Gully Fire District is actually larger in size and valuation than the Town of Nashville. That difference is at least partially attributable to the Town's limited ability to annex property which is adjacent to, or near the town's corporate limits. The growth in the Gully Fire District does, however, contribute to increased sales and other tax revenues, resulting from an increase in commercial development here in the Town of Nashville. We see that growth continuing in the future. The downside to be noted though is the continued pressure to serve such a large area with adequate fire protection.

Figure 1, which follows, gives a breakdown of the broad revenue streams of the General Fund that the Town of Nashville is projected to receive throughout the coming year. An explanation of each of these revenue types/sources can be found beginning on page 17.

Figure 1

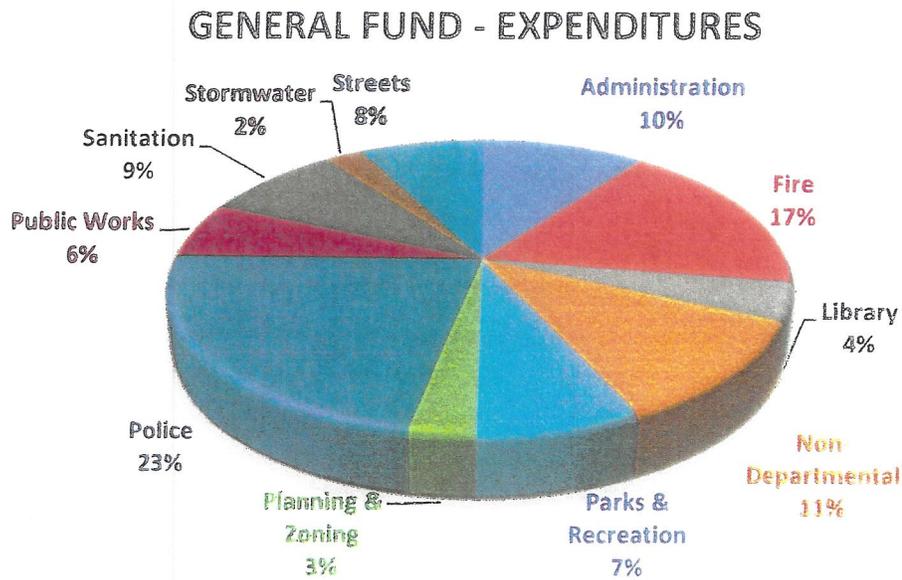


General Fund Expenditures - A summary of General Fund Expenditures begins on page 29. On the pages following there are descriptions of each department giving a service description, list of current year accomplishments, budget summary, staffing level, and year-to-year significant changes.

Please note in the Expenditure Summary (page 30) that the Finance Department has been split out from Administration to provide greater clarity. Notable increases that stand out include the following: Non-Departmental includes the necessary funds for the COLA described above as well as implementation of the pay study for public safety employees, Recreation includes funding for the Glover Park Playground Remodel, Administration includes funding for additional salary and benefits for the manager position, Public Buildings includes funding for numerous capital projects, and Fire includes funding for the purchase of a used truck.

Figure 2, which follows, gives a breakdown of General Fund Expenditures by category. Please note that public safety expenditures through our Police and Fire Departments represent 40% of our total expenditures. Individual department summaries begin on page 31.

Figure 2



ENTERPRISE FUND HIGHLIGHTS

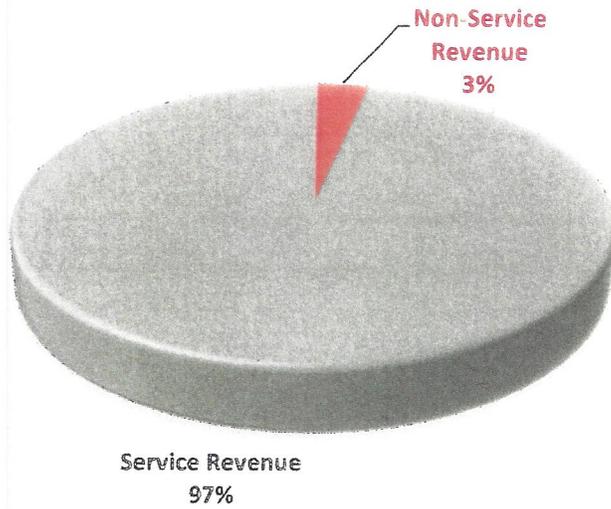
Nashville's Enterprise Fund provides funding for the operations of the departments associated with Water and Sewer Utilities. Anticipated operations are scheduled to total \$4,018,000 for the upcoming fiscal year. We anticipate no increase in our charges for services provided by The City of Rocky Mount.

Enterprise Fund Revenues – A summary of Enterprise Fund Revenue is shown on page 16. This fund's greatest source of revenue is the sale of water and the accompanying provision of sewer service to our customers. Since we essentially retail water and sewer services to our customers which are basically wholesaled to us by the City of Rocky Mount, our challenge is to maximize efficiencies on our side of the operation to insure the greatest return on investment. I think we have done a very good job in that endeavor, but we must continue to make that efficiency a priority.

Figure 3, which follows, gives a breakdown of the revenue streams the Town of Nashville is scheduled to receive in the Enterprise (Water and Sewer Fund) throughout the coming year.

Figure 3

ENTERPRISE FUND - REVENUES

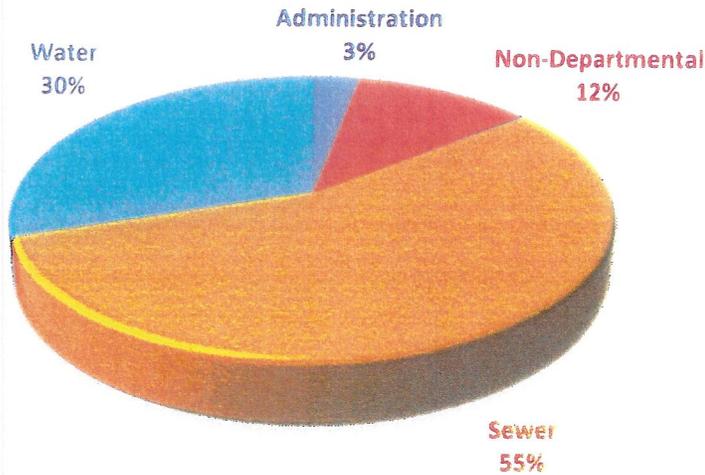


Enterprise Fund Expenditures - A summary of Enterprise Fund Expenditures is shown on page 30. The descriptions of each department (cost center) in the Enterprise Fund giving a service description, list of current year accomplishments, budget summary, staffing level and year-to-year significant changes is included in this document and begin on page 48. Other than capital expenditures listed elsewhere, the only notable increase in this fund is \$78,000 for rehabilitation of our sewer outfall line leading from the prison back into town – with the major benefit of this project being to reduce inflow and infiltration (I&I) and \$40,000 for a study to perform an inventory of our sewer lines to help with planning for future rehabilitation and improvements.

Figure 4, which follows, gives a breakdown of expenditures by department in the Enterprise Fund. Note the largest two categories of expenditures are services to our citizens through the provision of water (30% of the fund) and sewer (55% of the fund).

Figure 4

ENTERPRISE FUND - EXPENDITURES



MUNICIPAL SERVICE DISTRICT

The Municipal Service District was created to assist with funding for special projects that would enhance the viability of Downtown Nashville. Property owners agreed to an additional special tax equal to \$0.10 of their assessed valuation for such purpose. With a reported valuation of \$31,325,000 and an estimated collection rate of 98.1%, \$32,000 is recommended for appropriation for projects during FY2019-2020. A summary of MSD Revenue is shown on page 16. Please note that the Council has the prerogative to appropriate any additional funds which goes unspent during Fiscal Year 2018-2019 and thereby lapse into MSD's fund balance as restricted funds.

DEBT SERVICE

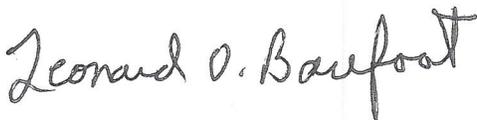
In addition to the Town's strong position in its General Fund, fund balance, it also lays claim to the Town having "0" debt, an achievement not often found in local governments. As a result there is no debt service payments in that fund. Only two loans remain outstanding at the time of this budget presentation and they are both in the Enterprise Fund. One is a sewer jet/vac truck which will have a fiscal year, beginning principle balance of \$183,933 with a payoff date of June 30, 2024. The other is an interest-free loan on a bypass pump at a cost of \$9,900 per year until June 2022.

CONCLUSION

The adoption of the proposed Fiscal Year 2019-2020 Budget will likely coincide with the formal swearing in of a new Town Manager and, hopefully, the beginning of a new era of prosperity for the citizens of Nashville and Nash County. Having now served for the second time in an interim role as Town Manager here in Nashville, I feel I have gained an even better perspective of what this community is about and where it is headed. It has been said that the Town has been in flux for over a year now. If so, I see flux as good. It has given us the opportunity to review, and thereby, significantly improve any number of the Town's operations and procedures. Credit for those improvements go to many, including Interim Finance Director, Melonie Bryan and her staff, Part-time retirees, Lynne Hobbs, Patricia Holloman, and Sandra Griffin, former Interim Town Manager Pete Connet, and others. Each brought much needed experience and maturity to key leadership positions within the town's governmental structure, and I thank each of them for their efforts to get us to this point.

I also thank the Town Council for their efforts during not just one, but two manager searches to select the right person to lead the Town forward. Our incoming town manager, Randy Lansing brings a level of experience and maturity to the Town that I believe will prove to be beneficial for years to come. I am confident that under his leadership great things will happen here in the Town of Nashville. I will be watching from the sidelines.

Respectfully Submitted,



Leonard O. Barefoot
Interim Town Manager