

Budget Message

Presented herein, is the Town of Pinetops Proposed Budget for Fiscal Year 2020-2021. This budget is balanced in its entirety as is required by the North Carolina General Statutes. This budget is a plan for the Town activities for the coming year. This budget continues our services at the same level as the current year.

This budget does not include an increase in our property tax rate. The proposed tax rate for the Town of Pinetops will remain the same which is \$.46 per hundred dollars of assessed valuation. The tax value has increased from \$46,908,690 to \$47,546,749. The increased tax value will help the town to continue to provide services to our citizens such as public safety and street maintenance.

This budget does not propose any increase in the electric rates at this time. The electric rates have not increased since 2015.

This budget does not propose any increase in water and sewer rates at this time. The water and sewer rates have not increased since 2017.

Utility rate increases were discussed especially as it relates to the water/sewer fund which is beginning to have to make debt payments for recent projects done on the water tank and well. The board chose to not propose any utility rates at this time but to instead wait for a rate study to be done.

The Town of Pinetops also offers recycle and garbage collection for its citizens. The collective cost for these services is currently \$21 per month per customer. There is no increase proposed for this year.

Health insurance rates on the current plan will decrease approximately 6%. There was a change proposed to the benefit package currently offered. If the town decides to go with the new plan it will be a decrease of 3.93% instead of 6%. The new plan will go from 70/30 to 80/20. The proposed budget does include a 2% cost-of-living raise for employees at a cost to the town of \$23,711. Employees have not received a COLA since 2018. The board may look into adopting a Merit Performance Evaluation that can be used to determine any future salary increases. All other benefits remained as is for the fiscal year 2020-2021 for current employees.

The town will need to focus in the upcoming fiscal year and beyond on ways to help control the increasing expenditures in the general fund. Within this budget the town will be transferring \$ 455,291 from the electric fund and \$ 82,460 from the water/sewer fund to the General Fund. The proposed electric transfer will be an increase of \$250,321 above last years. The proposed water/sewer transfer will be an increase of \$32,541 above last years. The town's main objective should be to create a balanced budget within each fund without any inter-fund transfers being needed or at the very most striving to decrease the amount of transfer needed each year. The town should not rely on the transfers as a revenue source to balance the budget each year.

Debt Service – This budget does contain several debt payments. One of the items purchased was a Garbage/Recycle Truck in 2017 for \$225,000 under a USDA Grant/Loan. The loan terms on this vehicle were for 20 years at an interest rate of 3.375%. Police vehicles were also obtained in 2017 for \$85,800 under a USDA Grant/Loan. The loan terms on these vehicles were for 7 years at an interest rate of 3.375%. Two new police cars were obtained in 2019 for \$45,600 under a USDA Grant/Loan. The loan terms on these two cars were for 7 years at an interest rate of 3.500%. The town also began making payments in 2020 towards the NC DEQ loan they received for the Water Tank Rehab. Project 3184-G. The loan amount was for \$622,340 with the terms on this project being for 20 years at an interest rate of 1.7400%. The projected annual debt payments for fiscal year 2020-2021 is \$ 78,486. The water/sewer fund will absorb \$41,405 of the debt, the electric fund will absorb \$12,385 and the general fund will cover the remainder of the debt which is \$24,696.

By the next fiscal year the town will be obligated to begin making payments towards the loan they received from NC DEQ in the amount of \$712,500 for Well # 4 Replacement & Meter Conversion 3184-H. The loan terms on this loan is for 20 years at an interest rate of 1.7400%. The town is also inquiring about obtaining a loan/grant through USDA for the purchase of 2 additional police vehicles as well as one pick-up to be used in the public works department. If the town moves forward in this process they would not be obligated to begin making payments until the next fiscal year.

Due to the uncertainty of the implications from COVID-19 as to how it will impact the expected revenue of the town in this budget; management urged council to be conservative of any increases and consider cutting any expenditures where they may see fit to help offset the expected impact.

Staff will continue to provide services to the citizens in Town by the most effective means possible.

Tammy Keesler, Finance Officer