

# **Town of Carrboro**

**FY2007-08**

**Recommended Budget**

**Steve Stewart, Town Manager**

# Budget Message

*Contains an unusual proposal this year to present two budget options*

» **Tax Increase Option**

» **NO Tax Increase Option**

- *Reasons for doing this:*

- *History as a town manager of infrequently recommending tax increases*
- *Concerned about the overall property tax burden*
- *Capital and operational needs that are necessary for maintaining our day-to-day services and quality of life*

## Budget Process

Budget has two parts: continuation and proposed changes or expansion levels

Continuation recognizes inflation and legal or budgetary commitments, including the recommendations from the Town's capital improvements plan (CIP), equipment and vehicle replacements, and continuation of employee benefit program

Proposed Changes represent service improvements or additional equipment

## Budget Process

*Budget is reviewed annually for savings:*

*Upfront savings: \$290K* – *by removing one-time operating and capital expenses in current budget that are not needed in FY07-08 budget: ex: 800Mhz radio equipment, translation equipment, rope rescue equipment, etc*

*Trimmed spending levels to reflect prior year spending patterns and upcoming needs:*  
*\$85K* – *engineering fees, phone bill savings, landfill tipping costs*

*Eliminated vacant Safety Officer position saving net local \$ of \$28K*

## Budget Process

- Generated some revenue opportunities:  
fire permitting fees (\$2k); by maintaining more regular schedule of disposing town surplus in efficient manner that saves space, generates consistent revenue stream (\$22K)
- Consolidated positions in Recreation Department
  - Increases efficiency and provides for formal liaison responsibilities with the Arts Committee

## Budget Process

- **Averted higher insurance premium costs (15% vs. 13%) by changes to the retiree health insurance plan where retirees remain under the Town's health plan until they are Medicare-eligible, then they would have coverage through a Medicare supplement plan.**
- **Vehicle replacements, where possible, are considered for environmental impact from the perspective of "thinking green" Dump trucks will be diesel and smaller vehicles are chosen for the purpose of being fuel efficient. Given the type of vehicles being replaced next year, there is not an opportunity to purchase hybrid vehicles.**

# Key Budgetary and Economic Drivers Affecting the Budget

- Population Growth
- Erosion of Sales Tax Base
- Limited ability to generate revenues other than property taxes
- Capital Programming

# Population Growth in Carrboro

- **Population directly affects and can be a limitation in revenue growth given that sales tax, property tax, and other revenues are affected by overall population growth.**
  - **From April 2000 to July 2005, Carrboro's population increased 6% (1,015 people to 17,797 total) while statewide growth in municipalities across NC was 13%**

# DRIVERS AFFECTING THE BUDGET

**Population growth affects numerous revenues, including the property tax base and sales tax revenue**

**Property tax base grew 2.9% over current year estimated assessed valuation, generating \$100,000 or 2/3rds of a penny on the tax rate**

**Sales tax –bringing in \$182,000 in additional revenue**

**– Also affected by population growth -**

- **1/2 cent sales taxes are distributed based on statewide retail activity and population growth in the county compared to growth in other counties**
- **Then the revenue is distributed to Carrboro based on its population (per capita distribution) within the County.**

# DRIVERS AFFECTING THE BUDGET

## **Sales Tax Revenue:**

**Affected by two significant changes that make it difficult to estimate:**

- Dramatic increases in the number of individual entities refunded and the amounts are getting larger
- Upsurge in remote sales via internet, catalogues, mail-order, etc...

**One-cent sales tax, based on point of sale and delivery, is actually decreasing from current year**

# DRIVERS AFFECTING THE BUDGET

*Slow population growth, modest increase in property tax base, and decrease in one cent sales tax revenue which is based on point of sale suggests the Town is not in a rapid growth situation and that perhaps our local sales tax dollars may be moving to surrounding counties*

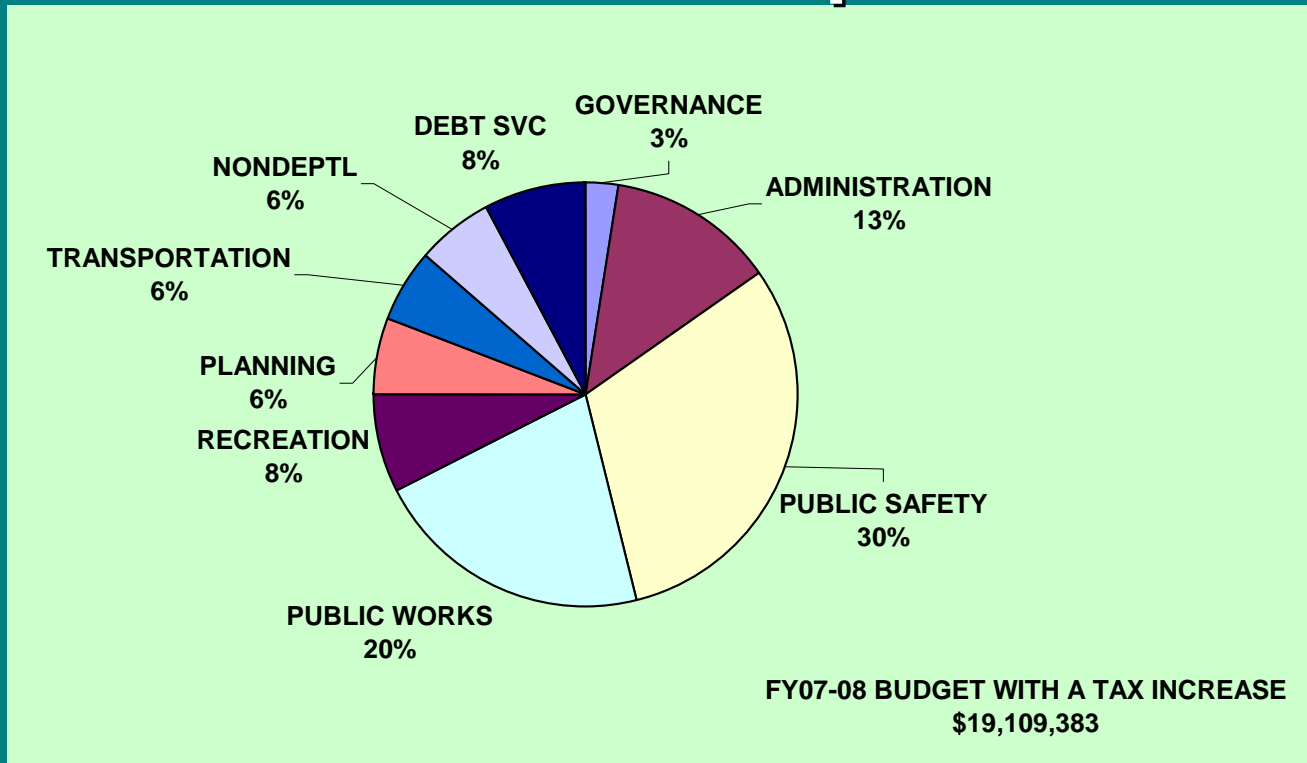
*Another driver in the budget, in both budget options is the capital improvements needed to maintain day-to-day services and to maintain facilities*

## CIP items unfunded in both budget options

In both budget options, some capital items recommended in the Town's CIP are not funded:

- ***Dog Fence renovations (\$10K)***
- ***Annual allocation for future street resurfacing is not funded at higher level (\$200K vs. \$225K)***
- **Budget for street resurfacing in FY07-08 is at \$300K vs. \$400K requested**
  - **Street condition pavement study is planned for upcoming year and town staff will review long-term resurfacing budget upon street condition assessment**
- **Allocation for Weaver Street reconstruction is at \$150K vs. \$316K requested. Staff will be coming to Board in June to discuss project scope, costs, and options**
- **Some technology initiatives delayed: online recreation registration and reservation system; traffic counters and software**

# Tax Increase Option



- Requires a tax rate increase of 2.86 cents
- Provides for much of the capital programming recommended in the CIP
- Continues town employee pay and benefit program
- Affords a small number of service improvements for the community

# TAX INCREASE OPTION – CAPITAL PROGRAMMING

Capital Outlay and Operating Expenses Associated with CIP	Budgeted Expenditure	Addtl Local \$\$ Needed
Vehicles/Equipment & Wilson Park Bathroom Facility	\$ 1,802,912	\$ 147,898
GO BAN for sidewalks and greenways	\$ 75,398	\$ 25,523
Street Resurfacing*	\$ 300,000	\$ -
GIS Aerial Photography	\$ 10,000	\$ 10,000
Gary Road Storm Water Repair*	\$ 90,000	\$ 48,000
Adams Tract Pedestrian Bridge	\$ 8,000	\$ 8,000
Anderson Park Tennis Resurfacing	\$ 6,300	\$ 6,300
Weaver Street Transfer	\$ 150,000	\$ 77,000
Annual Street Resurfacing Allocation Transfer	\$ 200,000	\$ 25,000
Additional Firefighter	\$ 52,778	\$ 52,778
Annualized Impact of 5 Firefighters hired in April 07	\$ 107,997	\$ 107,997
Software maintenance on Police Records Mgmt Software purchased in 2007	\$ 39,500	\$ 39,500
CDMA Support for MDTs (Cellular Tower Svcs)	\$ 19,500	\$ 19,500
CDMA Support for MDTs in 6 police vehicles to be purchased in FY07-08	\$ 4,320	\$ 4,320
<b>GRAND TOTAL IMPACT</b>	<b>\$ 2,866,705</b>	<b>\$ 571,816</b>
*Offset by Capital Reserve Funds		

**Pays for six firefighters needed in preparation of substation opening in 2009**

**Provides for computer support for Police Records Management System**

- Fund replacement of vehicles and equipment essential to providing services such as garbage collections, police patrol, fire suppression, street and parks maintenance.
- Allocates funding for regular street resurfacing and storm water repairs
- Allocates funding for reconstruction of Weaver Street
- Replaces Wilson Park bathroom facility and other parks maintenance

# Tax Increase Option: Revenue Increase of \$1,739,968

CATEGORY	FY07-08 REVENUE	Changes
PROPERTY TAXES	\$9,916,340	\$530,360
LOCAL SALES TAXES	\$3,341,648	\$182,220
OTHER TAXES/LIC	\$458,000	\$8,801
UNRESTR INTERGOVT	\$637,270	\$61,417
RESTR GOVT	\$572,558	(\$14,087)
FEES&PERMITS	\$1,019,843	\$87,014
SALES&SVCS	280,400	\$3,000
INTEREST EARNINGS	100,000	\$25,000
OTHER REVENUE	\$75,357	\$33,650
OTHER FINANCING SOURCES	\$2,144,914	\$823,776
FUND BALANCE	\$563,053	(\$1,184)
TOTAL	\$19,109,383	\$1,739,968

- **Other Financing Sources** increased as result of proceeds (\$481K) needed for FY07-08 CIP vehicle and equipment replacements; also includes allocation from capital reserve fund (\$300K) for biennial street resurfacing program

- Reflects increase in sales and property tax previously discussed. Of \$530,360 in property tax revenue, \$430,261 is tax increase portion

- **Increase in Fees & Permits** is due to annualized impact of cell tower contract and school resource officer for Carrboro High School

# Tax Increase Option Service Improvements

DESCRIPTION OF ITEM	IMPROVED SERVICE LEVELS	CAPITAL OUTLAY - ADDITIONS	TOTAL	TAX IMPACT
LASER GRADING OF BALL FIELDS	\$ 5,520		\$ 5,520	\$ 0.037
CARRBORO FILM FESTIVAL	\$ 1,700		\$ 1,700	\$ 0.011
TEEN INITIATIVES	\$ 11,759		\$ 11,759	\$ 0.078
FLU SHOT CLINIC	\$ 1,500		\$ 1,500	\$ 0.010
VEHICLE LIFTS		\$ 6,000	\$ 6,000	\$ 0.040
INSPECTION MACHINE		\$ 6,500	\$ 6,500	\$ 0.043
<b>TOTAL APPROVED CHANGES</b>	<b>\$ 20,479</b>	<b>\$ 12,500</b>	<b>\$ 32,979</b>	<b>0.219</b>
FILM FESTIVAL DONATIONS	\$ 5,500		\$ 5,500	n/a
<b>TRUE TAX IMPACT OF APPROVED CHANGES</b>	<b>\$ 25,979</b>	<b>\$ 12,500</b>	<b>\$ 38,479</b>	

# NO Tax Increase Option: Revenue Decrease: \$49, 782

CATEGORY	FY07-08 REVENUE	Changes
PROPERTY TAXES	\$9,486,079	\$100,099
LOCAL SALES TAXES	\$3,341,648	\$182,220
OTHER TAXES/LIC	\$458,000	\$8,801
UNRESTR INTERGOVT	\$637,270	\$61,417
RESTR GOVT	\$572,558	(\$14,087)
FEES&PERMITS	\$1,019,843	\$87,014
SALES&SVCS	280,400	\$3,000
INTEREST EARNINGS	100,000	\$25,000
OTHER REVENUE	\$69,857	\$28,150
OTHER FINANCING SOURCES	\$790,926	(\$530,212)
FUND BALANCE	\$563,053	(\$1,184)
TOTAL	\$17,319,634	(\$49,782)

■ **Other Financing Sources** decreases as result of removing several CIP items – aerial truck, rear loader, and replacement of Wilson Park bathroom facility

■ Reflects decrease in property tax revenue to reflect no tax increase

■ Shows slight decrease in expected donations as result of removing Film Festival event

# NO Tax Increase Option

DESCRIPTION OF ITEM	IMPROVED SERVICE LEVELS	CAPITAL OUTLAY - ADDITIONS/ MNTNCE	CIP	TOTAL	TAX IMPACT	TAX ALT
VEHICLE LIFTS		\$ 6,000		\$ 6,000	\$ 0.040	\$ 6,000
CARRBORO FILM FESTIVAL (LESS \$5500 IN REVENUE)	\$ 1,700			\$ 1,700	\$ 0.011	\$ 1,700
LASER GRADING OF BALL FIELDS	\$ 5,520			\$ 5,520	\$ 0.037	\$ 5,520
FLU SHOT CLINIC	\$ 1,500			\$ 1,500	\$ 0.010	\$ 1,500
AERIAL TRUCK W/EQP (DEBT SVC +TAX/TAGS)			\$ 156,482	\$ 156,482	\$ 1.041	\$ 156,482
WILSON PARK BATHROOM, RECREATION			\$ 34,490	\$ 34,490	\$ 0.229	\$ 34,490
REAR LOADER, SOLID WASTE (DEBT SVC + TAX/TAGS)			\$ 54,531	\$ 54,531	\$ 0.363	\$ 54,531
GARY ROAD STORM WATER REPAIR			\$ 48,000	\$ 48,000	\$ 0.319	\$ 48,000
INSPECTION MACHINE		\$ 6,500		\$ 6,500	\$ 0.043	\$ 6,500
POLICE ROOF REPAIR		\$ 51,000		\$ 51,000	\$ 0.339	\$ 51,000
TEEN INITIATIVE PROGRAM	\$ 11,759			\$ 11,759	\$ 0.078	\$ 11,759
FIREFIGHTER			\$ 52,779	\$ 52,779	\$ 0.351	\$ 52,779
<b>TOTAL PROPOSED CHANGES</b>	<b>\$ 20,479</b>	<b>\$ 63,500</b>	<b>\$ 346,282</b>	<b>\$ 430,261</b>	<b>2.86</b>	
AERIAL TRUCK W/EQP			\$ 918,994	\$ 918,994	n/a	
WILSON PARK BATHROOM			\$ 154,000	\$ 154,000	n/a	
REAR LOADER, SOLID WASTE			\$ 238,994	\$ 238,994	n/a	
TRANSFER CAPITAL RESERVE/GARY ROAD			\$ 42,000	\$ 42,000	n/a	
DONATION REVENUE, FILM FESTIVAL	\$ 5,500			\$ 5,500	n/a	
<b>TRUE TAX IMPACT OF PROPOSED CHANGES</b>	<b>\$ 25,979</b>	<b>\$ 63,500</b>	<b>\$ 1,700,270</b>	<b>\$ 1,789,749</b>		<b>430,261</b>

# Conclusion

- **Given the historical and current makeup of the Town's tax base which has a limited commercial base,**
- **And with the limited ability to generate significant local revenue other than through property tax, it will be difficult to match the current revenue stream with the services and capital facilities expected by the community**