

MINUTES

Town of Blowing Rock Board of Commissioners Budget Work Session-May 20, 2013

The Town of Blowing Rock Board of Commissioners held a special work session on Monday, May 20, 2013 at 4:00 p.m. The work session took place in the Town Council Chambers at 1036 Main Street Blowing Rock. Present were Mayor J.B. Lawrence Commissioners Albert Yount, Tommy Klutz, Dan Phillips, Doug Matheson and Jim Steele. Others in attendance were Town Manager Scott Hildebran, Finance Director Nicole Norman, Planning Director Kevin Rothrock, Administrative Assistant Tammy Bentley, and Planning Intern John Smith.

CALL TO ORDER

Mayor Lawrence called the meeting to order at 4:08 p.m.

DISCUSSION ITEMS

Mr. Hildebran began discussion regarding the FY 2013-2014 Recommended Budget. He advised the budget totaled \$6,332,000 with no projected increase in the property tax rate; with the property tax rate remaining at \$0.28 per \$100 valuation. He advised that the FY 2013-2014 Recommended Budget had increased by \$15,795 over the previous year's adopted budget. Mr. Hildebran commented there was a proposed increase of \$0.75 per month in both water and sewer fees. All other fees would remain unchanged, except for implementation of a notary fee of \$2.00 per signature.

Commissioner Steele asked why not charge \$4.00 or \$5.00 for the notary fee. Mr. Hildebran stated that while \$5.00 is the maximum allowable fee, this is a service and as such the fees should be set below the maximum allowed. Commissioner Klutz asked the amount of additional revenue the increase in utility rates would generate. Mr. Hildebran responded that the increase would amount to approximately \$19,000 for water and \$15,000 to \$16,000 for sewer. He also stated that water and sewer revenues have declined due to the use of more efficient plumbing fixtures.

The total property tax base (excluding motor vehicles) is estimated to be \$1,123,836,540 which is 2.24% higher than FY 2012-2013 budget base of \$1,099,210,280 and is based on information from Watauga and Caldwell County Tax Offices.

Mr. Hildebran explained the revenue-neutral tax rate, as defined by G.S. 159-11(e), is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue for the current fiscal year if no reappraisal had occurred. The rate is then adjusted by a growth factor equal to the average annual percentage increase in the tax base since the last general reappraisal.

As mentioned above, the assessed value of \$1,123,836,450 represents the total tax base after the reappraisal of real property in the Caldwell County portion of Blowing Rock. A tax rate of 0.2775 would produce a tax levy equal to the tax levy of FY 2012-13. The tax rate of 0.2775 is then adjusted by a growth factor of 0.76%, which is the average annual growth rate of assessed value since the last general reappraisal, to determine the revenue-neutral tax rate of 0.2796 or 0.2800.

Although the overall tax values of Caldwell County properties in Blowing Rock increased considerably, the Caldwell County portion of Blowing Rock accounts for less than 8% of the total tax base.

Mr. Hildebran advised that revenues from the ABC store, the video programming tax, and interest income were projected to continue to trend downward.

Commissioner Phillips stated that sales tax revenue is down and he thinks it will stay down. He also stated that there is no real correlation in occupancy tax revenue and sales tax revenue. He added that the economy is flat and staying flat.

Commissioner Yount asked why the additional sales tax from Watauga County was not in the budget. Mr. Hildebran responded that we do not know the exact amount yet. He also cautioned on depending on that revenue for operations as the method of distribution could be changed next year.

Commissioner Klutz asked if counties would still be able to increase their sales tax rates. Mr. Hildebran responded that the State is looking at eliminating that authority. He also stated that the Town could lose approximately \$15,000 in Schedule B (Business License) fees if the state moves forward with state tax reform.

Commissioner Klutz inquired about Powell Bill funds. Mr. Hildebran responded that it is money from the state to maintain Town roads based on population and linear miles of paved roads. Commissioner Klutz asked if the funds decrease as the population decreases. Mr. Hildebran confirmed this.

The Commissioners discussed the health insurance and retirement expenses. Mr. Hildebran reported that health insurance costs would increase by 4.7% on January 1, 2014.

The Commissioners discussed Public Buildings and Grounds. Mr. Hildebran suggested that any revenues received as a result of the County's redistribution of the sales tax be used to retire the American Legion parking deck debt. Commissioner Yount asked why not fund a project? Mr. Hildebran responded that there would not be enough money to fund a project and retiring the debt would give the Town the option of getting a new loan at a reduced interest rate. As an example, Mayor Lawrence said to assume that the parking deck debt is at 6% interest, but the current interest rate is 2%. Mr. Hildebran added that it would be best to wait to borrow until some of the existing debt is retired, as has been the Town's practice in the past.

Commissioner Yount asked if the Planning and Inspections Department sustained itself. Mr. Hildebran said that it had over the last 5 year period, but not during the last 12 to 18 months. Commissioner Phillips asked Mr. Rothrock where his department could generate more revenue. Mr. Rothrock said the fees would have to be increased. Commissioner Phillips asked if a motion to increase fees should be made. Mr. Hildebran said that a fee increase may be perceived as unfriendly to business. Commissioner Phillips said the only way to increase employees salaries, if the economy stays flat, is to generate more revenue through increased fees. He asked Mr. Hildebran what revenues could be increased. Commissioner Steele said that he did not think the Council should identify line items in the budget; that Mr. Hildebran should. Mr. Hildebran responded that this budget is his best recommendation based on the economy without reducing service levels, but that he would do as the Council asked. Commissioner Steele commented that he thought Mr. Hildebran was doing things the right way considering expenses keep going up, but revenue is down.

Commissioner Phillips asked about the decrease in the garbage tonnage collected by the Public Works Department. Mr. Hildebran responded that this is due to increased recycling. Commissioner Steele asked if this reduction affects the number of staff and trucks needed. Mr. Hildebran said not really as the staff performs many functions. Commissioner Matheson noted that the number of stops has not decreased but the amount of garbage collected has. Commissioner Steele asked why the landfill fees were so high with less tonnage. Mr. Hildebran responded that Watauga County had increased the tipping fees in years past. He also added that the tipping fees were for commercial, not residential.

Mr. Hildebran informed the Council that the Parks and Recreation budget had decreased as a result of the BRAAC allocation being eliminated as an administrative expense, with BRAAC now included as a fund in the Town's recommended budget. He also said that Council had initiated differential pool and summer day camp fees.

Mr. Hildebran said that the budget meeting tomorrow, Tuesday May 21, will begin with the Water and Sewer department. He distributed the Comprehensive Plan proposals and asked the Council members to read them. Commissioner Phillips asked if the RFPs were in there also. Mr. Hildebran responded yes. Commissioner Yount asked Mr. Hildebran if he would be ready to make a recommendation tomorrow. Mr. Hildebran responded that Mr. Rothrock would share his idea on that.

OTHER

Mr. Hildebran then tendered his resignation to the Council effective July 12, 2013. Mr. Hildebran has accepted the Assistant Town Manager position in Morganton. Mayor Lawrence said that Mr. Hildebran had been a real asset to the Town. Mr. Hildebran told the Council that he had really appreciated his time as Town Manager. Mayor Lawrence said that the search for a new Town Manager would begin immediately. **Attachment: Resignation Letter**

ADJOURN

It was the consensus to adjourn for the evening. Mayor Lawrence adjourned the meeting at 6:20 p.m. and advised that they would reconvene the following day, May 21st at 4:00 p.m. to continue budget discussions.

MAYOR _____
J.B. Lawrence

ATTEST _____
Tammy Bentley, Administrative Assistant

Attachment: Resignation Letter