

MINUTES

Town of Blowing Rock

Board of Commissioners

May 11, 2006

The Town of Blowing Rock Board of Commissioners held a special meeting on Thursday, May 11, 2006. Attending were Mayor J.B. Lawrence, Commissioners Bobby Ball, Keith Tester, Terry Lentz, Rita Wiseman and Tommy Klutz. Others in attendance were Town Manager Scott Hildebran, Finance Director Margaret Pierce and Deputy Town Clerk Sonya Long.

The purpose of the meeting was to review the Recommended Budget for FY 2006-2007. Mayor Lawrence called the meeting to order at 4:00 p.m.

Town Manager Hildebran reviewed with the Board a revised quote on the repair of the Blowing Rock Tennis courts. He explained the revised quote was \$1,500.00 higher than the previous quote due to an increase in material cost.

Discussion Item

Town Manager Hildebran reviewed the FY 2006-2007 budget message (Refer to "Exhibit D", May 9, 2006 Town Council meeting). He stated the key principles which the budget is based on were as follows:

- Basic Town services are continued with funding at adequate levels.
- Revenue projections are estimated at realistic, conservative levels.
- Continued funding of the 5-year Capital Improvements Program, including funding of the Parks and Recreation & Landscape Master Plan and initial funding of the Water/Sewer Capital Improvements Plan.
- Continued focus on comprehensive planning efforts.
- Conformance with the adopted Town of Blowing Rock Comprehensive Financial Policy.

Town Manager Hildebran stated the Recommended Budget totals were \$5,671, 795 for all Town operations, capital improvements, and debt service requirements. This would be an increase of 10.78% over last year's adopted budget of \$5,119,695.

Town Manager Hildebran presented Council with summary totals and a brief review of the different Funds for the recommended budget.

General Fund

- Total property tax base (excluding vehicles) is estimated to be \$1,004,200,200, which is higher than FY 2005-2006 budget base of \$787,000,000, and is based on information from the Watauga and Caldwell County Tax offices. A penny on the tax rate is projected to generate \$100,420 in revenue. The significant change in valuation as of January 1, 2006 is due to the Watauga County revaluation of real property and is expected to decrease slightly as a result of appeals.

The recommended property tax rate for FY 2006-2007 is 28.0 cents per \$100 valuation, which represents an overall decrease from the property tax rate of 29.5 cents fro FY 2005-2006. The FY 2006-2007 budget will set aside \$.0375 of the proposed \$.280 General Fund tax rate revenues toward future capital projects, the new emergency services building and other undesignated capital projects.

- The FY 2006-2007 Recommended Budget for the General Fund totals are \$4,299,265 or 14.24% more than the FY 2005-2006 Adopted Budget of \$3,763,345.

Town Manager Hildebran reviewed the Revenue Neutral Tax Rate. The assessed value of \$1,021,450,200 represents the tax base after the reappraisal of real property. A tax rate of 0.2375 would produce a tax levy equal to the tax levy in 2005-2006. Then the tax rate of 0.2375 is then adjusted by a growth factor of 2.15%, which is the average annual growth rate assessed value since the last general reappraisal. This is what determines the Revenue Neutral Tax Rate of 0.2425.

Town Manager Hildebran explained he had researched other Town's comparable in size to Blowing Rock and found those Town's to be raising taxes. The Board discussed what impact the proposed 28.0 cent tax rate would have on Blowing Rock.

Water and Sewer Fund

- FY 2006-2007 Recommended Budget maintains the current water and sewer rate structure.
- Due to pending major water and sewer capital needs as outlined in the adopted Water and Sewer Capital Improvement Plan, a comprehensive financial analysis of the utility system is needed.
- Capital improvements needed: additional raw water supply and storage, water interconnection with the Town of Boone, water and sewer plant upgrades, extension of water and sewer lines, and overall maintenance.
- Proposed budget includes funding for McGill Associates, to develop a Water and Sewer Financial Plan.
- Recommended budget totals \$1,372,530, a 1.19% increase over the FY 2005-2006 Adopted budget.

Capital Reserve Project Funds

- The General Fund and Water/Sewer Fund will continue to make significant financial contributions to the Capital Reserve Project Funds. Total contribution to the CRPF for FY 2006-2007 is \$946,600, approximately 16.7% of the total Recommended Budget.

The Board discussed the fiscal outlook for Blowing Rock. Town Manager Hildebran stated that several factors make it a challenge to estimate the revenues. The Board agreed that the big concern would be the higher energy and fuel costs, as well as continued interest rate hikes.

Town Manager Hildebran explained that another factor would be the State's budget. Their FY 2005-2006 budget was in much better shape than in years past but they are heading for a high-priority spending demand on the FY 2006-2007 budget. Therefore, the Town of Blowing Rock's revenue will reflect a conservative approach.

Source of Revenue

Ad Valorem Tax (Property Tax)

- Recommended FY 2006-2007 property tax rate is \$0.280 per \$100 of valuation.
- Revenues (including current and prior years, motor vehicles, and penalties/interest) are projected to be \$2,804,000.

Sales and Services

- Revenue will provide approximately \$313,000 for the next fiscal year to the General Fund. Water and sewer related charges (and interest) are estimated to total \$1,372,530.

State-Collected Local Taxes

In this budget, there are three statewide revenues whose estimates depend on economic forces: Utility Franchise Tax, Telecommunications Sales Tax, and Beer and Wine Tax. These funds are collected by the State and are distributed to the Town based on the actual receipts from the providers of these services and commodities within the Town limits.

- Revenue source is expected to be \$141,800, strictly General Fund revenues.

Sales Taxes

Town Manager Hildebran stated the Local Option Sales Taxes now consist of a one-cent sales tax and three one-half cent sales taxes. The authority to implement a third one-half cent sales tax was approved by the General Assembly and approved locally by both Watauga County and Caldwell County Board of Commissioners in 2002 and replaced the State reimbursements for repealed local taxes. In this exchange, the General Assembly repealed the local government reimbursements for the intangibles tax, inventory tax, homestead exemption, and sales tax on food stamp purchases effective July 1, 2002.

The Town will lose approximately \$450 in FY 2006-2007 revenue in the one-half cent sales tax exchange for reimbursements. However, the North Carolina General Assembly has proposed to hold local governments harmless from this exchange, and the budget anticipates a \$450 payment.

- Retail sales in North Carolina should increase 4.5-5.5% in 2006-2007. Therefore, sales tax revenues (including the new one-half cent proceeds and the hold-harmless payment) are projected to be \$350,500 in FY 2006-2007. This is strictly General Fund revenue.

Hotel/Motel Occupancy Tax

- Blowing Rock Tourism Development Authority has recommended \$249,000 in funding for the FY 2006-2007 budget.
- TDA will compensate the Town with \$16,150 for handling the administration and collection of the occupancy tax.

Powell Bill Street Allocation

- Revenue is estimated to be \$86,000 and is strictly General Fund revenue.

ABC Revenue

- Revenue from contributions from the local ABC Board is estimated at \$122,500.

Grants

Proposed budget includes grant proceeds for both a Stormwater Study (\$50,000, includes \$10,000 town match) and a Sewer Infiltration/Inflow Study (\$40,000).

Other

- Revenue estimated at \$216,315 and is projected to grow due to increased interest rates on town funds.

Fund Balance

- No Fund Balance appropriated in the Recommended Budget.

Expenditures by Function – General Fund

The Board reviewed the major capital projects, improvements and/or programs for each department. They discussed the funding for an additional Emergency Services Department position. Town Manager Hildebran stated the Blowing Rock EMS would be giving paying for the additional employee. Commissioner Wiseman asked for further details on the proposed position. Town Manager Hildebran explained the volunteers had decreased in number and the position would help with that and with the amount of schooling now required for EMS personnel, the new position would help cover when they were in school.

The Board also discussed ways to save on fuel cost. Mrs. Pierce stated fuel was purchased wholesale and it would be hard to match the price the Town was receiving.

Personnel Expenditures

- Recommended \$2,504,570 or 44.16% of the total budget.
- One and ½ new positions proposed: One part-time Public Works Equipment Operator position would be transformed into a full-time position and a full-time Firefighter/EMT position.
- Cost of living adjustments are recommended at 3.0% for Town personnel.
- Health insurance and dental insurance costs have increased 9.3% or \$29,800 increase.

Operating Expenses

Town Manager Hildebran explained that operating expenditures include all costs other than personnel and capital outlay.

- Recommended budget is \$2,551,975 or 44.99% of the total budget.
- Insurance (property/casualty/liability) costs and Workers Compensation Coverage costs reflect a small decrease based on an improved loss/ratio and experience modifier this past year.

- Budget includes increased funding for expected higher energy and fuel expenses.
- Budget includes increased capital transfers to the General Capital Projects and Water/Sewer Capital Projects Funds.

Operating Capital Outlay

Town Manager Hildebran reviewed each department's Capital Improvements Plan with the Board. Starting with the Parks and Recreation Department, he stated the Town would apply for a grant to help pay for a new swimming pool. In the Water and Sewer Department, Town Manager Hildebran stated the Town would try and bid several projects together which should keep the cost per project down.

The Board then reviewed the Fleet-Capital Replacement List. Commissioner Tester suggested the Board receiving something that would show the Vehicle Maintenance for each department. Town Manager Hildebran stated the Town had contracted out the Vehicle Maintenance on all Town vehicles, freeing up one of the Public Works employees. Commissioner Tester commented he did not see much change in that specific line item financially. Town Manager Hildebran advised he would provide a breakdown of those numbers at the next worksession.

The Board then reviewed the General Fund Revenue. Town Manager Hildebran stated the Town would see a drop in franchise tax over the next couple of years and a drop in the Sales Tax line due to the "Hold Harmless Tax" loss. He also pointed out that the revenue line from the Tourism Development Authority would probably go up once their Board passes their proposed FY 2006-2007 budget.

The Board discussed the money the Town receives from Watauga County Parks and Recreation for programs and maintenance we do on the fields. Town Manager Hildebran also pointed out a new line item "Sale of Fixed Assets." He explained this line item was added to split out the sale of Town vehicles, equipment, or land.

Under Governing Body, Mayor Lawrence asked the Board to discuss a pay increase for the Commissioners and the Mayor. He stated one increase had been given over a 12 year period. Some discussion took place on this suggestion but no formal action was taken. Town Manager Hildebran stated he would look at other Boards and have some suggestions for the next budget year.

Department Review

Town Manager Hildebran started with Administration / Finance. He pointed out the Employee Development line item which had been increased. He explained with certifications needed for some of the employees, it was necessary to raise that line item. Mrs. Pierce stated staff had just completed reviewing each department's telephone bills to make sure the Town was being charged correctly. As a result of that, the budget will deflect a slight decrease. Regarding cell phones, department heads are allowed one phone with others approved by Town Manager Hildebran.

In Central Government, Tax Releases are separated out and not put under Miscellaneous as in the past. In Public Buildings, the only change would be the addition of a Custodian, 20 hours a week. Also Utilities line item was increased. Town Manager Hildebran stated the \$5,000 budgeted under Materials/Supplies would be primarily for working with Blowing Rock Appearance Advisory Commission for the installation of new trees along Main Street and other areas. Commissioner Ball requested some money be spent on upgrading the acoustics in the Town Council Board Room. Town Manager Hildebran stated staff will look into the request.

The Police Department was next for review. Commissioner Wiseman asked for the status for hiring a new Police Chief. Town Manager Hildebran stated a general survey had been sent out to all the employees of the Police Department. He had received those back with some great feed back. The part-time clerical position would be removed later in the year since the employee was leaving. Commissioner Tester asked for clarification on the fuel budget item. Town Manager Hildebran stated Johnny Lentz, Public Works Director would be received bids so the Town could get a better price. He also stated the Materials/Supplies line item and been increased to include some type of central vacuum system.

Under the Emergency Services, a new position had been added, increase in Salaries along with the Call-back Time. Town Manager Hildebran commented on how good the morale is within the department. He added that Kent Graham, Director, was trying to build the volunteer roster up. Town Manager Hildebran explained to the Board the Call-back Time and how that is allocated to pay for employees that return to work for a call. The Commissioners added what a great job the department had done for the Town citizens and for the Town of Blowing Rock. Mayor Lawrence suggested clarifying that both gasoline and diesel are in the fuel budget.

The Board discussed Planning and Inspections. The primary change was the increase in Contracted Services. The plan reviews by the Town Engineers increased and \$2,500 was allocated to contract for Land Use Code Review.

In the Public Works / Street Department, Town Manager Hildebran stated a part-time position would become full-time. Vehicle Maintenance line item was stable since that is now contracted out. Commissioner Klutz asked for clarification on what was included in Materials and Supplies. Town Manager Hildebran stated it mainly included gravel and salt. Town Manager Hildebran stated monies were included to contract cleaning of some right-of-ways. Commissioner Tester asked why

Miscellaneous line item significantly increased. Town Manager Hildebran stated the new Town signs had been included in that line item. Commissioner Tester suggested that those items be separated.

Commissioner Klutz questioned why nothing had been allocated for Seasonal Salaries. Town Manager Hildebran stated the department had used seasonal help in the past but that it was difficult due to OSHA training requirements, supervision requirements and in general hard to find labor. The department continues to use people scheduled Community Service.

Mayor Lawrence asked to be excused at 6:00 p.m. He asked that the Board consider leaving the tax rate at 29.5%.

The Board discussed going on with the meeting or continuing on Tuesday, May 16th. Commissioner Wiseman stated she would like Mayor Lawrence to be present for all discussions. The Board agreed to adjourn and begin again at 4:00 p.m. on Tuesday, May 16th.

Mr. Sonny Howard, Town citizen, asked to make a comment. He stated he had studied the Town Budget and as he read it, the Town and Watauga County was proposing to increase taxes. He explained the Town citizens were not going to be happy with the proposed 28 cent tax rate. Town Manager Hildebran stated it would be an average of 16.3%. Commissioner Tester stated to pay for the items that the citizens of Blowing Rock wanted to see completed, to propose a tax rate of 28 cent would be the only way to see those projects completed.

The Board concurred that operational costs had remained at a Revenue Neutral Rate of 24.25 cents and the increase at 3.75 cents was for a new Emergency Service Building and other Capital needs.

With no further discussion, the Board adjourned at 6:30 p.m.

Mayor J.B. Lawrence

Sonya Long, Deputy Town Clerk