



City *of* Brevard

North Carolina

BUDGET MESSAGE



City of Brevard

North Carolina

May 20, 2019

The Honorable Mayor Jimmy Harris
Members of the City Council
Brevard, North Carolina 28712

Dear Mayor Harris and Members of the City Council,

Pursuant to North Carolina General Statute 159-11, I am pleased to present the Fiscal Year 20 Budget (2019-2020) for your review and consideration.

BUDGET OVERVIEW

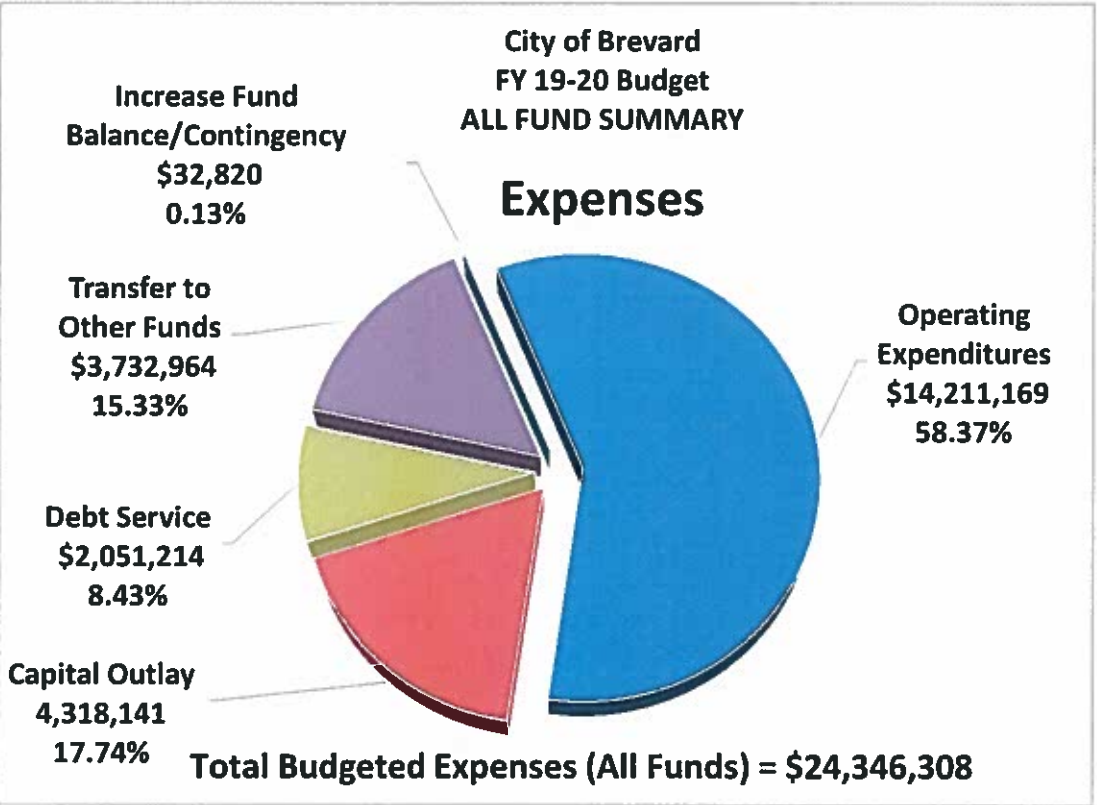
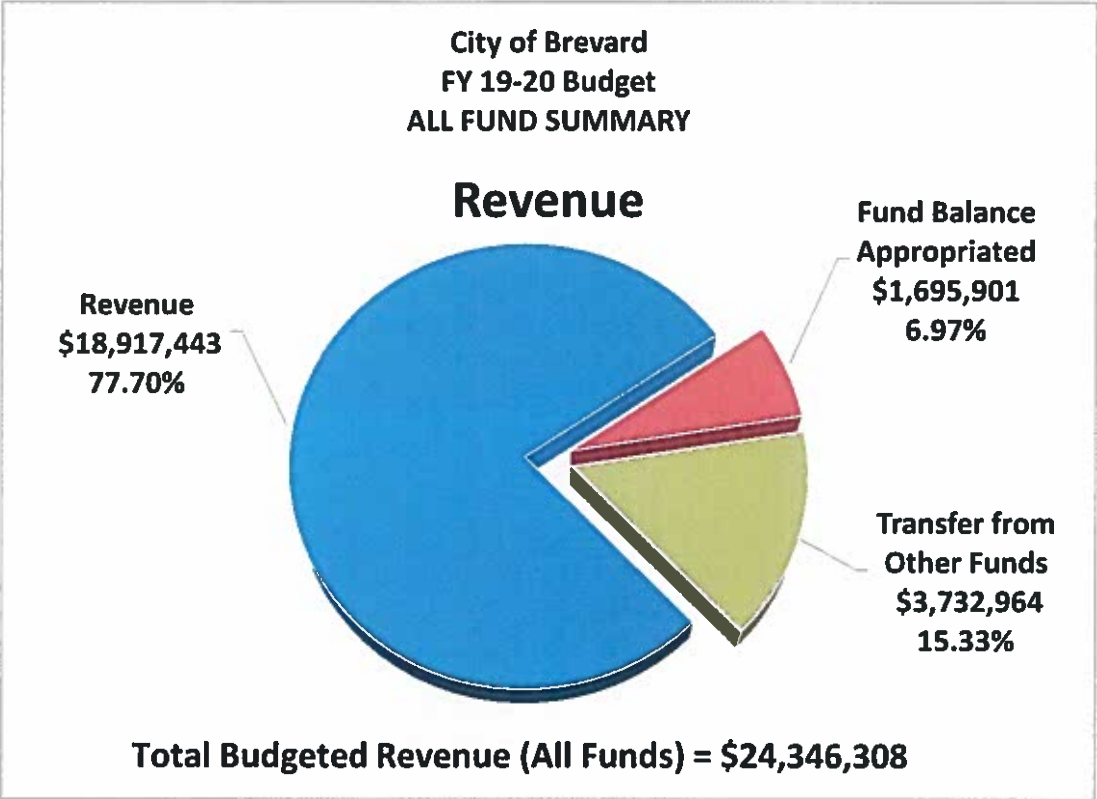
Presented herein is the FY20 Budget for all funds totaling \$24.3 million. The FY20 Recommended Budget funds city operations, capital improvements, and debt service requirements.

GENERAL FUND

The General Fund is used to account for resources that are not required legally or by sound financial management to be accounted for in another fund. Typically, the General Fund includes services that cannot be operated as a business enterprise and rely on tax dollars as their primary source of revenue.

General Fund Departments include Governing Board, Administration, Finance and Information Technology, Legal, Planning, Police Department, Building and Grounds (includes Parks Maintenance), Recreation, Public Works Administration, Vehicle Maintenance, Streets, Sanitation, Community Development and Non-Departmental Expenditures.

The FY20 Recommended Budget for the General Fund totals \$10,881,245 or 4.4% more than the FY19 Budget of \$10,421,050.



GENERAL FUND REVENUE

This section highlights the major revenues for the General Fund. General Fund Revenue detail is shown in Tab 6 of the Budget Document.

	<u>Proposed F20 Budget</u>		
Property Taxes	\$4,982,985	Increase Over Last Year	\$42,185
Sales Taxes	\$1,550,880	Decrease From Last Year	(65,880)
Franchise Sales Tax	\$585,000	No Change	
Refuse & Recycling	\$886,000	Increase Over Last Year	\$9,000
County Vehicle Maintenance	\$431,650	NO CHANGE	
Utility Fund Reimbursement	\$600,000	Increase Over Last Year	\$25,000
Powell Bill Street Allocation	\$222,000	NO CHANGE	
Brevard ABC	\$150,000	NO CHANGE	
Proceeds from Borrowing	\$1,109,730	Increase Over Last Year	\$191,730
All Other Sources	\$228,000	Increase Over Last Year	78,400
Fund Balance Appropriation	<u>\$135,000</u>	Increase Over Last Year	<u>48,000</u>
Total General Fund Revenue	\$10,881,245	INCREASE OVER LAST YEAR	\$460,195

A discussion of the major General Fund Revenue Sources follows:

Ad Valorem Tax (Property Taxes): \$4,982,985

The General Fund is balanced with no tax increase. The property tax rate is \$0.5100 per \$100 valuation. The estimated property taxes total \$4.98 million which reflects 45.8% of General Fund Revenue. Assessed Valuation for the City of Brevard is \$1,018,500,000 compared to \$985,650,000 a year ago. This reflects an increase of 3.3%.

Sales Taxes: \$1,547,594

Sales taxes have grown each year from 2012 through 2019. Please refer to Sales Tax Revenue for the period 2012 through 2019 below. Since FY12, the sales tax revenue has grown by 32.2%.

FY19 (Estimated Actual)	\$1,588,100
FY18	\$1,563,612
FY17	\$1,522,409
FY16	\$1,384,482
FY15	\$1,347,759
FY14	\$1,290,446
FY13	\$1,252,380
FY12	\$1,201,030

Franchise Sales Taxes: \$585,000

Effective July 1, 2014, the general sales tax rate was applied to the sale of electricity and natural gas. Cities receive a franchise share and an ad valorem share of these proceeds. The franchise sales tax share has exceeded traditional franchise fees in prior years by an estimated \$200,000.

Refuse and Recycling: \$886,000

Refuse and recycling fees remain the same as last year. Residential customers pay \$17.00 per month for refuse plus \$3.00 per month recycling fee. Commercial recycling customers pay \$5.75 per month. This past year the City of Brevard terminated the outside contract for recycling pick up. Residential and Commercial recycling is now performed by City Public Works Department.

County Vehicle Maintenance: \$431,650

The City garage provides vehicle maintenance services to Transylvania County on a contractual basis. The County reimburses on a monthly basis the cost of personnel, parts, and materials.

Utility Fund Reimbursement: \$600,000

The City has reimbursed the General Fund for services provided for the Water & Sewer Utility Fund. The FY20 proposed budget reflects \$25,000 increase to more closely reflect the actual cost of services provided to the Water and Sewer Enterprise Fund by General Fund Departments.

Powell Bill Allocation: \$222,000

These funds represent a State Distribution of a portion of the motor fuels tax. The use of these funds is restricted to maintaining, repairing, constructing, streets, curbs and gutters, drainage improvements, and sidewalks. No city street employee salaries are funded from Powell Bill monies.

Any funds not spent each year are shown on the financial statements as restricted which may be used in future years. The restricted funds as of June 30, 2018 were \$27,332.

Brevard ABC: \$150,000

This revenue is derived from annual net sales profits generated from the two Brevard ABC stores. Figures are based upon audited financial records with the City receiving 75% of the distribution and the County receiving 25%. FY20 Brevard ABC Store Revenue budgeted revenue is the same as the prior year budget.

Privilege Licenses: \$0

Effective July 1, 2015, the City of Brevard no longer collects privilege licenses. This reflected in an estimated \$35,000 loss in revenue for the General Fund. However, franchise sales tax revenue has more than offset this lost revenue source.

All Other Sources: \$228,000

Other sources of General Fund Revenue include court costs, parking citations, zoning administration, interest earnings, wine and beer taxes, and recreation fees and concessions, cell tower rent, police grant, and miscellaneous. The FY20 budget reflects an increase of \$78,400 from prior year. The increase is due to interest earnings.

Fund Balance Appropriation: \$135,000

The North Carolina Local Government Commission recommends that local governments maintain a minimum undesignated fund balance of no less than 8% of expenditures. The City of Brevard has an adopted minimum fund balance of 30%. The recommended appropriation for the FY20 General Fund Budget is \$135,000 for the purchase of three police patrol vehicles. Per the June 30, 2018 audited financials, the City unassigned fund balance was \$3,038,466 or 36% of total general fund expenditures.

GENERAL FUND EXPENDITURES

General Fund Departments \$8,931,782 Increase Over Last Year \$358,748

Salary Adjustments (Includes 1% COLA & 2% Merit, FICA/Retirement)	\$160,991
Employee Medical	\$66,855
Election Expense	\$16,000
Capital Equipment	\$182,340
Other Expenditures	(\$67,438)

Debt Service \$257,899 Increase Over Last Year \$34,952

Transfers to Other Funds

Rosenwald	\$800,000	No Change	
Brevard Fire Department	\$438,664	Increase Over Last Year	\$53,095
Downtown Master Plan	\$180,000	No change	
Pedestrian/Bike Paths	\$180,000	No Change	
OPEB	\$20,400	Increase Over Last Year	\$8,400

Community Development:

Transylvania Arts Council	\$10,000	No change	
Chamber of Commerce	\$500	Decrease from Last Year	(\$2,500)
Heart of Brevard	\$20,000	Decrease from Last Year	(\$10,000)
Farmers Market	\$17,000	No change	
Bread of Life	\$5,000	No change	
Boys/Girls Club	\$5,000	Increase Over Last Year	\$5,000
Fireworks	\$15,000	Increase Over Last Year	\$12,500

Total General Fund Expenditures \$10,881,245 Increase Over Last Year \$460,195

WATER AND SEWER UTILITY FUND

The Water and Sewer Fund accounts for all revenues and expenditures incurred in the city's enterprise fund for its water treatment plant, water distribution system, wastewater treatment plant, and sewer collections system. Revenue sources are user charges paid by residential, commercial, institutional, and industrial customers. An enterprise fund must generate revenue to support operations, capital improvements, and debt service.

The FY20 Recommended Budget for the Water and Sewer Fund totals \$6,192,554 compared to \$6,249,497 last year. Four years ago staff shared with the City Council that annual percentage rate increases were not generating sufficient revenue to meet rising costs and incurred debt for master plan capital improvements. To address this problem, the 2,000 minimum gallons have been reduced by 500 gallons the past four years to zero. The Public Works and Utilities Committee approved the recommendation to increase water and sewer rates by 4% annually at its May 10, 2018 meeting. A residential customer using 5,000 gallons would see a \$3.10 per month increase to their utility bill.

Water Distribution System:

Advanced Metering Infrastructure has been operational since July 1, 2016. The first payment on the no interest loan was made in April 2017. The \$2.70 monthly meter fee is the revenue source for repayment of this loan.

Included in the FY20 Budget is the purchase and installation of advanced meter infrastructure for large meters. The proposed FY20 Fee Schedule has a new monthly fee for large meters. The new fees will generate funds for debt repayment.

Meter Fees (monthly)	
3/4 inch	\$2.70
1.0 inch	\$2.70
1.5 inch	\$15.00
2.0 inch	\$18.00
3.0 inch	\$25.00
4.0 inch	\$44.00
6.0 inch	\$67.00

Water Treatment Plant:

The City has continued to make improvements in the efficiency of water treatment plant operations including a new SCADA System.

Wastewater Treatment Plant:

The City has continued to make improvements in the efficiency of the waste water treatment plant operations.

In summary, the City of Brevard decision to reinvest in its current assets at the Water Treatment Plant and Wastewater Treatment Plant saved its ratepayers an estimated \$50 million in capital improvements plus additional financing cost that would be necessary for borrowed funds.

Sewer Collections System:

The City has invested over \$20 million dollars into its sewer collections system the past five years. The City Council at its regularly scheduled meeting held on April 15, 2019 authorized an application for funding sewer rehab improvements for Gallimore sewer system to address sewer system overflows at the Gallimore Road Pump Station.

Water and Sewer Capital Projects Fund

Capital Projects included in the FY20 Budget are as follows:

Sewer Collection System:

The City of Brevard continues to focus emphasis on protecting our natural resources by addressing rain-attributed sanitary sewer overflows (SSOs). Sewer projects have been completed to address this problem have totaled over \$20 million. Kings Creek Phase II, Kings Creek Phase III and the Neely Road Force Main, Pump Station and Equalization Tank were completed in FY18. Repayment of debt incurred for above projects began in FY19.

Kings Creek Sewer Phase II Project \$1,435,784: This project was completed FY18.

Kings Creek Sewer Phase III Project: This project was completed in FY18.

Water and Sewer Capital Projects Fund (cont'd)

Neely Road Force Main, Pump Station & EQ Tank Project \$13,666,000. The Neely Road Force Main Pump Station and Equalization Tank were completed this past year.

Water Treatment Plant

Cathey's Creek stream project: \$1,000,000. The City of Brevard received 100% grant offer for this project which includes stream restoration and a new WTP intake.

Waste Water Treatment Plant

WWTP lift station equipment improvements: \$80,000. Source of funds are from the Capital Reserve Fund. Included in the FY20 budget is \$80,000 in capital improvements for a Diamond Screw Conveyor with Compacting Head.

Capital Reserve Fund

The proposed FY20 Capital Reserve Fund Budget totals \$80,000. Funds are transferred to the Capital Projects Fund for a WWTP Capital Project.

Brevard Fire Department Special Revenue Fund

The proposed FY20 Brevard Fire Department Special Revenue Fund budget totals \$1,471,468. Transylvania County contracts with the City of Brevard for fire protection services for Sylvan Fire District No. 2. The cost sharing, based upon assessed valuation, is 53.4% City and 46.6% County.

The proposed budget includes funds for the following:

- Manned day service 8 AM to 5 PM seven days a week.
- A third person 3 days per week for the day shift
- Manned evening service 5 PM to 12 midnight six days per week (Note: Monday night is a training drill for all part-time firefighters).
- On-Call pay for 12 AM to 8 AM.

Brevard Fire Department Special Revenue Fund (cont'd)

The City's first full time Fire Chief was hired this past year. The cost breakdown is shown below.

City of Brevard	\$438,664
Transylvania County	\$382,804
Loan Proceeds	<u>\$650,000</u>
Total	\$1,471,468

The assessed valuation for the City and Sylvan District No. 2 is as follows:

City of Brevard	\$1,018,500,000	53.4%
Sylvan District No. 2	<u>\$888,600,000</u>	<u>46.6%</u>
Total	\$1,907,100,000	100.0%

County Staff will be submitting the above budget to County Commissioners for approval.

Brevard Trust Funds

The City of Brevard has the following trust funds.

Terrell L. Scruggs Scholarship Fund: This fund was established in the memory of its former Finance Director. Annually, the Scholarship fund awards scholarships to graduating seniors from Brevard High School, Davidson School, and Rosman High School. This fund is used to account for the collection of donations and the payment of scholarships. The proposed FY20 Budget is \$22,000.

Bjerg Trust Fund: This fund is a non-expendable trust fund accounts for assets held in a trustee capacity. The principal is invested with interest earnings applied to maintenance and upkeep of the French Broad Community Center. The investment amount as of June 30, 201 was \$60,353. The gift establishing this fund was from the Estate of Dorothy S. Bjerg. The proposed FY20 Budget is \$1000.

OPEB Trust Fund: This fund (an irrevocable trust) is used to account for the City's contributions and trust earnings for other post-employment benefits. This plan provides post-employment healthcare benefits to retirees of the City. The proposed FY20 Budget is \$30,000.

Housing Trust Fund: This fund is used to account for the Broad River Terrace and The Cottages Developer annual payments on a twenty-year loan. The proposed FY20 Budget is \$2,820 reflecting the interest paid by the developer. The principal portion of the loan reduces the loan receivable due the City.

Self-Funded Employee Medical Fund

The Self-Funded Employee Medical Fund was established as an internal service fund to account for the accumulation and allocation of costs associated with the City's group health insurance revenue, and expenditures. The proposed FY20 Self-Funded Employee Medical Fund Budget totals \$1,520,300. This is an increase of 4.5% over the previous year. Employer and employee contributions fund the increase.

Revenue is generated from departmental charges, employee premiums for dependent coverage, retiree premiums and dependent dental premiums. Expenditures are for broker fees, third party administrator, and aggregate insurance premiums, paid claims, wellness programs, employee assistance program, life insurance, and short term disability premiums paid by the City.

Effective July 1, 2016, city employees can now use the County Medical Clinic. A memorandum of understanding was approved by the City and County in June 2016. There will be no cost to the employees and their families utilizing the clinic. Annual physical examinations are included, again, at no cost to the employee. Part-time employees can also use the County medical clinic.

Heart of Brevard Municipal Services District (HOB MSD)

The City of Brevard receives tax collections from Transylvania County for the HOB MSD and are remitted on a monthly basis to the HOB. The FY20 Budget totals \$157,000. The assessed valuation for the HOB is \$61,000,000 which is up \$300,000 or .5% from the prior year. The HOB Tax Rate remains unchanged at \$0.225.

Multi-Use Pedestrian/Bike Path Fund

The Multi-Use Pedestrian/Bike Path Fund accounts for project improvements for sidewalks and pedestrian/bike paths and the Depot Project.

Transfer from General Fund	\$180,000
Appropriation of Fund Balance	<u>\$700,000</u>
	\$880,000

The original pedestrian/bike plan was adopted by the City Council in 2006.

The City of Brevard is taking steps to become a Bicycle Friendly Community.

In August 2018, the City Council adopted a Resolution to complete the Brevard Area Trail System within 3 years.

Multi-Use Pedestrian/Bike Path Fund (cont'd)

Subsequently, City staff has been obtaining easements to complete the Eastatoe Trail. The City has obtained easements from McLean Street to West Main Street. This is an important milestone bringing the trail from Pisgah National Forest to Downtown Brevard.

Brevard College and Transylvania County Schools have also agreed to coordinate with the City easements for the Eastatoe Trail as well.

911 Communications Fund

The FY17 Budget was amended at the recommendation of our auditors to establish a new fund to account for revenue and expenditures for monies provided the City by Transylvania County Emergency Operations. The FY20 Budget is \$56,972.

Narcotics Task Force Fund

This is a fund to administer restricted cash for drug forfeiture funds for the Transylvania County Sheriff and Brevard Police Department. The FY35,100 Proposed Budget is \$35,100. The City currently administers said fund and is shown on the City of Brevard financial statements as restricted funds.

Rosenwald Revitalization Fund

This fund was established for revitalization programs within the Rosenwald Community. The City of Brevard was awarded a State of North Carolina PARTF Grant for 50% of the \$447,000 cost for park land acquisition. The acquisition of approximately 28 acres was completed three years ago. Subsequent to the receipt of the grant, local funds have been spent on environmental clean-up on the property. The FY20 Budget is \$800,000 for a new Mary C. Jenkins Community Center.

Downtown Master Plan Fund

This fund was established to account for revenue and expenditures for the Downtown Master Plan.

Revenue sources include a General Fund Transfer of \$180,000 representing a 2-cent tax increase approved in a prior year and an annual contribution from the Heart of Brevard in the amount of \$11,000 for the Downtown Master Plan. A summary of FY20 revenue, fund balance appropriation and expenditures are shown below.

Downtown Master Plan Fund (cont'd)

Revenue:

Transfer from General Fund (Annual)	\$180,000
Transfer from Heart of Brevard	\$11,000
Public Parking Lot Revenue	\$50,000
Fund Balance Appropriation	<u>\$514,729</u>
Total Revenue	\$755,729

Expenditures:

DTMP Design/Construction	\$215,729
Clemson Plaza Improvements	\$340,000
Caldwell St. Improvements	<u>\$200,000</u>
Total Expenditures	\$755,729

Clemson Plaza Project Budget Ordinance was approved by the City Council at its retreat held on January 28-29, 2016. Now that the Caldwell Street Widening Project has been completed, the Clemson Plaza Project can move forward. The design consultant is Destination by Design. Funds have been budgeted for FY20 to complete.

The NCDOT Caldwell Street widening project is complete with the City local share estimated at \$200,000.

The DTMP Council Committee has requested funds to be used to replace all wooden benches with black metal, replace old trash cans, add more bike racks, replace trees, install new tree wells, and add stamped brick crosswalks at Broad and Main Streets.

The DTMP Committee has recommended that the City Council consider a Downtown Parking Deck.

City Council Committees Established

Four years ago the City Council approved the establishment of the following committees. Council appointments are shown below.

Public Works Committee	Mac Morrow & Maurice Jones
Parks, Trails & Recreation	Gary Daniel & Maureen Copelof
Downtown Master Plan Committee	Charlie Landreth & Mac Morrow
Public Safety (Police & Fire)	Maurice Jones & Charlie Landreth
Finance and Human Resources Committee	Maureen Copelof & Gary Daniel
Mary C. Jenkins Task Force	Maurice Jones & Gary Daniel

City Council Committees Established (cont'd)

The Committees have continued to play a key role that have provided recommendations to the City Council and more importantly enabled responsiveness and accountability to the community in which we serve.

The FY20 Proposed City of Brevard Budget represents the combined efforts and guidance of the City Council, Department Heads and Staff. We look forward to working with you, City Council Committees and our citizens as we implement this financial plan and document.

I would like to acknowledge Finance Department Staff who assisted Deputy Finance Director in the budget document preparation. I would like to specifically thank Tom Whitlock who coordinated the budget process with City departments and prepared the budget financials and supporting documentation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jim Fatland". The signature is fluid and cursive, with a large initial "J" and "F".

Jim Fatland, CPFO, NCCLGFO
City Manager and Finance Director

cc: City Attorney
City Clerk
Department Directors