

Memo

TO: Mayor and Board of Commissioners

FROM: Hazen Blodgett, Town Manager

DATE: April 30, 2008

SUBJECT: Budget Message and Manager's Budget for FY 2008-09

Attached is the proposed budget for the Town of Matthews fiscal year 2008-09. This year's General Fund budget totals \$18,708,747. This budget was as a result of a great deal of hard work from a number of people, particularly Finance Director Christine Surratt, Management Assistant Marni Fulton and all the Town department heads. This year's budget is in a new format. As you will see, we are emphasizing the vision statements and tying the vision statements to performance measures that each of the departments operate under. The vision statements that were adopted in December 2005 continue to be relevant to our community and are now being directly reflected in the budget process. Our focus is to provide effective and efficient programs to our citizens as measured by the performance measures.

Budget Overview

The 2008-09 proposed manager's budget is recommending a 2.5 cents increase to the property tax rate. 1.5 cents is for the general fund operations for new and continued programs offered by the Town, as well as 1.0 cent being designated for the Capital Improvements Plan/Debt Service.

The 1.5 cents increase in property tax will generate \$438,000. These funds will pay for:

- Salary/benefits of a new fire/EMS chief and volunteer incentives- \$120,000
- The creation of an economic development department- \$125,000
- The addition of one patrol officer at an estimated cost of \$63,000.
- \$206,000 will go to pay for additional fees associated with the new solid waste contract.

Also, the other 1.0 cent, or approximately \$292,000, will go directly into funding CIP projects as adopted by the Board. Some of these projects are as follows:

- Upgrade 800-mHz radios from analog to digital- \$20,000
- Upgrades to fire department parking lot and bay floor renovation- \$35,000
- Pocket park construction- \$20,000
- Replace tandem dump truck- \$85,000
- Town's portion of sidewalks on Weddington Road- \$100,000
- Crack sealer trailer for improved street maintenance- \$55,000

We are also proposing a vehicle tag increase for street maintenance and repair. As you are aware, the Town received special legislation to increase our vehicle tag fees from \$5.00 up to \$30.00. Each dollar generates approximately \$100,000 in revenue. In a recent assessment of the condition of the Town streets the study noted that we had \$3 million worth of immediate needs for repaving streets. The repairs would include full depth reclamation on some streets as well as paving, milling and resurfacing on others. All this work would be contracted. Below are some projects:

- The Sardis Mill area and Privette Lane- \$100,000
- Independence Pointe Parkway and Windsor Square Drive- \$200,000
- Reid-Harkey road area and side streets and cul-de-sacs- \$300,000
- Tanktown Road- \$100,000.

These are estimated costs. At the time of bidding any excess funds would be used to do additional streets rated low on the pavement condition survey. Please note there is \$700,000 worth of road work on this list but the Board could prioritize projects or add other projects.

Revenues

Property tax. We project that we will collect, in 2008-09, \$9,832,596 in property taxes. The property tax continues to be our major source of revenue and a relatively stable source as well.

Sales and Excise taxes. With the slowing of the economy sales tax projections have been reduced. We are projecting a 1-1/2% growth for sales tax in the coming year. All other sales and excise tax are flat with little or no increase. We are projecting in sales and excise tax a total of \$4,163,429. This is less than a 1% growth over our forecasted revenues for this year.

Permits, licenses and fees. We are projecting \$1,822,672. This is a 13% increase over forecasted amounts this year. This increase is as a result of two areas – the stormwater fund carryover of \$112,000 as well as continued growth in our parks and recreation programming fees including sponsorships for special events.

Intergovernmental revenues. Intergovernmental revenues includes Powell Bill funds and state mowing contracts, amounts to a total of \$786,575. This is an 8% reduction on the Powell Bill. Below is a chart that shows Powell Bill funds over the last eleven years compared to road construction over the same time period. This reduction in Powell Bill funds is as a result of modest economic growth, higher gas prices, a slow down in vehicle purchases and the absence of the one-time \$10 million return of funds borrowed from the Highway Trust Fund by the Governor. Please remember at the same time we are in an environment where paving costs are rising rapidly. In fact, over the last eleven years paving and construction costs have increased 93%. This indicates further the need for the Town to step in and provide for the maintenance of its streets through additional revenue.

Powell Bill Street Maintenance Fund Revenues FY 1999-2009

Year	Miles Maintained	Powell Revenue	Powell in 2008 \$	\$ per Mile in 2008 \$	Hwy & Street Inflation	Cost Inflation
1999	72.59	586,058	\$ 927,941.00	\$ 12,783.32	2.5	\$ 1,000.00
2000	75.27	618,975	\$ 956,112.00	\$ 12,702.43	7.8	\$ 1,078.00
2001	78.13	700,356	\$ 1,003,543.00	\$ 12,844.53	0.4	\$ 1,082.31
2002	81.91	710,343	\$ 1,013,798.00	\$ 12,376.97	-2.4	\$ 1,056.34
2003	83.98	687,293	\$ 1,005,022.00	\$ 11,967.40	2.2	\$ 1,079.58
2004	85.00	645,620	\$ 923,761.00	\$ 10,867.78	8.5	\$ 1,171.34
2005	87.15	720,418	\$ 950,030.00	\$ 10,901.09	12.6	\$ 1,318.93
2006	88.65	728,654	\$ 853,367.00	\$ 9,626.25	10.8	\$ 1,461.37
2007	89.78	727,130	\$ 768,576.00	\$ 8,560.66	5.7	\$ 1,544.67
2008	93.65	843,663	\$ 843,663.00	\$ 9,008.68	11.8 *	\$ 1,726.94
2009	94.09	773,075	\$ 773,075.00	\$ 8,216.34	11.8 **	\$ 1,930.72

*2008 projection based on Construction Data from Better Roads

**2009 projection is assumed from 2008 number

Investment earnings/Town sales. We estimate \$209,192 in investment earnings and surplus equipment sales for 2008-09 fiscal year.

Other Revenues. The remaining revenue funds come from two sources – reimbursements of water and sewer bonds from Charlotte-Mecklenburg utilities, \$566,375 and \$171,728 in grants, contributions and other funds.

Expenditures

The attached budget includes a 3.5% increase for employee raises. This amounts to a total cost of \$235,000. Health insurance continues to be a major expense for the Town. This year represents the fifth and final year of increasing employees share for dependent contributions to the health insurance. Employees will now be paying 50% of the costs of dependent care. The Town will continue to pay 100% of employees' share. The original Blue Cross/Blue Shield quote, to keep the insurance benefits the same for 2008-09, as they are this year, was a 28% increase.

In order to keep insurance increases to a minimum we have increased our deductibles to \$3500. The employees will not have to absorb all the increase in deductibles from our current rate of \$1750. What we have instituted is a Health Reimbursement Account (HRA) whereby the employees' deductibles will go from \$1,000 to \$1,500 and the Town will self-insure the remaining \$2,000. The HRA will apply to three members of each family. This results in a significant savings in our premiums for the Town. As a result we are budgeting a 12.6% increase. Dental insurance is proposed to increase from \$1,000 per employee to \$1,075 per employee. This is as a result of the consumer price index for dental care which increased by 6.2% last year.

General Administration. This includes the Governing Board, Manager, Human Resources, Finance, IT, and Safety/Risk Management- \$1,777,990. One area of change is we are creating a Human Resources Division. This division will report to the Assistant Town Manager. However, until we fill the Assistant Manager's position Town Clerk Jill Pleimann has assumed this management responsibility. This is not a new position to the Town but simply a reallocation of a position from finance.

Police. In the Police Department we are proposing to take a part-time records clerk and create a full-time position. As a result of this full-time position we will reduce part-time salaries by approximately \$14,000. The additional cost is approximately \$14,000 and will offer more administrative support to the department in general and the captains specifically. The Patrol Division includes one new full-time position to expand the bicycle program to a year-round program and focus on community safety i.e. the new greenway as well as supplementing the Patrol Division as needed. This new position will cost approximately \$63,000.

This budget also includes six laptops for the vehicles, five police cars as well as associated equipment. Five portable radios will also be replaced. The Investigation Department is a status quo budget with the exception of a new police vehicle and two laptops.

Telecommunications and supports services are status quo budgets as well.

The other significant change in the Police Department is the Animal Control Division will now come under the auspices of the Police Department. There are two positions in Animal Control. One of them is vacant. Chief Hunter he is willing to take on the Animal Control responsibilities. It will be at his discretion on how he wants to use the second person. He can either hire a second Animal Control officer, or he can fill the position with Police Officers that have some Animal Control duties. From a management standpoint I am asking is that Animal Control be covered by the Matthews Police Department.

Total budget for the Police Department, including Animal Control, is \$5,919,212.

Fire and EMS. This is an important year for the Fire and EMS service as we will be completing the transition to create a Town Fire and EMS combination department– both paid employees and volunteers. We will be hiring a fire chief, promoting someone to captain as well as transitioning the volunteers to the Town. Please note that the contribution to the Matthews Volunteer Fire Department will remain at \$213,233. The \$88,000 payment on the building is budgeted as well. We are also recommending that Idlewild Volunteer Fire Department receive a \$144,000 contribution. This is an increase from the 2007-08 appropriation which was \$135,660. As I mentioned earlier, a new fire chief will need to be hired for the department at an estimated cost of \$95,000. We will conduct a selection process to promote a captain within the department. We are proposing that incentive pay for volunteers, which now is a maximum of \$100 per month, be increased to \$150 per month. We estimate this will cost the Town an additional \$15,000 per year. We are also providing length of service incentives for volunteers in the amount of \$9,000. This is a slight increase over last year. The fire and EMS budget has a number of line-items that account for the Town taking responsibility for seven months of the year– November 2008 thru June 2009. Fire and EMS Department budget for this year is \$1,461,210 .

Public Works. The Public Works includes a variety of divisions. The total cost of Public Works, excluding sanitation, is \$3,950,088. As part of a reorganization for the street and sidewalk crew, there has been a reduction of two people in the work force. With the reduction in staffing, those funds, have been reallocated for paving supplies and materials. Public Works Director Ralph Messera allocates salaries based on percent of time in the different divisions. The streets and sidewalks employees do not spend 100% of their time on streets. They do a variety of other activities which can include any number of tasks. When they are not doing street and sidewalk work their salaries are pro-rated back to the Public Works Administration Department. Work orders are kept on all man hours so that accurate percentages can be assigned to the different divisions. We have budgeted \$150,000 for contract work which includes contract patching, crack sealing, lane painting, etc. We have also budgeted \$235,000 for materials to be used by Town crews for patching and resurfacing. We estimate \$155,000 of this money will be used for the Windrow Phase I resurfacing and \$80,000 will be used for patching and crack sealing along other Town streets.

We have budgeted \$50,000 for the purchase of property for right-of-way which will assist with the extension of Greylock Road planned from John Street to the extension of Independence Pointe Parkway. \$40,000 has been budgeted for new sidewalk construction materials. Total cost of streets and sidewalk budget is \$1,732,951. This includes \$500,000 for paving projects using the additional \$25 car tag. We are projecting \$773,075 from Powell Bill so this results in a contribution from the General Fund of \$459,876.

The garage is a status quo budget. Landscaping includes temporary wages to help with the mowing of grass. Landscaping shows an additional \$7,500 for tree maintenance as well as \$7,500 for new planting. This is as a result of new landscaping ordinances passed by the Board. Facilities maintenance division is status quo. The same is true for stormwater.

Sanitation. We are projecting a significant increase in the sanitation division- \$1,808,206. We renegotiated the contract with Allied Waste. This budget amount is \$206,000 higher than the previous year. In this budget you will see a new line item for disposal costs.

If the Board passes the sanitation budget as proposed one of the components is that we will join the County solid waste program. The County will attach a \$15 fee per residential unit. Currently Matthews is the only town in Mecklenburg County that does not participate in this program. This program has a number of advantages. Most significantly is that citizens will be able to dispose of household hazardous waste at County recycling facilities. Currently there is nowhere for Town residents to dispose of their household hazardous waste except for at the annual Town Household

Hazardous Waste Day which we propose abolishing if we go to the County program.

A second reason to join the County solid waste program is that part of the \$15 per household fee goes to paying for the County landfill. Currently the Town does not contribute to the cost of that landfill. That landfill is not being used currently due to the fact that all the solid waste goes to the speedway landfill. However, the County is able to keep tipping fees competitive because Allied Waste knows that if they raise their tipping fees too high that the County can always open one of the cells in their permitted landfill. At some point in time the speedway landfill will fill up. In staff's opinion the Town and its residents need to pay for the capital costs associated with that landfill so that when the time comes and we want to use the County landfill we will have that option. The Environmental Advisory Committee has recommended that we join the County solid waste program.

Another source of revenue. Some communities, as an example Huntersville, pass through the cost of landfill tonnage fees to their residents. If our Board chose to do this it would replace approximately one cent on the tax rate- \$286,000. The charge to our residents is estimated at \$30.25 annually. Currently we absorb all of the solid waste fees through the General Fund. Many towns treat solid waste like a utility, similar to water and sewer, and subsequently will charge their citizens the full, or partial, cost of solid waste. At this point we do not charge our citizens any cost. It is all absorbed through the property tax.

Planning Department is a status quo budget. Their total recommended budget is \$468,148.

Economic Development is a new department. We are recommending \$125,000. This is the amount recommended by the Strategic Economic Development Plan and the committee. This will include salary as well as office start-up and materials.

Parks and Recreation. The Parks and Recreation Department budget total \$1,108,607 and represents a status quo budget. They are proposing a new major spring festival next fiscal year.

There is no change in the Depot budget.

Debt Service. We are recommending adding the fire truck into debt service. Originally we had it in the CIP but the CIP is subject to annual appropriations and the fire truck is a debt the Town is committed to paying for over a ten-year period. This amounts to \$62,420.

The contribution from General Fund balance is \$236,554.

Tourism Fund – total revenue expected with the Tourism Fund is \$1,132,717. Expenditures total the same amount.

In conclusion, this budget took a lot of hard work from staff. We look forward to the budget review process and remain at your service to provide any additional information that you may need.

Sincerely,

Hazen Blodgett,
Town Manager

