
Introduction & Organizational Information

BUDGET MESSAGE

May 12, 2016

TO: Town of Montreat Mayor and Board of Commissioners
FR: Ron Nalley, Town Administrator

Submitted for your approval is the Town of Montreat Budget for the 2016-2017 fiscal year in the amount of \$ 2,265,800.00. The budget process that was conducted this year began with informal and formal discussions with Board Members, Agencies and Department Heads. From these discussions, recommended goals and objectives were developed, and funding priorities established.

Overview

The total recommended budget for fiscal year 2016-2017 is \$ 2,265,800.00. The tax rate necessary to fund this budget is 42 cents. The budget is balanced and is prepared in accordance with the Local Government Budget and Fiscal Control Act and in accordance with Local Government Commission guidelines. I believe that the data as presented is accurate in all material aspects and that it is in a manner designed to set forth fairly the financial position and results of the operations of the Town as measured by the financial activity of its various funds. I also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial affairs have been included.

This report is divided into six sections: the Introduction, Policy Document, Financial Plan, Operations Guide, Capital Improvements and Glossary. The Introductory Section contains the Budget Message and information about the Town's organization and principal officials. The Policy Document Section will give a coherent statement of the organization-wide financial and programmatic policies and goals that address long-term concerns and issues. The Financial Plan Section describes all the funds that are subject to appropriation as well as a summary of revenue sources and expenditures. The Operations Guide Section describes the activities, services and functions carried out by each department of the Town.

This next year, several events will have a significant impact on the shaping of this budget. Those events include the current state of our national and state economy, the funding of capital projects as identified in the Capital Improvements Plan, State mandated changes to the Powell Bill Fund, fuel and utility increases and employee benefit costs. Features in this budget take into account the effects of each of these events and the impact it will have on service delivery and costs. Every effort has been made to balance the need for service delivery with a fiscally conservative approach to revenue and expenditure estimates.

In government, much more than in business, the budget is an integral part of a Town's accounting system and daily operations. An annual or project budget ordinance, as amended by the governing body, creates a legal limit on spending authorizations. In accordance

with North Carolina State Law, the Town's budget is prepared on the modified accrual basis, and its accounting records also are maintained on that basis. Under modified accrual accounting, revenues are recorded when they are measurable and available. Expenditures are recorded when a liability is incurred, except for interest on a long-term debt and accrued vacation benefits. The Town of Montreat has the following types of Governmental Funds:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are Ad Valorem taxes and State-Shared revenues. The primary expenditures are for public safety, streets and sanitation, parks and recreation, and general government services. General Fund revenues budgeted for fiscal year 2016-2017 totals \$ 1,929,300.00. This is a decrease of approximately 25.4% or \$ 657,450.00 budgeted last fiscal year.

To ensure the Town's fiscal stability, it is necessary to maintain a healthy operating fund balance. Because of the need for emergency funds, the fund balance allows the Town to maintain adequate cash flow levels, provides steady investment income, helps absorb revenue shortfalls, and occasionally aids in making recurring purchases. Each year during annual budget preparation, the Board of Commissioners will reevaluate the fund balance level needed for the upcoming year. The Commissioners will take into account the needs of the community, as well as the fiscal strength of the governmental unit, in making its decision on setting an appropriate fund balance level. The Town, as established by local policy, will retain a fund balance level of at least thirty-five (35%) percent, which exceeds the level of eight (8%) percent recommended by the North Carolina Local Government Commission. With a Town as small as Montreat, it is important for the Town to maintain a strong fund balance.

Powell Bill Fund – Until recently, the Powell Bill Fund was the fund used to account for the North Carolina gasoline tax. In November 2015, the State repealed the statutory formula linking Powell Bill funds to the gas tax and instead made the allocations subject to yearly state budget appropriations. Another change directs municipalities to use its Powell Bill funds “primarily for the resurfacing of streets within the corporate limits.” As a result, expenditures commonly found in the Powell Bill Fund have now been moved to the Street Department within the General Fund. The monetary impact this change has had to Montreat's budget is approximately \$20,000, resulting in the request of a one cent property tax increase. The Powell Bill funds are expected to remain steady at \$ 40,000.00.

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town of Montreat has one enterprise fund: the Water Fund.

Water Fund - Operating revenues for the Water Fund are budgeted for \$ 336,500.00. This amount represents a \$ 9,500.00 or a 2.9 percent increase in revenues budgeted from the last fiscal year. The proposed budget increase the existing rate of \$4.83 per 1,000 gallons to \$4.95 per 1,000 gallons or by 2.5%. Water access fees are also proposed to increase by 2.5%. Water Sales (\$308,500.00) accounts for almost ninety-two percent (92%) of water fund revenue. This fiscal year we have budgeted \$97,600.00 for debt service payments. The Water Fund will also reimburse the General Fund \$86,800.00 for shared expenses.

Conclusion

I feel that this recommendation is a responsible budget with priorities receiving funding based on your input and direction. The budget fulfills obligations that either this Board has made or legal obligations imposed by other levels of government.

The 2016-2017 recommended budget is hereby respectfully submitted for your review and consideration.

Ronald W. Nalley
Town Administrator

EXECUTIVE BUDGET SUMMARY SECTION

Revenues

- ❑ **Ad Valorem Property Tax:** Following the direction of the Montreat Board of Commissioners, the General Fund budget is based on a property tax rate of 42 cents per one-hundred dollar (\$100.00) valuation. The estimate is recommended to increase from \$952,000.00 to \$976,600 or an increase of \$24,600.00 or just under two and a half percent. A collection rate of 99.75% is utilized and this percentage may not exceed the 99.75% collection rate that was realized last year. Total property taxes of \$ 976,600 represent 51% of the general fund budget. I am confident that we will achieve the 99.75% collection rate but want to strongly point out that it leaves little room for error or flexibility.
- ❑ **Local Government Sales Tax:** The Local Government Sales Tax represents 21% of the Town's general fund budget. The estimate of \$ 400,000.00 is a 16% increase over the estimate used in the current year budget ordinance. Staff feels that strong sales on the local, state and national level, along with higher distributions and existing receipts make this figure realistic.
- ❑ **Utilities Franchise Tax:** The Utilities Franchise Tax revenue represents 5.4% of the general fund budget. The estimate of \$ 100,000.00 is an increase over the estimate used in the current year budget. This estimate also includes the revenue derived from the Telecommunications Sales Tax. I believe this estimate to be reasonable due to the current receipts and the revenue estimates provided by the N.C. League of Municipalities.
- ❑ **Fund Balance:** The 2016-2017 budget will require a \$ 122,800.00 appropriation from Montreat's fund balance. This appropriation is made in order to fund Capital Projects including the Texas Road Bridge Replacement Project and the Town Hall Project.
- ❑ **State Shared Revenues:** Legislation passed in the 1993 General Assembly restored the growth in the State collected revenues beginning in 1998. In 1995, the General Assembly repealed the intangible tax and replaced it with a reimbursement without growth. Hence, for 2016-2017 there will be only two returning statewide revenues whose estimates depend on economic forces: the beer and wine and utilities franchise taxes. The Beer and Wine Tax totals \$ 3,000.00. In exchange for the authority to levy a third one-half cent local option sales tax, the 2002 session of the General assembly repealed the remaining state reimbursements including the inventory tax, intangibles tax, sales tax on food stamp purchases, and the homestead exemption. Each year, budget decisions in Raleigh should be closely monitored and amendments made to the operating budget to reflect changes made at the State level.

Expenses

The following is a summary of the budget request of each department. For a more detailed review, please refer to each department in the Operational Guide Section of this document.

☐ Personnel:

- **Compensation** - The 2016-2017 budget recommends an across the board cost of living adjustment of two percent (2.0%) for all employees except the Town Administrator. In addition, a 5% match for 401K contributions continues for all employees. Other benefits, including health and dental insurance have a significant impact on the budget.
- **Staffing** – No new full-time or part-time staffing positions are being recommended in this year's budget.
- **Retirement** - The North Carolina Retirement System Division increased the amounts local governments are required to pay into the system on behalf of its employees. Rates increased for general employees and law enforcement personnel to 7.25% and 8.00% respectfully.

☐ Governing Board:

2015-2016 – \$104,700 2016-2017 – \$85,500 Percent Change: (18.3%)

- Under professional services, \$40,000 has been budgeted for legal services and \$19,000 has been budgeted for audit services.
- Under advertising, \$5,000 has been allocated for Communication Services.
- \$13,500 has been budgeted for Salary Contingency.

☐ Administration Department:

2015-2016 - \$282,800 2016-2017 - \$296,000 Percent Change: 4.7%

- Allocates funding for the tax collection fee of \$21,000 charged by Buncombe County.

☐ Public Buildings:

2015-2016 – \$139,950 2016-2017 - \$140,300 Percent Change: 00.3%

- Utilities (\$3,000), insurance (\$37,000) and maintenance and repair to buildings and equipment (\$8,900) for the Town Services Building are budgeted in this department.
- Funding in the amount of \$100,000 for the new Town Hall project is budgeted under Capital Outlay.

☐ Police Department:

2015-2016 - \$365,500 2016-2017 - \$375,000 Percent Change: 2.6%

- Funds have been allocated for dispatching services with the Town of Black Mountain for \$19,200.
- Increases spending in Medical Certifications and Uniforms in order to bolster the Reserve Officer Program. Increases spending in Department Supplies for the purchase of a patrol locker system to secure evidence.

☐ Planning and Zoning Department:

2015-2016 - \$82,200 2016-2017 - \$85,400 Percent Change: 3.9%

- Allocated in this department are funds for the Building Inspector/Code Administrator and funding for the code inspection services.

☐ Public Works Department:

2015-2016 - \$86,100 2016-2017 - \$81,600 Percent Change: (5.2%)

- Allocated in this department are funds for the Public Works Director.
- Allocates funding for a tree replacement program and the newly established Tree Board (\$1,500).
- Supervisor Training is budgeted for \$1,000.

☐ Street Department:

2015-2016 - \$1,327,400 2016-2017 - \$ 732,100 Percent Change: (44.8%)

- Street Lighting is budgeted in the amount of \$23,500.
- Tree removal services (\$12,000) and contract labor for road maintenance (\$2,000) have been budgeted in contract services.
- The paving project for Mecklenburg Circle and a portion of Louisiana Road in the amount of \$310,000 (\$270,000 from Capital Outlay and \$40,000 from Powell Bill), and the replacement of Texas Road Bridge (\$200,000) are budgeted in capital outlay.
- Debt Services payments (\$29,400) have been budgeted for the Upper Kentucky Street Assessment Project and the replacement of the 1996 Street Truck.

❑ Powell Bill:

2015-2016 - \$56,000 2016-2017 - \$0 Percent Change: (100%)

- Due to State mandated changes, Powell Bill expenditures have been moved to the Street Department budget.
- While moved to the Street Department, \$40,000 of paving costs are allocated towards the Mecklenburg Circle repaving project.

❑ Sanitation Department:

2015-2016 - \$113,600 2016-2017 - \$115,400 Percent Change: 1.6%

- Provides funding for in-house sanitation services including garbage collection and disposal, recycling, yard waste pick-up and white goods disposal.
- Provides funding for the purchase of a sanitation truck in Capital Outlay for \$16,000. The total cost of the truck is \$75,000, but is proposed to be financed over five years at three percent (3%)

❑ Environment, Conservation and Recreation Department:

2015-2016 - \$28,500 2016-2017 - \$18,000 Percent Change: (36.8%)

- Funding is provided for the Landcare Committee in the amount of \$3,000 and the Hemlock Initiative Grant through Landcare for \$10,000.
- Funding is provided for replenishing of the Open Space Conservation Fund.

❑ Appropriated Fund Balance:

2015-2016 - \$269,650 2016-2017 - \$122,800 Percent Change: (54.5%)

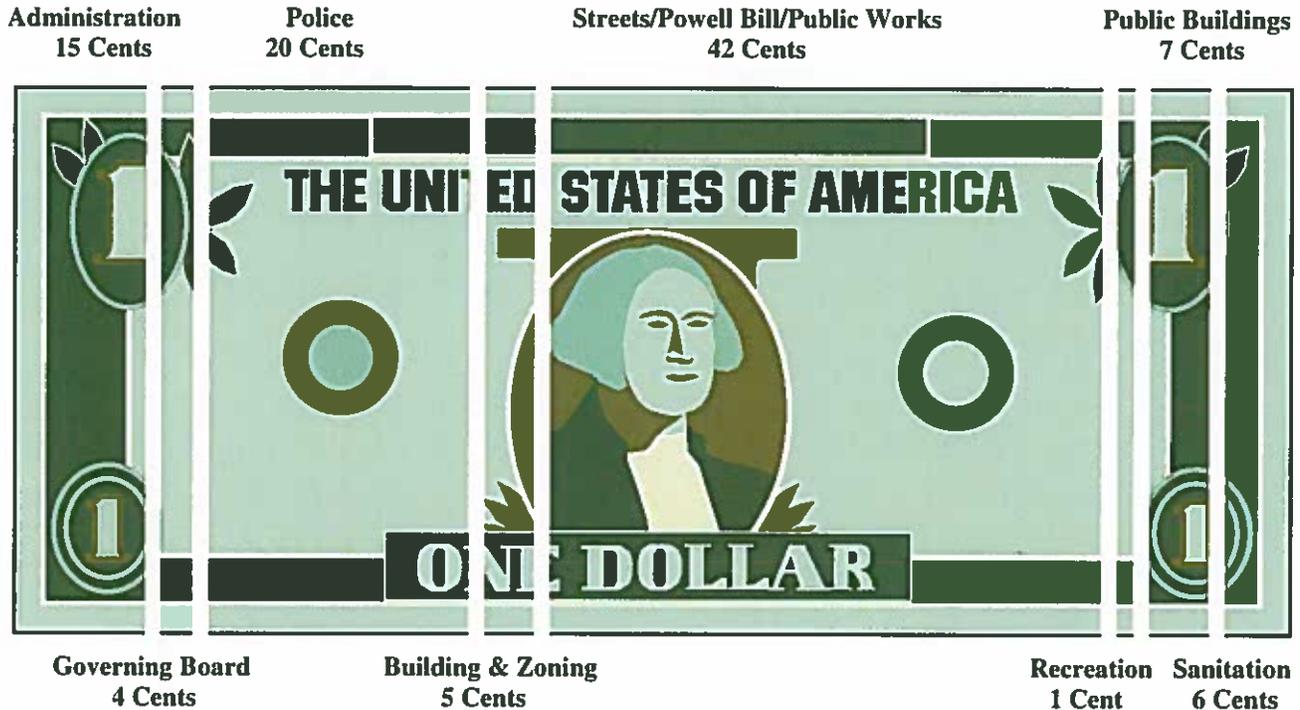
- Proposed budget will require a General fund balance appropriation of \$122,800.

❑ Water Fund

2015-2016 - \$327,000 2016-2017 - \$336,500 Percent Change: 2.9%

- Debt Service is budgeted for the water system in the amount of \$97,600 for the Water Bond Payment (\$35,300), the ARRA Debt Service Payment (\$29,500), the Backhoe Debt Payment (\$16,000), and the Upper Kentucky Road Assessment Project Debt Payment (\$16,800).
- Under Capital Outlay, the water line replacement project on Mecklenburg Circle and Georgia Terrace is budgeted for \$52,000 and the portable generator project for \$5,000.
- The Water Fund will also reimburse the General Fund \$86,800.00 for shared expenses.

What Do You Get for Your Montreat Tax Dollar?



**In Montreat our tax rate is \$0.42 per \$100 of property valuation;
A \$300,000 home generates \$1,260 in annual property taxes;
This comes to \$105 per month for Town of Montreat taxes.**

What could you purchase for \$105 a month?

One of These...

- One month of premium cable service
- Three hardback books
- Two months at a gym
- Six compact discs
- Dinner for five
- Two video games
- Movie and snacks for four

All of These...

- 24 Hour Police Protection
- Planning and Zoning Service
- Curbside Garbage Collection
- Curbside Recycling Services
- Leaf and Brush Collection
- Paved and Maintained Streets
- Snow and Ice Removal
- Street Lighting
- Right-of-Way Mowing
- Parks and Recreation

FUND BALANCE SUMMARY

The Town will retain a Fund Balance of at least 35% of Expenditures.

<u>Year</u>	<u>Fund Balance</u>	<u>Expenditures</u>	<u>Percent</u>
1995	74,170	540,064	13.7%
1996	75,706	577,651	13.1%
1997	83,509	556,097	15.0%
1998	189,491	524,035	36.1%
1999	273,151	650,865	41.9%
2000	323,872	650,596	49.8%
2001	350,268	803,419	43.6%
2002	735,542	841,635	87.4%
2003	777,083	781,584	99.4%
2004	902,669	799,023	113%
2005	1,091,669	1,078,238	101%
2006	1,264,825	1,122,446	113%
2007	1,460,352	1,522,214	96%
2008	1,575,053	1,282,149	123%
2009	1,800,009	1,688,655	106%
2010	1,833,002	1,472,969	124%
2011	1,810,945	1,457,722	124%
2012	1,598,957	1,677,906	95.3%
2013	1,446,593	1,643,071	88%
2014	1,407,549	1,778,171	79%
2015	1,457,016	1,542,983	94%

MONTREAT TAX RATE 1995 -2016

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1995	.40	2006	.37
1996	.40	2007	.37
1997	.45	2008	.37
1998	.45	2009	.37
1999	.45	2010	.37
2000	.40	2011	.37
2001	.40	2012	.37
2002	.45	2013	.41
2003	.31	2014	.41
2004	.35	2015	.41
2005	.37	2016 Proposed	.42

2016 - 2017 BUDGET AND CIP PREPARATION CALENDAR

<u>DATE</u>	<u>EVENT</u>
December 11, 2015	Capital Improvement Program (CIP) instructions distributed to Departments.
January 4, 2016	Departments submit CIP requests to Town Administrator. CIP revenue projections posted to worksheets.
January 14	CIP Public Presentation
February 1 – February 29	Actual revenues and expenditures of preceding year posted to budget worksheets.
February 5	Town Administrator/Budget Officer reviews adjusted CIP requests, compares with projected revenue and makes final adjustments.
February 11	Proposed CIP submitted to Board of Commissioners and filed with the Clerk to the Board for public inspection. Board of Commissioners call for Public Hearing on proposed CIP.
February 11 – March 9	CIP review by Board of Commissioners with special meetings as needed.
March 1 – March 4	Actual revenues and expenditures for current year through February 29 posted to budget worksheets. Finance Officer estimates personnel and insurance costs for entry into departmental budget requests. Finance Officer completes preliminary revenue estimates.
March 10	Public Hearing on the proposed CIP. Draft CIP available for adoption by Board of Commissioners.
March 14	Budget instructions given to Departments.

2016 - 2017 BUDGET AND CIP PREPARATION CALENDAR

<u>DATE</u>	<u>EVENT</u>
April 8	Departments submit requests and objectives to Town Administrator/Budget Officer. Finance Officer prepares final revenue estimates.
April 11 – April 15	Budget discussions with department heads and administration. Departmental requests adjusted based on Town Administrator/Budget Officer review.
April 18 – April 22	Town Administrator/Budget Officer reviews adjusted expenditure requests, compares with projected revenue and makes final adjustments.
April 25 – May 6	Town Administrator/Budget Officer completes the balancing of budget and prepares Budget Message.
May 12	Proposed budget submitted to Board of Commissioners and filed with the Clerk to the Board for public inspection. Board of Commissioners call for Public Hearing on proposed budget. Publish public notice of the submission of the budget to the Board of Commissioners.
May 12 – June 9	Budget review by Board of Commissioners with special meetings as needed.
May 25	Publish public notice of budget hearing.
June 9	Public Budget Hearing of the proposed budget. Draft Budget Ordinance available for adoption.
June 9 – June 23	Additional time available for special meetings, as needed, by the Commissioners to continue deliberation.
June 23	Board of Commissioners adopt final budget.
July 21	Finance Officer prints, collates, binds and distributes budget books to Board of Commissioners.

MONTREAT HISTORY AND DESCRIPTION

In 1897, John Collins, a Congregational minister from New Haven, Connecticut, along with several other Christian and lay leaders of different denominations incorporated the Mountain Retreat Association (MRA). The purpose of the MRA was to “establish and maintain a municipality containing Assembly grounds for the encouragement of Christian work and living (*excerpt from original charter of MRA*).” In June 1897 the present day site was purchased and the name was shortened to “Montreat.”

During the early years of Montreat, participants, housed mostly in tents, held Christian assemblies. The MRA sold lots to individuals and during the first ten years of Montreat’s existence, the old hotel and around fifty homes were built. In 1906, individual Presbyterians mostly from the South obtained the cove for use as assembly grounds for the Presbyterian Church and subsequently controlled the development of Montreat.

Much of modern-day Montreat was created under the direction of Dr. Robert C. Anderson. Many of the buildings were constructed of local stone including the auditorium, originally built in 1922 and re-built in 1940 after a fire, the Assembly Inn and Howerton Hall. The original wooden dam collapsed in the flood of 1916, and the present dam was constructed in 1924. The funds for the construction of the present day dam were donated by Susan (Mrs. C.E.) Graham and her son, Allen Graham; hence the name Lake Susan.

The Montreat Normal School, a four-year preparatory and two-year college combination, opened its first session in October 1916 with eight students. In 1934, during Dr. Robert C. Anderson’s tenure as president, Montreat Normal School (College Department) was renamed Montreat College. The college grew as its academic program expanded. It began a four-year degree program in 1945. After 14 years as a four-year women’s college, the college was restructured in 1959 as a coeducational junior college and was given a new name, Montreat-Anderson College.

In 1986, the College Board of Trustees, realizing the demands and changing circumstances in higher education, made the decision to become again a baccalaureate institution. It returned to the original name of Montreat College in August of 1995, sharing the original vision and identity. The change reflects the Montreat College of today, a four-year college with several growing campuses and a graduate program.

The Town of Montreat was incorporated in 1967 and operates under a mayor-council form of government. The Town is responsible for providing municipal services including police protection, water, street maintenance, sanitation, building inspections and zoning enforcement. The Town accommodates 35,000 visitors each year, with an estimated 17,000 of those visitors during just ten weeks of the year.

MONTREAT COMMUNITY PROFILE

Community Description

The Town of Montreat, with a population of 730, comprises an area of approximately 6 square miles in Western North Carolina. The Town is best known as a national conference center for the Presbyterian Church (USA), which is managed by the Mountain Retreat Association, and for Montreat College, a small Presbyterian liberal arts institution. The Town accommodates 35,000 visitors each year, with an estimated 17,000 of those visitors during just ten weeks of the year. The Town is surrounded by lush mountains and recreational opportunities abound. Montreat's natural and architectural beauty, moderate climate, and the area's strong job market and outstanding educational and health care facilities make it one of the most attractive locations in the United States. The Western North Carolina area is consistently ranked high among the best places to live, work and retire.

Form of City Government

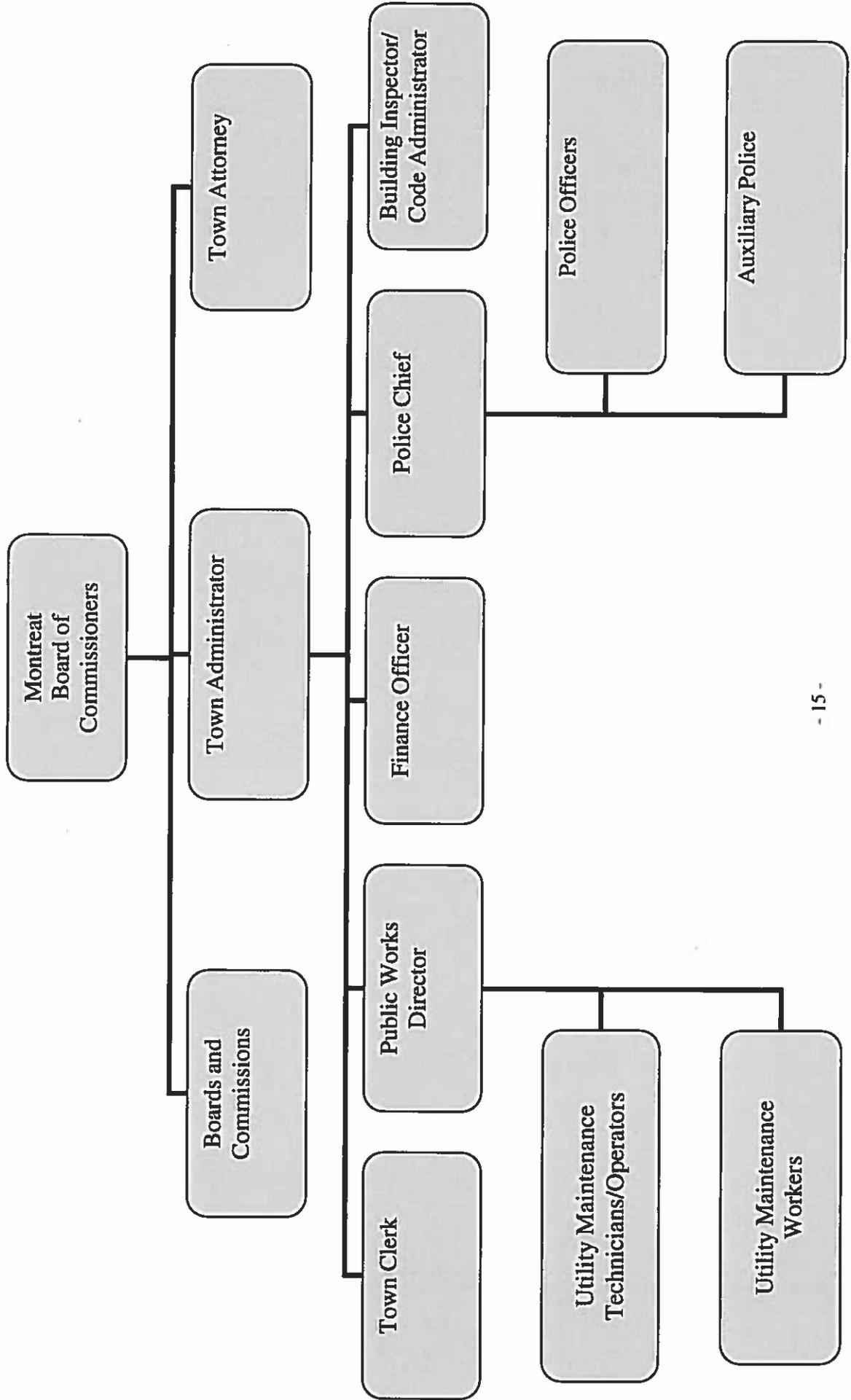
The Town of Montreat, which was incorporated in 1967, operates under a Mayor/Council form of government. The five-member Board of Commissioners and the Mayor are elected at-large for staggered terms of four years. The Town Council, which acts as the Town's legislative and policy-making body, selects the Town Administrator, who is the Town's chief administrator and is responsible for implementing the policies and programs adopted by the Board of Commissioners. The Town's 14-person workforce provides basic Town services including police protection, building inspections, planning and zoning, public works (streets, solid waste and stormwater services), and water. The Town contracts with other agencies to provide fire protection and sewer service.

Demographic Information

(Source: U.S. Census Bureau, Census 2010; Geographic Area: Town of Montreat)

Population		Population Growth 2000-2010	
Montreat	723	Montreat	14.8%
Buncombe County	238,318	Buncombe County	15.5%
Male	47.2%	Average Household Size	2.00
Female	52.8%	Average Family Size	2.63
Ages 15-24	48.1%	Total Housing Units	572
Ages 62 and over	25.6%	Median Value of Home	\$218,900
Median Household Income	\$45,905	Seasonal Housing Units	374
Median Family Income	\$60,625	Owner Occupied Units	71.4%

ORGANIZATIONAL CHART



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