

**Mayor**  
Archie Jennings

**City Manager**  
Joshua L. Kay



**Washington City Council**  
Richard Brooks  
Doug Mercer  
Edward Moultrie  
William Pitt  
Bobby Roberson

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**April 8, 2013**

**RE: FY 2012/2013 Budget Message**

**Honorable Mayor and Members of City Council:**

I am pleased to present the City of Washington's 2013-2014 fiscal year budget. The FY 13/14 General Fund budget is a 2% increase over the original FY 12/13 budget while the combined Utilities budgets are a 1.8% increase over the original FY 12/13 budget. While both collective budgets have slight increases, staff believes that these budgets will accomplish many of the goals and objectives that you, as City Council, have outlined for the staff and the organization. The following message will attempt to provide a high level recap of the budget and will hopefully provide our citizens and customers with an understanding of where our revenue is derived and how we, as an organization, plan on expended their dollars for services and programs for their use and enjoyment.

The City's fiscal year begins on July 1<sup>st</sup> and runs to June 30<sup>th</sup>. The City of Washington's budget is divided into many separate funds in order to best account for revenue collected and services provided. The following is a list of the funds accounted for in this budget:

- **General Fund** – This fund is the “typical” governmental fund, where all taxes and some user fees and intergovernmental transfers are used to provide basic governmental services, such as police, fire, finance, planning, zoning, inspections, parks and recreation, library, street maintenance, and administration of all City services.
- **Enterprise Funds** – These funds are separate “self-sustaining” funds, commonly including all utility services and other functions where taxes are not generally used in its operations. Washington's enterprise funds include:
  - Water Fund
  - Sewer Fund
  - Electric Fund
  - Storm Water Management Fund
  - Airport Fund
  - Solid Waste Fund
  - Cemetery Fund
- **Trust Funds** – These funds are primarily received from interest proceeds from investments maintained by the City for specific purposes, such as Library and Cemetery operations.
- **Special Revenue Funds** – These funds are typically restricted in purpose and designation by City Council, and include such funds as capital reserve funds and a façade grant fund.

- Grant Funds – Grant funds are restricted in their use and are ongoing projects funded by grants from outside agencies and are usually for short-term operating expenditures for programs.
- Capital Project Funds – These funds are similar to grant funds in that they are restricted for specific uses; however, they are usually geared toward capital improvements rather than operations.
- Internal Service Funds – These funds are utilized by the City in managing across the organizational services, such as the City’s self-insured worker’s compensation program.

The remaining portion of this budget message will attempt to convey major components of revenues and expenditures within the General Fund and the three largest Enterprise Funds (Electric, Water, and Sewer Funds).

### **General Fund**

The proposed General Fund is **\$14,796,230** and is balanced.

### **Revenue**

General Fund revenues were estimated very conservatively, assuming similar economic conditions that faced in the past two to three years. Estimates for property taxes (\$4,286,324) are expected to be higher than the previous year to do changes in the collections mechanisms recently implemented by the State of North Carolina. Due to this change in collections of vehicle taxes, we are anticipating a greater collection rate and thus higher revenue. While sales taxes are projected to be higher than last year’s budgeted numbers, the budgeted figure is actually lower than year-end projections - \$2,042,063 budgeted versus \$2,105,672 in year-end projections.

A significant change in the Privilege License rates has resulted in a net increase of \$280,374 from last year’s budgeted revenue. The changes move to a tiered system based on gross sales and also increases the maximum a business may pay from \$1,500 to \$20,000; however, over 95% of all businesses in the City will either see no change in their rate or will actually see a decrease in their privilege license rate.

The 13/14 Budget does request \$186,200 in Fund Balance appropriation; however, these funds are being withdrawn from restricted accounts for designated purposes and therefore will not be used for general operations

Accomplishing one of the goals of City Council, this budget significantly reduces the reliance on short-term financing in the General Fund – estimating \$409,000 in installment financing, compared to \$771,368 originally budgeted in FY 12/13.

Finally, reducing and ultimately eliminating the transfer of funds from the Utility Funds to the General Fund is another significant goal of City Council. The FY 13/14 Budget moves toward this ultimate goal in a considerable way; however, some of the reduction in transfers has been offset by Administrative Charges from Utility Funds. In all, a net reduction of \$157,749 is realized in the 13/14 Budget. A more in-depth break-down by fund is provided below:

	Admin Charges to General Fund - 12/13	Admin Charges to General Fund - 13/14	Difference
Water Fund	\$280,087	\$374,824	\$94,737
Sewer Fund	\$281,121	\$386,358	\$105,237
Electric Fund	\$1,202,245	\$1,207,781	\$5,536
Airport Fund	\$20,556	\$12,637	(\$7,919)
Solid Waste	\$179,046	\$201,103	\$22,057
Cemetery Fund	\$21,208	\$19,932	(\$1,276)
<b>TOTAL</b>	<b>\$1,984,263</b>	<b>\$2,202,635</b>	<b>\$218,372</b>

	Transfer to General Fund - 12/13	Transfer to General Fund - 13/14	Difference
Water Fund	\$71,963	\$71,963	\$0
Sewer Fund	\$40,532	\$40,532	\$0
Electric Fund	\$846,121	\$470,000	(\$376,121)
<b>TOTAL</b>	<b>\$958,616</b>	<b>\$582,495</b>	<b>(\$376,121)</b>

Outside Agencies

The 13/14 Budget includes appropriations to eleven agencies for a total amount of \$75,295. Below lists their requests with the appropriations budgeted:

Organization	12/13 Budget	Requested	13/14 Budget
Arts Council & Concerts	\$16,000	\$24,000	\$16,000
Boys & Girls Club	\$16,000	\$24,300	\$16,000
Zion Shelter	\$6,000	\$15,000	\$8,500
Blind Center	\$1,000	\$2,500	\$1,250
Eagle's Wings	\$1,000	\$0	\$0
Purpose of God	\$24,000	\$50,000	\$18,000
Kiwanis (Christmas Parade)	\$1,500	\$2,800	\$1,500
Washington Community Care	\$250	\$0	\$0
Wright Flight	\$3,500	\$5,000	\$3,500
American Red Cross	\$0	\$5,000	\$500
Veteran's Park	\$0	\$5,000	\$0
Human Relations Council	\$1,000	\$1,500	\$1,000
Domestic Violence Shelters	\$0	\$2,000	\$2,000
Wildlife Guild	\$7,045	\$7,415	\$7,045

<b>TOTAL</b>	<b>\$77,295</b>	<b>\$144,515</b>	<b>\$75,295</b>
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Capital

The proposed General Fund budget does include a significant amount of capital purchases proposed (\$740,800). In order for staff to balance the budget while simultaneously including capital items requested and needed by the various departments, it is proposed to finance approximately \$409,000 of the capital purchases through 59-month installment purchase program. Additionally, the proposed budget only includes three months of carrying costs; therefore, staff will not present installment purchase financing bids until the second half of the fiscal year. Major capital items contained in the General Fund budget include:

<b>Project</b>	<b>Total Project Amount</b>	<b>FY 13/14 Amount Financed</b>
Warehouse portion of paving parking lot	\$25,000	\$0
Virtualization Migration	\$30,000	\$0
PEG Channel Equipment	\$75,000	\$0
Replace 2 Police Vehicles	\$66,000	\$0
Replacement of 1 Fire Support Vehicle	\$25,000	\$0
Replacement of Inspections Vehicle	\$20,000	\$0
Way-Finding Project	\$65,000	\$65,000
Streetscape Design Services	\$20,000	\$20,000
Air Compressor for Street Maintenance	\$25,000	\$0
Library Lighting upgrade	\$24,600	\$0
Peterson Building Roof Replacement/Repair	\$60,000	\$60,000
Replace HVAC Unit #4 at Peterson Building	\$10,000	\$10,000
Replace ramp and entrance to Senior Center	\$40,000	\$40,000
Phase 1 of dectron unit replacement	\$16,200	\$0
Boardwalk Replacement	\$25,000	\$0
Soccer Field lighting	\$150,000	\$150,000
Todd Maxwell Restroom replacement	\$64,000	\$64,000
<b>TOTAL</b>	<b>\$740,800</b>	<b>\$409,000</b>

Contingency

The proposed General Fund budget includes a contingency of \$36,807.

**Major Utility Funds: Water Fund**

Water Fund revenue is projected to be \$4,441,525 for FY 2013/2014 – which includes the following major changes from the previous fiscal year:

- \$30,000 increase in sales and services from the 2012/2013 budget due to anticipated increases in sales and is not rate related;
- \$640,550 in EDA Grant Funds;
- \$100,000 in Transfer from Water Reserves; and
- \$655,738 in Fund Balance Appropriations

Water Fund expenditures are well above previous year's budget; however, the changes are reflective of the anticipated EDA funding for major construction projects. Major changes in expenditures of the Water Fund include:

- \$100,000 to continue AMR (automated meter reading) installation on commercial water customers – all residential customers will be complete by 2013;
- Repainting of inside of water treatment plant - \$95,300
- EDA-funded projects:
  - Liquid chemical feed conversion - \$606,100
  - Construct 16" parallel water line - \$675,000
- Other major capital purchases:
  - Replacement of vehicle #414 - \$60,000
  - Engineering & construction of 6" line on Summit Avenue - \$179,000

#### **Major Utility Funds: Sewer Fund**

Sewer Fund revenue is projected to be \$4,859,886 for FY 2013/2014 – which includes the following:

- \$30,000 increase in sales and services from the 2012/2013 budget, due to increased sales and is not rate related;
- \$837,000 in EDA Grant Funding;
- \$120,000 in Transfer from Sewer Reserve; and
- \$802,338 in Fund Balance Appropriation

Expenditures in the Sewer Fund above the 2012/2013 budget due primarily to the anticipated EDA grant funded projects. Highlights of expenditures in this fund include:

- EDA-funded project:
  - Generator and ATS for train #2 - \$742,000
  - Generator for Cherry Run pump station - \$160,000
  - Rebuild Water & Bonner pump station - \$772,000
- Other major capital purchases of:
  - Replacement of sludge pump #2 - \$21,000
  - Generator, platform, & ATS for Fountain pump station - \$90,000

#### **Major Utility Funds: Electric Fund**

Electric Fund revenue is projected to be \$36,296,274, a \$1,580,099 (4%) reduction from the FY 2012-2013 budget. Revenue for the FY 2013-2014 Budget includes the following:

- A decrease of \$2,260,667 in Sale of Electricity which is primarily driven by a projected mild winter and summer;
- \$851,000 in installment note proceeds; and
- \$337,596 in fund balance appropriated.

Expenditures within the Electric Fund are below the approved 2012/2013 Budget as well as the 2013 FY year-end projections. Major highlights of expenditures in the electric fund include:

- Transfer to General Fund of \$470,000 (a reduction of \$376,121 from the FY 2012-2013 Budget);

- Administrative Charges paid to General Fund of \$1,207,781 (an increase of \$5,536 from the 2012/2013 budget)
- Purchased power costs of \$28,160,620 – a decrease of \$944,580 or 3.25%
  - \$27,911,756 in power purchased from the NC Eastern Municipal Power Agency - \$988,244 reduction from previous year budget
  - \$248,789 in power purchased from the US Southeastern Power Administration
- Major capital purchases (through installment purchases) of:
  - Replacement meters and materials for new services - \$50,000
  - AMR mobile collector - \$20,000
  - Highland Drive to Slatestone 38kV recloser - \$30,000
  - Main substation Highland Drive 38kV breaker replacement - \$40,000
  - Replace truck #651 - \$25,000
  - 1000 Load management switches - \$70,000
  - 1/3<sup>rd</sup> of Warehouse/T&D lot paving - \$25,000
  - 2<sup>nd</sup>-5<sup>th</sup> rebuild engineering - \$100,000
  - High School feeder relocation - \$180,000
  - Grimesland Bridge feeder engineering - \$90,000
  - NC 32 feeder rebuild engineering - \$50,000
  - White Post to Slatestone 34.5kV feeder engineering - \$100,000
  - 2 bays to equipment shelter - \$42,000
  - ROW bushhog replacement - \$12,000
  - Trench trailer replacement - \$8,000

### **Personnel**

The 13/14 Budget calls for a range of changes in the City's employee benefits and have been accounted for in the budget. These costs include:

- Maximum merit performance increase of 2.5% of salary – eligible employees receive this salary increase based on their annual performance evaluation completed by their supervisor at their employment anniversary.
- Cost-of-Living Adjustment of 3% - all employees will receive this salary adjustment on July 1, 2013.
- Job Maturity of up to 2.5% for all employees below mid-point in their respective salary grade. Those employees receiving a merit increase are not eligible to receive the job maturity.
- Health Savings Account contribution of \$600 – all employees are eligible to receive this annual amount to be allocated to their HSA.
- Health Insurance rates increased by 8% and those employees with dependent coverage (Employee/Spouse, Employee/Children, and Employee/Family) will see increases in their health insurance rates by a like percentage.
- Retirement contributions by the City to the NC Retirement System increased by 0.33%.

### **Conclusion**

The proposed budget was a difficult task to manage given continued uncertainty in the local and regional economy and the continued increases in operating expenditures. I believe though, that the FY 2013-2014 Budget provides the Washington organization with a very realistic and

conservative operational plan that will provide a high level of services to our citizens and customers. I want to especially thank Matt Rauschenbach, Anita Radcliff, and the entire Finance team for their hard-work and dedication to this budget process. I also would be remised if I did not thank all of the department heads and their staffs for putting together their budget requests and for their time and energy in providing invaluable information and guidance in their operations. Also, thanks to the Mayor and City Council for their dedication in reading and reviewing the many proposals and participating in the budget workshops and hearings. Finally, to the citizens that participated in and throughout the process, thanks for your input and feedback.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. L. Kay', with a stylized flourish at the end.

Joshua L. Kay  
City Manager