



TOWN OF ST. JAMES

April 24, 2019

To Mayor Toner, members of the St. James Town Council and citizens of the Town of St. James, attached please find the proposed budget for the Town for the fiscal year beginning July 1, 2019.

The North Carolina General Statutes require that the Budget Officer submit a balanced budget along with a budget message. This document, combined with the attached budget is intended to comply with the statutes.

The statutes also require that the budget message convey to the Council and the public a concise explanation of the goals of the budget, important activities anticipated in the budget and explanations of any changes in the proposed budget from the preceding year. This message will summarize the financial condition of the Town, proposed revenues and expenditures and items of specific interest within each section.

FINANCIAL CONDITIONS: The Town of St. James remains very healthy financially. The most recent audit identifies several key points that support this assessment. The unassigned fund balance (funds available that can be spent without restriction) totals \$2,277,129. This represents 76% of the proposed 2019-20 budget. The budget includes a 1-cent increase to the tax rate for the specific purpose of establishing sufficient financial resources to respond to disasters such as a hurricane. The proposed budget for the next fiscal year does not require the use of fund balance to fully fund the budget. The budget is fully supported by projected revenues.

PROPOSED REVENUE SUMMARY: The revenue stream for the Town of St. James consists largely of shared tax revenues from the State, and local property taxes. The combination of these two categories comprises 96% of the total revenues for the Town. The shared tax revenues from the State is dominated by the local sales tax, which alone represents 46% of the total. The other shared taxes include utility franchise tax and video programming taxes. Property tax, which includes real estate and personal property (motor vehicle tax), provides 38% of the total revenues. Continued consistent housing construction has resulted in annual increases of property taxes to help avoid an increase in the tax rate. Brunswick County completed a countywide revaluation that also resulted in an overall increase of the total taxable value in St. James. The stable and large mix of revenues bodes well for the Town if the State does not make major changes in the revenue sharing formulas. As St. James continues to grow at a proportionately high rate, our share of local sales tax will continue to see growth.

PROPOSED EXPENDITURE SUMMARY: The expenditures for the Town for the proposed budget reflects some changes resulting from previous year decisions. The budget includes a full year funding of the second fire station. It also includes the creation of the storm response fund mentioned in the opening paragraphs of this document. Some one-time items from the previous year budgets include funding of the fit out of the Emergency Operations Center and the projector replacement at the Community Center. These include increases in street lighting, recycling and yard debris programs.

CAPITAL RESERVE FUNDS SUMMARY: The storm response fund is being placed in this category for ease of tracking. The proposed budget will result in an appropriation of ~\$375,000 into this fund. The goal is to reach between \$1.5 and \$2m. The budget ordinance for this year and subsequent years will specify that 1 cent of the tax rate is dedicated to this fund, and upon reaching the targeted goal, the 1 cent will be removed from the tax rate.

REVENUE DETAILS:

Real property tax revenue estimate: We have received a preliminary estimate of real property tax payments from the County tax assessor. North Carolina General Statutes stipulates that we are to use the previous year's collection rate applied to the estimate to arrive at the budget amount. The collection rate for fiscal year 2018 was 99.79%. This rate applied to the County estimate results in a tax estimate of \$1,080,000.

Sales Tax Estimate: Sales tax has continued to experience steady growth for the past three years and it is expected to do so in the coming year. The proposed budget anticipates that the current year will end with sales tax collections of \$ \$1,328,816.49. The anticipated growth results in a budget estimate of \$1,362,037. Sales tax revenues are based on the funds received from the months of September through August. The budget is developed using year to date figures, combined with current trends and historical data to project sales tax revenues beyond the time when the budget is adopted.

Other shared revenues: Similar to the sales tax, the other shared revenues from the State have also seen consistent growth each year. The proposed budget reflects the modest increases anticipated in these revenues.

Fees: Overall, the fees that are collected will remain flat.

Appropriation from Fund Balance: The fund balance represents the accumulation of excess funds over time that are available to be spent. The proposed budget does not utilize any of the fund balance.

EXPENIDTURE DETAILS

Governing Body: This Department has a proposed decrease of \$6,750.

Administration: This budget is experiencing an increase that is largely driven by staffing changes. The increase is \$39,610.

Debt Service: The total of interest and principal payments is fixed for the remainder of the term of the debt for annual payments of \$362,820. Each year the principal payment will increase and the interest will decrease by the same amount.

Facility Maintenance and Repair: This Department budget is relatively unchanged as the increase is \$250.

Town Hall operations: This cost center is up by \$2,124.

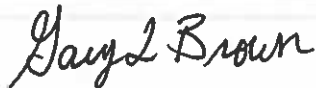
Community Center: The overall budget for this Department is reduced by \$151,610 due to the one-time cost in the current year budget to upgrade the projector and sound system. Otherwise, this budget would show an increase of ~\$5,000.

Public Safety: This Department also appears to have a significant reduction but that is due to the previous year's budgets included subsidies to the Fire Department to build the new fire station. The budget also now shows the operating cost of the two stations. The increase in this Department is ~43,000 without the Fire Department Capital project subsidy.

Environmental Protection: The increases in this Department budget are due to increases in the recycling fees and yard debris removal.

Capital Transfers: The proposed budget treats the appropriation for a storm response fund as a Capital Transfer. The budgeted amount for this account is \$374,000

Respectfully submitted,



Gary Brown
Town Manager/Budget Officer