

BOARD OF ALDERMEN

ITEM NO. E(2)

AGENDA ITEM ABSTRACT

MEETING DATE: June 25, 2002

TITLE: Adoption of FY 2002-03 Budget

DEPARTMENT: Management Services	PUBLIC HEARING: NO
ATTACHMENTS: A. Budget Ordinance B. Interim Budget Ordinance C. Resolution Adopting Pay Plan D. FY02-03 Pay Plan Document E. Resolution – Compensation for the Town Attorney F. Miscellaneous Fees and Charges Schedule G. Final Budget Worksheet H. Human Services Budgets I. Reimbursement Resolution for FY02-03 Capital Purchases J. Additions to Budget (State-Shared Revenues) K. League of Municipalities State-Shared Revenues Email	FOR INFORMATION CONTACT: L. Bingham Roenigk, 918-7300

PURPOSE

By state law, the Board must approve a balanced budget for the Carrboro community by July 1 of every year. The purpose of this agenda item is to present the FY2002-03 budget ordinance that incorporates the changes directed by the Board of Aldermen on June 11 and sets the budget for the upcoming fiscal year. The Adopted Budget also incorporates approval of several resolutions including adjustments to the town's pay plan and to various fees within the fee schedule; funding for Human Services agencies; adoption of a reimbursement resolution for financed equipment; and compensation for the Town Attorney.

INFORMATION

Budget Ordinance

The attached budget ordinance revises the Manager's budget recommendations for FY2002-03 based on Board direction provided at the June 11 budget worksession (see Attachment G – Final Budget Worksheet). The changes incorporate a tax rate of 69.68 cents or an increase of four (4) cents from the current tax rate of 65.68 cents per \$100 assessed valuation.

The budget ordinance also provides for a contingency policy whereby the Board commits itself to use contingency funds only for governmental operations (Section 6c). In addition, Section 4 of the ordinance notes that a transfer of \$40,000 shall be made from the Cemetery Fund to the General Fund in support of cemetery maintenance. All revenues from the sale of lots and other cemetery fees shall accrue to the General Fund.

Given the uncertainty around state-shared revenues, the Board discussed at the June 11 Board meeting the possibility of adopting an interim budget. The Board requested that staff develop an interim budget (Attachment B). An interim budget becomes necessary when a local government is unable to make reasonable estimates of revenues and spending for the budget year. Such a budget makes appropriations to

pay ongoing salaries and fringe benefits, debt service, operating expenses, and the other “usual ordinary expenses” to keep local services going after July 1, until the annual budget ordinance is adopted. It is assumed that the interim budget will be used for one month (July) and that the amounts listed represent appropriations for salaries and wages and the usual ordinary operating expenditures as required by G.S. 159-16. Departments have been directed to delay capital spending until the final budget is adopted and to limit operating expenditures to urgent needs. Except in extraordinary circumstances, use of an interim ordinance for much more than one month is not consistent with the intent of the statute to provide a short-term budgetary mechanism.

Revenues, on the other hand, are not required to be budgeted at this time. The tax rate will not have to be decided until the regular ordinance is adopted. Payment for expenditures shall come first from user fees, vehicle tag fees, other payments from the state or federal government (grants), transfers from the Cemetery Fund and Capital Reserve Fund, and from fund balance.

The Town, by law, has until July 31 to adopt a tax rate and thus a balanced budget. If an interim budget ordinance is adopted, the Board has scheduled a meeting on Tuesday, July 23 to adopt the FY02-03 budget. Orange County has informed staff that they need to know the town’s tax rate no later than July 24 in order to avoid disrupting the property tax billing cycle.

In light of recent information received by the League of Municipalities, the Board is not encouraged to adopt an interim budget. The Governor’s staff have told the League representatives that “if no revised budget has been enacted and signed by the Governor by the beginning of the fiscal year--and there won’t be one by the end of next week, since the Senate just passed their budget bill and sent it to the House yesterday--they will recommend to the Governor that he start withholding and escrowing money again, including our local reimbursements. The Executive Order he signed in February has no stated expiration date, but says instead that it continues until terminated by the Governor. It orders the State Controller to hold the local reimbursements, and also directs the Budget Director to make appropriate recommendations to the Governor about local tax revenues collected by the state, like our municipal utility franchise tax revenues.”

The proposed FY02-03 annual budget ordinance does not include state-shared revenues because if these revenues are withheld in the next fiscal year, the Town will have little ability to make cuts due to the impact of the Governors’ actions this year as well as our efforts to minimize costs in the proposed budget. It is unknown whether the General Assembly will have made any affirmative decisions to protect state-shared revenues or to replace them with an alternative source by July 23. Further, even if these decisions are made and if the General Assembly does not take appropriate actions to correct the state’s financial situation, the Governor may still attempt to withhold local government funds.

The Town has prepared a list of items (Attachment J) that could be added to the budget at a later date (via a budget amendment) should state-shared revenues become available. These items total \$254,942. Any funds in excess of these identified needs could revert to fund balance. If these revenues become available, staff will present this list of needs for the Board to consider.

Pay Plan

There are no salary adjustments to the town’s pay plan.

Fee Schedule

Three changes have made to the Miscellaneous Fees and Charges Schedule.

1. The Recreation and Parks Commission recommended changes to the Recreation and Parks fees. The out-of-county fee, as explained, will be determined when the final budget is adopted. However, the formula for obtaining it is explained
2. The town's recreation-in-lieu of fee is adjusted annually to reflect the change in the consumer price index reported for the month of January each year. For the period of January 2001-January 2002, the CPI increased by 1.3%. The fee is increased from \$157.96 per point to \$160.01 per point.
3. The Board approved increasing the fee for unsterilized dogs to \$20.

ADMINISTRATION'S RECOMMENDATION

The Board is requested to do the following:

1. **Adopt the attached FY02-03 Budget Ordinance**
2. **Adopt the FY02-03 Pay Plan Resolution,**
3. **Adopt the FY02-03 Miscellaneous Fees and Charges Schedule,**
4. **Adopt the FY02-03 Human Services Budgets,**
5. **Adopt the FY02-03 Reimbursement Resolution**
6. **Adopt the FY02-03 Resolution Approving Compensation for the Town Attorney**