ATTACHMENT A

MEMORANDUM

To: Mayor and Board of Aldermen

From: L. Bingham Roenigk, Assistant Town Manager

Date: May 12, 2003

Re: Fiscal Report – Period ending March 31, 2003

To assess current year fiscal trends, this report compares current year actual revenues and expenditures to budget with financial activity of the same time period of the previous fiscal year.

Overall expenditure and revenue patterns, as a percentage of the budget, show slightly different trends than previous years. Expenditures are at approximately 69% of the total budget, reflecting an upward trend over the past three years. Revenues collected are also higher than previous year histories at 78% of the total budget. The primary reason for the higher revenue figures at this time of year is that the Town continues to receive some unanticipated state-collected local revenues (utility franchise tax, natural piped gas tax, and state telecommunications sales tax).

General Fund

Revenues

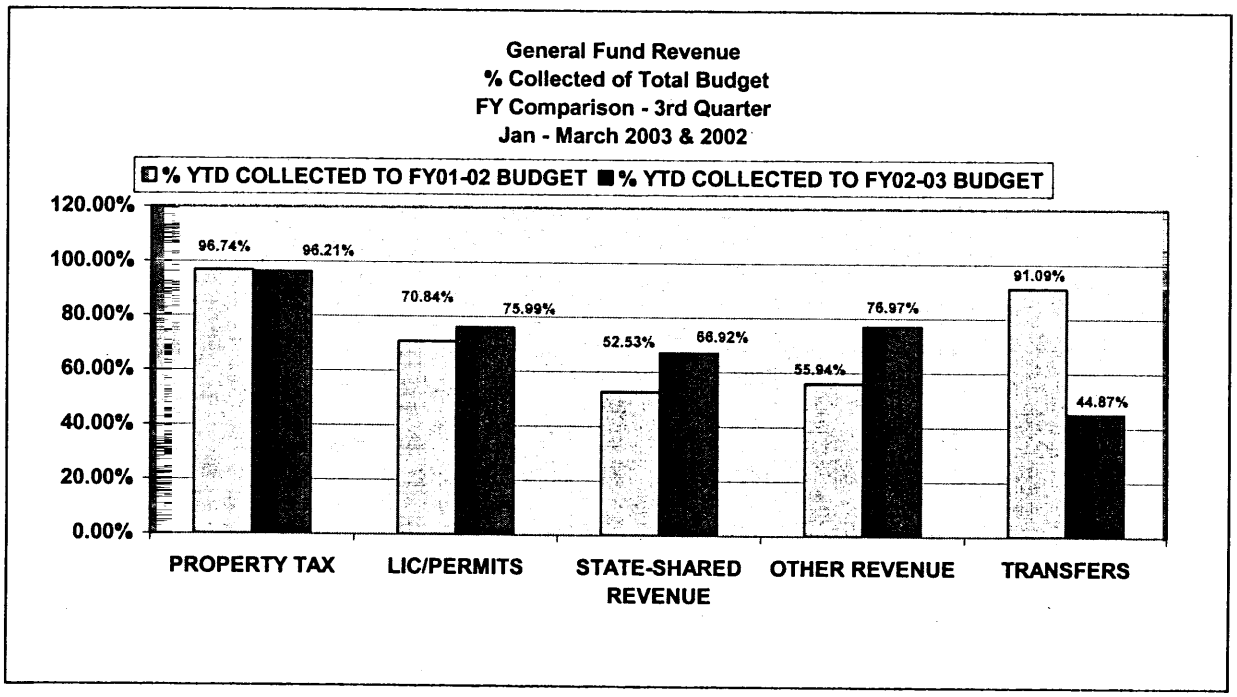
Revenues within the General Fund are appropriated by major categories – Property Tax, Licenses and Permits, Revenues From Other Agencies, Transfers and Fund Balance Appropriated. Expenditures are appropriated at departmental levels. While revenues are higher than historical trends, this is due totally to the prudent decision made by the Board to only budget state-collected local revenues that could be anticipated. With the town accruing these revenues, the impact of the economic recession as shown by slow sales tax revenue growth and low interest income earnings is not reflected. It appears that sales tax revenues will fall slightly below budgeted estimates as will interest income earnings.

Property taxes continue to show strong earnings comparable to previous year budgets with actual receipts at 96.2% of budgeted estimates. The Town anticipates collecting approximately $41,000 more than budgeted estimates. By comparison, previous year property tax revenues exceeded budgeted projections by $53,000.

State-shared revenues include several taxes enacted by the North Carolina General Assembly, collected by the State, and shared with local governments based on a variety of distribution formulas and timetables. Included within this category of revenue is: Powell Bill, sales taxes, utility franchise taxes, telecommunications sales tax, and natural piped gas revenue. Powell Bill revenues are slightly less than projected, showing earnings of $16,000 less than budgeted. State-shared revenues, as a whole, however, are significantly higher (14.4%) for this quarter as a percentage of the total budget than in the previous year due to the unexpected collection of franchise tax,

telecommunications tax, and natural piped gas tax as mentioned earlier. To date, this revenue totals $338,899 reflecting three quarterly payments.

The higher percentage collected in the current year for the Other Revenue category is primarily a result of more accurate budget projections. In the previous year, the Town had budgeted $23,400 in revenue for technician services at the Century Center events that did not transpire due to a change in contractual arrangements whereby patrons of the Center were required to contract directly with sound and lighting technicians authorized by recreation staff. Initially, the $23,400 was budgeted to recover the 100% of the costs incurred by the Town to manage lighting and sound systems at the Center. In addition, the town has exceeded its revenue estimates of $8,000 for the sale of cemetery lots, collecting $13,100.



Licenses and Fees revenue shows a slightly higher collection rate in the current fiscal year, which is partially due to receiving cable franchise revenues on a quarterly basis (versus annually as in previous years), higher collection of privilege license receipts earlier in the current year, and higher recreation fee earnings associated with the numerous recreation programs offered and from higher use of the Century Center.

Governmental revenue budgets also provide for transfers between funds or departments. The transfers that have been recorded to the General Fund include a transfer from the cemetery fund as approved by the Board to support cemetery maintenance operations, transfers from the capital reserve fund to support sewer subsidies and debt service associated with the land purchase for a future public works facility. Later in the year, additional transfers may be made for various public works construction projects approved in the adopted budget. Two of the projects, a stormwater repair on Oleander/Lilac Drive and the upgrades to the parking lots on the 100 block of Main Street are in the planning stages and have not come to fruition [$106,650]. Repairs for Aberdeen Court, budgeted at $43,000, are currently underway.

Expenditures

Over the entire General Fund, expenditures are at 69% for the third quarter, reflecting a subtle upward spending trend over several years, from 64% in FY00-01 to 66% in FY01-02. This is consistent with the observation made in the last fiscal report that the budget is less flexible than in previous years due to the tight economic situation that local governments and states have been experiencing.

A chart on the following page compares budgeted and actual expenditures over a two-year period. It should also be noted that departments experience varying rates of expenditures as a percentage of their budgets due to the nature of their functions. For example, the Management Services and Governmental Support cost centers show higher spending rates because of the large insurance payments and organizational dues and nonprofit subsidies that are required in the first part of the year. Transit contract expenditures, on the other hand, are not made until the MOU contract with Chapel Hill is negotiated and signed by all governmental and university officials.

Transfers represent expenditures from the General Fund to other funds primarily to support future capital needs. In the current year, $140,152 is budgeted for transfers; $125,000 is for street resurfacing efforts and $15,152 is the annual allocation to Orange County for the HOME Consortium. The Board, in December, approved the transfer of an additional $50,000 to the street resurfacing program increasing the budget from $75,000 to $125,000.

Variances of 5% in departmental spending across fiscal year are identified and described on the following page. Six departments experienced a variance exceeding 5% in spending; explanations are provided below. Salary expenditures in the general fund, as a whole, reflect a higher percentage of the budget in the current fiscal year due to the fact that all salary adjustments do not occur until the second half of the year and the budget for these adjustments is not distributed until January. In the previous year, pay adjustments including merit were distributed in the first half of the year.

EXPENDITURE HIGHLIGHTS

Advisory Boards and Commissions: Higher expenditures in the current fiscal year reflect travel expenses incurred by members of the Parks and Recreation Commission and the purchase of nameplates and supplies for various advisory boards.

Mayor and Board of Aldermen: The prior year spending levels were higher due to the municipal election costs.

Transportation: The transportation contract is paid monthly. The prior year spending level is lower because the town was still in the process of negotiating the fare free contract that was to become effective in January 02-June 02. This contract was not signed and was paid up-to-date until April 2002.

Parks and Recreation: The prior year spending levels appear lower because the playgrounds for Anderson and Wilson parks, budgeted at $120,000, in both fiscal years, was not spent until this quarter.

Nondepartmental: The Town, due to a change in accounting practices, no longer expends funds within the nondepartmental function. Only pay adjustments and contingency are budgeted within the nondepartmental function and are transferred with Board approval via a budget ordinance.

EXPENDITURES	AMENDED BUDGET - MARCH 02-03	YTD	% SPENT	AMENDED BUDGET - MARCH 01-02	YTD	% SPENT
Mayor and Board of Aldermen	$176,592	$112,408	63.7%	$170,533	$118,938	69.74%
Advisory Boards and Commissions	$10,293	$6,239	60.6%	$12,895	$4,223	32.75%
Governance Support	$171,256	$157,369	91.9%	$208,286	$189,794	91.12%
Town Manager	$198,203	$148,262	74.8%	$221,485	$157,912	71.30%
Economic and Community Development	$91,125	$65,453	71.8%	$90,820	$66,475	73.19%
Town Clerk	$94,307	$61,538	65.3%	$105,659	$66,429	62.87%
Management Services	$1,079,213	$863,981	80.1%	$1,035,595	$851,563	82.23%
Personnel	$212,494	$140,818	66.3%	$208,289	$145,589	69.90%
Police	$2,491,879	$1,645,672	66.0%	$2,556,518	$1,716,053	67.12%
Fire	$1,407,369	$1,036,925	73.7%	$1,444,745	$1,026,866	71.08%
Planning	$1,024,226	$668,708	65.3%	$995,105	$638,679	64.18%
Transportation	$747,957	$560,810	75.0%	$703,760	$358,575	50.95%
Public Works	$3,281,539	$2,136,588	65.1%	$3,393,057	$2,164,095	63.78%
Parks and Recreation	$1,161,277	$702,488	60.5%	$1,183,564	$656,570	55.47%
Non Departmental	$10,400	$0	0.0%	$6,323	$1,000	15.82%
Transfers	$140,152	$140,152	100.0%	$474,714	$270,640	57.01%
Debt Service	$603,697	$419,324	69.5%	$539,004	$358,167	66.45%
TOTAL GENERAL FUND EXPENDITURES	$12,901,979	$8,866,736	68.72%	$13,350,352	$8,791,567	65.85%

Transfers: Transfers are less than 100% in the previous year due to the economic shortfall created when NC Governor Easley withheld state-shared revenues to mitigate the state budget woes. The Board made a decision to defer planned capital reserves for street resurfacing, sewer subsidies, and a repayment to the Revolving Loan Fund.

Summary

The comparison of current year third quarter revenue and expenditure financial activity with prior year data suggests that the Town has budgeted adequately for ongoing operations. In terms of revenue flow, the Town has been receiving state-shared revenues not previously anticipated. In light of reported sluggishness in the economy, the Town must monitor the sales tax activity and interest earnings. Expenditures, on the other hand, do not show significant departure from historical trends.