

Budget Message and Manager's Budget for FY 19-20

TO: Mayor and Board of Commissioners

FROM: Town Manager Hazen Blodgett

DATE: May 27, 2019

Attached is the proposed budget for the Town of Matthews Fiscal Year (FY) 2019-2020. The presented budget is \$25,640,229 - representing a 2.95% or \$756,757 increase over the FY18-19 amended budget of \$24,883,472.

This year's budget presents many challenges. The Town is facing increase costs in several areas, including retirement contributions, solid waste fees and insurance. Those additional costs, plus the proposal to add four new positions to the Police Department, totals \$913,250.

The Mecklenburg County 2019 Property Revaluation increased property values in Matthews by 38.3%. The revenue neutral tax rate is .2613. The manager's proposed budget includes a 1.87-cent property tax increase to a .28 tax rate. A .28 tax rate would raise an additional \$965,500 in revenue.

Revenues:

- Based on projected revenues:
 - A 1.87-cent property tax increase will increase projected property and vehicle tax revenue by \$965,500 (7.3%). Property and vehicle taxes represent 55% of total revenue.
 - Sales tax is projected to increase by \$372,000 (11.3%), accounting for 14% of total revenue.
 - Unrestricted Intergovernmental revenues are projecting a slight increase of \$22,000 (.09%). The Unrestricted Intergovernmental revenues account for 9% of the total revenue.
 - Other (Powell bill, storm water, permits, fees, grants, etc.) account for 22% of revenue.

Expenditures:

- The budget includes four new positions in the Police Department. These positions were among the recommendations from the workload analysis study.
- This budget fully funds the change to a Fire & EMS 24-hour staffing model.
- This budget includes a 3% salary increase pool for full-time, non-probationary employees.
- No money is budgeted from the General Fund Balance (Town's savings account) to balance the budget.
- Costs have increased significantly in several areas, including retirement contributions, solid waste fees and insurance.

At the May 20 budget work session, the Town Board asked the manager and staff to reexamine the budget for any additional savings. The staff was able to find \$125,000 in budget cuts. The budget cuts represent a ¼ cent decrease on the tax rate.

However, the manager is not recommending the rate be reduced to .2775, instead that the Town transfer the \$125,000 to the CIP (Capital Improvement Plan) for additional paving in FY20.

Other "To Do's" from the work session included:

- *Matthews' Fund Balance as compared to other similar towns/cities? For fiscal year 18 our fund balance available (assigned and unassigned) was 47.82%. In our group (cities- population 10,000 to 49,999 non-electric) the average was 55.47%.*
- *Longevity pay is provided to employees and will cost \$73,500. In the slide presentation we will illustrate what other cities/towns that we compete against for employees are doing regarding longevity pay.*
- *Total revenue for the current fiscal year, FY 19 is projected to exceed projections by \$370,000*
- *Further explanation needed regarding the term revenue neutral. As part of the slide presentation we will also explain revenue neutral.*

The Fund Balance in the FY 19 audit, as reported by Martin Starnes, was 45.5%, 34.5% unassigned.

The Town's strategic framework with its seven goals and the department's strategic plans are the guiding principles for developing the budget.

Thanks to the department heads and staff for their hard work, with special thanks to Assistant Manager Becky Hawke and Senior Finance Specialist Lindsay Wiggs.