

Barry Hayes
Mayor

Dr. Caryl B. Burns
Mayor Pro Tem

Jerry T. Church
Town Manager
church@granitefallsnc.com



Council Members

Marc Church
Jim Mackie
Mike Mackie
Martin D. Townsend
Tracy Townsend

TOWN OF GRANITE FALLS

**ORDINANCE #320
BUDGET ORDINANCE
FISCAL YEAR 2016-2017**

**BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF GRANITE FALLS,
NORTH CAROLINA:**

SECTION 1. The following amounts are hereby appropriated to the fund set forth for the operation of the town government and its activities for fiscal year beginning July 1, 2016 and ending June 30, 2017 in accordance with the chart of accounts hereunto established for the Town:

Administrative	\$ 687,000
Police	\$1,088,000
Fire	\$ 585,000
Street & Public Works	\$ 626,000
Sanitation	\$ 187,000
Recreation	\$ 594,000
Total General Fund	\$3,767,000
Water & Sewer Fund	\$2,326,000
Electric Fund	<u>\$6,955,000</u>
Total Expenditures	<u>\$13,048,000</u>

SECTION 2. It is established, and therefore appropriated, that the following revenue will be made available to the respective funds for the fiscal year beginning July 1, 2016 and ending June 30, 2017.

Total General Fund	\$3,767,000
Water & Sewer Fund	\$2,326,000
Electric Fund	<u>\$6,955,000</u>
Total Revenues	<u>\$13,048,000</u>



SECTION 3. As set forth in the full and accompanying budget document, the amount of \$146,000 is appropriated for debt service payments in the General, Water and Sewer and Electric Funds. This amount is sufficient for complete and proper payments of all principal, interest and commissions on the outstanding debt for the fiscal year 2016-2017.

SECTION 4. There is hereby levied a tax at the rate of forty-four cents (\$0.44) per one hundred dollars (\$100.00) of assessed valuation of property listed for tax purposes as of January 1, 2016 for the purpose of raising a portion of the revenue listed as “Ad Valorem Taxes” in the General Fund in Section 2 of this ordinance. This rate is based on a total estimated valuation of property for the purpose of taxation of \$372,017,333. The estimated tax levy is \$1,636,876. A total of \$1,560,000 is budgeted for 2017 ad valorem tax revenue that is a 96.50% collection rate. Each one-cent on the tax rate is \$40,402.

SECTION 5. The Budget Officer is hereby authorized to transfer appropriations within a fund as contained herein under the following conditions:

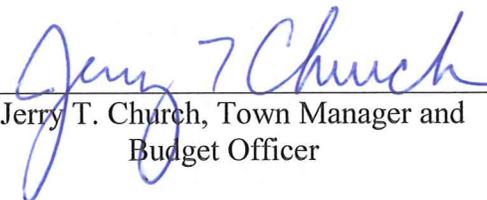
- a. He/she may transfer amounts between line-item expenditures within a department without limitation and without a report being required.
- b. He/she may transfer amounts up to \$5,000 between departments of the same fund with an official report on each such transfer being made at the next meeting of the Town Council.
- c. He/she may not transfer any amounts between funds or from any contingency appropriations within any fund without approval from the Town Council.
- d. He/she may reallocate automatically to capital outlay those items necessary based on engineer’s determinations and may reclassify, consolidate, and reallocate automatically according to acceptable accounting standards for closeout and auditing purposes of the financial statements.

SECTION 6. Copies of this Budget Ordinance document shall be furnished to the Finance Officer, the Budget Officer and to the Town Clerk and other appropriate employees of the Town to be kept on file by them for their discretion in the disbursement of funds for fiscal year 2016-2017.

Adopted this 20th day of June 2016 in a special meeting.



Barry Hayes, Mayor



Jerry T. Church, Town Manager and
Budget Officer

Barry Hayes
Mayor

Dr. Caryl B. Burns
Mayor Pro Tem

Jerry T. Church
Town Manager
church@granitefallsrc.com



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TOWN OF GRANITE FALLS

BUDGET MESSAGE

The Honorable Barry Hayes, Mayor
Members of the Granite Falls Town Council
Granite Falls, NC 28630

Dear Mayor Hayes and Members of the Town Council:

In accordance with the North Carolina Local Government Fiscal Control Act, the recommended budget for fiscal year 2016-2017 is presented for your review, discussion and subsequent adoption after any changes deemed necessary by the Town Council. This document reflects balanced revenues and expenditures required to maintain existing Town services for the coming fiscal year. Included is a statistical summary of the proposals by department and fund as compared to the 2015-2016 fiscal year budget. Issues of significance that were addressed during the budget process are also summarized briefly.

This budget contains funds for operations and an increased appropriation for capital outlay purchases. The Town staff continues to pursue grant and/or loan opportunities to assist the Town with financing capital projects when possible.

The recommended budget for all Town operations, capital improvements and debt service requirements totals \$13,048,000 for fiscal year 2016-2017 as compared to our current 2015-2016 fiscal year budget of \$12,953,230 as amended. This represents an increase of \$94,770 or .73% from the current budget for 2015-2016. The main increases in the 2016-2017 budget are due to an increase in capital outlay (\$184,700), the implementation of Phase II of the MAPS Group Pay and Classification Study and other personnel costs (\$174,100) and increased costs of electricity due to increased demand (\$41,000). The anticipated increased costs in 2017 will be partially offset by non-recurring Building Reuse Grants in 2016 (\$294,122) and a reduction in fuel costs (\$11,500). During our current fiscal year, the Town Council approved amendments to increase the budget by \$294,122 for Building Reuse Grants, \$12,000 in Miscellaneous Grants, \$28,093 for Maintenance & Repairs at the Recreation Center, \$4,000 for the County TV Station Upgrade, \$2,365 for ABC funds for the local schools and \$750 for Veterans Monument expenses. The recommended property tax rate remains at \$.44 per \$100 of assessed valuation.

Below is an overview of the proposed fund and department budget for fiscal year 2016-2017 compared to the budget for the previous fiscal year 2015-2016:

STATISTICAL SUMMARY

	2015-2016	2016-2017	% INCREASE	GENERAL
GENERAL FUND	<u>AS AMENDED</u>	<u>PROPOSED</u>	<u>OR DECREASE</u>	<u>FUND</u>
Administrative	\$ 956,087	\$ 687,000	-28.14%	18.24%
Police	\$ 1,052,900	\$ 1,088,000	3.33%	28.88%
Fire	\$ 660,500	\$ 585,000	-11.43%	15.53%
Street	\$ 676,700	\$ 626,000	-7.49%	16.62%
Sanitation	\$ 183,750	\$ 187,000	1.77%	4.96%
Recreation	\$ 411,193	\$ 594,000	44.46%	15.77%
General Fund	\$ 3,941,130	\$ 3,767,000	-4.42%	100.00%
Water & Sewer Fund	\$ 2,133,400	\$ 2,326,000	9.03%	
Electric Fund	\$ 6,878,700	\$ 6,955,000	1.11%	
TOTAL BUDGET	\$ 12,953,230	\$ 13,048,000		

.73% increase or \$94,770 more than the FY 2016 budget

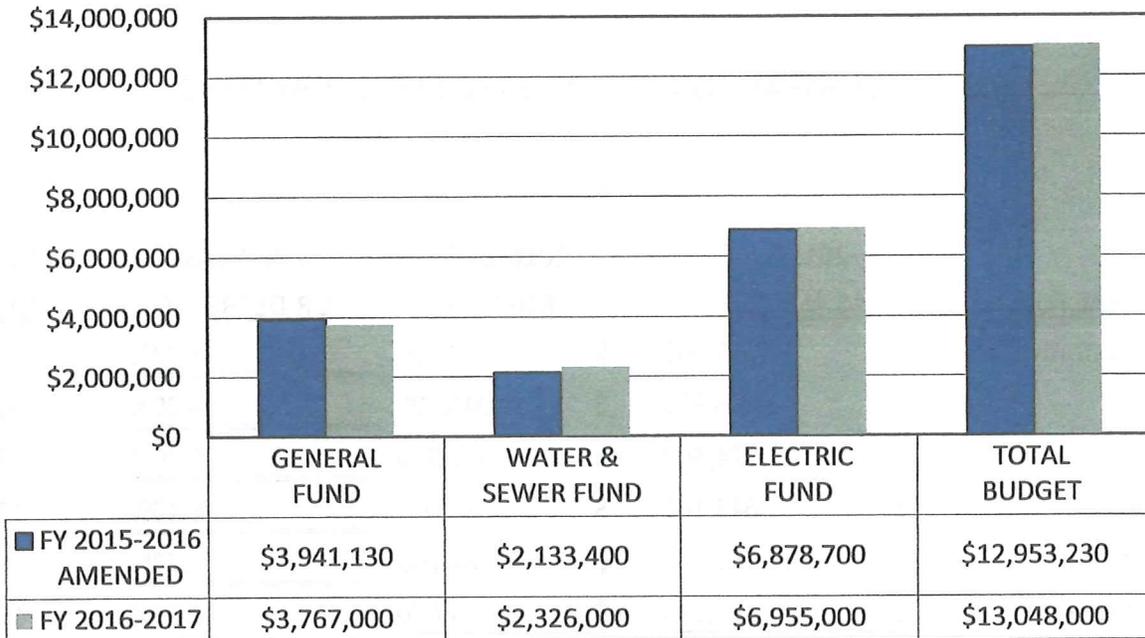
Below is an “apples to apples” comparison of the proposed fund and department budgets for fiscal year 2016-2017 and 2015-2016 excluding capital outlay and the Building Reuse Grants.

COMPARISON OF ADJUSTED BUDGET BY FUND

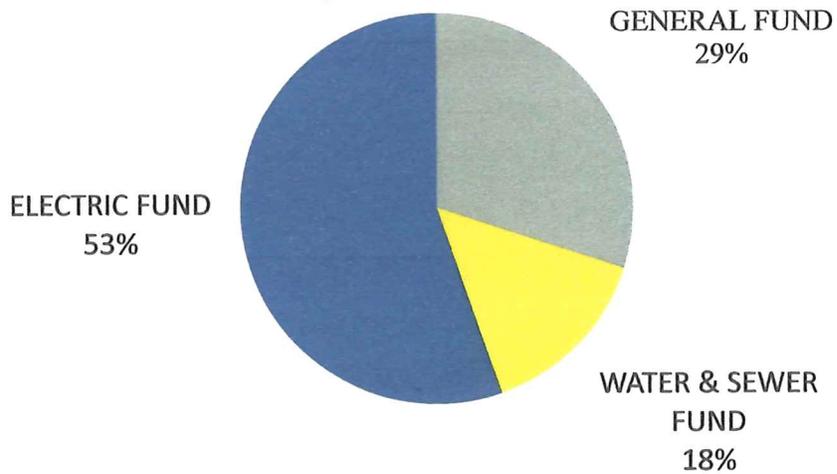
<u>GENERAL FUND</u>	<u>2015-2016</u> <u>AS AMENDED</u>	<u>2016-2017</u> <u>PROPOSED</u>	<u>% INCREASE</u> <u>OR DECREASE</u>	<u>% OF</u> <u>GENERAL</u> <u>FUND</u>
Administrative	\$ 651,965	\$ 672,000	3.07%	19.42%
Police	\$ 1,003,900	\$ 1,044,100	4.00%	30.17%
Fire	\$ 574,500	\$ 572,200	-0.40%	16.54%
Street	\$ 643,100	\$ 591,000	-8.10%	17.08%
Sanitation	\$ 183,750	\$ 187,000	1.77%	5.40%
Recreation	\$ 385,193	\$ 394,000	2.29%	11.39%
General Fund	\$ 3,442,408	\$ 3,460,300	0.52%	100.00%
Water & Sewer Fund	\$ 1,745,000	\$ 1,870,000	7.16%	
Electric Fund	\$ 6,350,700	\$ 6,412,000	0.97%	
TOTAL BUDGET	\$ 11,538,108	\$ 11,742,300		

1.77% increase or \$204,192 more than the FY 2016 budget

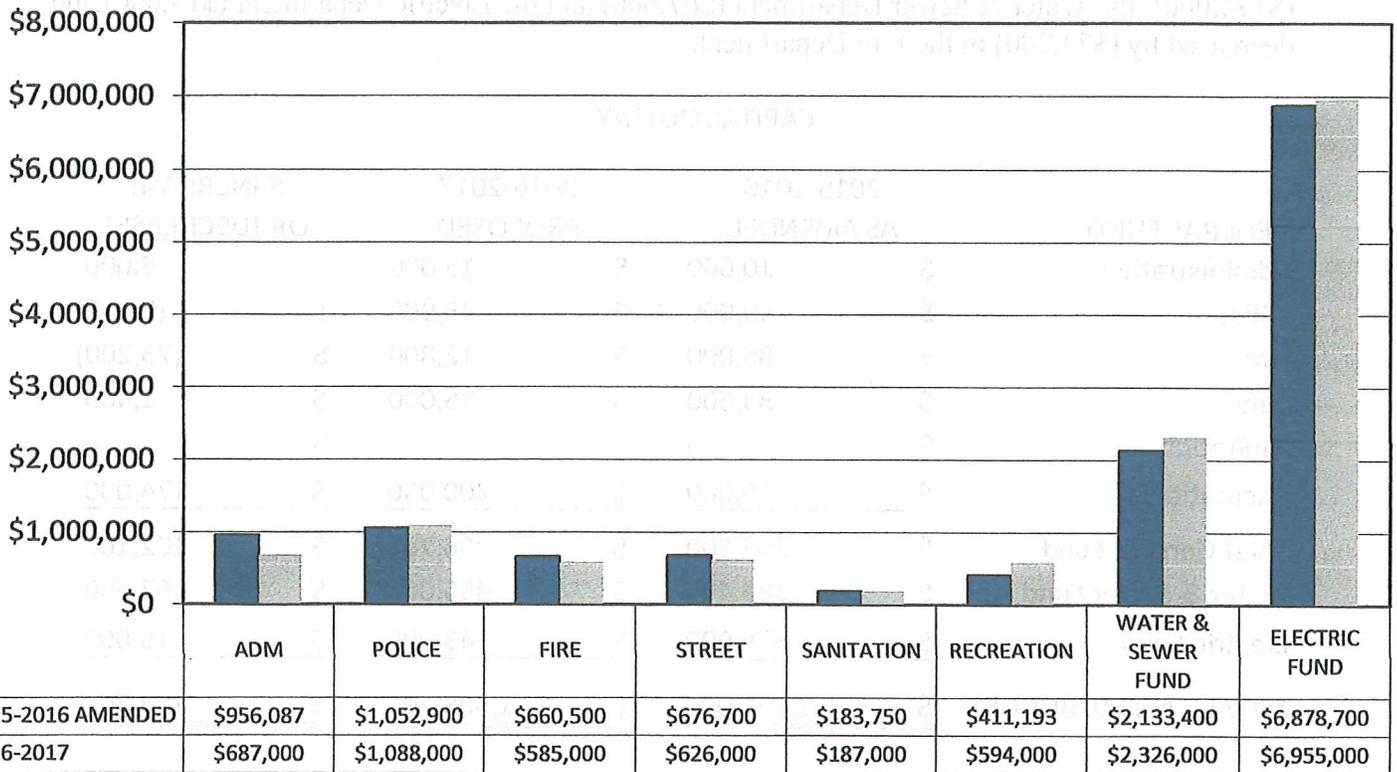
COMPARISON OF BUDGET BY FUND



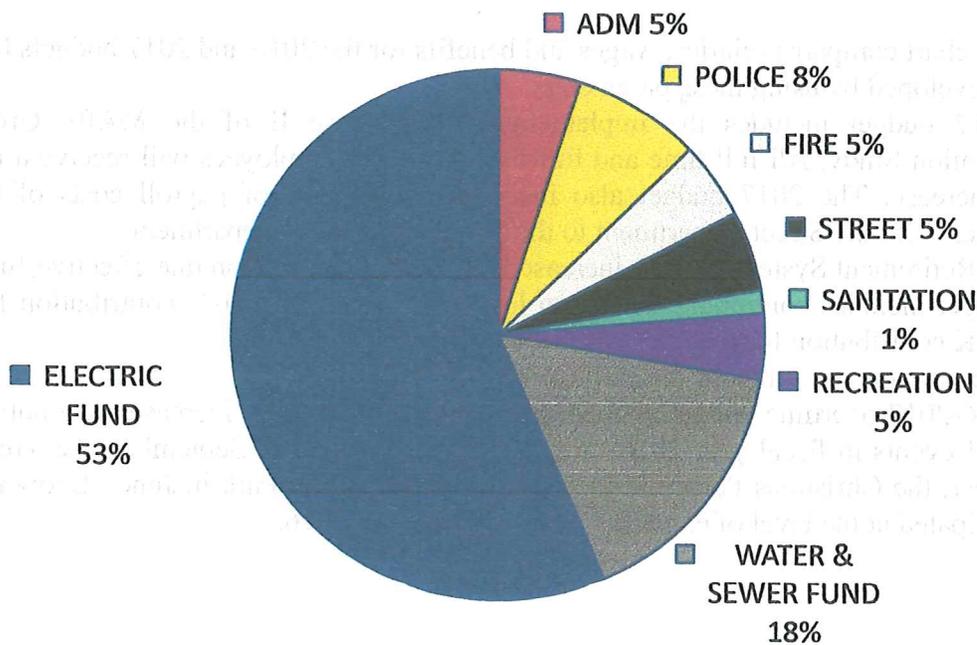
PROPOSED BUDGET BY FUND



COMPARISON OF BUDGET BY DEPARTMENT



PROPOSED BUDGET BY DEPARTMENT



The Proposed 2016-2017 Capital Outlay budget is \$184,700 more than the Capital Outlay budget for 2015-2016. The Capital Outlay budget was increased for CIP projects in the Recreation Department (\$174,000), the Water & Sewer Department (\$67,600) and the Electric Department (\$15,000) and decreased by (\$73,200) in the Fire Department.

CAPITAL OUTLAY

<u>GENERAL FUND</u>	2015-2016 <u>AS AMENDED</u>	2016-2017 <u>PROPOSED</u>	\$ INCREASE <u>OR (DECREASE)</u>
Administrative	\$ 10,000	\$ 15,000	\$ 5,000
Police	\$ 49,000	\$ 43,900	\$ (5,100)
Fire	\$ 86,000	\$ 12,800	\$ (73,200)
Street	\$ 33,600	\$ 35,000	\$ 1,400
Sanitation	\$ -		\$ -
Recreation	<u>\$ 26,000</u>	<u>\$ 200,000</u>	<u>\$ 174,000</u>
Total General Fund	\$ 204,600	\$ 306,700	\$ 102,100
Water & Sewer Fund	\$ 388,400	\$ 456,000	\$ 67,600
Electric Fund	<u>\$ 528,000</u>	<u>\$ 543,000</u>	<u>\$ 15,000</u>
TOTAL CAPITAL BUDGET	<u><u>\$ 1,121,000</u></u>	<u><u>\$ 1,305,700</u></u>	<u><u>\$ 184,700</u></u>

Personnel

Salaries, Wages & Benefits

The following chart compares salaries, wages and benefits for the 2016 and 2017 budgets by department and by fund developed by using these parameters:

1. The 2017 budget includes the implementation of Phase II of the MAPS Group Pay and Classification Study. All full-time and full-time part-time employees will receive a minimum 2% salary increase. The 2017 budget also includes the transfer of payroll costs of two full-time employees from the Street Department to the Water and Sewer Department.
2. The NC Retirement System slightly increased the Town contribution rate effective July 1, 2016.
3. The budget includes continuing the Town longevity plan, 5% 401-K contribution for LEOs and 2% 401-K contribution for all other eligible employees.
4. 4.0% increase in premiums for the employee health care plan.
5. The 2016-2017 overtime budget is up slightly because of the pay increase. We anticipate having at least 4 events in fiscal year 2016: the Merchants Festival in September, the Tree Lighting in November, the Christmas Parade in December and Art in the Park in June. Snow removal costs are anticipated at the level of expenses we experienced in 2016.

SALARIES, WAGES & BENEFITS ANALYSIS

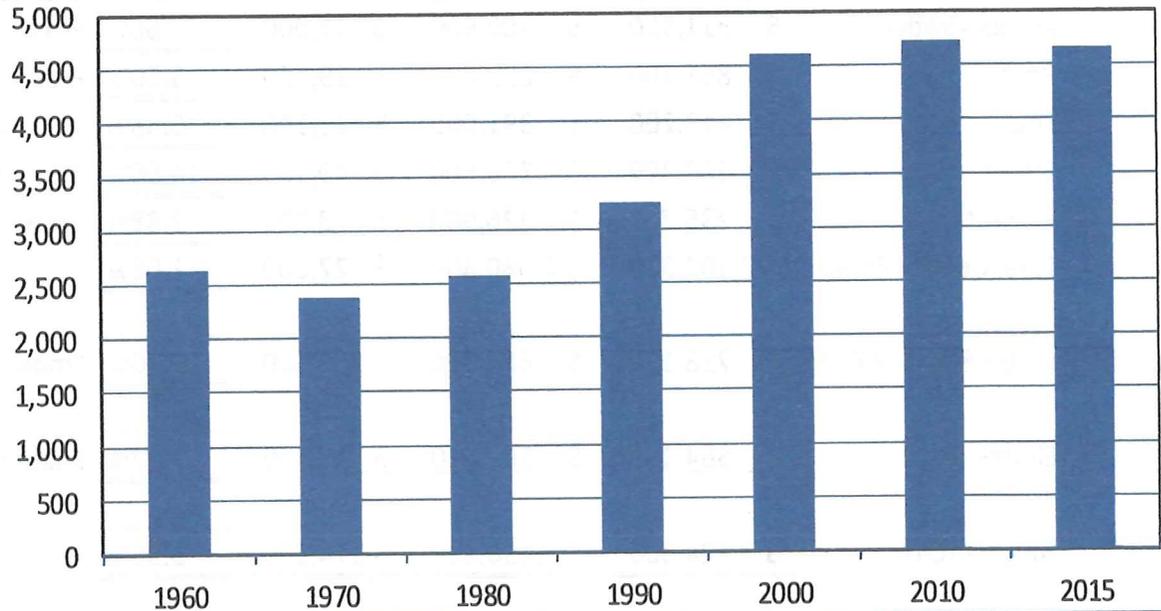
	<u>2016-2017</u>	<u>2015-2016</u>	<u>Increase/(Decrease)</u>		<u>Comments</u>
			<u>\$</u>	<u>%</u>	
Administrative	\$ 311,900	\$ 300,900	\$ 11,000	3.66%	Phase II Pay Plan Implementation
Police	\$ 861,100	\$ 832,000	\$ 29,100	3.50%	Phase II Pay Plan Implementation
Fire	\$ 413,200	\$ 391,000	\$ 22,200	5.68%	Probationary Increases & One Retiree
Street	\$ 280,400	\$ 329,500	\$ (49,100)	-14.90%	2 Employees Assigned to W/S
Recreation	\$ 235,700	\$ 226,900	\$ 8,800	3.88%	Phase II Pay Plan Implementation
Total General Fund	\$ 2,102,300	\$ 2,080,300	\$ 22,000	1.06%	
Water & Sewer Fund	\$ 738,100	\$ 604,500	\$ 133,600	22.10%	Employees Assigned from Street
Electric Fund	\$ 584,100	\$ 565,600	\$ 18,500	3.27%	Phase II Pay Plan Implementation
GRAND TOTAL	\$ 3,424,500	\$ 3,250,400	\$ 174,100	5.36%	

Description of Town

Located in the foothills of western North Carolina, Granite Falls is the southernmost town in Caldwell County, along the US 321 corridor. The population of Granite Falls is 4,651 according to the latest population estimate from Jennifer Song, State Demographer in the Office of State Budget and Management, issued August 23, 2015. The estimated land area is over five square miles. The Town operates under the council-manager form of government. The Mayor is elected at large and serves a four-year term. The six Town Council members are elected at large and serve staggered four-year terms. The Town Council holds policy-making and legislative authority. The Council is responsible for adopting the budget and appointing the Town Manager and Town Attorney. The Manager is responsible for implementing policies and managing daily operations. Granite Falls is a full-service town that provides its citizens a wide range of services that include administrative, police, fire, sanitation, recycling, recreation, streets, electric distribution, water and sewer treatment plants and water and sewer line maintenance.

Below is a graph of the changes in Granite Falls' population from 1960:

POPULATION



POPULATION	2,644	2,388	2,580	3,253	4,612	4,722	4,651
% INC/DEC		-9.68%	8.04%	26.09%	41.78%	2.39%	-1.50%
% CUMMULATIVE INC/DEC		-9.68%	-2.42%	23.03%	74.43%	78.59%	75.91%

General Fund

The General Fund is the fund of traditional government services. This fund is greatly influenced by the local economy, state revenue patterns and national economic trends. Needless to say, all of these influences had been in a steady decline in recent years. The General Fund budget is \$174,130 less than the previous year. Excluding expenditures for Capital Outlay and the non-recurring Building Reuse Grants, the General Fund budget increases by \$17,892 or .52% from the previous year.

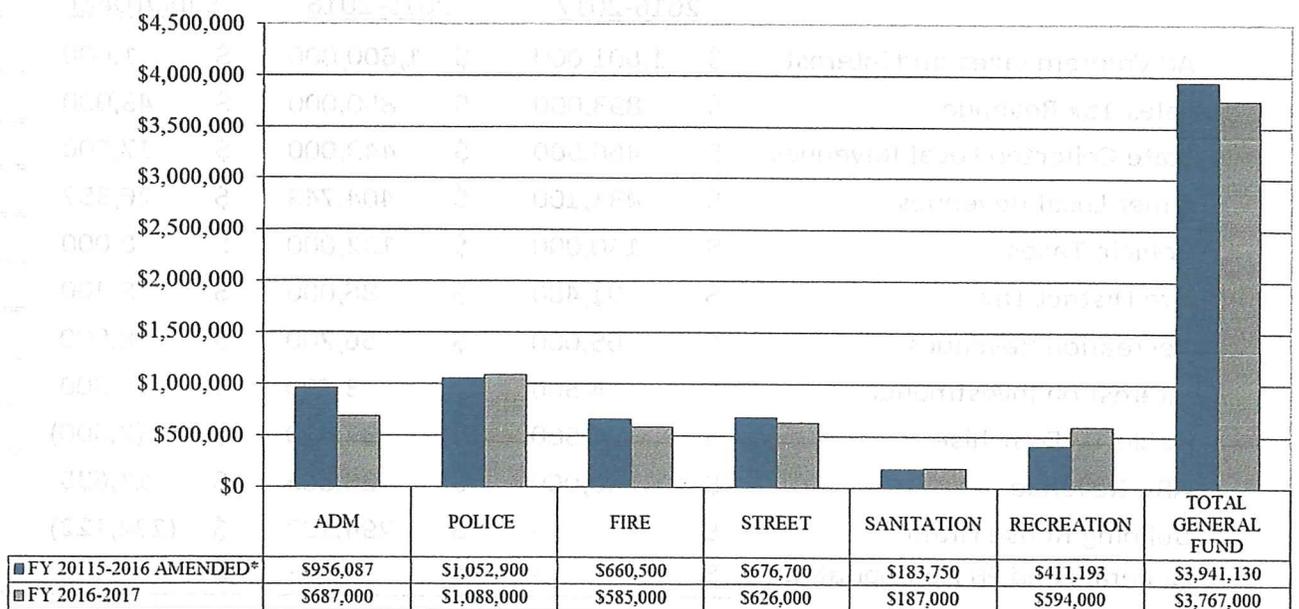
Taking into account the status of the current economy, the staff and I have made every effort to prepare a conservative budget that continues to address the needs of human resources, aging infrastructure, equipment and facility needs while also meeting the following goals:

1. Continue to develop excellent working relationships between Town Council, Town Staff, and citizens.
2. Provide quality police and fire services and facilities that ensure a safe environment for all citizens.
3. Actively work to maintain and increase a diverse economy where business, industry and resident will grow and thrive. Maintain a high degree of fiscal stability and ensure qualified and competent personnel carry out directives to benefit all residents.

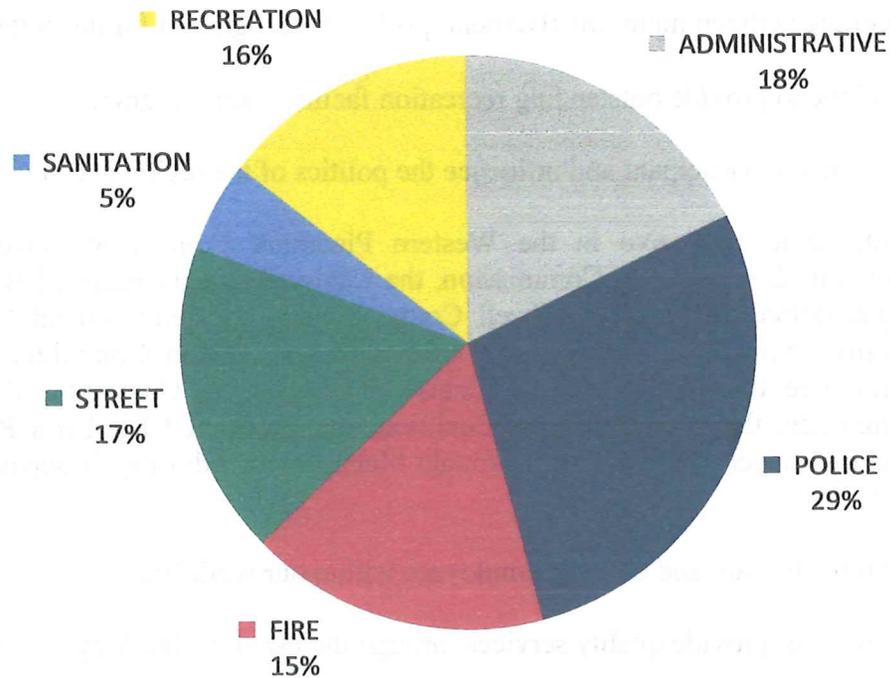
4. When the opportunity presents itself, be an advocate for Granite Falls and the region as a great place to live, work, play and do business.
5. Encourage citizen input, involvement, pride and recognition for the betterment of Granite Falls.
6. Continue to provide outstanding recreation facilities and programs.
7. Be an active participant and influence the politics of the region and state.
8. Continue to be active in the Western Piedmont Council of Governments, Caldwell County Economic Development Commission, the Caldwell County Railroad Board, Metropolitan Planning Organization/TCC/TAC, Caldwell County Sales Tax Reinvestment Committee, the Unifour Air Quality Committee, the Caldwell County Transportation Committee, the Catawba River Study Committee, the Caldwell County Crisis Communications Committee, the Caldwell County Tourism Committee, the Catawba River Coalition, the Caldwell Chamber's Partners, the Catawba River Water Management Group, the Drought Management Advisory Group and the Chamber's Corporate Circle.
9. Continue to train and develop employees within our workforce.
10. Continue to provide quality services through the use of technology where applicable.

The following charts show a comparison of the General Fund departmental budgets for 2016-2017 with the 2015-2016 budgets and the breakdown of the General Fund departmental budgets as a percentage of the overall General Fund budget.

PROPOSED GENERAL FUND DEPARTMENTAL BUDGET



PROPOSED GENERAL FUND BUDGET BY DEPARTMENT



The chart below provides a comparison of the major revenue categories for the 2016-2017 and 2015-2016 budgets.

BUDGETED GENERAL FUND REVENUES

	<u>2016-2017</u>	<u>2015-2016</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/Dec</u>
Ad Valorem taxes and interest	\$ 1,601,000	\$ 1,600,000	\$ 1,000	<u>0.06%</u>
Sales Tax Revenue	\$ 893,000	\$ 850,000	\$ 43,000	<u>5.06%</u>
State Collected Local Revenues	\$ 466,500	\$ 449,000	\$ 17,500	<u>3.90%</u>
Other Local Revenues	\$ 431,100	\$ 404,743	\$ 26,357	<u>6.51%</u>
Vehicle Taxes	\$ 140,000	\$ 132,000	\$ 8,000	<u>6.06%</u>
Fire District Tax	\$ 91,400	\$ 86,000	\$ 5,400	<u>6.28%</u>
Recreation Revenues	\$ 65,000	\$ 56,200	\$ 8,800	<u>15.66%</u>
Interest on Investments	\$ 4,500	\$ 3,700	\$ 800	<u>21.62%</u>
Cable TV Franchise	\$ 34,500	\$ 37,000	\$ (2,500)	<u>-6.76%</u>
ABC Revenue	\$ 40,000	\$ 28,365	\$ 11,635	<u>41.02%</u>
Building Reuse Grant	\$ -	\$ 294,122	\$ (294,122)	<u>-100.00%</u>
General Fund FB Appropriated	\$ -	\$ -	\$ -	<u>0.00</u>
Total General Fund Revenues	\$ 3,767,000	\$ 3,941,130	\$ (174,130)	<u>-4.42%</u>

The chart below provides a breakdown of the major revenue categories in the General Fund, their amounts, and their respective percentages of the total \$3,767,000 in anticipated revenues.

	PROPOSED BUDGET	% OF GENERAL FUND REVENUES
Ad Valorem taxes and interest	\$ 1,601,000	42.50%
Sales Tax Revenue	\$ 893,000	23.71%
State Collected Local Revenues	\$ 466,500	12.38%
Other Local Revenues	\$ 431,100	11.44%
Vehicle Taxes	\$ 140,000	3.72%
Fire District Tax	\$ 91,400	2.43%
Recreation Revenues	\$ 65,000	1.72%
Interest on Investments	\$ 4,500	0.12%
Cable TV Franchise	\$ 34,500	0.92%
ABC Revenue	\$ 40,000	1.06%
General Fund FB Appropriated	\$ -	0.00%
Total General Fund Revenues	\$ 3,767,000	100.00%

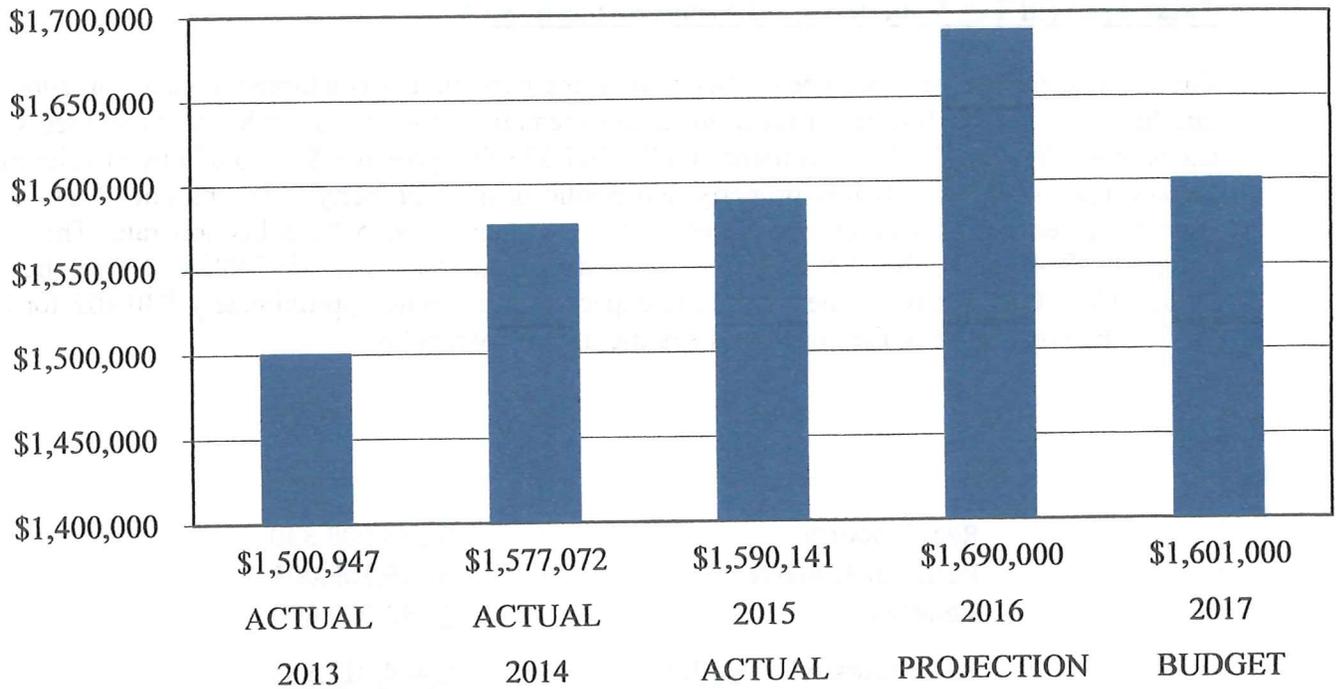
Total Assessed Tax Valuations, Ad Valorem Tax at \$.44

The tax rate for the year becomes official when the new budget is adopted annually in June. The tax rate for fiscal year 2016-2017 if recommended to remain at \$.44 cents per \$100 of assessed value. The tax base in FY 2016-2017 is estimated at \$372,017,333 that provides \$1,636,876 in ad valorem taxes to include real property, personal property and public utilities property. An amount of \$1,560,000 has been budgeted for ad valorem tax revenue that represents a 95.50% collection rate. The vehicle tax budget is \$140,000. The previous year's assessed valuation was \$367,985,622 and the levy was \$1,619,137. One penny on the tax rate is expected to generate approximately \$40,402 for FY 2016-2017. The breakdown of the 2016 tax assessments is shown below.

Real Property	-	\$ 335,908,330
Personal Property	-	\$ 36,109,003
Vehicles	-	<u>\$ 32,000,000</u>
Total Assessed Valuation	-	<u>\$ 404,017,333</u>

FISCAL YEAR(S) <u>ENDING</u>	TAX RATE <u>PER \$100 VALUATION</u>	
1984 – 1986	.45	
1987 – 1988	.48	
1989	.51	
1990 – 1997	.43	(Revaluation in 1989)
1998	.40	(Revaluation in 1997)
1999 – 2001	.45	
2002 – 2005	.44	(Revaluation in 2001)
2006 – 2012	.42	(Revaluation in 2005)
2013	.44	
2014 - 2016	.44	(Revaluation in 2013)
2017 (Proposed)	.44	

PROPERTY TAX REVENUE



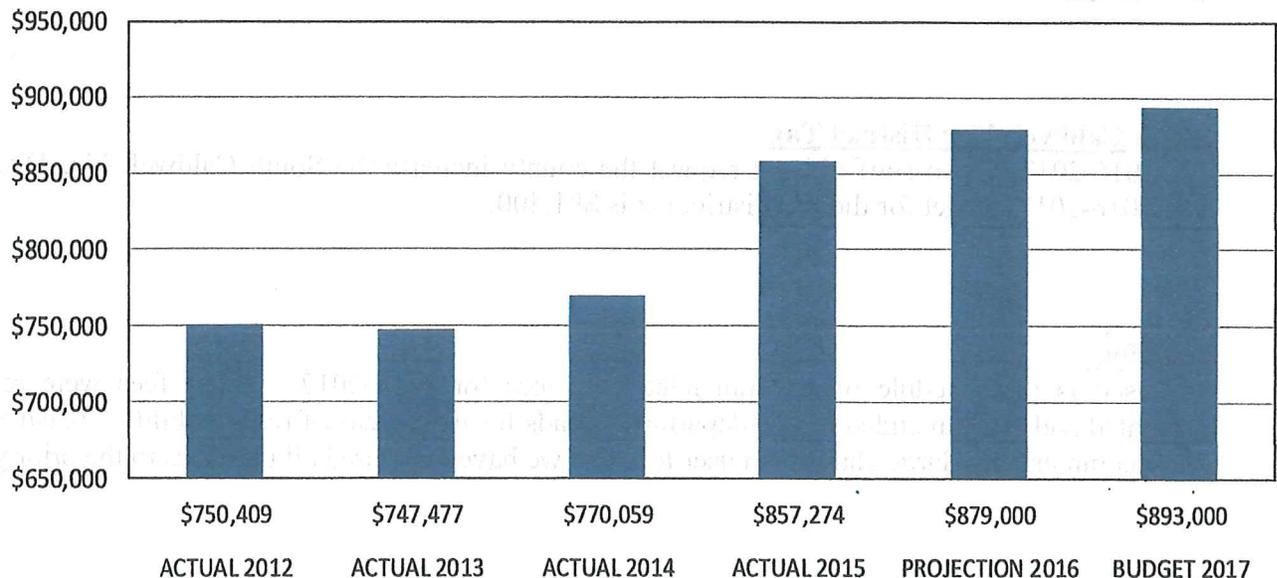
Commercial Growth

The Shoppes at Rivercrest continues to expand since the grand opening of the Super Wal-Mart in March, 2008. The commercial development was developed by Lauth Property Group, Charlotte, NC, who purchased 125 acres from Ray and Edgar Starnes, at the intersection of US 321 and US 321A. Lauth sold the property to Tri-Cor Development in 2011. Businesses open as part of this commercial site are Dollar Tree, ABC Phones, Alltel Wireless, Burke’s Outlet, Great Clips, Gamestop, Wendy’s, Bojangle’s, Sally’s Beauty Supply, Asian Bowl, Murphy Oil Express, Frankie’s Pizza, Auto Zone, and Sweet Frog Frozen Yogurt. Property is available for another anchor, co-anchors, and several out-parcels. In addition, 60+ acres are still available for development adjacent to the River Bend Subdivision. The Town and Caldwell County jointly purchased 66 acres through the Caldwell County EDC, LLC from Ed Whisenant in a two-thirds and one-third partnership, with Granite Falls purchasing the one-third share. An amount of \$51,000 has been budgeted in the Administrative Budget for the 2016-2017 interest, principal and tax payments on the Whisenant property purchase. In addition, several commercial and industrial tracts are located along the US 321 corridor. In the past year, several new businesses located in Town including SC Therapeutic Massage, Great Value Self-Storage, Tri-County Wireless, Ethridge Auction House, CCF Sofa, LLC, Revelation Five Fitness, Infinite Communications, eQuality Motors, LLC, Donahue Creek, LLC, Latham and Hatch, and LLC Elite Body and Wellness.

Sales Taxes

The State of NC collects sales tax and distributes sales tax collected to local government units based on point of sale and population. The distribution of these sales taxes changed in late 2008 when a new state law required more revenue to be distributed on the point of sale and less on the per capita basis. Sales tax revenues are distributed on a population basis in Caldwell County. Based on 2016 actual sales tax collected and a projected increase in sales tax revenue across the state, 2016-2017 sales tax revenues are budgeted to be \$893,000, which is a \$43,000 or 5.06% increase from the current year budget.

SALES TAX REVENUE



Sales Tax Reinvestment Fund

The Town has committed \$40,000 from general fund revenue to the Interlocal Government Agreement sales tax pool operated jointly by participating local governments in Caldwell County. Granite Falls agreed to extend its annual commitment of \$40,000 per year through June 30, 2017. If the Caldwell County Board of Commissioners changes the method of sales tax distribution from a per capita to an ad valorem basis, Granite Falls stands to lose approximately \$225,000 per year in sales tax revenue. Dr. Caryl Burns serves as the Town's voting delegate to this committee.

State Collected Local Taxes

In 1998, the General Assembly replaced the utility franchise tax on piped natural gas with an excise tax on piped natural gas. In 2001, the General Assembly replaced the utility franchise tax on local telephone service with a new sales tax on telecommunications. As of January 1, 2001, each town's share of the utility franchise tax is based on the actual receipts from electric service within their municipal boundaries. In 2014, the General Assembly replaced the 3.2% tax on the wholesale cost of electricity with a 7% sales tax on retail electricity sales which increased this revenue source. This revenue source is also highly sensitive to changes in weather patterns. Franchise tax revenues, piped natural gas excise taxes and telecommunications sales taxes are projected to be \$265,000. State collected beer & wine tax budget for 2016-2017 is \$22,000.

Powell Bill/Street Allocation

Powell Bill revenue is projected at \$20.39 per capita and \$1,629 per mile. Based on the Town population of 4,651 and 34.56 street miles, an amount of \$149,500 has been budgeted. The use of these funds is restricted to maintaining, repairing, constructing, reconstructing or widening any public street within the town limits that is not state-maintained. Sidewalks, bridges, drainage, curb and gutter, certain capital expenditures, street signs and other necessary appurtenances are also approved uses of these funds.

South Caldwell Fire District Tax

For 2016-2017, Town staff did not request the county increase the South Caldwell Fire District Tax. The 2016-2017 budget for the fire district tax is \$91,400.

User Fees

Enclosed is the schedule of recommended user fees for 2016-2017. These fees were researched, evaluated and recommended by the department heads for their areas of responsibility. Town Staff does not recommend any large changes in user fees and we have compared all user fees to the prior year fees.

Other Local Revenues

As a reminder, the Town does not budget grants, donations and some large capital projects that cross fiscal years, but will handle these items through budget amendments as grants and donations are received and through project accounting for large capital items.

Notes: The Proposed General Fund Budget does not use any Fund Balance for normal operating expenses. Local Government Commission Guideline is 8% or one month's expenses.

	PROJECTED UNRESTRICTED FUND BALANCE <u>06/30/16</u>	2016-2017 PROPOSED OPERATING BUDGET <u>INC/(DEC)</u>	2016-2017 CAPITAL PROJECTS <u>INC/(DEC)</u>	PROJECTED FUND BALANCE <u>06/30/17</u>	% OF GENERAL FUND <u>EXPENDITURES</u>
GENERAL FUND	\$ 1,700,000	\$ 0	\$ 0	\$1,700,000	49%

Water and Wastewater Fund – Rate Increase Recommended

The 2016-2017 budget is \$2,326,000 or \$192,600 more than the 2015-2016 budget as amended. The increase in budget is in capital outlay and in salaries, wages and benefits. 2017 projected sales are flat with 2016 estimated sales. Sales remain a little sluggish since customers did not run sprinkler systems due to abundant rainfall and the drought in recent years taught us all to be conservative water users. At the same time, the utility function must comply with appropriate government regulations and adequate funds are allocated to operate the fund on a self-supporting basis. Providing safe drinking water and treating wastewater before it is returned to the environment is an important function of town government.

The Town’s rate structure complies with state requirements that the “more a user consumes the more they should pay”. This has been brought about by the two recent droughts. If a unit of local government applies for any state funds, whether grant or loan, the rate structure is evaluated before loans or grants are approved. Preference for funding will be given to those units who have rates that reflect increasing rates for higher usage. The proposed 3.1% rate increase keeps the Town rates for in-town residential users of 5,000 gallons per month above the 1.5% of median household income rates required for CWSRF loans.

The proposed 2016-2017 budget includes a recommended water rate increase for in-town residential customers on the 3,000-gallon minimum charge from \$22.97 to \$23.66 or \$.69 and an increase on the base rate for sewer of \$.43 from \$14.24 to \$14.67. There are also small rate increases in the incremental blocks. The increased cost to a household using the 5,000 gallons of water/sewer per month will be \$1.77 or \$.06 per day. Records show 79% of customers use less than 5,000 gallons per month and 92% of customers use less than 15,000 gallons per month. We are in the sixth year of a rate schedule for large commercial and industrial customers that use more than 250,000 gallons per month. Outside rates are 175% of the inside rates. The rate increase would be effective July 1, 2016. The Town’s objective is to provide water and wastewater services at the most affordable price.

5,000 GALLON USER MONTHLY BILL

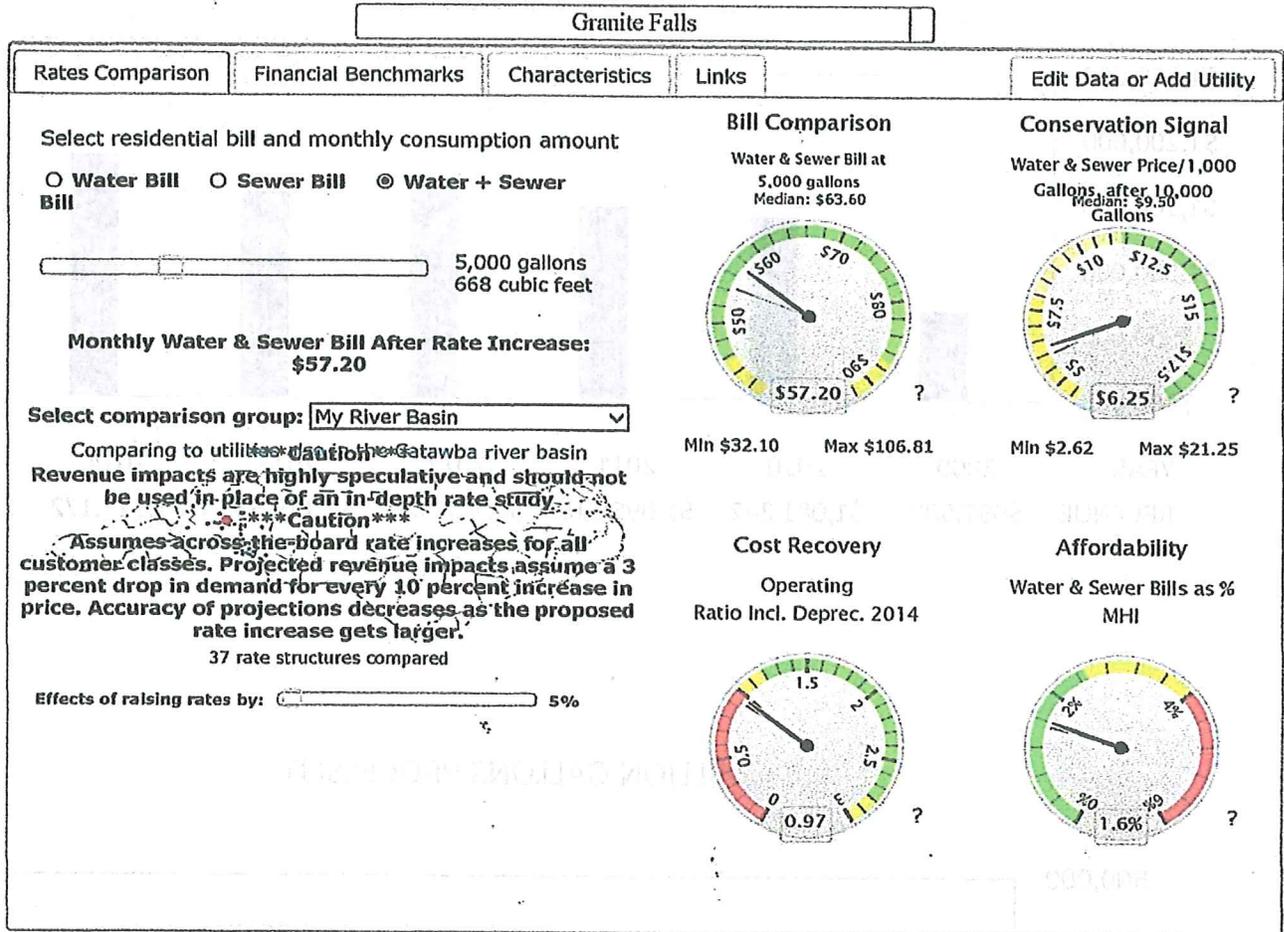
	<u>CURRENT</u>	<u>PROPOSED*</u>	<u>INCREASE</u>
WATER	\$ 29.39	\$ 30.28	\$.89
<u>SEWER</u>	<u>\$ 27.94</u>	<u>\$ 28.82</u>	<u>\$.88</u>
<u>TOTAL</u>	<u>\$ 57.33</u>	<u>\$ 59.10</u>	<u>\$ 1.77</u>

Even after the proposed water and sewer rate increases, our water and sewer rates for 5,000 gallon per month residential customers are very competitive with the rates in surrounding communities. The following chart compares the proposed rates for Town of Granite Falls water and sewer customers with rates from other communities in the Catawba River Basin.



NC Water and Wastewater Rates Dashboard

Rates as of January 2015
 Last updated: April 9, 2015

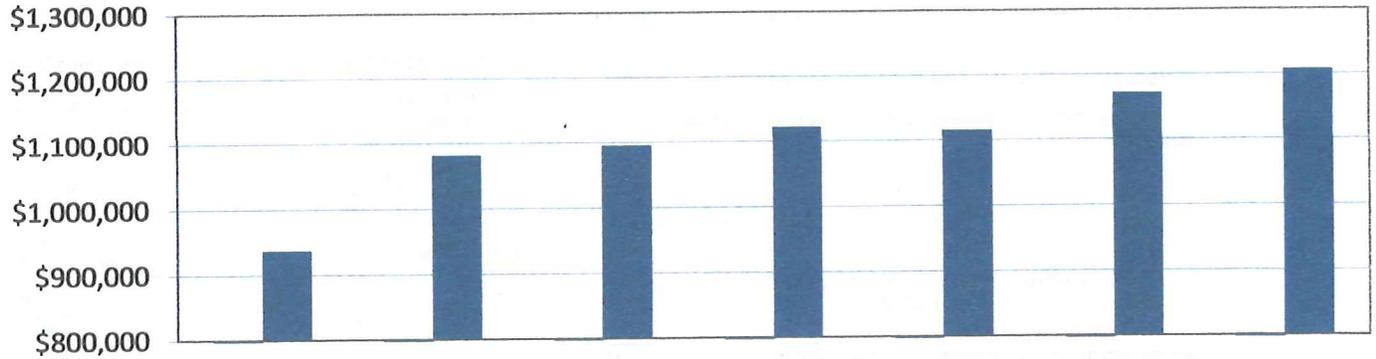


The dashboard gives us the following information to use for future rate making decisions.

- 1) Bill comparison – The proposed water and sewer bill of \$59.10 puts us \$5.35 per month less than the average rate for 5,000 gallon per month users.
- 2) Conservation signal – The proposed price per thousand gallons for 10,000 gallon per month users is not punitive to the point of promoting conservation.
- 3) Cost Recovery – Our proposed rates do not get the Town in the normal range to cover all expenses including depreciation.
- 4) Affordability – The proposed rates for 5,000 gallon per month users are significantly lower than the 2% threshold of median household income.

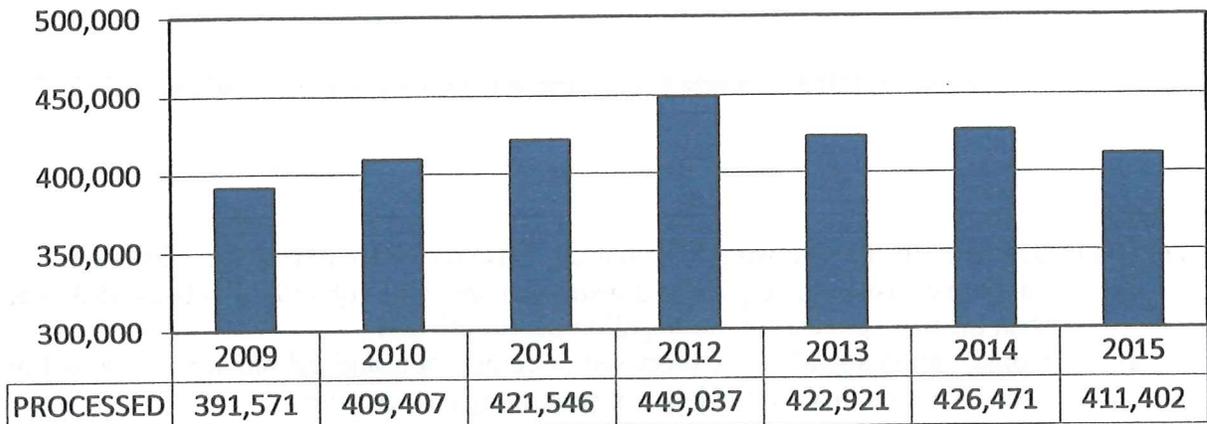
WATER DEPARTMENT

REVENUE



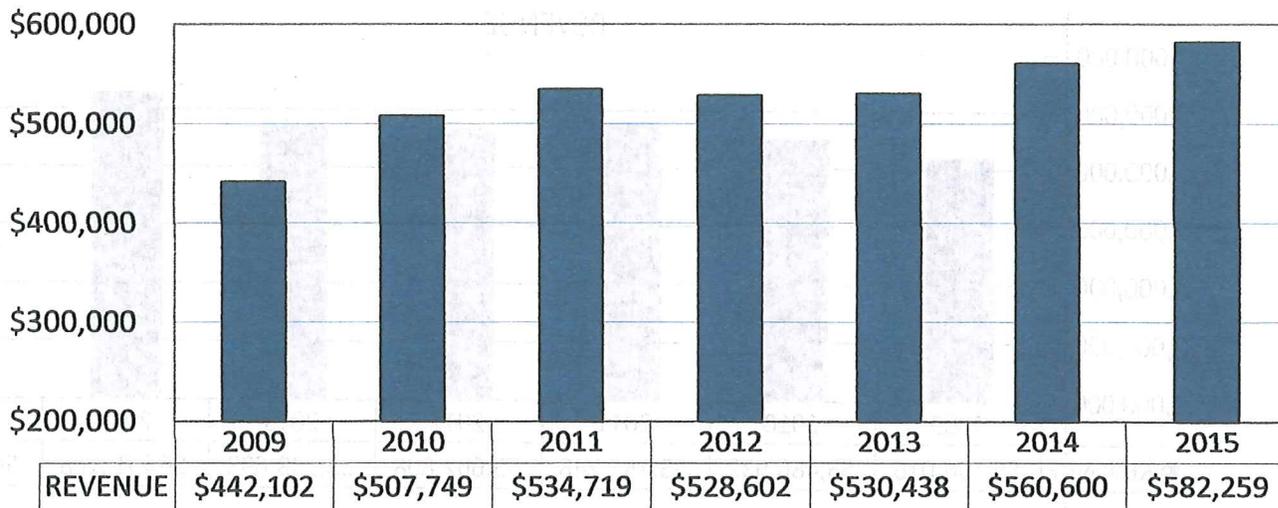
YEAR	2009	2010	2011	2012	2013	2014	2015
REVENUE	\$937,589	\$1,081,242	\$1,095,118	\$1,122,226	\$1,115,539	\$1,172,172	\$1,206,761

MILLION GALLONS PROCESSED

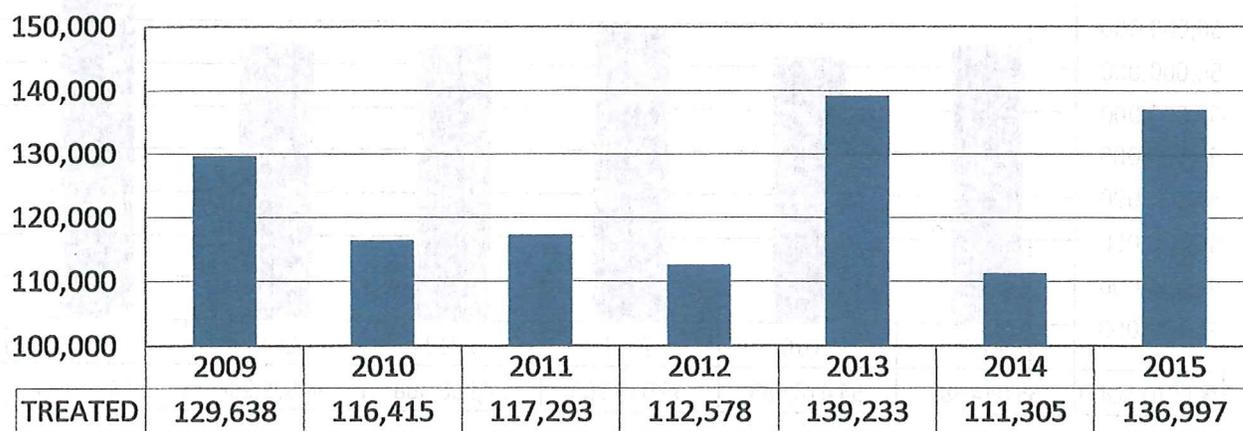


WASTEWATER DEPARTMENT

REVENUE

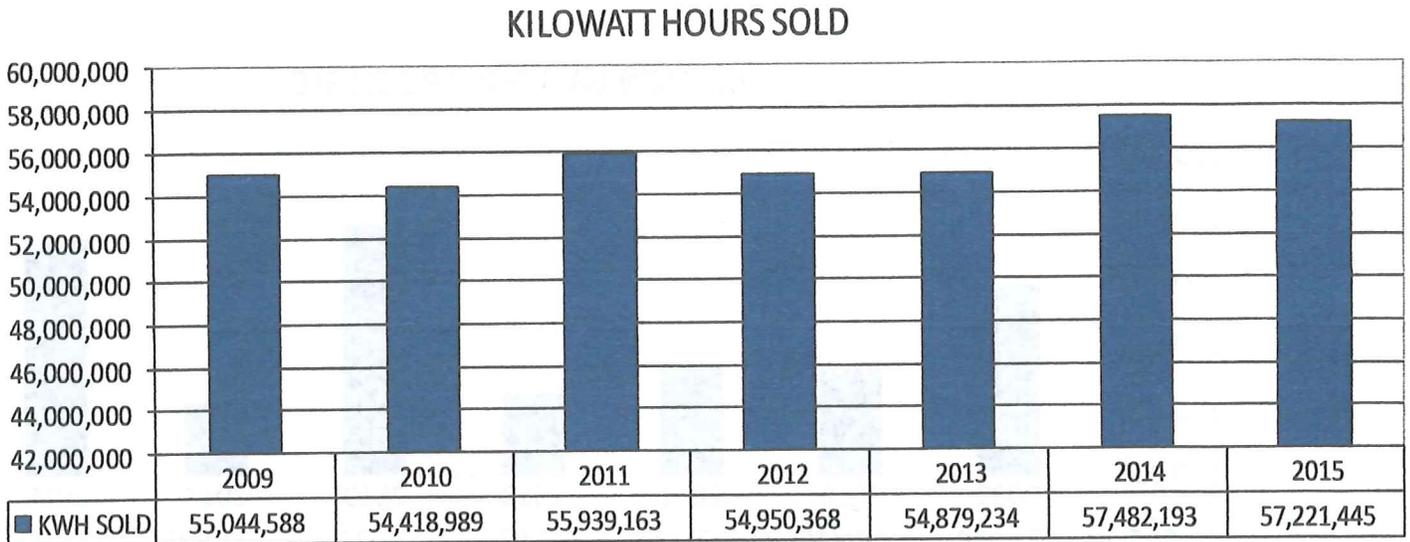
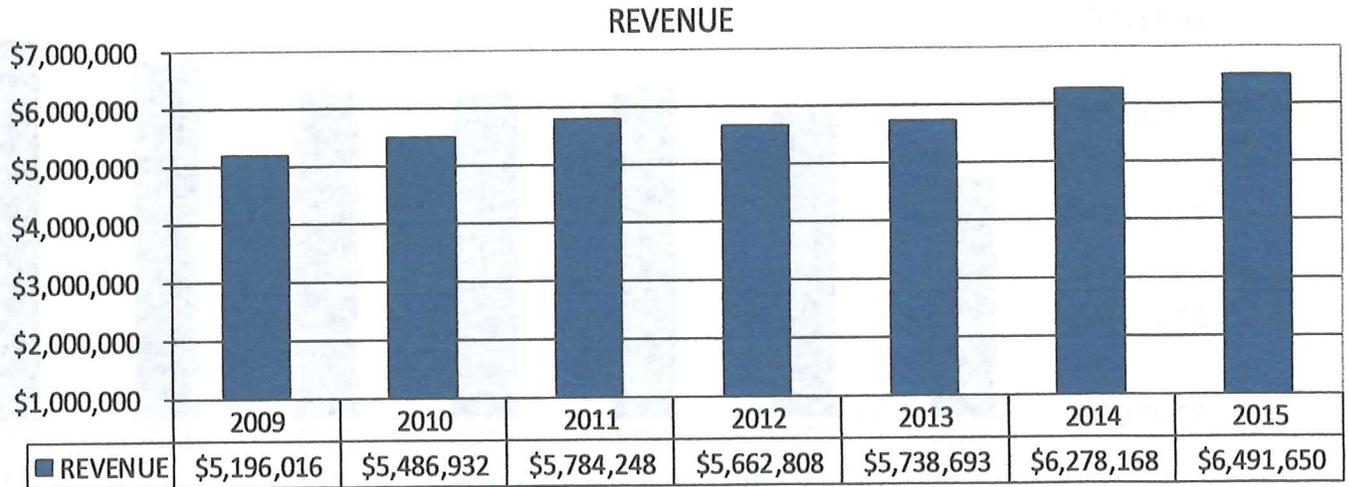


MILLION GALLONS PROCESSED



Electric Fund

The proposed Electric budget of \$6,955,000 is \$76,300 or 1.11% more than the amended 2015-2016 budget. The 2016-2017 capital outlay budget was increased by \$15,000, personnel costs are projected to increase by \$18,500 and wholesale power costs are projected to increase by \$41,000 due to increased demand. The recommendation is to keep electric rates flat with 2016 rates that will allow the Town to continue reinvesting money to replace aging infrastructure.



Reliability

The Town Electric Distribution System provides affordable and reliable service to its customers. In 2015, the Electric Distribution System was in service 99.98% of the time.

Energy Efficiency

This Electric budget continues the Town's commitment to green power and energy efficiency initiatives. The total amount included for rebates to customers for installing energy efficient water heaters and air conditioners is \$1,000. The Council previously approved three energy efficiency programs for Town customers.

Renewable Energy Portfolio Standards

Budgeted in the Electric Department are the requirements of Senate Bill 3. Under NC Senate Bill 3 of 2007, all electric customers must pay a Renewable Energy Portfolio Standards (REPS) charge. Granite Falls' charges are less than the maximum allowed under the legislation due to the program being implemented by NC Municipal Power Agency #1. \$30,000 is included for the Town's participation in the REPS mandate. The Council will be requested to adopt a revised rate rider at the June 20th meeting in order for the Town to collect the revised charges.

RENEWABLE ENERGY PORTFOLIO STANDARDS (REPS)		
<u>Customer</u>	<u>Monthly Cost</u>	<u>Annual Cost</u>
Residential	\$0.61	\$7.32
Commercial	\$2.95	\$35.40
Industrial	\$30.41	\$364.92

Electric Department Receives Public Power Awards of Excellence

Granite Falls' Electric Department received five ElectriCities Public Power Awards of Excellence for 2015. These awards were for Service Excellence, Energy Efficiency, Financial Stability, Competitive Business Environment and Legislative Involvement.

Garbage Collection and Recycling Contracts

The contracts with Republic Services (formerly known as Garbage Disposal Service) will continue to provide curbside garbage and recycling collection once each week. 82% percent of the Town's households participated in the curbside recycling program for 2015. Republic Services converted

garbage and recycling collection to 95 gallon rollout carts in October 2012. Town of Granite Falls residents recycled 234 tons in 2015.

Safety Training

The Town continues to provide funds for safety compliance in each department.

Debt Service

The Town has traditionally maintained a conservative position regarding issuance of public debt and only utilizes debt as a means to finance long-term capital projects. The Town issued debt in the amount of \$500,000 in January 2006 with RBC Centura for principal and interest payments on the expansion of the Administrative Offices. The 2016-2017 Administrative Department budget includes principal payment of \$33,400 and interest of \$6,400. This debt was originally for 15 years and will be repaid in 2021. The debt on the fire truck purchased in 2009 was \$235,000 with payments of \$3,172 per month for seven years. The fire truck will be paid off in December, 2016. In November, 2008 the Caldwell County EDC LLC, along with Caldwell County and the Town, purchased 66 acres from Edward Whisenant for economic development. The original loan was for three years of interest only payments with a balloon payment of \$426,667 due December 15, 2011. The loan was converted to a 10 year fixed interest rate 4% loan under which the Town pays principle and interest of \$51,000 per year with annual payments due July 15th each year through 2020. Principal and interest for debt service payments on the water, sewer and electrical line extensions on U.S. 321-A and to River Bend Subdivision that allows for industrial and commercial growth along with US 321 corridor was paid off in April 2012. The 2017 Water & Sewer budget includes \$30,500 in principal and \$5,600 in interest for the CWSRF loans.

History and Transportation Museum

The Council appointed a History Committee in April 2009 to assist the Town with oversight of the Granite Falls History and Transportation Museum. Volunteers continue to staff the museum on Saturdays and Sundays. The Baird House is the second oldest house in Caldwell County with the original structure built in the 1790s. The museum features more than a century of history of Granite Falls and also the development of its transportation with many artifacts from the Town's history. One major project of the committee is to enter and maintain a record of all the artifacts, including pictures, in the Past Perfect Program purchased with Enhancement Funds.

Stormwater Phase II and Erosion Control Ordinances

Granite Falls, due to proximity to the Hickory Metro Area, is required by State and Federal Law to develop rules for compliance with Phase II Stormwater. The Town co-permitted with Caldwell County and several other municipalities to enforce a countywide Phase II Stormwater Ordinance. In 2010, Caldwell County withdrew its participation in the Stormwater program. The City of Lenoir is now the lead agent in the program and holds the permit from the State of NC. Additionally, the County has also withdrawn its participation in the Sedimentation and Erosion Control program. The State Department of Environment and Natural Resources (NCDENR) will now enforce these rules within Caldwell County from their regional office in Swannanoa. The Stormwater ordinance is applicable to most new development that meets the minimum size thresholds and to communities like Granite Falls who operate an MS4-Municipal Separate Storm Sewer System. The Town is responsible for educating local citizens as well as developers/builders about these ordinances for their compliance with federal and state law.

Town Is A “Small Town Main Street Community”

Granite Falls was named a “Small Town Main Street Community” in August 2008 by the NC Department of Commerce. Small Town Main Street is a three-prong program of design, promotions and economic restructuring. This designation provided two years of free technical assistance to help the Town. The Town completed the two-year initial STMS process in June, 2010 and signed up to participate for additional years through June, 2016. Sherry Adams is the NC Department of Commerce’s representative that provides the technical assistance to the Town, the Merchants Association members, and downtown business and property owners.

Town Councilman Mike Mackie serves as the Chairman of the Small Town Main Street initiative and Town Manager Jerry Church also participates in the monthly meetings.

Hazard Mitigation Five-Year Plan Update

The Town completed its second five-year update of the Hazard Mitigation Plan in 2015 that was originally adopted in 2004. Granite Falls participated with Caldwell County and the other municipalities in the 2004 and 2009 joint plans. The 2015 plan was a multi-jurisdictional plan for the Unifour Region and was approved by the Town Council on March 30, 2015. The updated plan will be in effect through 2020.

Veterans Memorial Committee

During the 2011-2012 budget year, Council appointed a Veterans’ Committee to explore the possibility of building a Veterans Memorial in the Town of Granite Falls. The committee met at least twice each month with the purpose of determining site location, design and funding source recommendations to the Council. The Council approved the Town bidding the project and the monument was built and then dedicated on Veterans Day, November 11, 2014. The Town holds a Veterans Day Ceremony each year to honor Veterans.

Lakeside Park

Lakeside Park, located on Lake Rhodhiss at the end of Lakeside Avenue and adjacent to the Town’s water treatment plant, has been open to the public with more and more citizens visiting the park. The Town continues to be excited about this project and the potential it has in protecting the Town’s public water supply and future recreational opportunities for residents. Walking trails, bicycle trails, a picnic shelter, several footbridges, a handicapped accessible fishing pier, a canoe dock and restrooms are available for public use.

Connect – Telephone Service

The Town continues to utilize the Connect-CTY® service, a town-to-resident notification system. With this service, town leaders can send personalized voice messages to residents and businesses within minutes with specific information about time-sensitive or common-interest issues such as emergencies, severe weather alerts, and local community matters. The Connect-CTY service is used to supplement our current communication plans and augment public safety/first responder services.

Special Revenue Funds

The Town received approval for grant money to complete projects in fiscal year 2016. Some of the projects do not require the Town to establish capital project ordinances since the projects do not provide the Town with capital assets. Examples of these projects are the Ccon Metals, USA and the A. McGee Wood Products Building Reuse projects. Projects like these have to be established each fiscal year as Special Revenue Funds.

Capital Project Funds

The Town received approval for grants or loans to complete projects in fiscal year 2016. Some of the projects require the Town to establish a capital project ordinance since the projects provide the Town with capital assets. Examples of these projects are the Assistance to Firefighters Grant, the PARTF Grant and the CWSRF loans. Projects like these do not have to be established each fiscal year as a Capital Projects Ordinance runs the life of the project.

Summary

The economic transition in this community is not over, but economic conditions are improving. The unemployment rate for Caldwell County in March 2016 was 5.7% compared to 6.3% in March of 2015. Our local revenues have also ticked upward slightly.

The Mayor and Council have shown leadership and commitment to the community's future in working on this budget. Keeping a focus toward the future in this economic downturn, the Council remains interested and engaged in moving forward. Although times are tough, we continue to move forward making the decisions that are necessary to focus on keeping Granite Falls the best place to live, work, play and do business.

The budget process is time consuming, but essential in meeting the needs of our organization and our citizens. The state and local economy continue to impact local revenues. Through the annual budget process, the Mayor and Town Council determine the level of Town services and funding for capital projects, set the Town's property tax rate, user fees, and charges for services.

This is the seventh budget I have submitted to the Town Council since I was hired in September of 2009. I am proud to have been chosen for this duty and for the opportunity to work alongside individuals who love this great town. The spirit of cooperation and willingness to complete tasks efficiently and cost effectively exists throughout this organization from the Council and department heads down through the other full and part-time employees. This budget is the culmination of many hours of analysis and efforts by the Mayor, Council and Town Staff. I appreciate their contributions and input as well as the time they took out of their schedule to assist me in this process. I would also like to thank the department heads and especially Finance Officer Marsha Harbison for their participation in formulating the 2016-2017 budget.

Call for Public Hearing

In accordance with the NC Budget and Fiscal Control Act the Council must hold a public hearing prior to adopting the budget. It is recommended the Council hold the public hearing to receive public comments on the budget at a special meeting to be held Monday, June 20, 2016 at 5:30 p.m. in the Town Council Room at 4 South Main Street. This public hearing date and time, along with a budget summary, will be distributed to the local news media.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Jerry T. Church". The signature is written in a cursive style with a large initial "J".

Jerry T. Church
Town Manager and Budget Officer

