



**Town of Hudson,
North Carolina
*Annual Budget – Fiscal Year 2017-2018***

Board of Commissioners

Janet H. Winkler Mayor
Bill Warren, Mayor Pro-Tempore
Larry Chapman, Commissioner
Tony Colvard, Commissioner
David Irvin, Commissioner
Ann E. Smith, Commissioner
Carl Wagner, Commissioner

Rebecca M. Bentley, Town Manager
May 16, 2017

May 16, 2017

Honorable Mayor Winkler and Members of the Hudson Board of Commissioners:

In accordance with North Carolina Local Government Budget and Fiscal Control Act and the Town of Hudson charter, I hereby submit the proposed budget for Hudson, North Carolina for fiscal year 2017-2018. The budget of \$3,014,394 is balanced and identifies all general fund anticipated revenues and expenditure estimates for fiscal year 2017-2018.

SUMMARY

As it has in the past several years, the economy continues to be a dominant factor in preparing this budget. Over the last couple of years there were signs that the state and local economy were recovering. However, this year, a concern of the budget is the stagnation of our traditional sources of revenues. In assembling this budget, my first priority was in maintaining our present service level. With this in mind, this budget was particularly challenging in that as we were adding up the requests for funds from the department heads, we had several significant expenses that had to be eliminated from the requests. This year we are fortunate the health insurance premiums decreased due to the Town changing insurance providers and a slight reduction in coverage. The cost of fuel is expected to remain relatively level. We are seeing some improvements in the general economy for Hudson; however, we are still in the early years of what economists warn will be a slow recovery of the economy for North Carolina. Hudson has been fortunate to have maintained nearly all its industrial base and has even shown growth in many of the industries. Retail opportunities within Hudson are also showing improved growth.

Hudson's budget is traditionally conservative and this year, again, it is so. In order to bring balance to the Town revenues and expenditures department heads were instructed to continue the most minimal budgets reasonable to contain expenditures. The FY17-18 Budget continues the Town's current level of service provided for its citizenry. Our Town staff is our most valued asset and is to be commended for the fine jobs they do. Each employee is dedicated to serving the citizens of Hudson and performing the best possible job in a safe, efficient, and effective manner.

It is estimated that in the 2017-2018 fiscal year the Town will spend approximately \$3 million for general services, including administration, public safety, public works, and recreation. The 2017-2018 general fund budget reflects a 7.9% increase in the operating budget from the total 2016-2017 amended general fund budget of \$2,792,369. The fiscal year 2017-2018 budget proposes a four cent increase in the current ad valorem property tax rate to 43 cents per \$100 valuation. One cent ad valorem tax on the base valuation is equivalent to \$27,000 in increased revenue. The tax rate has remained at \$.39 since fiscal year 2013-2014. A sanitation fee is proposed to remain at \$7.50 per month. The residential fee will be billed \$90 annually on the ad valorem tax bill. Commercial businesses' solid waste is collected twice weekly. The

commercial businesses sanitation fee is proposed to remain at \$45 per quarter. All other fees remain the same.

EXPENDITURES

The budget includes no increase in compensation for elected officials.

This budget reflects the implementation of the fourth and final year of a four-year plan to implement the salary adjustments suggested by the MAPS Group whom the Town engaged to perform a salary study four years ago. The results of this study showed some employees were much below the market rate for their job responsibilities. This budget contains \$11,000 to fund Phase IV of the implementation strategy suggested by the MAPS Group. Also included in this budget proposal is a 2.5% Cost of Living Adjustment for all employees. In addition is a 1.5% Merit Pool of \$18,500 to fund merit increases for full-time employees. Management will expect to receive recommendations for merit increases from supervisors based upon employee evaluations given at each employee's anniversary date with the Town.

State retirement contributions increased slightly from the previous year and are included. The 401k three percent (3%) contribution for non-law enforcement personnel is unchanged. The state mandated five percent (5%) 401k contribution is included for law enforcement personnel. All currently funded full-time positions remain the same and are included. Many departments employ part-time staff to meet the labor needs.

Health insurance renewal for employees was reduced 6.8% as a result of a change in the insurance carrier. I am glad to be able to report decreases in health insurance rates. However, health insurance is still a very expensive benefit which the Town provides its employees. Within this budget employees will contribute \$20/week toward their employee health insurance premium costs.

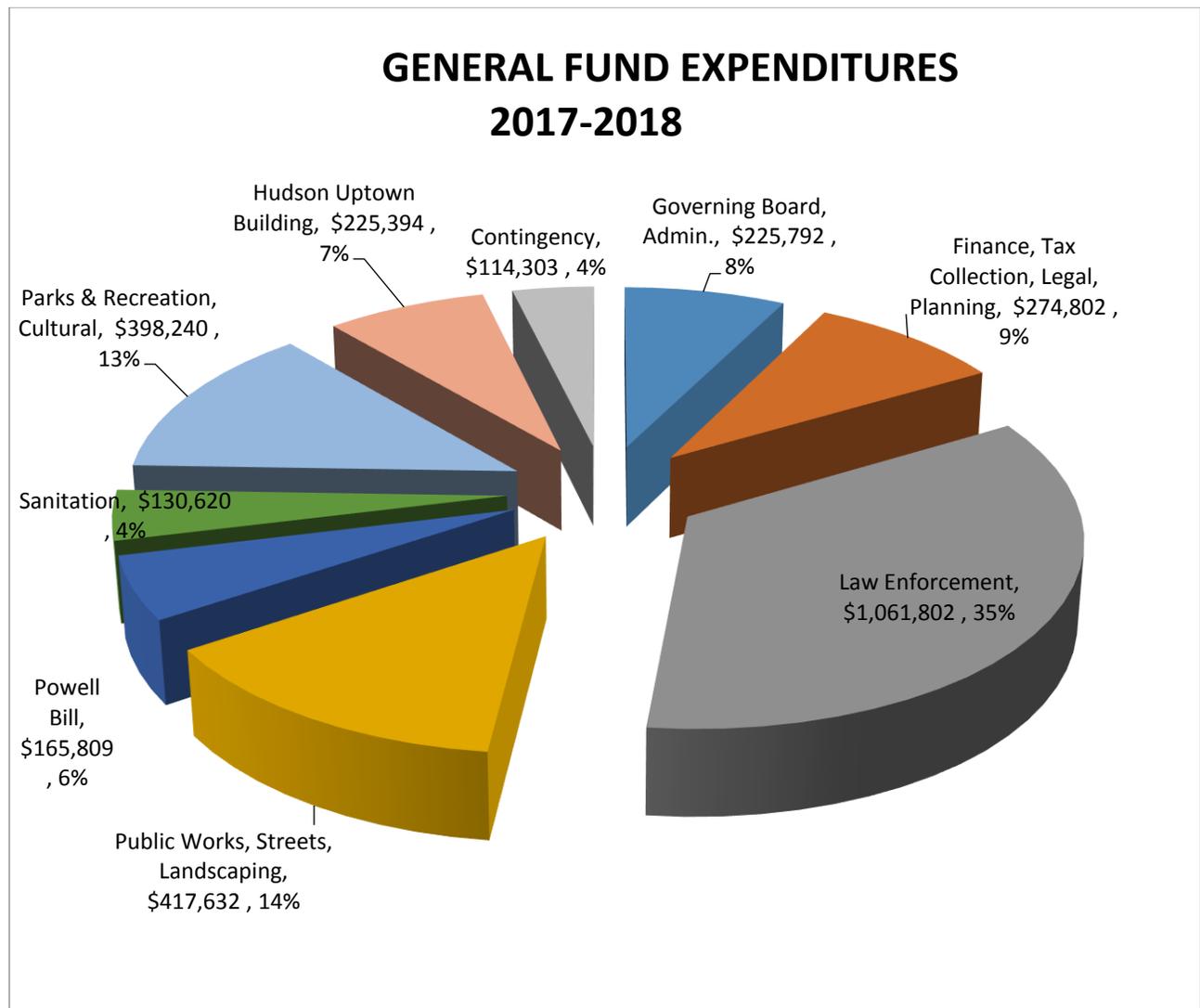
The Police Department staffing will have 10 full-time officers, three full-time Community Resource Officers, and a Records Clerk/Secretary. The two Community College Officer positions are fully funded with money received from Caldwell Community College and the Caldwell County School Board is funding the CRO at the Hudson Middle School. One (1) retired police officer is eligible and is receiving the Law Enforcement Special Separation Allowance at a cost of \$15,000. There is a police investigator position budgeted to begin in January 2018 as a match for a proposed COPS grant.

Planning services will continue to be provided through a contract with the Western Piedmont Council of Governments. The planner is in Hudson all day from 8:30 until 5:00 on Wednesday. The Town contracts with the City of Lenoir for storm water management services.

Capital expenditures have long taken a lower priority in the general fund budget. However, as equipment ages and becomes obsolete it is imperative it be replaced. The Town provides services with staff and equipment. Without efficient and properly operating equipment, employees cannot adequately and safely accomplish their tasks. The Town's 5-Year Capital

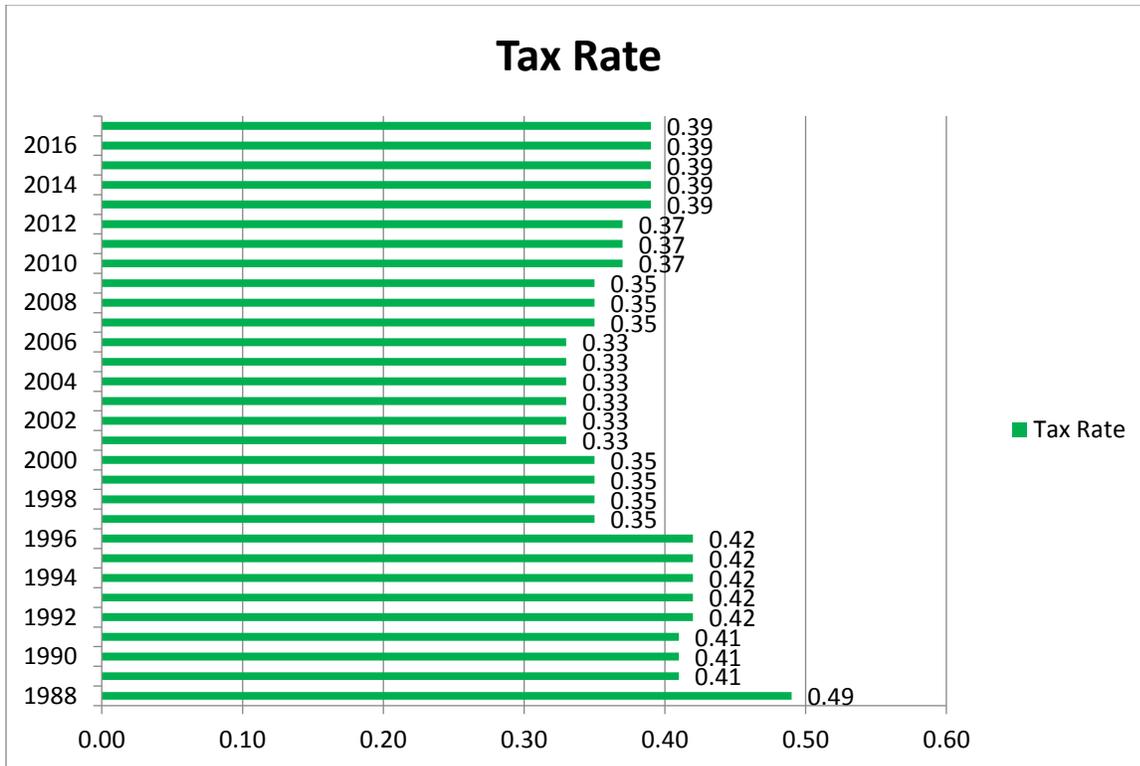
Improvement Plan has \$1.65 million dollars in unfunded requests. Total capital requests in the 2017-2018 budget are \$170,800. These capital budget requests include \$35,000 to replace a 33-year old Town Hall roof; \$7,000 to upgrade software for the finance and tax departments, \$59,500 for the annual lease payments for three (4) fully equipped police patrol vehicles, \$2,500 for video server for in-car and body cameras; \$28,000 for new radios in PD; \$10,000 security gate for garage; \$6,800 mower for Powell Bill; \$8,000 for LED tennis court lights; \$13,000 to begin replacing windows at the HUB, and \$1,000 for a water cooler in the HUB leased offices.

This budget includes \$27,000 to fund the contribution to the Sales Tax Reinvestment Program which is payable to Caldwell County per our Sales Tax Reinvestment Agreement and \$500 for inclusion in the Railroad Commission

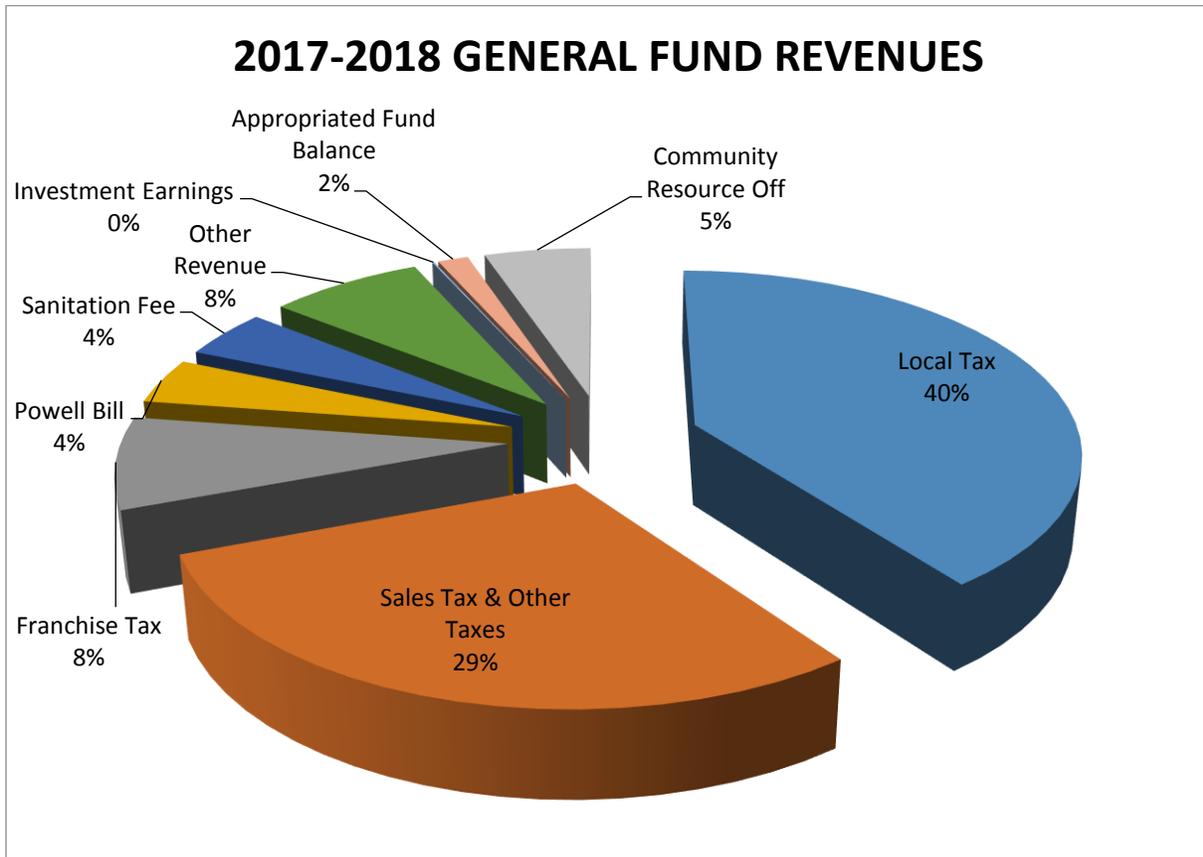


REVENUES

The budget reflects current valuation of \$259,371,602 resulting in net ad valorem tax revenue of \$1,070,000 within the municipal boundaries of the Town of Hudson when assuming a 96% collection rate. Estimated motor vehicles valuation is \$23,982,558 with revenue of \$99,000. The property tax rate for the 2017-2018 operating budget is proposed to increase from the 39 cents per \$100 valuation to 43 cents per \$100 valuation.



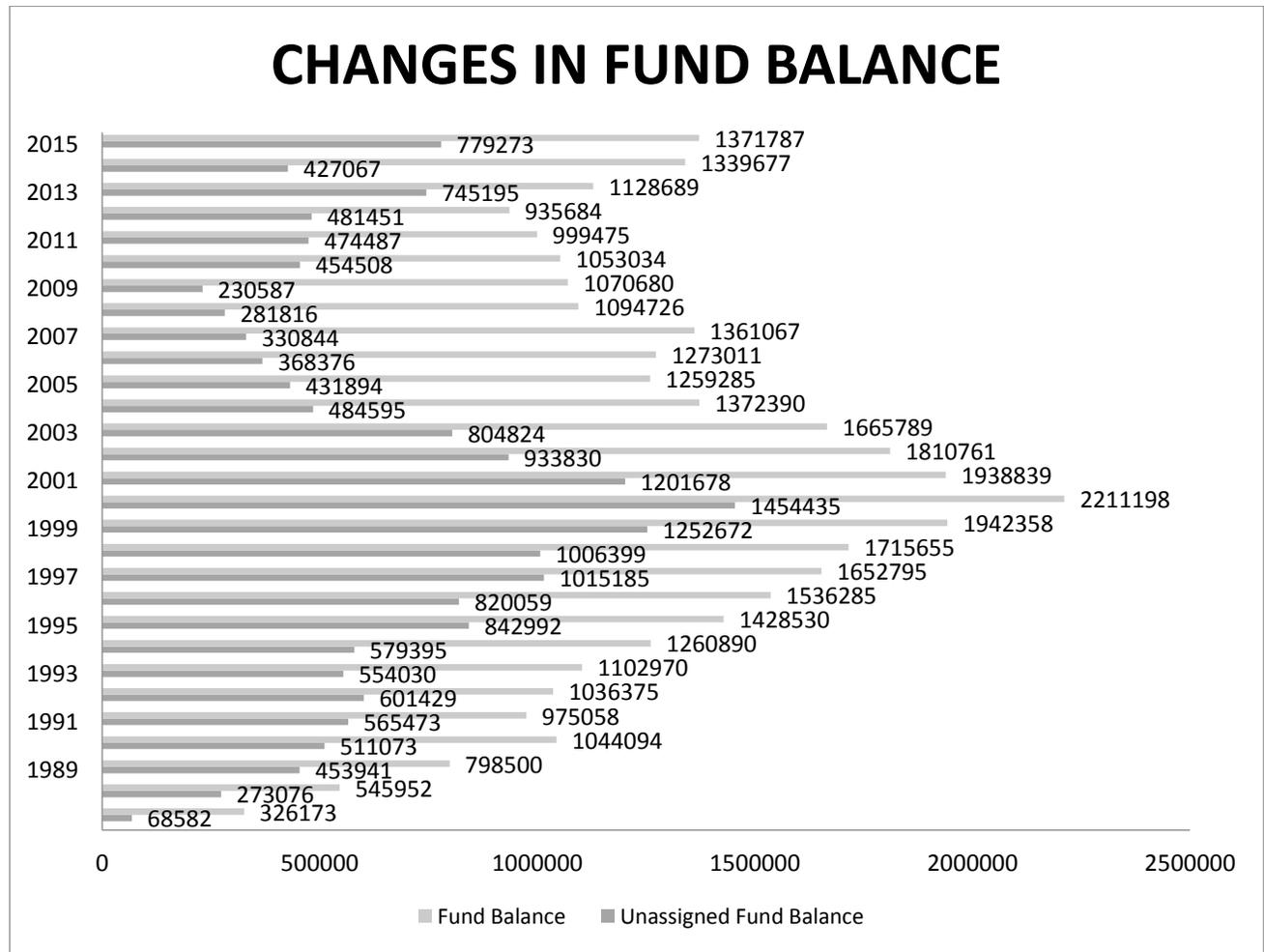
Sales tax collections are expected to increase slightly over the 2016-2017 Budget. All other revenues remain relatively stable.



FUND BALANCES

Because of the Town's effort to keep the tax rate and fees low over the past years much of the expenditures have been absorbed by the available fund balance. The result is the General Fund balance began declining in 2001. A decade later in 2010 the Town began to rebuild its declining fund balance. Available general fund balance is 30% of the annual expenditure budget. The North Carolina Local Government Commission suggests that municipalities maintain a fund balance that is at least eight percent of its annual general fund expenditure budget. The fund balance of the Town of Hudson is sufficient to meet that need. Having adequate fund balances insures Hudson will have funds to deal with any unforeseen disaster, or be able to absorb revenue shortfalls or unexpected expenditures. It is especially important to maintain adequate fund balances in order to absorb revenue losses and increased expenditures that may result from

actions taken by the NC General Assembly. Each year, many of the municipal revenue sources are in doubt and mandated cost may be likely.



CONCLUSION

It is with tremendous thought and analysis that I recommend the General Fund budget to the Hudson Board of Commissioners. Much consideration and work went into presenting to the Board the leanest possible budget to provide the current service levels to Hudson’s citizens. I believe the future for Hudson is bright. This year is slightly better than last, last year was slightly better than the year before and I trust that trend will continue. Staff continues to seek grant funding from both the state and federal levels to assist with the delivery of much needed and expected town services. Certainly, the Department Heads and I continue to look for ways to increase our revenues and minimize our expenditures.

The recommended four cent tax increase in the 2017-2018 Budget is absolutely necessary to maintain current operating expenses, increase the dwindling fund balance, adequately prepare to fund capital needs, and prepare for the eventual retirement of the Town’s key personnel. Grady Fullerton, Professor of Governmental Accounting at the University of North Carolina Chapel Hill said, “*The purpose of government is not to make money, but to spend money. It is the job of*

the government to determine the needs and wants of their constituents, to provide those by the most effective and efficient means possible, and to assess a tax sufficient to do so. No more and no less!" In order to responsibly provide services to the citizens of Hudson and its corporate citizens, we must assess taxes and fees sufficient to provide the need.

As government officials we have a responsibility to oversee the collection of revenues from and on behalf of our citizens and in exchange provide them with the needed and desired services as efficiently and effectively as possible. This is a responsibility that I take very seriously. I owe much to the dedicated staff. Their continued ability to provide more with less amazes even me. They search for innovative ways to provide service and pull together as a team to meet the needs of our citizens and visitors. Their dedication and commitment make my job much easier. I extend to them my heartfelt thanks. On behalf of the Town of Hudson employees, I thank each of you for the opportunity to serve the Board of Commissioners and the citizens of Hudson.

I also thank Mayor Janet Winkler and the full Board of Commissioners for their unfailing commitment of time, patience and hard work during the budget process and in all other aspects of their service to the Town of Hudson. As elected officials, many difficult decisions must be made.

In conclusion, this budget is a responsible forecast of anticipated revenues and expenditures. It doesn't provide all the needs of the staff; yet, it provides for all the essential requests. It reflects a commitment to the current levels of services to our citizens, and addresses all facets of the Town of Hudson operations. This budget takes care of Town facilities, provides for Town employees, provides the services needed by the citizens and guests of the Town of Hudson and prepares us as best as possible to accept new responsibilities and challenges.

The budget public hearing is scheduled to be held at the regularly scheduled Board meeting on June 20, 2017 at 6:00 p.m. in the Board of Commissions Room at the Hudson Town Hall. Adoption of the budget ordinance may be done any time after the public hearing but must be done by June 30, 2017. Any person wishing to make comments or ask questions may do so at the public hearing. The proposed budget is available for public review at the Hudson Town Hall during regular business hours and will be posted on the Town's website, www.townofhudsonnc.com. Notice of availability of the document and the scheduled public hearing will be published in the *News Topic*.

Sincerely,

Rebecca M. Bentley
Town Manager and Budget Officer

FY 2017-2018 Budget Ordinance

BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF THE TOWN OF HUDSON, NORTH CAROLINA:

The following estimated fund revenues, department expenditures, and interfund transfers are approved and appropriated for the Town of Hudson's operations for the Fiscal Year beginning July 1, 2017, and ending June 30, 2018.

SECTION 1: GENERAL FUND

Revenues:		Restricted
Local Taxes	\$ 1,202,100	
Other Tax & License	887,450	
Unrestricted Intergovernmental Income	242,500	
Restricted Intergovernmental Income	277,903	121,000 Powell Bill; 156,903 Community Resource Officers
Other Revenue	356,632	
Investment Earnings	3,000	
Appropriated Fund Balance	44,809	44,809 Powell Bill Appropriated Funds
Total General Fund Revenue	\$ 3,014,394	\$322,712 Restricted Revenue

Expenditures:		
Governing Board	\$ 25,179	
Administration	200,613	
Finance	148,170	
Tax Collections	81,132	
Legal	12,000	
Planning & Zoning	33,500	
Law Enforcement	1,061,802	156,903 CRO
Public Works, Streets, Landscaping	417,632	
Sanitation	130,620	
Recreation & Cultural	398,240	
Powell Bill	165,809	165,809 Powell Bill Exp
Hudson Uptown Building	225,394	

Contingency	114,303	
Total General Fund Expenditure	\$ 3,014,394	322,712 Restricted Exp

SECTION 2: AD VALOREM TAXES

An Ad Valorem tax rate of \$0.43 per (\$100) valuation of taxable property, as listed for taxes as of January 1, 2017, is hereby levied and established as the official tax rate for the Town of Hudson for fiscal year 2017-2018. The rate is based upon a total projected valuation including motor vehicles of \$283,354,160 and an estimated collection rate of 96% collection rate. The purpose of the ad valorem tax levy is to raise sufficient revenue to assist in financing necessary municipal government operation in Hudson.

SECTION 3: DOCUMENTATION

Copies of this ordinance will be kept on file at Town Hall and shall be furnished to the Town Clerk and Finance Officer to provide direction in the collection of revenues and disbursement of Town funds.

SECTION 4: SPECIAL AUTHORIZATION

- A. The Town Manager shall serve as Budget Officer.
- B. The Budget Officer shall be authorized to reallocate departmental appropriations from among the various expenditures within each department not to exceed \$5,000. Notification of all such transfers or amendments shall be made to the Board of Commissioners at their next regular meeting following the effective date of the transfer.
- C. The Budget Officer shall be authorized to effect interdepartmental transfers not to exceed \$5,000. Notification of all such transfers or amendments shall be made to the Board of Commissioners at their next regular meeting following the effective date of the transfer.

SECTION 5: RESTRICTIONS

- A. Interfund transfers of money shall be accomplished only by authorization from the Board of Commissioners.
- B. The utilization of any contingency appropriation, in any amount, shall be accomplished only by the authorization from the Board of Commissioners.

SECTION 6: BUDGET AMENDMENTS

The North Carolina Local Government Budget and Fiscal Control Act allows the Board of Commissioners to amend the budget ordinance at any time during the fiscal year, so long as it complies with the North Carolina General Statutes. The Board of Commissioners must approve all budget amendments, except where the Budget Officer is authorized to make limited transfers.

SECTION 7: UTILIZATION OF BUDGET AND BUDGET ORDINANCE

This ordinance and the budget documents shall be the basis for the financial plan of the Town of Hudson during the 2017-2018 Fiscal Year. The Budget Officer shall administer the budget. The accounting system shall establish records which are in consonance with this budget and this ordinance and the appropriate statutes of the State of North Carolina.

Adopted this 20th day of June, 2017.

Janet H. Winkler, Mayor

ATTEST:

Tamra T. Swanson, Town Clerk