



Budget Message Fiscal Year 2011-2012

May 16, 2011

Mayor and Board of Commissioners

R.H. Ellington, Mayor
Billy Yeargin, Commissioner, Ward 1
Billy Surles, Commissioner, Ward 2
Alvis McKoy, Commissioner, Ward 3
Craig Honeycutt, Commissioner, Ward 4

Honorable Mayor and Members of the Board

I hereby present to you the proposed budget for the Town of Angier for the fiscal year commencing July 1, 2011 and ending June 30, 2012. This budget was prepared in accordance with the North Carolina Local Government and budget Fiscal Control Act. There has been much thought, analysis, and fiscal research involved in this year's budget. *One of the critical purposes of this budget document is to encourage open dialogue, questions, and public deliberation as it relates to how best citizen tax dollars can be used to serve the residents and the business community.*

My approach of the FY 2012 Recommended Budget is to continue with a conservative budget structure using basic business principals to guide decisions now and in the future for the provision of our core Town services. Due to the severe recession, the Town of Angier faces financial and operational challenges that will affect the decisions on this budget. The Town has experienced limited growth and a "flat-lining" of water/sewer usage for the last few years. The Town has trimmed costs in many areas and improved efficiency over the past two years to balance its budgets. For example, no new vehicles or equipment were included in the current FY 11 budget.

With little new development occurring in FY 11 and more of the same projected for FY 12, forecasts for the primary sources of revenue (e.g., property tax, sales tax, water and sewer sales) are calculated using little or no growth factor. Thus, in order to hold the line and/or minimize the impact on the cost of services to citizens, expenses again will be tightly controlled.

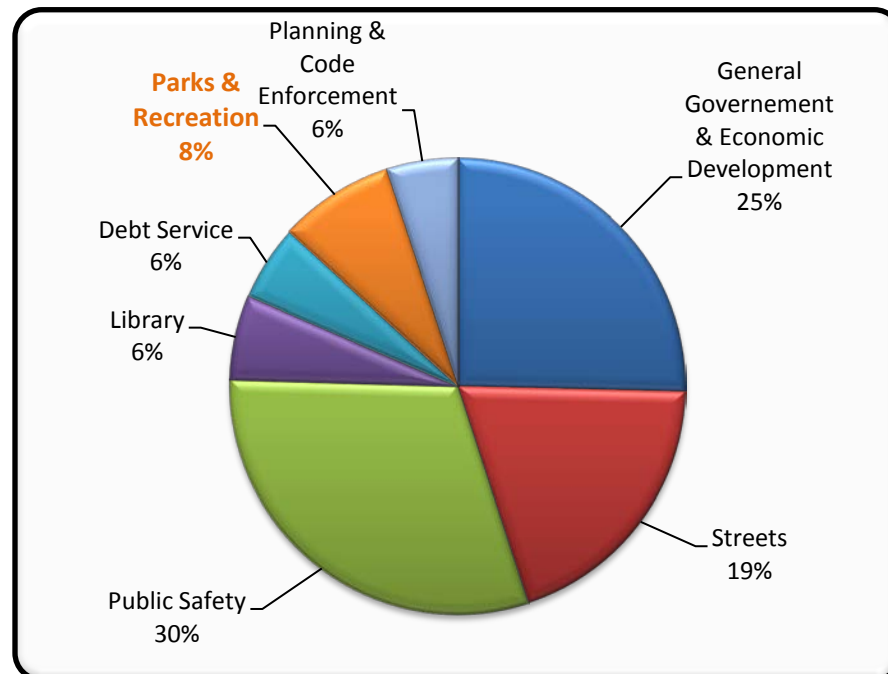
Highlights of the recommended budget are listed below:

- Tax Rate remains the same at fifty three cents (\$0.53) per one hundred dollars of valuation

- No new positions
- Small increases in Planning and Inspection fee schedule, water and sewer rates and garbage and recycling fees
- 2% cost of living
- The only capital outlay funded is one vehicle in the Police Department to replace vehicles with over 100,000 mileage, a John Deere Field Rake in the Parks and Recreation Department, riding mower and work truck in Street Department, asphalt saw in the Powell Bill Fund and a chlorine sensor in the Lagoon Department in the Water/Sewer Fund
- Changing insurance carriers from Blue Cross Blue Shield to United Healthcare with no increase in group health insurance rates
- Slight increase in employer contribution rates for retirement

In short, the economic situation is severe. However, we are optimistic, the Town continues to enjoy an impressive 98.06% collection rate in taxes and with some economic recovery (although slow) mindful spending, excellent leadership and high spirits, there is great opportunity for Angier.

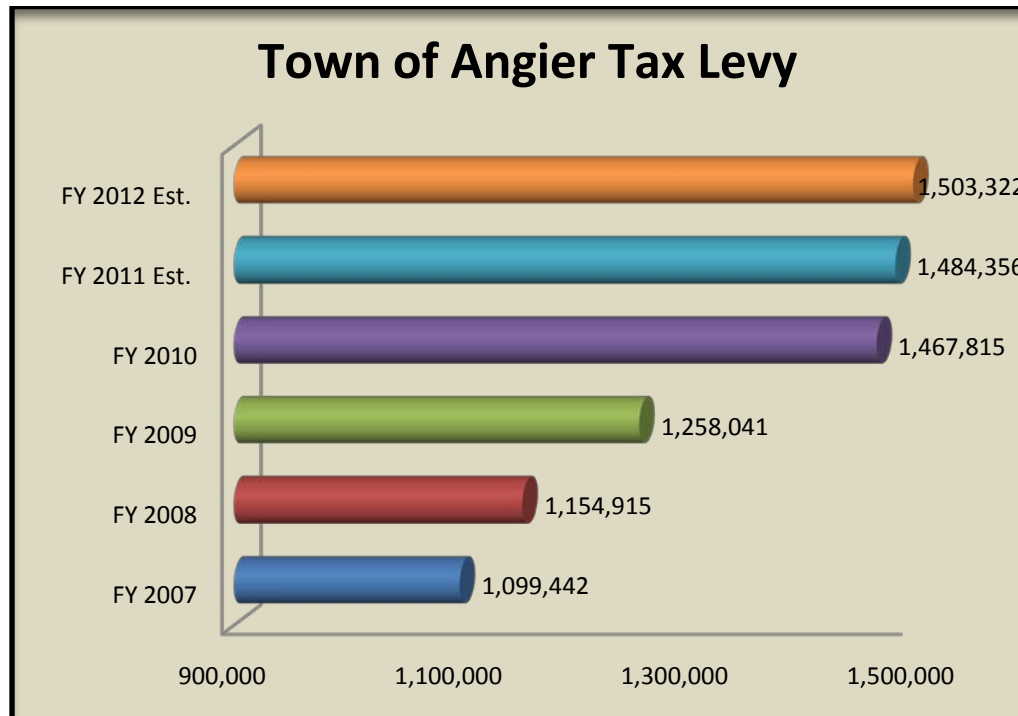
Despite the impacts of the recession of the Town’s finances and operations, the recommended budget for FY 2012 provides a high quality level of service for our citizens while continuing to protect and maintain the core infrastructure that is so vital to sustaining our quality of life. The general fund is where we account and pay for the majority of non-utility related services. Identified in the chart below is a breakdown of where our \$2,637,517 general fund budget is broken down to carry out the Town’s operation in FY 2012. This year’s overall general fund operating budget represents an increase of \$79,100 or .0309%.



Major Issues Impacting the FY 2011 Budget

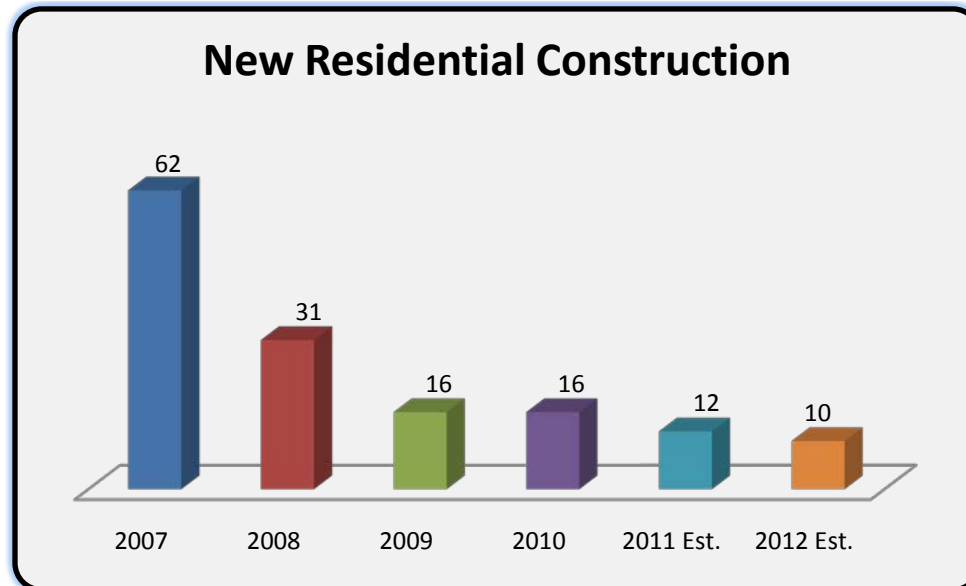
Tax Levy

The tax base in FY 2012 is estimated at \$283,645,692 which includes real property (land and buildings), personal property (boats, mobile homes, campers, etc), public service property (public utilities), and vehicles. This equates to a tax levy of \$1,360,869 for Harnett County and \$142,454 for Wake County within the Town of Angier's city limits. A historical perspective of the Town's tax levy since FY 2007 is provided in the graph below.



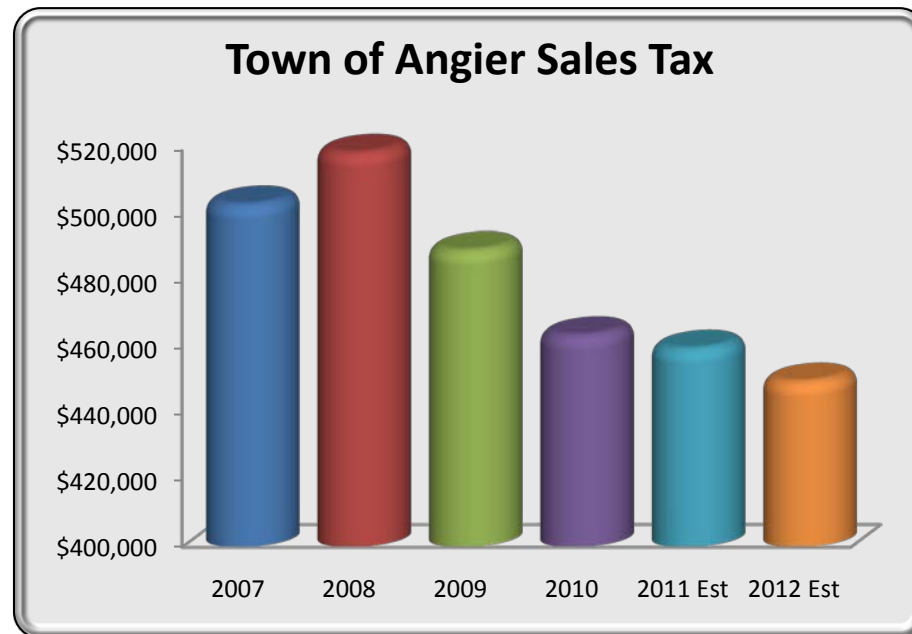
Single Family Residential Permits

Due to the current recession's impact on the drop in building permits being requested currently, the Town has had a sharp decline in growth and this has had a direct affect on the revenues. The graph below shows new single family residential permits issued since FY 2007 and the dramatic reduction in the number of permits during this recession. Commercial activity has similarly seen dramatic declines which are further indications that tax base growth for at least the next couple of years will be sluggish at best.



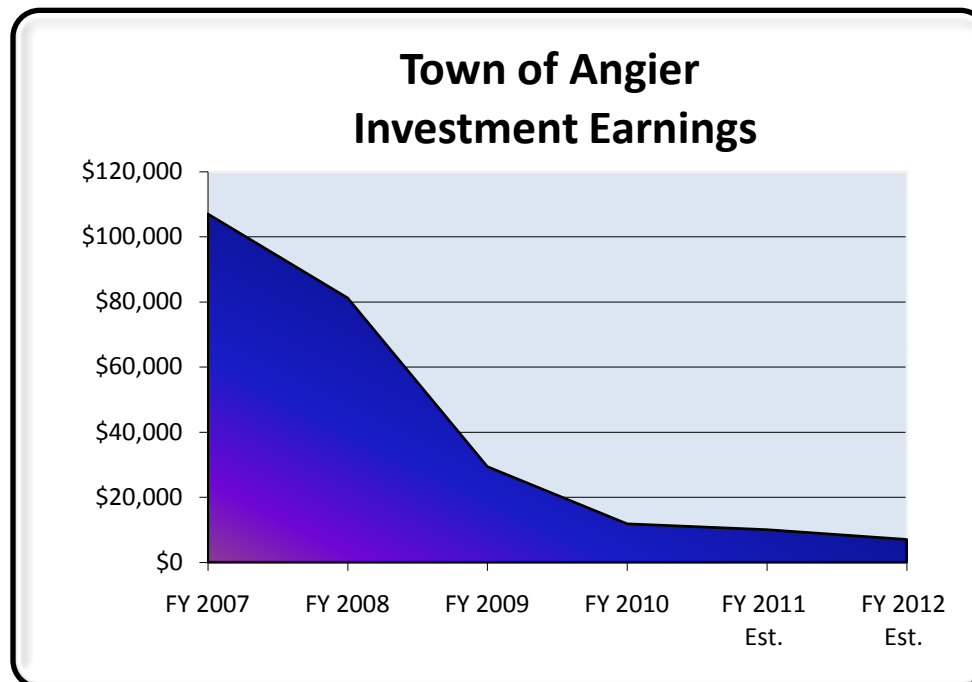
Local Option Sales Tax

Projected sales tax revenues totaling \$450,000 make up 17.06% of all general fund revenues. The graph below depicts the historical amount of sales tax revenue and how it has been greatly impacted by the economic condition. The recessionary impacts are expected to continue through 2011 affecting budgeting estimates for FY 2012.



Investment Earnings

Existing cash balances on hand are invested temporarily to earn the Town income in the form of investment earnings to help in needed funding for Town services. The sagging economy of the early 2000s drove debt service rates lower in the bond market; it also reduced the amount of return available for the Town's investments. Interest earnings in the General Fund for FY 2007 were \$106,964. As these market changes have affected the Town's income over the past few years, the Town has had to adapt its expense and pay-as-you-go capital planning accordingly. With the economic recovery of the mid 2000s, investment earning levels improved, but as the economy slumped again, total investment earnings for FY 2012 are expected to be about \$7,000 which is \$99,964 or 93.46% less than those recorded in FY 2007. For comparison purposes, each penny on the tax rate in FY 2012 is expected to generate \$28,365 in revenue, so the Town's much weaker investment earnings are expected to generate about one quarter of one penny's worth of tax revenue. This is in stark contrast to investment earning levels in FY 2007 when investment earnings of \$106,964 equaled the value of 3.86 cents on the tax rate at this time.



Utility Fund

Utility Fund revenues are budgeted at \$1,533,900. The projected water sales are \$675,000 which represents 44.01% of the budget and the projected sewer sales are \$725,000 which represents 47.27% of the budget. I am projecting a small increase in water and sewer rates for the FY 2012 year. Harnett County has proposed an increase in charges to the Town for bulk sewer rates from \$1.40 per 1,000 gallons to \$1.75 per 1,000 gallons which would result in an increase of approximately \$48,000. Harnett County has also proposed an increase in bulk water rates from \$3.00 per 1,000 gallons to \$3.15 per 1,000 gallons which would result in an increase of approximately \$23,000.

During the FY 2010-2011, the debt for the Kennebec/Tramwood water line extension expired. We closed our wastewater treatment plant on Smith Drive in May, 2010 and started pumping our sewer to Harnett County as a regional approach through Phase I of the Town's Wastewater Project which involved installation of a 2 mgd pump station to send sewer for treatment to Harnett County's Regional Wastewater Plant. As a result of that fact, the Town acquired an additional debt payment for the Phase I Sanitary Sewer System of \$65,150. The Town is currently working on Phase II of the Town's Wastewater Project which is a gravity sewer interceptor that will open up the northwest corridor of the Town of Angier's ETJ and will relieve flow through the existing sewer lines. Future debt service is anticipated to be approximately \$60,000 to be incurred during the FY 2012-2013.

There is an interfund transfer of \$80,000 to the General Fund for indirect expenses. As required by Department of Environmental and Natural Resources \$50,000 is also budgeted to transfer into a Capital Reserve Fund for future inflow and infiltration repairs on sewer lines to help reduce treatment costs that may be incurred from Harnett County.

During the FY 2012 budget year, the Town will be changing to paper statements for the utility billing to enable the Town to get more information to the citizens on a monthly basis.

Capital Improvement Projects

The Board has expressed interest in several very important capital projects for the Town of Angier. While there is no new funding being recommended in the FY 2012 operating budget for the following projects they are included in this message for your information and consideration:

Department	Project	Cost	Justification	Estimated Time Schedule
Administration	New Town Hall	\$2,500,000	Improved service, current building was constructed in 1956 and does not provide adequate space	5 to 7 years
Water/Sewer	WWTP Upgrade or Interconnection to County System	\$1.2 to \$3.3 million	Needed to comply with State Regulations regarding WWTP capacity	1 to 3 years
Water/Sewer	CL ² Injection System	\$55,000	Improved system operation, reduction costs due to less water used for flushing	3 years
Water/Sewer	ETJ Water Distribution system Expansion (County Line Purchase)	<ul style="list-style-type: none"> ➤ \$1.25 million Project Estimate ➤ \$60,000 Design & Permitting Estimate 	Acquire water lines to control growth and to provide water services to customers within the ETJ	3 years
Water/Sewer	500,000 Gallon Elevated Water Storage Tank	<ul style="list-style-type: none"> ➤ \$1.9 million Project Estimate ➤ \$125,000 Design & Permitting Estimate 	Improved service, eliminate low pressures in northern part of system and make water available in the Wake County area	3 to 5 years
Water/Sewer	Hwy 210 Water Line Extension (Old Stage Road)	<ul style="list-style-type: none"> ➤ \$400,000 Project Estimate ➤ \$30,000 Design & Permitting Estimate 	Improve service and give the Town an additional connection to Harnett County	1 to 3 years
Water/Sewer	Lillington Street Water & Sewer Replacement	<ul style="list-style-type: none"> ➤ \$750,000 Project Estimate ➤ \$50,000 Design & Permitting Estimate 	Improve service, eliminate low psi, install fire hydrants and upgrade old sewer lines	1 to 3 years
Water/Sewer	Williams Street Area Water Line Improvements	<ul style="list-style-type: none"> ➤ \$150,000 Project Estimate ➤ \$15,000 Design & Permitting Estimate 	Improve service, eliminate low psi and older water lines	1 to 3 years

The FY 2012 budget recommendations have been made relative to the current overall financial condition of the Town and to meet the goals set by the Town Board of Commissioners for the future of the Town. Revenue assumptions have been developed according to the effects of the economy as they directly impact many of the Town's revenues such as ad valorem taxes, permit and inspection fees, solid waste fees, sales taxes, utility franchise tax, wine and beer tax, cable TV franchise fees and recycled goods. The Town's controllable revenues are property tax, solid waste fees, permits and fees, business licenses, recreation fees and the uncontrollable revenue sources are sales taxes, state shared revenues and investment earnings.

In summary, the FY 2012 Recommended Budget is balanced in accordance with state statutes and addresses the goals and priorities established by the Town Commissioners for the Town's future. The budget is fiscally sound, and although it does not fund all initial requests made by departments, it does address top priority needs.

I wish to recognize and extend thanks to the Finance Department, as well as the rest of the Town employees for their assistance in the preparation of this budget. This budget is the result of many hours of research and honest efforts to work together as a team to improve the community in preparation for growth and prosperity here in our home.

s/ Coley B. Price

Coley B. Price
Town Manager