



FY 2023-2024 Budget Message

Over the last six months, Pineville staff members have worked to finalize the proposed 2019-2020 Fiscal Year Budget. This year's total budget of \$37,411,892 for General Fund, Restricted Fund, Telephone, Electric Fund, and Capital Improvement Plan is presented in a balanced format, with careful consideration in mind to the continuing the high service level standards the Town of Pineville wishes to provide.

This year was a reevaluation year for Mecklenburg County and subsequently the Town of Pineville. Mecklenburg does a revaluation every 4 years to try to combat large swings in tax values for homes. The new valuation of real estate within the town increased by an average of 34%. Unlike at the previous revaluation residential properties had the largest increase averaging around 53% per parcel. The increase in valuation of real estate accounted for most of the increases within the General Fund. The increase in revenue was used to invest in the town's employees who play a vital role in the high quality of services provided by the town. Town Departments' operating expenses held flat from last year.

The proposed budget, because of the increase in reevaluation, decreases the tax rate to \$0.285 (\$0.045) while still funding critical infrastructure projects and projects to increase the quality of life of residents in Pineville. Due to the increase in home prices the revenue neutral rate is \$0.245 per \$100, which is a decrease of \$0.085 from the current tax rate of \$0.33. All \$0.04 in the proposed budget above revenue neutral is slated to go employees for salary increases so the town can stay competitive and reward team members for making Pineville a great place to live. Each penny, due to the revaluation, generates about \$365,000 in revenue. At the proposed tax rate 321 homes valued at \$400,000 would have to be constructed to generate a penny.

Below is a synopsis of the General Fund, Electric Fund and Telecommunications Fund as well as major investments in the Capital Improvement Plan (CIP).

General Fund

The General Fund, which supports all forward-facing services, equates for 51% of the total budget. The departments that make up the General Fund are Administration, Council, Police, Fire, Public Works, and Parks and Recreation.

Revenues

The State of North Carolina only allows municipalities to generate revenue through a few methods. This extremely hampers how a municipality can fund services and does not allow for out of the box thinking. In fact, several years ago the State took away a funding source, Business License Taxes, which cost the town several millions of dollars in funding sources. This put an even bigger burden on the few funding sources available.

The proposed tax rate will generate \$10.5 million in revenue for the town in Ad Valorem Taxes (Real Estate and Property Tax). Ad Valorem taxes make up 57% of our budget. This along with Sales Tax equates to 71% of the budget or just over \$14 million. Franchise and Miscellaneous Taxes make up the the next largest revenue generators.

Pineville relies on businesses to make up 70% of our Ad Valorem Taxes. This is beneficial for residents when the economy is strong because it lowers the tax burden for residential properties, but an imbalance can cause problems during economic downturns. This is why having a better mix of businesses to residential units is better for the town and all citizens.

The proposed budget does not institute any new fees or increase fees to residents. Unlike many localities the town does not have a residential trash fee. Instead, Pineville pays for this out of the taxes we generate which spreads the burden to commercial properties as well. Trash service for residential units costs \$735,000 which equates to \$0.02 of the proposed tax rate.

Expenses

The backbone of any good organization is good employees. As with any organization, personnel expenses make up a large portion of expenses. In order to have a great community the Town must invest in our most important resource, which is our team members. Personnel expenses are 50% of the costs to operate the Town. Due to the area in which Pineville is located and the competitive market the proposed budget invests heavily in our team members. The proposed budget has an 8% COLA and up to a 3% merit-based increase for each employee. This investment is \$2.3 million more than last year. The increase in salaries equates to \$0.065 and personnel costs in general equates to \$0.1425 of the \$0.285 tax rate. Investing in employees is important and is the most valuable resource the town has.

Public Safety (Police and Fire) make up 48% of expenses. Public Works is next at 12% and debt for the new Town Hall and Library comes in third at 8%.

With the Town's investment in people other expenses in operations and capital have remained flat from last year. However, the Town is still able to meet goals and objectives set out by the Council as their Pillars.

Pineville receives about \$200,000 a year from the State of North Carolina to do street surface repair. Oftentimes this is not enough money to do all of the repairs that are needed so we have to prioritize projects as well as augment this money with general fund dollars. This year we have committed \$500,000 to improve Industrial Drive. Over the last 5 years the Town has made an effort to improve and pave all town owned streets identified as needed repairs in a study commissioned and we are glad to say that this will be the last street on the list.

This budget also is investing in a mobility plan that will provide the town with a blueprint of where to improve or build new sidewalks, where to create bike lanes, and investments in other multi-modal transportation that will enhance opportunities to connect all neighborhoods with economic centers and other attractions in town. The budget proposes to spend \$100,000 in FY24.

Besides public safety, providing great amenities for residents is probably the most significant investment a locality can make for citizens. The Town has a great Parks and Recreation program. Over the last two years the town has pushed for more programmed sports activities at our two parks. This initiative has been widely successful as spaces are used every day for some sort of activity. In fact, it has been so successful that the town is beginning to run out of space for activities. This past year we had to convert open space behind the baseball stadium into ad hoc soccer fields because of the growth. So, in this proposed budget there is \$60,000 to design an expansion of Jack Hughes Park to prepare for the future.

Town Council has been committed to the Arts scene for many years. This year is no different. Included is funding for the ASC, additional funding for Pineville Players, and increased involvement in bringing arts and cultural activities to the town throughout the year. These investments provide Pineville citizens with a wide array of quality-of-life activities that are necessary for a top-class municipality to provide.

Budget Pressures

Pineville has the benefit of being situated in a county that is seeing tremendous growth and opportunity. There are pressures in the current year and future years that the community will experience. Retention and pay are probably the largest pressures on the town's budget currently. Other pressures over the next 5 years are funding a new radio system for the Police Department (\$5 million), construction of a Fire Station (\$16 million), expanding parks and recreation facilities, and improving pedestrian safety on roadways. Staff will work with the Town Council to find appropriate ways to meet these budget pressures.

Given these pressures, the proposed budget has money allocated to engage a municipal fund advisor to provide guidance on how to leverage our fund balance over the next five (5) years to relieve pressure on ad valorem and other taxes.

Enterprise Funds

The Enterprise Funds of the Town of Pineville consists of the Electric Fund and the ILEC and CLEC Funds for the operation of Pineville Communication System (PCS). PCS is a locally owned internet and telephone company that serves areas of Pineville. These funds are self-sustaining meaning that no General Fund dollars are used to augment their operation. Revenues received through services are used to fund expenditures. The Electric Utility Fund equates to 39% (\$14,680,000) of the budget while PCS equates to 9% (\$3,289,892) of the budget.

Revenues

Electric. The Town owns and operates an electric distribution system, provides electric services to a portion of Pineville, and contracts with Electricities of NC to manage its daily operations. Participation in the North Carolina Municipal Power Agency #1 for decades has provided a consistent power source for our customers that is majority from nuclear power. Revenues for the Electric Fund are wholly generated by service to customers. Rates for the proposed FY24 Budget are not increased.

PCS. Revenues for PCS are derived from wired telephone service and internet. Currently PCS has 1150 residential and commercial customers with 93% of those customers being residential. The saturation of other internet providers in Pineville (5 other providers) makes it difficult to build revenue over the long term from new customers. Due to this PCS has been focusing on upgrading speed levels that customers choose to increase revenue, which has been working. This focus has increased the revenue line item by \$155,000.

The proposed budget does not have any fee increases for customers.

Expenses

Electric. The largest expense in the Electric Fund is the cost of power that we purchase from the Catawba Nuclear Power Plant. This expense is just over \$8 million dollars. The Town is working with NCMPA1 on a plan that could significantly reduce our cost of power over the next ten (10) years.

Capital Improvements are the second leading expense in the Electric Fund and play a large role. This year we are proposing to spend \$3.1 on CIP-related expenses. These investments are for the new growth in neighborhoods that have been approved as well as undergrounding some electric lines for beautification and reliability.

The third leading expense in this fund is personnel costs. Just as in the General Fund these costs have seen a dramatic increase over the last several years as we try to compete with private companies such as Duke for qualified staff as well as local contractors. The cost for personnel services is \$1.7 million.

PCS. The leading expense for PCS is capital projects. This is due to the new developments going in as well as trying to convert our copper infrastructure to fiber to become more competitive. The fund is anticipating spending \$669,000 on capital projects.

The second leading expense is personnel related. The team members who work for PCS are a critical part of the operation. They provide excellent customer service to customers and are the reason why this enterprise fund has done as well as they have. Investments in these employees through an 8% COLA and up to a 3% merit increase is worth the expense and they deserve this for their hard work.

PCS generates enough revenue to pay for operational and maintenance costs. However, when you factor in capital costs the enterprise must routinely pull from fund balances. This is not a sustainable long-term strategy for PCS.

Budget Pressures

Electric. Due to the growth of Pineville and the energy requirements of industries going into the Carolina Logistics Park a new substation will need to be built that will cost about \$5.5 million. The town will also have to secure land for the substation. Another capital project will be the construction of a new building that is estimated to cost around \$11.5 million. This will allow the town to consolidate a lot of the different storage areas that Electric currently uses into one space.

To create a plan and map out how to pay for these future projects the proposed budget has a rate study planned for the upcoming fiscal year. Much like the study planned for the General Fund this will allow the town to determine how to best leverage fund balances and costs for services moving forward in a coherent and thoughtful manner.

PCS. As stated previously the largest pressure for PCS comes from the saturation of this area with competition. Most customers view internet service as a commodity and look for the cheapest option. This makes it hard for PCS to compete with national carriers and is why customer service plays such a key role in the operation.

Building out the infrastructure is also a pressure because of the cost. If PCS did not have to build out infrastructure into new neighborhoods revenues would cover operational and maintenance expenses.

Closing Remarks

In 2022 Town Council set six Pillars to guide them and the town's spending over the next two years. For the FY24 Budget staff have worked hard to craft the budget around these Pillars. Each one of these Pillars is reflected in the proposed FY24 Budget. Those Pillars are:

1. Arts and Cultural Resources
2. Economic Development and Innovation
3. Growth and Natural Resources
4. Organizational Excellence
5. Safe, Vibrant, and Healthy Community
6. Transportation and Transit

Finally, I would like to thank each of the Department Managers, as they have been an integral part of the budget development process. Each department manager really looked at their respective budgets and presented to me items that were necessary for the daily operation of their department. I would also like to thank our Finance Director, Mr. Christopher Tucker, for his assistance with the creation of the proposed budget. Christopher works hard on putting the information together and getting all of the changes positioned into the document and took a very active role this year in production of the FY24 Budget.

I would also like to thank each of the Town Council members for their direction and insight into how they envision both the short and long-term future of the Town. Your knowledge and input has been a tremendous resource for us as we worked through the development of the proposed budget. We are excited about the new details provided in this budget, and we feel confident that the Town is taking steps forward and improving upon what is truly a great place to live, work, and play.

Respectfully,

Ryan Spitzer
Town Manager
Town of Pineville