



PRELIMINARY ANNUAL CASH FLOW (BUDGET)
FISCAL YEAR 2017

Travis Marion, Mayor

Members of the Board of Commissioners

David Warnick, Vice Mayor

Allen Authenreath

Brian Leishear

Joseph Shephard

Town of Rising Sun Budget Legislative Calendar for FY 2017

6/14/16

<i>Task</i>	<i>Meeting Date and Time</i>
<i>Submission of fiscal year analysis through February 2016</i>	<i>March 31, 2016 @ 7 pm</i>
<i>Public Work Shop – Proprietary funds</i>	<i>April 7, 2016 @ 7 pm</i>
<i>Details Meeting and Update</i>	<i>April 12, 2016 @ 7 pm (Town Meeting)</i>
<i>Public Work Shop</i>	<i>Monday May 23, 2016 @ 7 pm</i>
<i>Details Meeting and Update</i>	<i>Tuesday May 24, 2016 @ 7 pm (Town Meeting)</i>
<i>Public Work Shop</i>	<i>Wednesday May 25, 2016 @ 7 pm</i>
<i>Constant Yield Tax Rate Advertisement</i>	<i>Monday May 30, 2016 (No Meeting)</i>
<i>Public Work Shop</i>	<i>Tuesday May 31, 2016 @ 7 pm</i>
<i>Public Work Shop</i>	<i>Thursday June 9, 2016 @ 7 pm</i>
<i>Constant Yield Tax Rate Hearing</i>	<i>Monday June 13, 2016 @ 7 pm</i>
<i>Budget Consideration for Adoption</i>	<i>Tuesday June 14, 2016 @ 7 pm (Town Meeting)</i>

I. INTRODUCTION:

The Mayor and Commissioners of Rising Sun have a responsibility to the citizens to carefully account for public funds and to manage municipal resources wisely. The Mayor and Commissioners must manage growth and the relationship between available resources and the cost associated with providing quality services. They must provide for adequate funding for services desired by the community, including the maintenance of public facilities and public safety. More importantly, and in keeping with prior boards, they must continue to provide visionary leadership and project what the needs of the Town will be in the future.

The Town utilizes both budgetary and financial reporting standards set forth by the Government Accounting Standards Board (GASB). There are three Town Funds: the Governmental Funds and the Proprietary Funds, which consist of the Sewer Fund and the Water Fund.

II. OPERATING BUDGET STATUS:

The Town has continued to manage its finances in a wise and proactive manner. The Town has finished under budget on expected expenditures for the last 6 years, however the assessed values of properties in Town has decreased by 16.4%, add in the cost of inflation over that period and the Town has endured a 22% loss in revenues. The Town is faced with converging revenue and expenses issues, as revenues have dropped drastically while inflation, projected to be 9.6% over this same time period, have made it difficult to continue the services for our residents.

The Town continues to employ a strategy of aggressive cuts in expenditures and conservative estimates in projected revenue.

In addition, the Town continues to successfully secure grants and other proceeds to pay for services, such as funds for the parks and police protection. The current budget includes \$636,702 of grant funds. However, it is important to note that although the Town applies for other grants for critical items such as streets and sidewalks, sewer and water infrastructure, the Town does not qualify for financial assistance with these needed and critical repairs.

The Primary Government has a balanced cash flow budget with a small surplus projected in the Governmental Funds of \$7,037.62 and a larger surplus in the Proprietary Funds of \$147,219.83^(a).

Footnote:

(a) Calculation based upon revenue versus expense, with depreciation removed from the calculation

III. BUDGET SNAPSHOT SUMMARY:

Fund:	<u>2015/2016 Adopted Budget</u>	<u>Proposed Budget</u>	<u>% Change</u>
Governmental Funds Operating Expenditures	\$1,842,226.90	\$2,314,527.31	25.63%
Governmental Funds Expenditures Minus Grant Fund Expenditures	\$1,838,226.90	\$1,680,817.31	-8.56%
Water Fund Operating Expenses	\$757,333.16	\$685,646.04	-9.46%
Sewer Fund Operating Expenses	\$932,05.38	\$1,544,000.62 ^(a)	65.66% ^(a)
Total of all Funds Minus Grant Fund Expenditures	\$3,527,567.44	\$3,910,463.97	10.85%
Totals of all Funds minus depreciation	\$3,153,102.24	\$3,047,784.15^{(a)(b)}	-3.34%^(b)

Footnotes:

(a) Includes \$488,214.62 of new depreciation & \$100,000 of new interest only payments on the sewer plant

(b) Depreciation not a real cash expense and there are no principle payments on the new sewer plant so for this comparison, depreciation can be pulled out for analysis. This will not be applicable in future years as town starts paying principle payments. Depreciation to some degree offsets the principle payments that are capitalized

IV. GOVERNMENTAL FUNDS:

The Governmental Funds provide the Town's basic services with the exception of the Proprietary Funds, which contains the sewer and water utilities. The Government Funds provide the resources necessary to sustain the day-to-day activities of the Town and pay for the bulk of all administrative and operating expenditures related to such activities.

The Governmental Funds are divided into nine components, and the budget tracks revenue and expenditures for those funds:

- General Services.
- Police.
- Planning, Zoning, and Code.
- Public Works.
- Streets and Sidewalks.
- Solid Waste Collection.
- Parks and Recreation.
- Debt Service.
- Emergency Management.

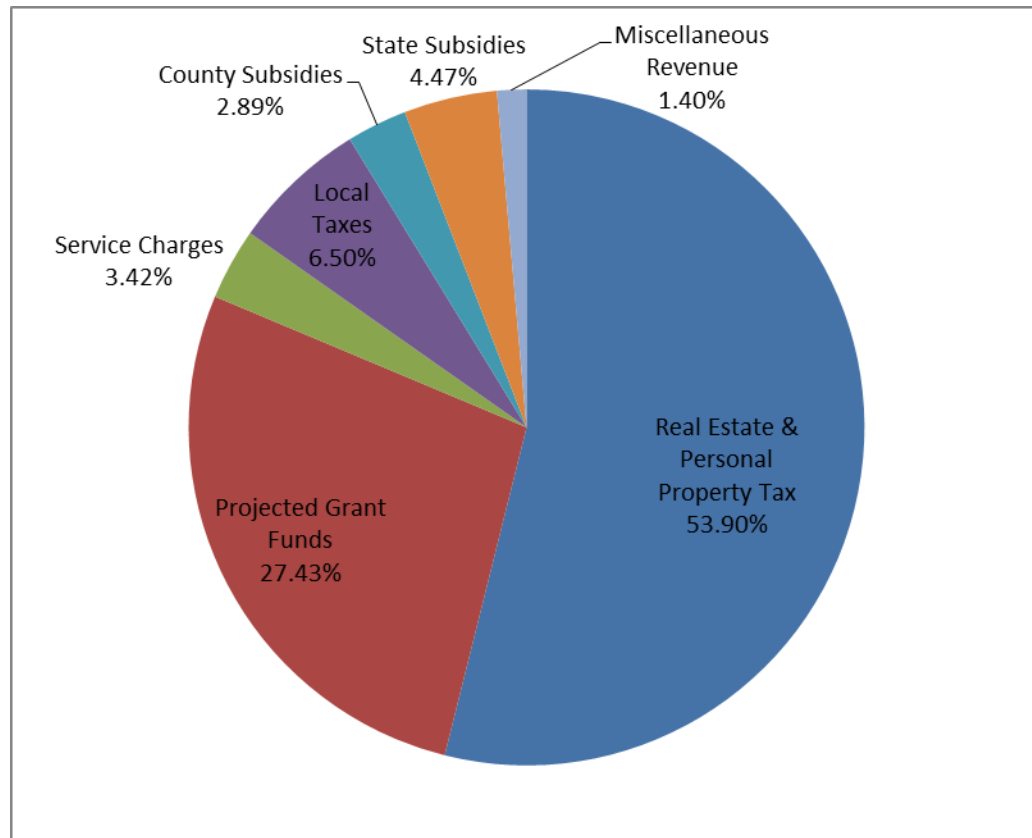
1. **Revenue Summary:**

The revenue for the Town is generated from seven defined sources as follows:

- Real Property, Personal Property and Debt Service and Utilities Taxes.
- Projected Grant Funds.
- Service Charges, related to solid waste collection, planning and zoning, code enforcement, and police services.
- Local Taxes, related to income taxes collected by the State.
- State Subsidies, such as highway user's fees and police aid.
- County Subsidies, related to the tax differential and landfill tipping fees.
- Miscellaneous Revenues.

For the fiscal year ending June 30, 2017, revenues projected for the Governmental Funds are estimated to be \$2,321,564.93.

REVENUE BREAKDOWN



At first glance, the proposed FY 2017 Governmental Funds Budget anticipates total revenues of \$2,331,273.59, which is \$559,116.56 more than the adopted FY 2016 budget.

2. Expenditure Summary:

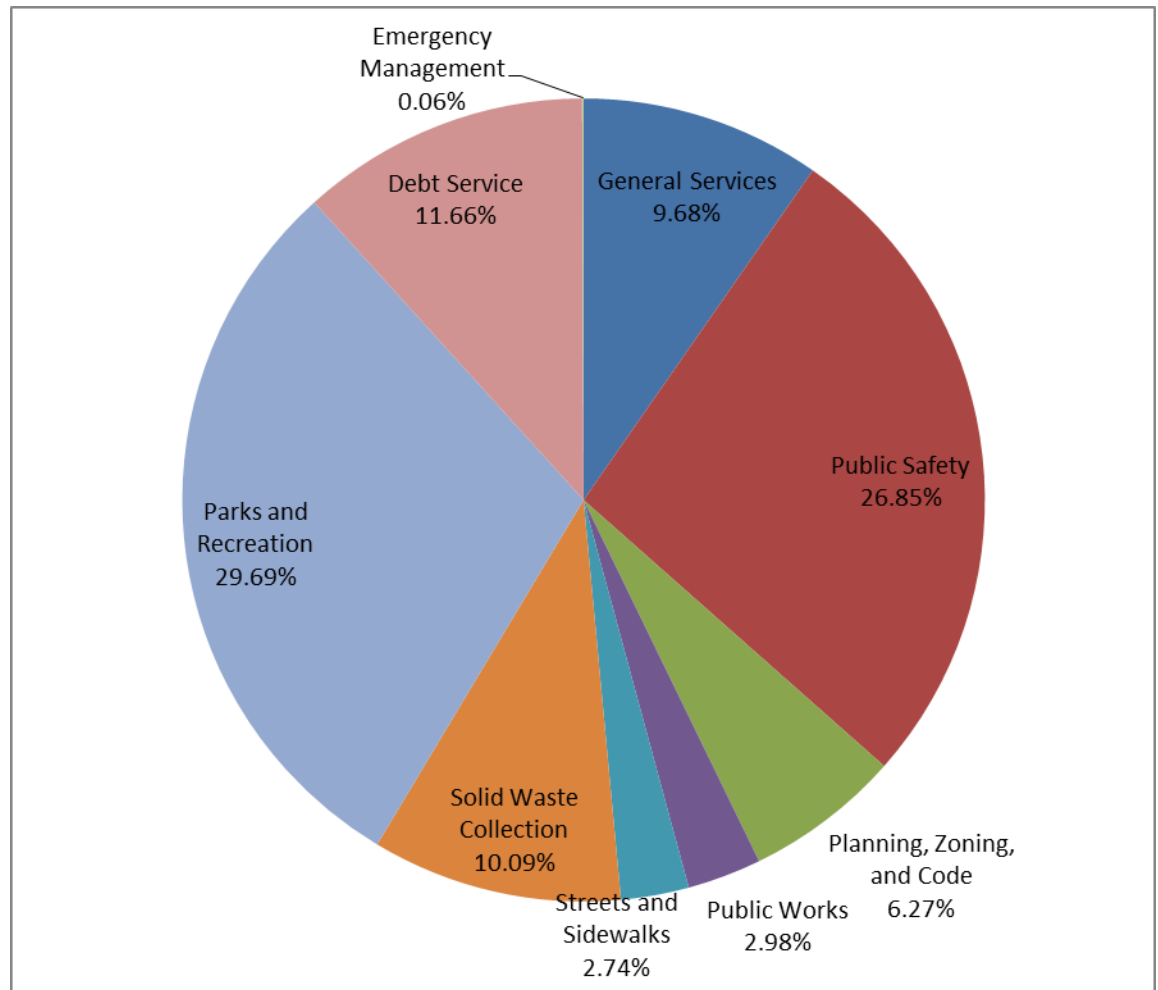
The Governmental Funds are divided into nine primary expenditures compartments:

- General Services.
- Police and Public Safety.
- Planning, Zoning, and Code.
- Public Works.
- Streets and Sidewalks.
- Solid Waste Collection.
- Parks and Recreation.
- Debt Services.
- Emergency Management.

For the fiscal year ending June 30, 2017, expenditures related to governmental activities are projected to be \$2,326,150.31.

The projected breakdowns of expenditures are on the next page:

EXPENDITURES BREAKDOWN



At first glance, the proposed FY 2017 budget anticipates total expenditures of \$2,326,150.31, which is \$483,923.41 more than the adopted FY 2016 budget.

However, this is misleading, since there are \$632,702.01 of additional expenditures related to the recent storm water management grant received for Veterans Memorial Park

3. Revenue versus Expenditures:

The budget, as it currently stands, estimates an end-of-the-year surplus of \$7,037.62.

4. Revenue Action Items:

- **Constant Yield Tax Rate – (Real Estate Tax)** The State is actually projecting a decrease in total property assessments of \$198,771. Furthermore, the Town's assessed values have decreased by 51,974,477 over the past years, for a reduction in revenue of \$211,120. This year's budget includes a increase in the tax rate of roughly 7.4 cents per \$100 of assessed value, or .48 cents of every \$100 of assessed value for new annual revenue gains of roughly \$138,572.80. Despite this increase the Town will still have the lowest tax rate of any Cecil County Community that offers a fully staffed Police Department and Building Department.
- **County Collection of Real Estate Taxes:** The County will continue collecting taxes for the Town. This budget includes a provision of giving a two percent discount upon payment in full of any real estate tax, if taxes are paid in full by the end of July 2012.
- **Personal Property Tax:** This is the tax rate assessed against the property and assets of any business operating in the Town of Rising Sun. This tax has been in place and remained unchanged for many years. This budget proposed to keep the current rate of \$0.90 per \$100 of personal property assessment.
- **Trash/Recycling and Yard Waste Collection:** The collection of trash and recyclables is going to be absorbed into the real estate tax and removed as a special charge on the utility bill, but only for single family residential properties. We currently have 31 nonresidential properties that receive some form of trash collection and will continue to be billed on the utility bill:
 - 1-** A Tax exempt property and therefor would not be paying for trash service under the new plan.
 - 2-** A property that has additional trash accounts listed for the property that would not be covered in the real estate tax.
- **Utility Bill Reduction:** This is a new way of collecting the same money. Meaning, items that were previously billed on the utility bill, totaling \$32.03 per month will be removed from the utility bill and paid for out of the General Fund. Currently this is a monthly charge on the Utility bill equal to \$384 per year. The cost is not going away; it is being moved to the general fund. (See Debt Service Utility Tax.
- **Debt Service Utility Tax:** Currently there is debt service in the general fund that totals roughly \$269,843 per year. To make room for the utility bill items listed above, the debt service is going to be listed as a separate tax on the real estate bill. It will be designated Debt Service Utility Tax. This is a new way of collecting the same revenue. By reallocating the expenses in this manner, property owners, who itemize expenses on their annual tax returns can now receive up to \$123 of additional itemized deductions. Simply put, the expense was going to be paid monthly on the utility bill, now it will be annually on the tax bill and you may be able to deduct this expense. This is not meant to be a one size fits all for

everyone, but as shown in the budget the taxes have to be raised and this is a way of offsetting those increases for many property owners. With these expenses now being paid with the real estate tax, residents can save money by paying the bill on time and receiving a 2% discount, equal to \$7.69 for a total annual savings on a bill they were already paying of \$130.68

5. Items Proposed in This Year's Budget:

- Salaries are increasing by ½ percent.
- Health Care costs are projected to rise by 15.6 percent.
- Employees will see a 1% increase in their cost for insurance
- The budget carries costs for 3 new positions in code enforcement, general administration and public works
- The budget carries the debt service expense of replacement of aging vehicles, a new mini excavator and a vibrating roller. The mini excavator and vibrating roller will increase the amount of road patching that can be done internally as opposed to contracted services.

Overall, the Governmental Funds Budget projects a \$7,037.62 surplus.

V. PROPRIETARY FUNDS:

The Proprietary Funds are made up of water and sewer utility services. The revenues are collected from persons or properties utilizing the respective utilities. These revenues are set aside to pay for the delivery of such services and to provide for their maintenance, repair, and upgrades. The Town currently maintains all of the infrastructure related to the Town's water distribution system, including various well fields, a 500,000-gallon water tank, and public service mains supplying water to the residents. In addition, the Town also maintains all of the infrastructure related to the Town's sewage treatment system, including a 275,000-gallon-per-day sewage treatment plant and all public drains, manholes, and piping that conveys the sewage to the treatment facility. As documented in various recent studies, the Town does not have sufficient water for both current and future water demands. The Town is currently constructing a new 500,000-gallon-per-day sewage treatment facility to handle all current and projected future needs.

1. Revenue Summary:

The revenue for the Town Proprietary Funds is generated primarily from service charges associated with the water and sewer services.

For the fiscal year ending June 30, 2017, revenues projected for the Proprietary Fund are estimated to be \$1,514,186.67, which is a 17.50% increase over the adopted FY 2016 budget.

2. Expenditure Summary:

For the fiscal year ending June 30, 2017, expenditures projected for the Proprietary Fund are estimated to be \$2,229,646.66, which is a 31.98% increase from the adopted FY 2016 budget. However this includes 862,679.82 of depreciation

3. Items Proposed in This Year's Budget:

- The Town is focused on upgrading the Town's water infrastructure, with this being the linchpin to future economic development and community revitalization.
- The Sewer Fund will get an \$839,000 grant from MDE to cover some past expenses of the sewer plant. These funds will be returned to the Town's reserve fund in order to replenishes the expenses that were paid out during the construction of the plant

4. Revenue versus Expenses:

The budget, as it currently stands, estimates an end-of-the-year surplus of \$147,219.83^(a).

Footnote:

(a) Calculation based upon revenue versus expense, with deprecation removed from the calculation

5. Revenue Action Items:

There are no required revenue action items proposed in this budget. It is important to note however, that although the Mayor and Commissioners have reduced the monthly utility bill by \$32.03 as detailed on page 8, however there are still significant expenditures need to upgrade the Town's water infrastructure. This issue has plagued the Town for over a decade, and will result in rate increases that will likely take effect in late 2017

Overall, the Proprietary Fund Budget projects a surplus of \$147,219.83^(a).

Footnote:

(a) Calculation based upon revenue versus expense, with depreciation removed from the calculation